Understanding and Reducing the System Costs of Foundations' Application Processes

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Professor Sarah Gilbert, who devised the Oxford / Astra Zeneca Covid19 vaccination:

"Actually, raising funds had been my main activity for years… I trained for years to become really good at 'doing science'…but… what I actually spend my time doing these days is, mostly, bringing in the money. This [system] can be counterproductive for the cause of scientific research itself…

By the middle of April [2020, when the pandemic was in full swing], money was my main preoccupation as it was the most likely reason that we would fail to make a vaccine."

- Vaxxers: Professor Sarah Gilbert and Dr Cath Green[1]

1. Executive summary

This report was funded by the Law Family Commission on Civil Society. It exists to 'unleash the full potential of civil society'. A considerable 'leash' (constraint) on civil society organisations is the costs created by charitable funders through their grant application processes.

> *'Our revolutionaries are busy writing proposals'* – from Shift The Power conference, Dec 2016

We estimate that UK charities spend at least £900m every year applying to charitable foundations[1]. That is, UK charities spend that much transacting with each other, simply moving money from one set of charities to another. Is £900m a lot of money? Well, yes: it is 1.5 times the income of the National Trust; and means that the sector spends every two years about as much as emerged from Unclaimed Assets (dormant bank accounts) which the government described as a "huge sum" and for which there was a long campaign to release[2]. These costs fall disproportionately on small charities.

Research by the Directory of Social Change suggests that a third of applications to foundations are ineligible[3]. The cost of raising money – the cost of capital – is high for charities, and especially for small charities: we estimate that applying for grants costs the sector at least 5.6% of the amount raised, and at least 17.5% for small charities. Of course the real harm is the opportunity cost: the benefit to society and the environment that charities could produce with that time and money if it were not spent on these administrative transaction processes.

Do application processes produce enough benefit to warrant this cost? Data is lacking, but we have good reason to suspect that they do not. Several foundation interviewees, like many foundations we have worked with elsewhere, could not articulate the real purpose of their application process. Only two interviewees mentioned effectiveness (or identifying 'the best charities') as an explicit goal, and very few foundations have experimented with other application processes to see which works best.

One thing seems certain: if you were to design from scratch a sector-wide system to maximise the social impact of the available resource, you would not create the current system. At a minimum, the system should (a) enable charities to discover relevant foundations and vice versa, ideally having provided their information only once, and (b) connect them together, and perhaps enable the paperwork for each to properly check out the other. Instead, currently most foundations create their own application processes and forms, into which charities re-key virtually identical information multiple times, often without being able to ascertain whether they are even eligible. The system by which charities and foundations discover each other and connect is vastly different to the analogous system for students applying to universities, or online dating systems: in both of those systems, the discovery part is centralised so only happens once.

Other people have noticed this problem and tried to research it and reduce it. We build on that work. Giving Evidence approached this as a behaviour change issue. Hence we sought to understand the

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[1] Our calculation is described in Appendix Two.

factors that drive foundations to behave as they do, in order to uncover factors that might persuade and help them to streamline these processes[2]. We sought to understand charity behaviours – e.g., how they discover relevant foundations and how they decide which ones to approach – what drives those behaviours, and hence how that behaviour could be influenced to reduce these costs.

We found both an information problem and an incentive problem. The information issue is that few foundations (and also few charities) monitor the costs which application processes cost. Some of our recommendations address that. The incentive issue is that foundations face no biting pain themselves if their processes create costs for charities. Other recommendations arise from that.

We were surprised that not all our charity interviewees view application costs as problematic.

Initiatives aiming to reduce application costs are interventions in the charity sector. Any untested intervention might be helpful or it might be harmful: the history of medicine and increasingly education, public policy and international development have many examples of well-intentioned interventions that turn out to not work or even to be detrimental. Many 'solutions' have been proposed to reduce application costs – but few have been properly tested. Giving Evidence's perhaps unique contribution to this issue is to analyse the costs, benefits and effects of interventions that aim to reduce the costs of the current system, and also to see who participates in each one and who could be persuaded to participate. Hence we did some economic modelling to analyse various proposed fixes. We found interventions two conditions which must both be met for any intervention to be attractive: (a) the benefits (cost savings) exceed the costs to set them up (this is not always the case), and (b) any other effects are tolerable, such as the way that a pooled fund might cause funding to be moved from one area to another.

We analysed three initiatives to reduce application costs: online matching platform; shared application processes; and pooled funds. For each one, we found non-crazy circumstances in which they help and also circumstances in which they hinder. That is, these well-intentioned initiatives could in fact exacerbate the very problems they are trying to alleviate.

Hence reformers should proceed with caution. In particular, they should consider:
- How many new applicants might be attracted to the scheme
- How easy or hard it is to find eligible applications
- The total costs to a charity and a foundation of going through all the steps of the process in the new system.

This report provides recommendations about what can be done by foundations, charities, the Law Family Commission and others to reduce these costs, so as to free up more of the scarce resource for charitable activity. We list our main findings and key recommendations below. We list our main findings and key recommendations below.

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[2] This project focused on how to encourage greater efficiency in terms of foundation practice. It did not focus on how foundations or charities could improve their effectiveness.

More detail on the calculations and definitions is in an appendix, published separately, on giving-evidence.com

Main findings

1. Most foundations face no external pressure. Most do not have to compete for their resources – because they are endowed or are given their resources e.g. by a company. Thus they face almost zero existential threat – unlike most businesses: this makes them virtually unique in the economy.

2. Hence philanthropic foundations have more demand than they can meet. They therefore do not need to think of applicants and grantees as customers for whom they need to compete: rather, their main 'problem' is often demand-management. This spared them any pressing need to design their processes for applicants and grantees (despite the obvious point that grant-makers achieve their impact solely through the entities that they fund).

3. **We estimate the total cost of applications to be at least £900m each year, which is 5.6% of the grant funding they raise**. We also estimate that these costs are not borne equally: for smaller charities (as defined by NCVO, as having annual income below £100,000), the cost is at least 17.5%.

4. Charities compete for limited funding. We found three main bases for competition: fitting within a foundation's criteria (eligibility); ability to discover that a foundation with relevant interests exists; and ability to write application forms and navigate the application process. That is, **our research did not find charity effectiveness to be a major basis for funding decisions**: if it is a factor at all, it will be only one of several.

5. There are two issues around foundations here:

   - Information: the costs of the current application system are mainly borne by charities and not visible to foundations. We found that few foundations ask about them. Hence most foundations have no information about them. (We also found that few foundations monitor the costs to themselves.)
   - Incentives: foundations have no biting incentive to reduce these costs. Indeed some solutions might reduce costs for charities but *increase* costs for foundations: even if the balance is an overall saving, foundations have no natural incentive to participate in these solutions.

> *"The problems of philanthropy are not experienced as problems by the philanthropists."* [4]
>
> - Katherine Fulton

Main findings – general

6. There is no overall system that manages application costs (like UCAS for universities). Application processes are normally designed by individual foundations. Hence they are many, varied and duplicative.

7. **We found mixed opinions amongst foundations about whether the cost of application processes is a problem**. Some foundations did see it as a priority and have redesigned their processes accordingly. Others did not. Giving Evidence has encountered many foundations who do not see these costs as a problem *for them* and indeed some foundations view them as a way of (helpfully) reducing demand.

8. Amongst charities, views varied. Perhaps surprisingly, some charity interviewees had never thought about these costs or whether they could be reduced, and just regard it as the way the world works: "*The 'pain' is part of the job*", said one. Others expressed frustration and anger at funders for perpetuating practices they felt were inefficient and unhelpful.

9. Some funders have realised that they do bear *some* of these costs and have worked to streamline their processes to both benefit charities and themselves. We found that a foundation's willingness and ability to change its processes was unrelated to its size (of grant budget or staff team), but instead depends on whether the board and staff understood that improving processes can help the foundation to achieve its mission. For instance, the Heart of England Community Foundation has changed its processes to enable smaller volunteer-led charities to easily apply.

10. Various activities and initiatives exist to reduce application costs. We call these 'interventions'. Some are born in the UK, others born in other countries; some are initiated by funders, with others initiated /run by charities. We also found some interventions in analogous sectors, e.g., funding individuals and US college applications. (The appendices detail the interventions that we assessed.)

11. Take-up of these interventions is mixed. Some interventions such as Brevio have thousands of charities signed up but very few funders. Others like the London Community Response, a pooled fund run by London Funders in response to the pandemic, attracted far more funders to participate, as has #FixTheForm. This led us to wonder whether some of these interventions are addressing issues that charities and funders do not consider to be problems, or at least, not priority problems. Our fieldwork also suggests that charities in particular shy away from interventions that require an ongoing subscription, or providing payment details up-front.

12. Indeed, we found evidence that the **issues prioritised by funder-initiated interventions are not the issues most keenly-felt by charities** (e.g., making all questions on the form visible before somebody starts completing it.) In other words, the funder-initiated interventions might be better directed at somewhat different problems.

13. There is a lack of data demonstrating whether any of these interventions have helped to reduce application costs. Some interventions, this may be just because they are new, but for them all, more data would be useful.

14. Many foundations changed their processes (including application processes) in response to the pandemic - particularly to reduce cost, time, equity, reach and complexity. For instance, by reducing or removing restrictions on funding. Some practices have reverted, and others endure - at least, for now.

15. To improve processes to better meet charities' needs, funders require service design skills. Few foundations have these in-house and the foundations we found which have made such changes have hired specialists to help them do this work.

In consequence, we wondered whether foundation and charity practice might be more 'sticky' (harder to change) than we had imagined. Relatedly, we noticed a distinction between:

i.) Some fairly minor changes that many / most foundations could make, such as: making it possible to see all of the application form questions before completing any of them; having a clear eligibility-checker online; and being able to save a partially-completed application form; and

ii.) The big, system-changing interventions, such as matching platform schemes or joint application forms with pooled funds, which re-imagine some of the system.

The charities we spoke with were very vocal about their desire to see more of the former. However, there was much less consensus about whether system-changing interventions should be a priority.

Our findings lead us to wonder whether it might be more useful to direct efforts at these smaller changes that many more foundations could feasibly make, given the right information and support. It seems to us that charities may particularly welcome these modest process changes if more foundations join some of the more complex interventions we identified.

Further findings specific to foundations

16. **No foundation that we interviewed (or have ever encountered) routinely tracks the costs that its grantmaking process creates *for applicants*:** only few seem to have enquired much about them. We also found that few foundations track or actively manage the costs *to themselves*. That is, foundations do not actively manage the costs created by their processes, because these are externalised – borne by other organisations, individuals and communities, rather than directly and visibly affecting the Foundation itself or its staff.

17. **Few foundations design their processes consciously**. Rather, they normally evolve and accrete over time, gradually becoming more complex. One foundation representative told us that *"lots of times foundations forget why they are asking for info and who initially required it."*

18. Few foundations routinely or consciously review their processes regularly, including with a view to the costs to applicants and the applicant / grantee experience. Foundations seem to be in one of two camps:

    a. They have done or are undertaking a major overhaul of their entire process, or;

    b. They have not done any (re)design work for a long time and doesn't appear to be the opportunity for any on the horizon. It does not seem to be common for foundations to frequently make improvements to their systems (unlike many businesses, where this is more usual).

19. The most likely times for foundations to review their process are (a) when there's a change in leadership, either at board or CEO/Director level or (b) when it launches the process of reviewing its strategy.

20. Foundations' application processes vary, as does the amount of information that they request from charities. Yet interviewees from several foundations told us that having more information does not always help to improve decision-making.

21. Some foundations ask applicants for information which does not actually get used. Sometimes such information, and the time to compile it, are considerable.

Further findings specific to charities

22. Few charities routinely track the costs of their various applications. Doing so might enable them to make better decisions about which funders to approach (given the opportunity cost we discussed earlier). In fact, charities tend to significantly underestimate the costs of applications: when we asked about the number of applications they make, and the time spent on each, the answers came to only about half of the staff time they spend on applications.

23. Some charities told us that they were more concerned about building relationships with funders than they were about improving the efficiency of the application process. It seemed that these charities equated those good relationships with increased higher chances of receiving funding.

Findings in relation to interventions to reduce application costs

24. Few charity interviewees were aware of existing interventions and even fewer were directly involved in them.

25. Obviously[3], these interventions are beneficial if:

- they save more money than they cost, and

- any other effects are acceptable. 'Other effects' include changing the distribution of funds between organisations of different types or in different sectors.

- If an intervention's set-up costs are high, and/or it does not save much money because it does not change much behaviour (e.g., because they attract few users), it may be a net harm.

26. We analysed three interventions in detail: matching systems; joint application forms with pooled funds; and joint application forms without pooled funds. **For each intervention we analysed, we found circumstances in which they would be beneficial (i.e., increase the amount of money available for charitable activity) and circumstances in which they would be harmful**.

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[3] We say 'obviously' but it took us about three months to codify this…

27. It can be possible to overcome funders' lack of incentives and divergent interests if an intervention clearly meets their needs and goals. The success of several systems attest to this: the London Community Response fund (to Covid) is one inside this sector; and outside it, a system for sharing applications for funding individuals in the UK (Lightning) and a system for sharing applications to US colleges and universities.

Findings from the economic modelling

We analysed three interventions: matching schemes, joint application processes for a pooled fund, and joint application forms with no pooled fund attached. We focused on the funds available to charities once application costs, screening costs, and unallocated funding are accounted for. Our findings include:

28. That interventions designed to reduce costs for applicants are likely to draw in new applicants, which:

    - Is a good thing if finding eligible applicants and applicants that could be successful was a challenge before the intervention. This means more funding can be allocated to charities.

    - Is good when numbers of applicants do not increase much with the introduction of the intervention, and thus the system's initial screening can prevent charities and funders from the costs associated with full applications by ruling out ineligible applicants at an early stage.

    - Is bad and potentially costly when funders already had a decent pool of eligible applicants. Although the intervention might be designed to reduce cost per application, the numbers of applications could be so high that total costs go up, without funders getting more eligible applications which they can support (since they will receive more, but they already had what they needed and could support).

29. Splitting application processes into two stages is usually broadly positive (if certain conditions are met) for just one funder and also for pooled funds. That positive effect arises only if:

    - The costs of setting up the joint form/process are not too high; and/or
    - They attract a moderate (but not too high) number of new applicants; and/or
    - The cost to an applicant of going through the joint process is no higher (or not much higher) than the cost of going through either of the foundations' individual processes.

30. Even when interventions are positive – i.e., they increase funding for charitable activities – foundations do not always set them up. This is because setting them up costs money and there may be inadequate benefit to the foundation(s) even if there is benefit across the system. This leaves a role for umbrella bodies and other third parties to meet some of the set-up costs, since it is a public goods problem best met by a collective solution.

31. In some circumstances, pooled funds may be set up when they do not increase funding for charitable activities. This occurs when foundations are interested in persuading other funders about who or what to fund, and this takes precedence over the set-up costs of a pooled fund.

Recommendations

This research suggests steps that can reduce the cost of funding applications and increase the overall effect of charitable resources. Below we list recommendations for foundations, charities and sector bodies and The Law Family Commission on Civil Society.

Foundations – all

1. Publish clear information on their websites about:

   a. What they will and won't fund, i.e., their eligibility criteria. Funders who offer eligibility checkers receive fewer ineligible applications, reducing cost to both parties; and

   b. Funding priorities and eligibility criteria; and

   c. Success rates (i.e., the proportion of applications which succeed. This is normally split out by funding programme.) This is normal practice for funders of scientific research, but rare amongst funders.

   [The recently published Foundation Practice Rating report assessed 100 UK grant-making foundations. It found that many foundations do not provide this information on a website: indeed 27 of the 100 did not have a website at all.]

2. Recognise that application costs create costs for charities, and work to reduce them. For instance, avoid long application forms, remove elements that suit a funder's needs rather than charities' needs, and remove questions that are not used in decision-making. Giving Evidence has often found (in this project and beyond) funders collecting information "just in case". Those questions have a price - for the applicant.

3. More broadly, adopt a service mindset, meaning working with charities to routinely review and improve application (and funding) processes to ensure that they meet charities' needs and not just those of the foundation and its board. To learn more about this mindset and related design and digital skills, foundations may need to bring in new staff or pay for specialist expertise. This work can be scaled to a foundation's size and budget. [4]

4. Consider splitting application process into two parts (if not already). The first part is to rule out applicants unlikely to succeed. The second round process can be more in depth without every applicant investing more time. Funders should avoid duplication between the stages.

5. If heavily oversubscribed in terms of applications, foundations could experiment with randomising grant decisions for eligible applicants. This could save the foundation costs: it would require a transparent explanation because it is so unusual. (See Box 5.)

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[4] There are some suggestions for this in a recent report from Ten Years' Time: *Racial Justice and Social transformation: How Funders can Act*.

6. Should consider opting into the annual Foundation Practice Rating to receive independent assessment on their transparency, accountability and diversity practices[5]. They should also be in contact with ACF and other sector bodies about best practice in funding decisions, so that when transitions happen (notably key staff or trustees moving on) they are aware and ready to redesign processes for the new chapter ahead.

Newly established foundations

7. Should connect with sector bodies before designing their funding processes. This should raise their awareness of (the need for) existing reform movements and help them create processes based on best practice included in materials such as ACF's Stronger Foundations series[5] (i.e. understand what practices are useful to implement and which are not).

Charities

8. Log data about the costs of completing each foundation's application forms and processes – including both staff time and other resources. Given charities' concerns about providing feedback directly to foundations, this data could be collated by sector bodies such as The Chartered Institute for Fundraising, who could share it with funders (perhaps publicly) to raise awareness of the costs that they create and hence pressure to reduce them.

9. Where possible, publicly acknowledge and encourage good practice by foundations (e.g. on social media and/or via Grant Advisor UK) such as them being transparent about eligibility etc. on their websites and/or having application forms that are accessible and easy to navigate.

10. Contribute to reform campaigns, such as #FixTheForm, which recently launched a new survey encouraging charities to share ideas on what the next campaign should focus on.

Sector bodies

11. The Association of Charitable Foundations (ACF) could create and promote practical advice for foundation board members to raise awareness about these costs with case studies about what other foundations have done to tackle this issue. This could help reach boards of foundations that are not well-connected to their peers[6].

12. The Chartered Institute of Fundraising, ACF and Philanthropy Impact[6] to consider running a joint campaign to raise awareness about the need for foundations to (a) create honest relationships and better feedback processes, and (b) to redesign their processes to reduce these costs.

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[5] Declaration of interest: Giving Evidence conducts this research.

[6] The Foundation Practice Rating 2022 also revealed that ACF's membership is atypical of foundations as a whole. Though 40% of its sample of 100 foundations are ACF members, ~66% of the ones which scored A or B overall (the top two of the four grades) are ACF members.

13. Should talk publicly about the issue of application costs to raise awareness of them amongst funders, together with why these arise and the barriers to reducing them. It could also highlight promising interventions, and their potential contribution.

14. Could fund / promote the need to fund production of research to estimate (a) the cost savings produced by the existing interventions (because inadequate information seems to exist currently) and (b) the effect that key interventions could have if implemented by funders at scale.

15. Our research also suggested the potential value of a neutral body to receive complaints / suggestions about poor foundation practices (anonymous or not). This might be somewhat like an ombudsman. This body would share that feedback with relevant foundations with information and advice about how to improve. The Law Commission could identify an entity to serve that function – or set one up if none such already exists – and fund a pilot of this work. (There would need to be some testing and modelling of this intervention, as for the others.)

16. Few foundations know the costs that their processes create for applicants and grantees. The Law Family Commission could fund the production of research to show these costs. That would be shared with those foundations – and perhaps published – which might prompt foundations to realise the costs and start to manage them and reduce them. Here are two forms that that research could take:

    a. Studies of foundations, one at a time. Here, researchers would take one foundation: say, Esmée Fairbairn Foundation. They would work in conjunction with that foundation to identify the number of organisations which apply to each of its programmes, map the stages of the application process, and the number of applicants which reach each stage (incl. the number which eventually succeeds). They would talk with a sample of organisations which reach each stage, to identify the costs that each applicant incurred up to the point in the process that it reaches. Combining that latter figure with the number of organisations which reach each stage would indicate the total cost externalised by each process stage, and summing those would indicate the total cost externalised by the whole application process of that foundation. They would repeat it for other foundations. Clearly, foundations vary in their funding model, so the 'right' externalised costs vary between foundations – but currently foundations do not know these numbers at all. This research would highlight the problem, and help foundations to manage and reduce these costs. This method would need to be in partnership with each included foundation, and hence with their permission.

    b. A 'panel' study covering multiple foundations. This would not require foundations' permission. Here, one would recruit a large number of charities (perhaps through a membership body such as NCVO). Each charity would record each foundation to which it applies (in some period, such as year), the stage it reaches in that

foundation's application process, and the costs it incurs. From that data-set, researchers could see: the number of charities which apply to (say) Esmée Fairbairn Foundation, the number which fail at each stage of its application process (and the proportion which succeed, and how much they each receive), the average cost incurred by each applicant at reaching that stage, and hence the costs externalised by that foundation's whole application process.

2. Introduction

About this project

This document is the report of a small research project to explore the costs incurred by both charities and funders in the processes of making and administering funding applications[7]. This project aimed to uncover how funders' application processes can be streamlined to reduce the cost of these processes for applicants, and potentially on funders as well. Reducing application costs could bring significant benefits by increasing the proportion of philanthropic funding that can be spent on achieving charitable outcomes. This report includes detailed findings and recommendations for charities, foundations and sector bodies.

This study was funded by the Law Family Commission on Civil Society[7], which aims to "unleash the potential of civil society", to harness and enhance the powerful community bonds that exist across the UK.

Giving Evidence[8] advises donors and funders on increasing their effectiveness by ensuring that their *giving* is based on sound *evidence*. We have worked with many donors (and groups of donors) of many types on many issues in many countries for many years. We bring a scientific approach to philanthropy, using data and evidence as much as possible.

The authors of this report are Caroline Fiennes, Gemma Bull and Sarah Sandford:

- **Caroline Fiennes** founded and directs Giving Evidence. She is a recognized expert in philanthropy. She is a Visiting Fellow at Cambridge University's Centre on Strategic Philanthropy, has advised many funders and published about philanthropy in the scientific journal *Nature* (which does not normally publish about philanthropy) as well as in the Financial Times, Freakonomics, The Economist, Forbes and elsewhere. A physicist by background, she has published masses of research about philanthropy and about research.
- **Gemma Bull** has over fifteen years' experience leading and advising nonprofits and foundations globally. She has worked as a senior executive for the largest community grant maker in the UK, awarding £650m every year to charities and local groups. She specialises in strategy and effectiveness reviews as well as enabling organisations to become more accessible. Gemma has co-authored *Modern Grant-Making,* a practical guide (book) for modern grant makers published in summer 2021, which includes: tips on improving your strategy, how to use digital-era working practices to streamline grant making and how to better support participatory approaches. She has specific expertise in funding that supports community-led activity, and in 2018 was recognised globally as a senior executive helping to create more welcoming workplaces and making a significant contribution to inclusion beyond work.
- **Sarah Sandford** has been a researcher and consultant in philanthropy for the last 15 years. Her PhD from the London School of Economics was about the influence of large

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[7] From this point on, we will refer to 'funding applications' simply as 'applications'.

donors. She has worked as a consultant for the OECD on increasing the impact of international philanthropy, and on documenting social innovation and foundations launched in developing countries for a French Business School, ESSEC. She worked as an analyst for New Philanthropy Capital in London, researching and advising large donors on mentoring young people, child refugees and care of the dying.

Sector context

Many charities in the UK raise at least some of their income from trusts and foundations. During 2019/20 the largest 300 foundations in the UK gave £3.5bn in grants[8' 9]. In order to be considered for grants from foundations, charities must normally submit application forms and other materials (such as annual accounts) that demonstrate how they meet a foundation's criteria and that they are run well. There is normally to-and-fro after the application process, e.g., providing additional information, asking questions, handling visits from the foundation.

To apply for grants, charities need to allocate staff time and resources to researching foundations, understanding their various criteria and guidelines concerning application forms, and to writing these. It is well-known in the sector that the time to apply varies hugely between foundations. Some charities can complete simple application forms in one day or less but it was not uncommon for charities to spend a full week or more completing more complex bids (usually for larger amounts of funding). Smaller charities – which are the majority (80% of charities have income under £100,000) – are unlikely to have dedicated fundraising staff. They rely on paid staff and volunteers who may also have other roles, meaning that time is taken for fundraising that could be spent on service delivery. This can place immense pressure on people who are already giving their best to ensure the charity's survival and smooth operation.

Normally, after a charity receives a grant, it will continue to expend resources (mostly staff time) on publicising and managing it i.e., liaising with the funder to provide interim updates and adhering to any monitoring and evaluation obligations. This means that there is a high cost of capital in the voluntary sector - raising grants and managing grants is expensive for charities. If they could be reduced, more charity resources would be available to the front line.

The Directory for Social Change started research 12 years ago to understand where inefficiencies in application processes arise, such as ineligible applications[10]. Various interventions have been proposed - some of which have been tried and tested, particularly over the past five years. (Appendix Three has the full list of interventions we identified.) Despite research and the launch of various potential interventions, the cost of capital remains high and the funding system persists relatively unchanged.

Project aims

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[8] The top 300 foundations used by the Association for Charitable Foundations in their annual research sample represent around 90% of the value of giving by philanthropically-funded foundations in the UK.

This project aimed to build on this history by improving understanding in two areas: the behaviours that drive foundations to develop processes that create these application costs; and likely effects of proposed or active interventions (that have been publicly shared), specifically on costs. In more detail, the project aims were:

1. *To understand the current behaviours that contribute to application costs and why they arise*. Specifically:
   - what funders are trying to achieve with these processes? E.g., are they trying to reduce costs, limit work for their teams, limit applications precisely to reduce costs on potential applicants?
   - how operational charities decide whether it is worth applying to a particular funder and whether they take into account the costs of applying and the chances of success.

2. *To analyse the likely effects of potential fixes.* In particular, to gauge the likely effects of these interventions, including unwanted side effects. We did this through:

   a. *Discussing possible fixes with foundations and experts.* The purpose here was to gain insights into any reservations that they have, their desire for change, any feasibility issues with the potential fixes; and

   b. *Economic modelling*, to identify the possible behavioural responses to various interventions that can be expected and to uncover unintended consequences (including adverse effects) which might arise from changes to the system.

Project scope

We focused on:

- Type of funder: charitable grant-making foundations (not public sector funders, companies or National Lottery distributors);
- Type of applicant / grantee: registered charities. That is, we did not look at social enterprises or other types of organisations which might apply for grants.
- Geography: the UK. Giving Evidence interviewed people working for charities and foundations from each nation of the UK, and from various regions within England.

Throughout this report we use the terms 'funder' and 'foundation' interchangeably.

Project structure and method

This small project involved three stages:

1. *Landscape analysis* (November and December 2021) - to understand the work that has already been done on these problems. We identified and interviewed experts involved in various interventions designed, in part at least, to reduce costs of applications. This phase also involved a desk-based review of research and literature on the total costs of

applications, and interventions designed to reduce them. We also looked at some analogous interventions in other sectors, e.g., applications to US colleges.

2. *Fieldwork* (January and February 2022)*.* We conducted in-depth interviews with 14 UK charities, with a range of sizes[9], locations, sectors and life-stages, and seven foundations with diverse approaches to grant-making[10]. These were to understand their current practices around applications, what drives those practices, whether they have tried other approaches; whether they are involved in any of the existing interventions, and if so why and what they think of them; whether they track the costs to themselves; and the extent to which they experience application costs / the application system as a problem. We also asked:

   a. *For charities:* how do they choose which foundations to apply to; whether they track the costs of each application; what those costs are.

   b. *For foundations:* how often they review and redesign their application processes.

   Our interviewees, and our method for selecting them, are described in appendix one. Our sample is small - 14 interviews with charities is not statistically significant, especially considering the diversity of charities and foundations across the UK. Nonetheless, the interviews revealed a range of views.

3. *Economic modelling.*

   a. We developed some estimates of the total cost of application processes, to various types of charity and the sector as a whole; and

   b. We devised and tested an economic model to assess the effects of various potential interventions, including benefits and harm. We selected three interventions to test using the model: we chose these because they were likely to be consequential for the funding system at large (rather than the relatively small changes that individual foundations could make to reduce costs), and might have unforeseen consequences. The three interventions that we modelled were: matching schemes; joint application processes which lead to pooled funds; and joint applications processes which do not lead to pooled funds. We did not model the performance of these interventions in every conceivable scenario. Rather, we tested each intervention in various scenarios, and we chose those scenarios because we felt they were likely to produce an insightful answer.

   The model is detailed in Appendix Four.

In addition, all the work was informed by our team's considerable experience working with (and in) many funders of many descriptions with many interests, in many countries and over many years.

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[9] We used the definition of charity sizes (by revenue) from the *NCVO Almanac*. We included at least one charity in each of its size bands.
[10] Our sample has a combined total annual giving of £120m. A full list of charity and foundation interviewees is in the Appendix.

That is, the insights here derive from many more organisations than we contacted specifically for this project.

We also investigated and profiled various interventions which are analogous. They include work by the UK government's Cabinet Office. As a government entity, this is outside our scope, but it is introducing a new process across four government departments to make it easier for charities to discover what funding opportunities exist and to apply. It enables charities to submit just once the information that will be used to assess them. We were interested in how that process came about (i.e., what incentivised it), who funds it, and how it works.

3. Landscape review

How the current funding system creates application costs

There are several features of the current funding system that drive cost. **First, there is the number of applications that are made, many of which will not succeed in attracting funding**.

Most funders are oversubscribed, so can only ever fund a small proportion of applications they receive. For instance, in 2021 Esmée Fairbairn Foundation, one of the UK's largest independent funders, only funded about 4% of applications received through its website[11]. To help to manage demand, some funders publish criteria about what they will and will not fund, or even close to applications once a sufficient number of applications have been received. But even with action to manage demand, there will always be some effort on applications which ultimately do not result in a grant.

Some approaches to grantmaking tend to encourage more applications. Most traditional foundations work passively, meaning charities start the process by submitting applications. The charity must then wait, often for several months, until the funder notifies it of its decision. Grants are typically for projects and restricted to that activity, and few funders provide funding which can be used for core running costs. Grants may also last three years or less. In combination with low success rates of individual applications, the result is a set of incentives on charities to submit numerous applications to multiple funders each year in order to increase the chances of receiving funding at all and spread their overhead costs across several proposals in the hopes of covering them[11].

Some element of competition in funding is inevitable and productive. A funder wants to feel confident that they have a good field of applications from which to pick. But there is a point when having more options tends just to waste charitable resources. We found three main bases for competition: ability to discover foundations with relevant interests; eligibility; and ability to write application forms and navigate the application process. Interestingly, the research did not find

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[11] Research conducted by The University of Bath in 2019 found that 66% of UK grant applications fail and that registered charities typically make 22 applications annually. It is important to note that this research was funded by Marcelle Speller, the founder of Brevio: 191118_UoB UK Third Sector Grant Making Report (bath.ac.uk).

charity effectiveness to be a major driver of foundation decisions, even though this could be key to the productive use of their charitable resource: if it is considered by funders, it is usually only one of several factors.

Some funders seem to actively solicit more applications than they need. Giving Evidence has written about a funding programme set up by NatWest which aimed to attract many applications – only to then reject 93% of them[12]. A programme by Aviva solicited five times as many applications as it could fund, and one by the Cabinet Office had to reject 98% of applications[13].

Second, decisions about application processes are made by foundations, often with little understanding of the effect of those decisions on the costs on charities that apply to them. Most foundations create their own application forms and processes: few foundations use existing ones or share them. This means that charities often provide (and sometimes have to re-key) the same information multiple times, navigating different formats and nuances of the questions' wording.

Foundations generally design their forms and processes to meet their own operational needs and those of the board rather than the needs of charities. Application processes can even exclude groups of people – e.g., poorly-designed online forms which screen readers cannot read are unusable by people with visual impairments) or behave in a way that undermines charity's financial security such as paying for work in arrears. (One charity interviewee in this project told us that they had experienced this, and Giving Evidence has heard many such examples).

Some application processes are clearly excessive: one charity interviewee recounted a 60-page application form required for a grant of only £500. Indeed, Professor Ben Goldacre, academic and science writer, coined what we call Goldacre's Law: that the amount of paperwork in asking for small sums of money is much more than that in asking for large sums of money.

Third, there is a lack of transparency or clarity about what a foundation will and will not fund. This increases costs, not least by producing many ineligible applications, which creates waste. The results of the Foundation Practice Rating[12,14] published in March 2022 found that 27 of the 100 UK foundations assessed had no website: and of those which did, many did not publish clear information about eligibility and funding priorities. Thus charities spend considerable time to discover suitable funders – and may still submit avoidably ineligible applications.[15]

Why are foundations not clearer about their funding criteria? Several foundation staff we interviewed talked about their boards' reluctance to publish clearly what they will and won't fund because it might restrict their decision-making discretion. This is despite research by Directory of Social Change (DSC) which suggests that funders being transparent about eligibility can reduce application costs. Without knowing the criteria, charities are aiming at a target they cannot see.

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[12] Research related to the Foundation Practice Rating was undertaken by Giving Evidence.

Ineligible applications are a major driver of wasted system costs. DSC started researching application costs in 2007, partly because of charities' frustration at the lack of feedback from funders: they didn't know where they were going wrong[16]. DSC asked 352 grantmakers to share data on how many applications were ineligible, successful or rejected over a one-year period. As a rule of thumb, a third were ineligible, a third accepted and a third rejected. DSC repeated the research in 2017 and found that ineligibility fell but was still very significant, at around 20%, as shown in Figure 1 below[13].

Figure 1., Proportions of applications which are ineligible, eligible but rejected, and succeed
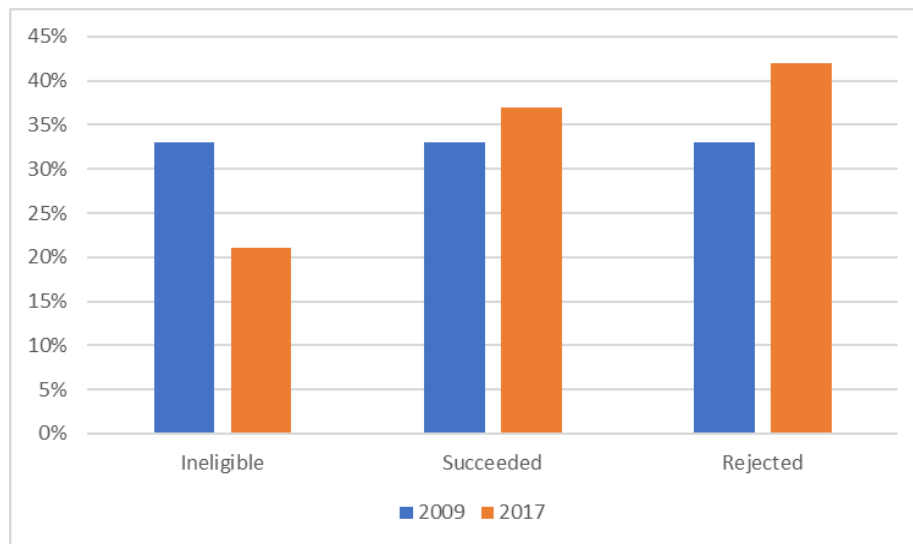
DSC's research in 2017 also found that funders with eligibility checkers received fewer ineligible applications: 10% vs 21% across all funders. Put another way, checkers appeared to halve ineligible applications. Larger funders also tended to have lower ineligibility rates. This may be because they spent more on making information about their funding processes transparent and/or had (more) staff to allocate to pre-application support. Some of the foundations we interviewed reported that they had similar annual ineligibility rates to the DSC study. For instance, one foundation said that its ineligibility rate was 20% while another said that its application rejection rate was 29% (although not all rejections would have been based on ineligibility). Other funders told us that their ineligibility rates were much lower, between 2-10%. Two funders said they did not know their ineligibility rate.

Lack of relevant skills in funders is another problem. Barriers to entry are low. There is no mandatory formal qualification for grantmakers, and not even much formal qualification, as there is in fundraising. Membership bodies like ACF offer 'learning events' and training for grantmakers on certain topics but participation is down to personal discretion – there is no expectation or requirement to take part. Some informal networks support sharing learning but it is common for many grantmakers to learn on the job and, given that most trusts and foundations in the UK have few staff, many will be learning alone.

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[13] Note that the data in the two years isn't a precise match because: DSC reduced the number of funders to whom it sends the survey; and the respondent level dropped.

Few grantmakers have specific design and digital expertise. This lack prevents grantmakers from effectively redesigning systems and processes with applicants and grantees. Several design agencies have experience of working with funders on this - but clearly their time and skills come at a price, and that may be beyond smaller foundations. ACF does not offer any dedicated training on this currently[14].

These are not straightforward issues, but it is possible to make progress. The box below shows how BBC Children in Need reduced its application costs.

Figure 2: BBC Children in Need[17]

BBC Children in Need demonstrated the scope for funders to cut application costs by clarifying eligibility criteria to avoid wasted applications. The top diagram illustrates the costs which it created for charities, through applications and then requiring reporting from the applicants which succeed. At the time, BBC Children in Need had been attracting four applicants for each one that it could support. It then changed, clarifying its inclusion criteria to reduce those costs by attracting fewer applications. The bottom diagram shows the effect: it halved the number of applicants and hence reduced the overall cost to the system.
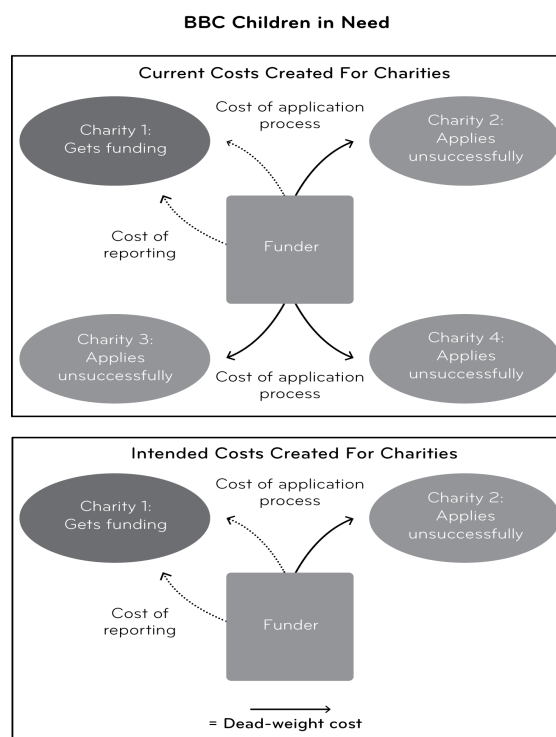
The total costs of applications across the charity sector

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[14] Although Modern Grantmaking Ltd did provide a one-off workshop at ACF's annual conference on this topic for smaller funders in summer 2021 and will be piloted service design training for smaller funders in June 2022.

We estimate that, across the UK charitable sector, the cost of applying for charitable grants consumes at least 6% of the value of the grants given. We estimate that applying for these grants costs at least **£900m every year**, to allocate £16,000m from grants, trusts and the lottery. (We say 'at least' because, at every point in our calculation, we took low figures e.g., for staff costs.)

Applications are made by volunteers, staff, or trustees whose time could otherwise be spent on service delivery or other work to improve / expand their organisation's impact. Hence there is a real opportunity cost of the time and money spent on applications.

This overall figure masks considerable variation, and a particularly heavy burden for small charities. **We estimate that the costs of raising grants is at least:**

- **Across the charity sector as a whole: 5.6%**
- **For large charities (income above £1m): 4%**
- **For medium charities (income between £100,000 and £1m): 15%**
- **For small charities (income below £100,000): 17.5%**

Small charities face the highest cost of capital in percentage terms. This is serious for the sector, because 80% of UK charities are in that category[18].

Figure 3: Estimated costs and revenue of applying for grant funding for charities of various sizes

	Small charities (income below £100,000)	Medium charities (income between £100,000 and £1m)	Large charities (income above £1m)	For all charities
Average costs of capital for a charity in the bracket (our calculations)	17.5%	15%	4%	**5%**
Total voluntary income	£279m	£1,900m	£14,100m	**£16,308 m**
Spent on applications	£49m	£284m	£565m	**£900m**

Large charities (revenue £1m+) bear more than half of all application costs (£565m). Yet, relative to their income from foundations and the lottery, the costs for them are lower in percentage terms. Why? We think that larger charities often have professional fundraisers with the time and skills to fundraise more effectively and efficiency. Additionally, in our interviews, charity staff said that it was not always much laborious to apply for £100,000 than for £10,000. (This is consistent with US data, which showed that raising $100,000 costs barely more than raising $10,000: as a percentage of the amount raised, raising the larger grant is only a fifth as expensive as raising the smaller grant.) See Figure 4 below.

These two differences from the rest of the sector could explain the perception we uncovered in our interviews from larger charities that application costs were not a major problem for them.

Our estimate is conservative: we have taken low values for salaries. For some personnel, we have assumed only the minimum wage. So the numbers above are the lowest reasonable number we could calculate. The real costs may be higher: if either (1) the minimum wage is an underestimate of the cost/value of their time, and/or (2) that more of their applications fail than indicated by the Directory of Social Change data (on which this estimate is built). Both are quite possible.

Comparisons with other estimates of total application costs

Estimating the total costs of applications is complicated because it unavoidably involves multiple assumptions. Our estimate falls into the range of those made by others. Brevio estimates the costs as at least £442 million annually across the UK charity sector. Research by Brevio in 2020 found that one in eight charities reported that grant applications occupy at least three person-days every week[19]. This, Brevio says, equates to over £20,350 a year in staff time per charity.

A recent McKinsey article[20] reports research suggests that, in the US, application costs are about a third of total grant revenue[15]. That is about double our estimate.

Our finding that the costs of fundraising is higher for small charities than for large ones – because the cost of raising small grants is higher than for large ones – is consistent with more detailed findings from the US. The Center for Effective Philanthropy found that raising $100,000 through large grants takes 12 hours, whereas raising that sum through small grants takes 70 hours, ie., nearly six times as much work:

Figure 4: Workload to raise funds using small vs. large grants (US data, 2004)[21]

Grant size	Average time spent on grant application & monitoring (hours)	Average amount raised per hour spent	No. hours necessary to raise $100,000
$10,000	7	$1,500	70 (nearly two person-weeks)
$100,000	12	$8,500	12 (only a day and a half)

Application costs fall disproportionately on some charities versus others

Small charities especially struggle with many funders' application processes, and are disproportionately affected by the time and resources required to raise funds. Often a single person is responsible for leadership, operations *and* fundraising, and often makes decisions driven by how burdensome an application process appears. One charity had recently lost its CEO who left rapidly for the sake of her health because the strains of her role - including managing 15 funding streams without a fundraiser - became too great.

This pressure sometimes led to major changes. For example, one charity interviewed is planning to change its legal form to become a Community Interest Company to ease selling products in order to generate income aside from grants, because of the costs and risks of raising grants.

Previous research, for example by ACEVO[22], has also demonstrated that charities led by people of colour (which are disproportionately small organisations) are especially underserved by grant funding. Charities argued that foundations should proactively redesign their grantmaking processes, working with all the types of groups who might apply and/or that the foundation wants to fund. They

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[15] The article ways that "If such a platform [which isn't fully described] could trim just 15 percent off the cost of raising money from foundations, US nonprofits could save at least $4 billion a year." If 15% of X is $4bn, then X is $27bn, implying that applications costs in the US are $27bn. This website reports that the total income of US nonprofits is ~$79bn. That implies that application costs are about a third of all income.

believed that foundations should collaborate to develop more straightforward and useful processes, reducing the heaviest costs and avoiding processes that exclude some groups. They argued that foundations currently do not understand charities' needs, instead designing funding processes around the foundations' needs. This was supported by some foundation interviewees, who acknowledged that funders design their processes primarily around the needs of their boards.

Ways that foundations can reduce these costs

We found three main barriers to foundations collaborating with charities to design more accessible and equitable funding processes:
- A lack of understanding as to why this is important, particularly amongst trustees;
- A misconception that allocating resources to redesigning processes will undermine the overall purpose of grantmaking (by 'taking money away from grants'). We discuss this point about false economies in more detail later.);
- A lack of capability: most foundations do not have staff with digital or design skills nor are they confident commissioners of this kind of expert technical support.

Multiple interviewees told us that foundations should:
- Have an accessible website that includes eligibility and funding priority information;
- Have an eligibility checker in-built into the online application process so applicants can't continue if they don't meet the funder's requirements;
- Have saveable online application forms that allow applicants to view all questions upfront without having to submit their proposal and provide a pdf summary of the response that the charity can keep for its records;
- Offer a single point of contact once an application has been submitted.

These are not meta system fixes. Rather, they are changes that any foundation could make if they were willing to spend relatively small sums of money on web development costs.

The #FixTheForm campaign (see Appendix for more detail) also demonstrates that foundations of various sizes and types can make simple changes to funding processes without specialist skills. Sharing all application questions upfront is an example.

One representative of a larger charity said, "What if funders only asked four to five of the most important questions that helped sum up what a charity was all about and what it wanted to do rather than asking many, many more; the answers of which for some can be found in a charity's annual report or accounts. This could lead to a different type of relationship based conceptually on whether both parties wanted to partner." The same interviewee then asked, "What bit of trust has not happened that means that funders so often ask charities to construct activity outside of what's been so carefully developed in their strategy?"

Even broader, one charity interviewee said, "I question the legitimacy of some funders to ask all these questions." This interviewee felt that some funders request information from charities to

prove that they are doing certain things - but there's no onus on the funder to also demonstrate that it's doing those things.[16]

Formal initiatives to reduce application costs

Over the last five years, several reform movements have been established to reduce inefficiencies in the system and to promote more accessible and equitable practices[17]. We describe several here and analyse three in more detail later.

1.   Movements run by funders for multiple funders

Various initiatives which, while not aimed at reducing costs, aim to improve grantmaking in ways that could reduce the cost drivers highlighted above. These include **#ShiftThePower**[23], a global initiative about both the need and the ways to move away from top-heavy and top-down systems of international development and philanthropy. The **Grant Givers' Movement** (GGM)[24] meets regularly with umbrella organisations, regulatory bodies, influential grant makers and agenda-setting organisations to share findings from research to "put pressure on our sector to change for the better". In 2022, GGM published a report, 'Ethics in Philanthropy'. The international **Participatory Grantmakers Community**[25] is an informal collective - now several hundred members strong - to promote related practices and to share learning among members.

Furthermore, there are schemes by people in the wider non-profit sector to promote the principles of **Trust-Based Philanthropy**[26] – an approach initially codified by The Whitman Institute in the US. In the UK, The Institute for Voluntary Research (IVAR) has campaigned for funding with fewer restrictions since the early 2010s, creating the 'open and trusting grantmaking' initiative in 2020. As of March 2022, over 100 UK funders had signed up the initiative (see Annex Three for full information)[27].

2.   Actions by individual funders

Grant-funders' response to Covid-19 demonstrates that change is possible. At that time, several foundations started to change how they worked in order to get funding more quickly to charities. ACF conducted research into how funders responded to the first nine months of the pandemic. It found that £155m of the largest 300 grant-making foundations' Covid-19 grants were general grants provided to charities to combat the effects of Covid-19, while a further 39% went on emergency grants, split between existing and new grantees[28]. In general grants, some funders switched from offering restricted to unrestricted funding to enable grantees to respond to a fast-changing environment.

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[16] The Foundation Practice Rating highlighted that some funders routinely ask things of charities - such as whether they are a Living Wage Employer or to show evidence of impact - that they do not share publicly about themselves.

[17] We mention these in this report because these costs – and the funding system in general and charities (perceived?) inability to influence and improve it – derive from the power imbalance between funders and charities.

Many funders also increased their flexibility e.g., by rescheduling timetables and reporting deadlines, repurposing, shifting or widening the aims of existing grants and broadening their criteria. Many also acted faster than usual, e.g., bypassing usual procedures, and creating new processes and funds.

Almost all foundations interviewees said that the pandemic had forced them to make changes to distribute funding faster than their previous process allowed. They also offered funding with fewer restrictions, in recognition that charities needed unrestricted funding to survive and to adapt to meet changing needs. In some cases, foundations increased their rate of funding, though others saw their funding reduced because of the economic pressures on the business.

Will these changes endure? Some funders, such as the Legal Education Foundation, have stated a commitment to integrate some of these new ways of working into their core business in future; others have already reverted to previous processes. Anecdotally, funders give various reasons for this, mainly related to factors such as the board's risk-aversion (disliking having fewer checks and balances or delegating responsibility to foundation staff) and a preference for decision-making processes that better suited them (e.g. quarterly board meetings).

3. Collaborations of small groups of funders

There are examples of **joint application forms – either with or without pooled funds**. The London Community Response Fund demonstrates both these methods. It was set up by London Funders (a membership body) in response to the pandemic in March 2020 and involved various funders in London. London Funders and various funders created a joint (shared) application form, so that charities – already struggling because of the crisis – only needed to apply once. The applications went on to a portal which all participating funders could see.

Funders could participate in two ways:

1. 'Aligned funders'. They made their own decisions about which applications to fund, and could 'reserve' applications that they thought they might fund. And
2. By contributing to a pooled fund. It was run by City Bridge Trust. Applicants which were not 'reserved' were considered by the pooled fund.

The London Community Response Fund allocated over £57m provided by 67 funders and awarded via 3,300 grants.

Several charities cited an increase in funder collaborations, in order to accelerate distribution of funds since March 2020. These charities expressed a hope that funders would continue to work together to streamline processes, such as using joint application forms and sharing due diligence rather than asking applicants to send each funder the same information repeatedly.

There was some sense among foundation interviewees that funders should do more to talk about the benefits of these changes for themselves as well as for grantees, in order to make the case for retaining the new practices.

Box 1 - Why can't foundations have a shared application process like UK universities do?

We have often heard suggestions that foundations create a single, shared application form, which all charities and all foundations use, and which is the sole way that charities can apply to any foundation. This is how applications for undergraduate university courses work in the UK. (Notice that: (a) somehow, all universities have agreed on a set of questions, and (b) though a few universities also interview candidates and a very few ask them to do additional written tests, most universities use just the information on the form.)

This analogy is less close and less helpful than it seems:
- Students will only do one course at once, whereas charities will need multiple funders.
- Universities make money from students (directly opposite to funders' applicants). Hence the universities are competing directly.
- Most courses start at (pretty much) the same time so it is fine for the application process to be just annual. This is completely different from charities, who have projects / work / staff posts / needs starting up all the time.

Nonetheless, the fact that universities have agreed on a set of questions, whereas foundations seem to think / find this impossible, is instructive and encouraging.

4. Views of Foundations and Charities

This section of the report sets out insights from our interviews with foundations and charities.

The foundation view of application processes

a. What is the process for?

We asked our foundation interviewees what their foundations are trying to achieve with their application processes. The most common reason given was a variation on, 'this process helps us to find and fund good work in a way we can justify to our board and/or donors'. Some foundation representatives weren't able to give a clear purpose for their own application process. The foundation interviewees told us that their application processes helped them to: find eligible charities to fund; understand wider societal needs to inform their grantmaking; identify charities who could be a good fit for their portfolios; identify charities that would be good partners to work with; and be transparent about how they make funding decisions and to ensure appropriate governance.

Only two funders mentioned that their application process helps them to discover 'the best charities' i.e. those that could deliver positive outcomes or impact.

b. How does the process work?

Funders also vary in terms of how onerous or 'light-touch' charities perceive their processes to be. Some funders like the Tudor Trust have a two-stage application process: in stage one, charities provide relatively little information; the funder uses this to select a few to submit a full application at stage two, in which most applicants will succeed. Other funders require substantial information upfront (e.g., 10-12 A4 pages alongside annual accounts and bespoke financial and budget templates). The reasons for these different processes are not clear, especially given that interviewees from several foundations told us that having more information does not always help to improve decision-making.

c. How much the process costs foundations

Our interviews suggest that foundations pay most attention to their own staff costs and whether these are proportionate to their grant budget, rather than to the costs to the charitable sector as a whole. In foundations – of all types – there appears to be a deep-seated concern (most often articulated by the board) about not spending too much on staff, staff training or other organisational costs because this would leave less for grants. We understand that concern. However, many foundations do not seem to pay a similar amount of attention to what might be necessary for them to make good grants, for example the staff and training to achieve this. A clear finding from the 2022 Foundation Practice Rating is that foundations with no staff perform much worse than those with staff: nearly two-thirds of unstaffed foundations scored D overall, more than twice the rate for all foundations. This research suggests that having too few staff and spending too little internally may be a false economy in terms of optimising the foundation's effectiveness. It also ignores the real costs to charities in operating an onerous system.

However, we also found that, although few funders routinely measure application costs, some are actively making changes to reduce them (even within our very small sample). One such is the Heart of England Foundation (HOE), a community foundation based in Birmingham whose team has developed and piloted a new 'single front door' approach to some funding streams (with the support of a specialist service design agency commissioned in relation to their CRM provider, Salesforce). The aim was to shift some of the administrative burden from applicants to the funder in recognition that many applicants to HoE are small charities, run by volunteers and applying for the first-time. See Box 2 below.

Box 2 – Saving small charities time and money via a 'single front door'

T The Heart of England Community Foundation HoECF provides funding to charities, voluntary groups, social enterprises and community interest companies across the West Midlands and Warwickshire. Over recent years, HoECF has attracted more donors and increased the number of funding streams on offer. The foundation remains focussed in supporting grassroots organisations: most organisations applying to HoECF are looking for less than £10k, and some are being first-time applicants.

In 2018, HOE reviewed its funding strategy, including streamlining the applicant journey. The pandemic then showed that HoEECF could adapt its processes, such as making faster decisions to ensure organisations received funding as quickly as possible. Because HoECF managed well during the pandemic, distributing twice its normal number of grants, trustees and staff decided to try other ways of working to improve applicants' experience and reduce costs for them and the foundation.

HoECF recognised that it did not have the necessary in-house digital and design skills, so worked with a service design agency to conduct research with applicants, grantees and infrastructure support agencies. This work was pivotal to help HoECF understand the expectations and challenges of n small volunteer-led charities: in particular it showed that them choosing between HoECF's 15 separate funding pots to apply to wasn't a good use of their time.

HoECF worked with the agency and customers to design a new online single application for the majority of its funds. Each applicant would apply just once, and HoECF would match them to the most relevant donor/ funding stream. Benefits of the new system to organisations include: an eligibility checker to reduce ineligible applications; being able to see all questions upfront; and sharing due diligence information only once a year rather than for each application. Benefits to HoECF include removing duplication in assessment; and streamlining assessment and due diligence checks and general application administration.

This new 'single front door' has been piloted with several of HoECF's funding streams and the aim is a phased roll out across the most funding streams in2022-23.

The incentive problem and what motivates foundations to change

We found a lack of powerful incentives to encourage foundations to measure and manage application costs. Most foundations interviewed were either unaware of existing interventions to reduce application costs or already involved in them. Among foundation interviewees that were involved in existing interventions one expressed some disappointment about working with a

matching platform because that specific intervention had not always delivered what the foundation needed (in this case, greater access to charities working with lone parents/young parents in the southwest of England).

Even interventions designed and led by funders, such as joint application forms with or without pooled funds, are not suitable for all funders – particularly when they rely on cooperation with funders who have different priorities and processes. For example, one foundation told us that it was hesitating about a single front door application process because the potential involvement of another large funder meant that the joint application form would, in its view, become "too heavy"..

The #FixTheForm campaign was unusual because it was led by two individuals who have worked or are working as fundraisers: one in the UK and one in the US. This campaign got over 100 funders internationally to share and change their application forms so that grantseekers could see all questions upfront (typically they can only see one question at a time with little idea of what other questions follow). Fundraisers rated this as their top 'pain point' in the funder process. What's particularly interesting is that so many funders changed their practices due to the campaign, despite not being designed or led by funders. This may be because the campaign ask was so specific and something that many funders could do internally, without needing ongoing support, e.g., in digital or design.

Foundations vary in their priorities, motivations and needs: a potential fix that may work well for one, may not work for another. For example, newer foundations may find off-the-shelf tools about how to develop accessible, streamlined processes particularly useful, while some interviewees told us that a joint application approach would not reduce costs for funders that operate a simple first stage process. For these funders, sharing due diligence[18] with other funders would likely result in a greater cost reduction, and/or build consensus.

One small foundation with few paid staff talked about feeling "stretched" in terms of 'getting money out of the door', meaning that work to improve processes and systems can be a consideration. Most foundation interviewees talked about their desire to improve how the foundation worked but were constrained by priorities and beliefs of their boards. For example, the trustees at one foundation were described as being keen on using wide criteria to avoid being restricted. This prevents them having an online eligibility checker which would reduce work (on both sides).

Several foundation interviewees talked about what had led to change in the past. It became apparent that changes in governance and leadership at some foundations are the prompts for trialling new ways of working. Giving Evidence has noticed this across many foundations and many years. These junctures are rare because foundation staff often stay in post for a long time. Unlike in other sectors - such as retail - grantmaking has not yet moved to a model whereby improving processes is normal and frequent. This suggests that if interventions are to be effective, they need to create a long-term engagement with foundations and their leaders, so that when change occurs, the new trustees or CEOs are well-informed and ready to seize the opportunity. They may also need to engage with existing leaders, who may be in-post for a while.

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[18] 'Due diligence' refers to the analysis that funders do on potential grantees (or investees) before deciding whether to fund them.

We also interviewed the UK government's Cabinet Office. It is streamlining the system by which government makes grants, and we were interested to understand what motivated that change, and how it is working, to see what can be learnt. See box 3.

Box 3 - Motivating change in central government application process

The UK government's Cabinet Office (a central function) is creating a new system for charities and SMEs to apply for government funding. It is being piloted with four central government departments and is designed to solve the two problems:

- *Discovery*: so that charities and SMEs know what funding streams exist. This will be an online searchable database. Such a thing already exists for government contracts (Contracts Finder.) Currently, information about grants is disbursed and disorganised.
- *Burden of applications to both parties*. The Cabinet Office found at least 47 application processes for government grants: variously using paper(!), email, forms, Google forms, Word docs. Applicants submit the same information multiple times if they apply to several streams. The new system will standardise that, enabling charities and SMEs to enter their data and documents only once, and the due diligence /assessment will be done only once.

We were interested in this system as an analogy: how it came about, and whether those conditions are replicable amongst foundations.

The answer is: not really. **The work was prompted by frustration within government at the lack of competition for some grant funding programmes, and fear this would lead to them not funding the best work or getting value for money.** That latter is a major incentive because government departments are audited on their value for money. Clearly foundations have no such audit and Giving Evidence has only rarely heard foundations talk about either of these issues.

Some government funding streams got only very few applicants. Furthermore, there was concern that applicants tended to be 'the usual suspects', not least because government processes are known to be arduous. This meant that government was only reaching organisations which have worked out how to get its grants and can tolerate the process – rather than the best organisations.

The resources for this Cabinet Office project are more than might be feasible for a multi-foundation collaboration. The Cabinet Office's has a dedicated team whose entire job is looking at the efficiency of government funding. By contrast, nobody has a full-time job solely about improving the efficiency of foundation funding. And this project was given £7-8m not by any of the pilot departments but rather from a central HM Treasury fund (promisingly named the Shared Outcomes Fund).

This intervention is still at an early stage. It is not yet certain how far it will be feasible for four departments to agree on the due diligence questions and data requirements to be incorporated into the process.

The information problem

No foundation we interviewed routinely tracks the costs *to charities* of its application processes.

More surprising is that most foundation interviewees couldn't tell us the costs *to the foundation* of its application processes. This was true across well-established foundations as well as newer foundations.

It seems that foundations are in the dark about these costs. This prompts our recommendations (i) for an independent body to collect data from charities and to share it, and (ii) for an ombudsman service, which would raise with foundations problems that charities perceive with their processes. Clearly complaints may have to be anonymised to avoid retribution – real or feared.

Once probed, most foundation interviewees could describe the steps of their grantmaking process and estimate the number of days each step took a particular staff member, e.g., grants officer. And some interviewees could estimate the time to assess various types of applications, e.g., ones for below and above £10k. Some foundations' processes had remained the same for years – "it's been this way for as long as we've known" - and they could not tell us why they had been originally designed the way they had. Another foundation representative said that in their experience, *"lots of times foundations forget why they are asking for info and who initially required it."*

Amongst our foundation interviewees, the ones actively trying to reduce application costs (HOE, Mission 44 and Lloyds Bank Foundation: see box below) were not motivated by external pressure. Rather, they were making changes on their own initiative, and to pursue their missions and values, e.g., to more effectively serve smaller charities and/or to build partnerships with charities led by people of colour. They were also able to make changes because they had the support of their boards and had either hired staff or consultants with the skills needed to redesign funding services and systems. In the case of Mission 44, this is a new foundation set up by racing driver Lewis Hamilton who is a public advocate for equity, including racial justice. And in the case of HOE, the board had become more open to change after realising that some emergency changes in response to Covid-19 could have wider long-term benefits.

Box 4 – Non-Traditional Grant-making by Mission 44

Mission 44 is a newly-established foundation, launched in July 2021 by Formula 1 driver and philanthropist Sir Lewis Hamilton. Through grant-making, research and advocacy, it aims to support and empower young people from underserved groups, to succeed through narrowing opportunity gaps in education, employment and wider society.

The foundation is basing its nascent grant-making on trust-based approaches, collaboration, and "mutual partnerships - bringing together assets and money,". This will mean grant-making that builds equitable relationships with organisations; adopts a flexible approach to proposal development and reporting; and distributes core and unrestricted grants.

Collaboration will be exemplified by Mission 44 "sharing costs of the process" e.g., not asking charities to submit information that the foundation can find elsewhere i.e., via the regulator, and by all ideas being iterated by both parties over time before being presented to the foundation's

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board. Mission 44 itself will take responsibility for generating materials for the board.

At first, Mission 44 plans to proactively identify organisations that it may fund rather than have open application process that could potentially waste time for charities and the foundation. However, Mission 44 is aware that invite-only grant-making risks supporting only well-networked organisations. Mission 44 will use landscape mapping and scoping, professional and personal networks, as well as input from specialists and collaborators. A key objective of the foundation to ensure that its grant-making is as transparent and inclusive as possible.

Supporting foundations in making change

Importantly, none of the foundations interviewed had strong internal capabilities in digital and service design, and all of those who sought to improve their processes had required external support. The foundations who had or were in the midst of designing or redesigning their processes were undertaking this work consciously and working in partnership with the kind of organisations they look to fund. Though larger foundations may be able to build or acquire digital and service design capability, we don't believe that foundation size determines whether a foundation is ready and able to make improvements. Indeed, the recent UK Foundation Practice Rating demonstrated that smaller foundations can out-perform larger ones on transparency, accountability and diversity.

Box 5: What are application processes for?

These processes clearly consume considerable time and money, so it is reasonable to wonder what they are for, and whether the benefit warrants the costs. The main purposes of application processes are to:
1. Enable a foundation to discover work in its areas of interest. As noted, it does not have to be the charity which does the research and applying: it could be the other way around. Some foundations do the research and approach prospective grantees, but they are in the minority; and
2. Provide the foundation with the information it needs in its selection (decision-making) process.

Discovery
Application forms seem an expensive way to do this, especially a plethora of forms each designed individually by one foundation. Alternative models include:
- Joint application forms: in which a charity provides its information once to be seen by multiple funders who are collaborating;
- Online matching systems: in which a charity provides its information once to a system where it can be seen by any number of funders.

In other words, if the purpose of the current application system is discovery, it's an expensive system.

Providing the information for the foundation's selection decisions
What is the purpose of those decisions?

One might think that the purpose is to enable foundations to identify the best work. But this does not seem to be the case: the processes that we observe are very different from those we would see if they were designed to optimise effectiveness. For a start, very few application forms ask for independent evidence of either need or impact. And second, some foundation interviewees recounted that much of the information gathered isn't used, that they don't know why they gather it all, and also that gathering more information doesn't help make better decisions. Giving Evidence has certainly worked with grant-makers who gather far more data than they need (and helped them to determine what they actually need and to cease gathering the rest).

Grant-making foundations' impact is entirely dependent upon finding and selecting great grantees, and supporting them to be effective. Hence, 'go / no-go' decisions are central to grant-makers' success. One might think that foundations would obsess about optimising those decisions (as some venture capitalists do). But this is not what we observe.

For instance, we have never heard of any foundation experimenting with various decision-making processes and monitoring the effects that each has on its ability to select the best work. In fact, we heard once heard rather the opposite from a very large foundation: it looked at the success of eligible work that it funds, and the success of eligible work that it declined (its sector happens to have a set of metrics that apply across all of both sets), compared them, and found…….
no difference. That is, that foundation's complicated and expensive selection process was not adding any value at all. It may as well have chosen randomly from the eligible applications – and sent many of the staff home. But it didn't: it retained the expensive, traditional system. It could not explain why.

There are plenty of ways to make the selection decision other than groups of humans using data provided by the applicant:
- GiveWell, a US organisation which recommends charities for anybody to fund and funds some itself, starts by conducting its own analysis – first to identify priority cause areas, then to find strong interventions within those areas, and third to find charities which deliver those interventions (well).
- Algorithms instead of groups of humans. The algorithms could replace the people, or complement them. They might use data from the application process – and/or other data. The advantage of algorithms is accuracy: the problems of human decision-making are many and well-documented (e.g., judges systematically give longer sentences before lunch than after it; radiologists presented with the same x-ray on different days give different diagnoses; etc.). Nobel laureate psychologist Daniel Kahneman says about the superiority of algorithms over people that "no exception has ever been convincingly demonstrated"[29]. The disadvantage of algorithms is precisely the same: they don't involve people and people like being involved (and feeling useful – and powerful?). The behavioural economist – and Nobel laureate – Richard Thaler talks of having encountered lots of consequent "algorithm aversion"[30].
- Comparison with history. One foundation in Canada – is starting to use machine learning to examine proposals and essentially to say some equivalent of: 'you seem to be proposing an intervention which is similar to interventions we've seen fail to produce the

target outcome'. This kind of feedback could be embedded in a decision algorithm.

- Randomly. Many foundations have more eligible applications than they can fund. Perhaps the fairest way to decide is randomly. A funder would discard applications which are ineligible or poor (perhaps because they 'seem to be proposing an intervention which is similar to interventions we've seen fail to produce the target outcome'), and fund a random selection of the rest. Australian health economists looked at every grant application to the National Health and Medical Research Council of Australia in 2009 – all 2,085 of them – and analysed the scores given by the expert panels that assessed applications. They found that, for nearly a third (29 per cent) of applications which got to committee, their fate depended on how supposedly-irrelevant factors happened to play out that day, such as which committee members happened to turn up. A 1998 US paper called for some random grants because "instead of dodging the fact that chance plays a big part in awarding money, the (random allocation) system will sanctify chance as the determining factor". Indeed, we once heard a foundation admit that, when it compared the eventual success of applications that it funded vs. of applications that it rejected after committee stage (its sector allows for objective comparison across the set), the difference was…nil. In other words, it may as well have chosen randomly. {Giving Evidence has written elsewhere advocating allocating (some) grants at random[31].}

The current application system, and data gathered in it, are not well-designed to support good selection decisions – which could probably be made better and cheaper in other ways.

The determining factor is will: that is, whether the foundation, at all levels, believes that it is offering a service that could and should be improved, based on feedback, and that improving this service will help it to achieve its mission. As put by one of our foundation interviewees, if the answer to this question is, 'no', "are they [the foundation] going to invest to improve applicant's journeys if from their perspective the system isn't broken?"

In the table below we summarise our learning about what can aid and impede foundations in reforming themselves. The simple typology we have created reflects our learning and purposefully does not disaggregate foundations by size.

Figure 5, Identifying the barriers and opportunities to reform within foundations

Newly established	**Long-established**
Opportunities: Board and staff may be more open to implementing processes charities find useful and usable. Both may also be alive to (the need for) wider reform movements in philanthropy and grantmaking. *Barriers*: Lack of information about good funder practices and the issue of application costs may increase the likelihood of a new funder's processes being 'cut and paste' from an existing funder (especially if a new smaller funder is being administered by a law firm for e.g. that may well base governance on traditional models).	*Opportunities:* Identify moments of potential intervention. Foundations' responses to Covid-19 resulted in changes to protocol. Suggest that these changes be reviewed by the board and staff in terms of whether/how they have benefitted charities and the foundation so that any decision to keep or stop implementing them is open and purposeful. Initiatives like 360Giving[32] and the Foundation Practice Rating can be also encourage leaders and boards to reflect on a foundation's practices[19]. Decisions such as wanting to create or redesign a website / other moments of flux can also be built on. *Barriers:* Processes accrete over time – people feel invested in them and are reluctant to change – even if they do not like all of these processes. Foundation may not have the drive to make improvements (especially if it doesn't collect feedback data from applicants or grantees) or the skills to make improvements effectively. The combined power of inertia and a lack of incentives prevails.
Connected to peers	**Operates in isolation**

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[19] One foundation told us that it was initially reluctant to try 360Giving. However, once the foundation started to use this tool, it quickly realised the tool's usefulness and 360Giving became core to their operation.

Opportunities: Foundation may be more used to sharing ideas, learning and building on the work of others. *Barriers:* If a foundation's peers are all alike in terms of grantmaking processes, groupthink may enhance a sense that, to quote the Lego movie, "Everything is awesome."	*Opportunities:* Closing the 'information gap' could help to educate a foundation about sector issues, good practice and consider the need for reform. *Barriers:* How to share information on the need for change and how to make changes if the foundation is not a member of ACF for e.g., and its board and staff (if it has any) are also not well-connected? Our research shows that most funders are connected to peers in some way, whether this be via thematic work or place-based. Perhaps these nexuses could create an entry point?
Support for reform	***No support for reform***
Opportunities: Convert good will into an agreed delivery approach that allows for co-design and iteration quickly. *Barriers:* Marrying what the board and senior leaders believe should be reformed with what applicants, grantees and staff think should be reformed. Use feedback and other types of data to make the case (see Box 2) and demo changes early to show that progress is being made and iteration is a good thing!	*Opportunities:* Learn from charities to create a 'case for support' that explains why any changes are needed and share with new CEO and/or Chairman of the board when the opportunity arises (also suggest peer-to-peer inductions with leaders from other funders who have undergone improvements). *Barriers:* The CEO and/or board doesn't see a need for reform and may block any major or minor attempts to improve existing processes.

We found that foundations broadly appear to be in two camps in relation to work to reduce application costs. They either:

a. Have or are undertaking a major overhaul of their entire process, or;

b. Have not done any (re)design work for a long time and there doesn't appear to be the opportunity for any on the horizon. Unlike in other sectors - such as retail - grantmaking has not yet moved to a model whereby improving processes is normal and frequent.

Do charities care about application costs?

All our charity interviewees were aware of the issue of application costs but some cared about reducing them more than others. No charity we interviewed tracked the costs of each application. When probed, like foundations, most charities could estimate how long it took them to complete application forms of differing complexity. Sometimes these seemed to be underestimates – for example including the time to complete the form, but not the time to design a project, develop a budget, adapt it to a foundation's criteria, coordinate with relevant staff members, decide how best to describe it and determine how it could be monitored.

Some charities told us that they decide which funders to approach based on how onerous the application process seems. Commonly, charities ask their peers about their experiences of specific funders or umbrella bodies about the match with their criteria. Some charities decide based not only on the application process but how burdensome they believe the funder's monitoring and evaluation process is likely to be. Smaller charities in particular raised this. These findings indicate the importance of information to charities' decisions and the value of foundations publishing more, for example their success rates and all the questions on their application forms.

Some charities reported reluctance to discuss application costs with funders for fear of jeopardising future applications. Both smaller and larger charities made this point. This reflects the inherent power imbalance in the sector, and prompts our recommendation to create an independent 'ombudsman' to act on behalf of charities who are not able to exercise sufficient influence to drive change. (We are aware that Grant Advisor enables charities to raise concerns about funders, but this is quite different to an ombudsman which will take the complaints to the funders and seek resolution.)

Over half our charity interviewees empathised with funders' needs to make decisions fairly and to be accountable to donors / trustees. Several charity interviewees also mentioned that the current inefficiencies of the funding system have helped to keep professional fundraisers "gainfully employed", using resources which could be directed to achieving charitable goals instead if the system was improved.

Few charity interviewees were aware of or involved in any existing interventions to reduce application costs. We take this to indicate that either charities are unaware of them or do not perceive this issue as a problem. Interviewees expressed more interest in online funding directories and personal networks as sources of useful information than in the interventions we identified.

It was also striking that some charity interviewees struggled to imagine changes to the funding system, or how they could contribute to it changing. One said, "*The 'pain' of application costs is part of the job*." Other charities were ambivalent about the need for change as well as its likelihood. Two large charities in particular were not concerned about costs created by foundations, perhaps because of their far greater capacity to succeed within the current processes.

Similarly, some charity interviewees were unenthusiastic about interventions that simplify application processes if they do not also support developing relationships with funders. We particularly heard this from charities with professional fundraisers, whose competitive edge can include the ability to cultivate such relationships.

We found that:
● The inherent power imbalance between funders and grantseekers/grantees contributes to an 'honesty gap' whereby applicants feel unable to tell funders about the scale and effects of the costs that funders' create for them. The lack feedback prevents learning, which perpetuates the cycle;
● Funders could be doing more to create and run open and trusting feedback from applicants about how to improve their processes.

Box 6 - Should funders pay charities to apply?

This question has been around a long time. There is an argument that charities should pay to apply to foundations, on the basis that this would reduce the number of applications that they make (probably radically) which might reduce the system costs overall.

We did not investigate either option, so offer no opinion. But we have noticed that some funders do pay applicants, and there is a natural connection to the potential two stage application process.

For example, GiveWell does: it is a US-based organisation which conducts rigorous research on many cause areas and charities, recommends some charities for anybody to fund, and funds some itself. Its assessment process is arduous for the charity, and GiveWell recognises the real costs and opportunity costs of that, so it pays. Chief Executive Buddy Shah:

"It [GiveWell's process] is extremely intensive, so once organisations get passed a certain stage in our process, we do provide a small amount of funding to pay for their time … so that even if they don't end up getting larger amount of funding… at least… we're trying to be respectful that these are folks trying to do great on the ground, and that their time is compensated for. We try to get as far as we can without taking their time, but once we get to the stage that is very intensive, we try to minimise that burden by given them a grant… that burden is really on their time, answering questions."[33]

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5. Assessment of three interventions to reduce application costs

Various interventions exist to improve the current funding system, some more radical than others. In this section, we assess the strengths and weaknesses of three of them: matching platforms, and joint application forms both with and without pooled funds.

I/We considered the effect of these approaches on:

1. Discovery: the cost and ability of charities to discover relevant funders, and vice versa;
2. Deterrence: reducing applications which are unlikely to succeed;
3. Matching: enabling each party to validate that the other is relevant; and
4. Enabling the process, e.g., reducing costs related to funder decisions and actual distribution of funds – for both foundations and charities.

The three interventions vary in the pieces of this that they address. For example, a joint application form (for multiple funders) aims to streamline point (4) above: it does not help with discovery. By contrast, the searchable directories of funders produced by (among others) the Directory of Social Change aims to enable discovery, but do not help with the process.

We analyse those three interventions using an economic model. For each one, we assessed its effects in various scenarios. As mentioned, we found:

a. That for each one, there are circumstances in which they help and circumstances in which they hinder. And
b. Two conditions must both be met for any intervention to be attractive: (i) the benefits (cost savings) exceed the costs to set them up (this is not always the case), and (ii) any other effects are tolerable, such as the way that a pooled fund might cause funding to be moved from one area to another.

Hence reformers should proceed with caution.

How the economic model works

The economic model looks at a group of foundations. We assume that each group of foundations (we specify later how many) has £200,000 to allocate. We analyse how those funds get split between:

1. Funding that the foundations have spent on screening charities' applications
2. Costs borne by charities in application processes (successful or not)
3. Funding that goes unallocated because there are not (enough) eligible applications
4. Funding that goes to successful applicants (i.e., grantees) for their charitable activities.

For simplicity, the model does not distinguish between charities in terms of effectiveness or equity or cause area. It does allow for the scenario whereby foundations are more likely to fund charities that meet their criteria than those that don't.

Total donations is the main focus of our analysis, but we comment from time to time on what happens in terms of the distribution of funding, i.e. whether some causes might suffer when an intervention is implemented.

The results are summarised below and the details are set out in the appendix.

A. Matching platforms

These schemes aid discovery and verification. Some also work on the process. They put funders in touch with charities that might meet their aims and objectives - and conversely put charities in touch with foundations or funding streams which seem relevant. They often use an online platform to help make these matches.

We characterise them as follows:

- They are designed to avoid ineligible applications, and to streamline the application process.
- Charities upload information about what they need, foundations upload information about what they are offering. The system alerts one or other party to the other.
- Sometimes charities can then apply outside the matching system, through the foundation's normal process: the matching system simply alerts them to relevant funders. Other times, charities can apply though the matching system, normally only if the foundation has verified the charity's eligibility.
- Brevio has developed this approach further. Frustrated that so few foundations were uploading information about what they fund, it scraped that material from foundation websites and uploaded it itself: i.e., foundations can be listed on Brevio – and charities alerted to a potential match – without their permission or knowledge. (This is rather different to, say, dating sites, which also use matching.) Brevio has the capacity to auto-fill a charity's information into the foundation's application form, if a foundation allows Brevio access to its API. This means that the applicant charity only needs to provide any information which it has not already uploaded to Brevio. This reduces the time required and avoids errors arising from having to re-enter information.

Because matching offers the potential of reducing the costs associated with making full, but ineligible applications, we assume that more charities use the matching scheme than applied through traditional methods when matching was not yet unavailable.

What charities think about matching platforms

None of the charities we interviewed was currently using any matching platform. Most were unaware that they existed.

Some small and micro charities expressed interest in matching platforms, mostly Brevio. Some were deterred by the fact that when you sign up to Brevio, even though it is currently free, you need to give credit card details for the future. As most charities said they had established relationships with umbrella bodies, or newsletters that inform them of funding opportunities: they were reluctant to pay to identify additional funding sources. There was also scepticism about matching platforms because of charities' experience that they were more successful in grant fundraising when they were able to form a relationship with a potential funder first. A further disincentive to using matching platforms was that they prevent a charity tailoring the description of their work to fit a funder's interests, potentially reducing their likelihood of success.

Modelling the effect of matching platforms

We found the effect of matching platforms to differ between the three scenarios we tested. The box explains how we modelled matching platforms in order to gain insight into their effects.

Box 7: Modelling matching schemes

We characterise matching schemes as follows:

They involve an eligibility check; that is to say, foundations receive only eligible applications, and charities are only able to make applications to foundations when they can fulfil the eligibility criteria (this rules out charities gaming the system by applying no matter what the result of the check).

Charities that are eligible can make a full application after a positive message on an eligibility check. This application may, or may not be less costly to fill out than before the matching scheme was put in place, because of API scraping (which allows the matching scheme to fill in parts of the application based on already available data provided by the charity).

Because matching offers the potential of reducing the costs associated with making full, but ineligible applications, we assume that (some) more charities use the matching scheme than applied through traditional methods when matching was not yet unavailable, as they are attracted to this new way of managing applications


Scenario 1: In which matching can reduce ineligibility

In this scenario, we consider a group of 10 small foundations, all making grants if they receive eligible applications, with a combined budget of £200,000.

Characteristics of this scenario:

- It is hard for foundations to find eligible applications: only 10% of all applications received are eligible.
- The matching system attracts additional charities, raising the number of applications from 10 to 25.
- We assume that charities pay £10 each to use the matching system.
- We have modelled (i.e., made an assumption) that the cost to each of these charities of making an application is £250
- We assume that, without the matching, each charity applies to each foundation. So, if there are 10 foundations, there are 100 applications.

Figure 5: Demonstrating Scenario 1, in which matching helps reduce ineligibility
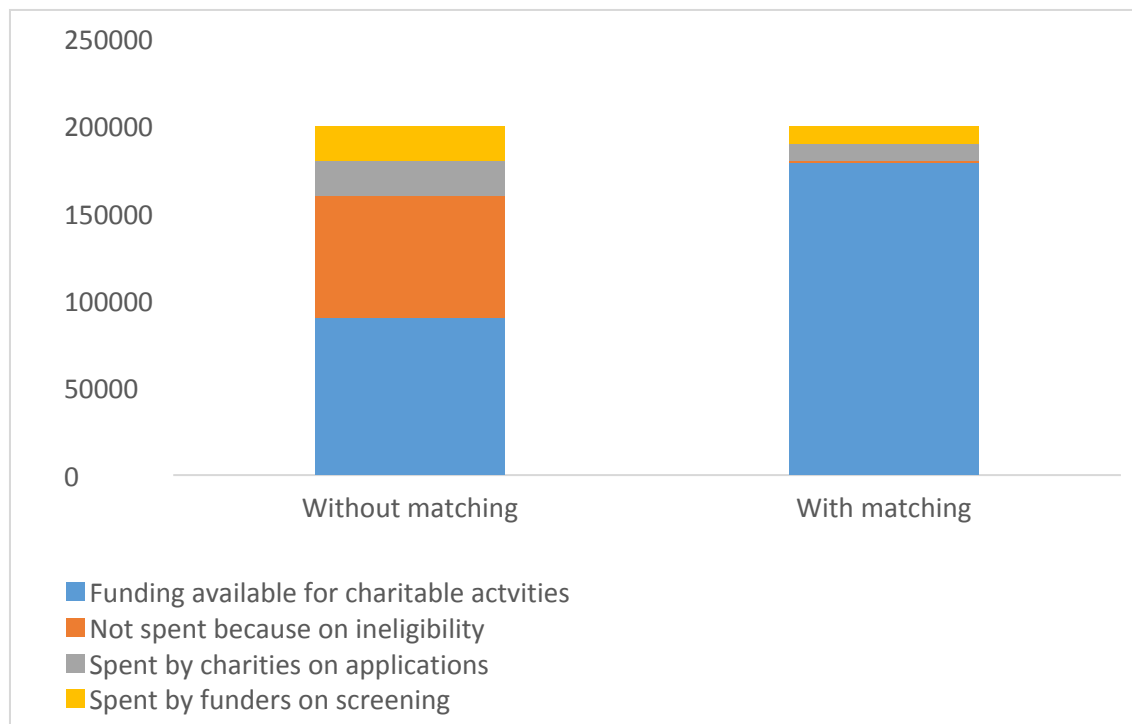
Results in scenario 1. We found that:

1. **Application costs fall.** Although there are now more applicants, each paying £10 to participate, there are many fewer applications overall, falling from 100 applications to 25 because ineligible applications are discarded. (See Appendix Four has further detail.)

2. **The chances of a foundation not receiving any eligible applications at all also falls.** Without the platform, the chance that a foundation would receive no eligible applications was 35%, falling to 7% with it.

Combining these effects, we find that **the funds available for charitable activity rise significantly**: from 53% of foundations' total costs to 90%, an increase of £73,000 out of the combined foundations' budget of £200,000.
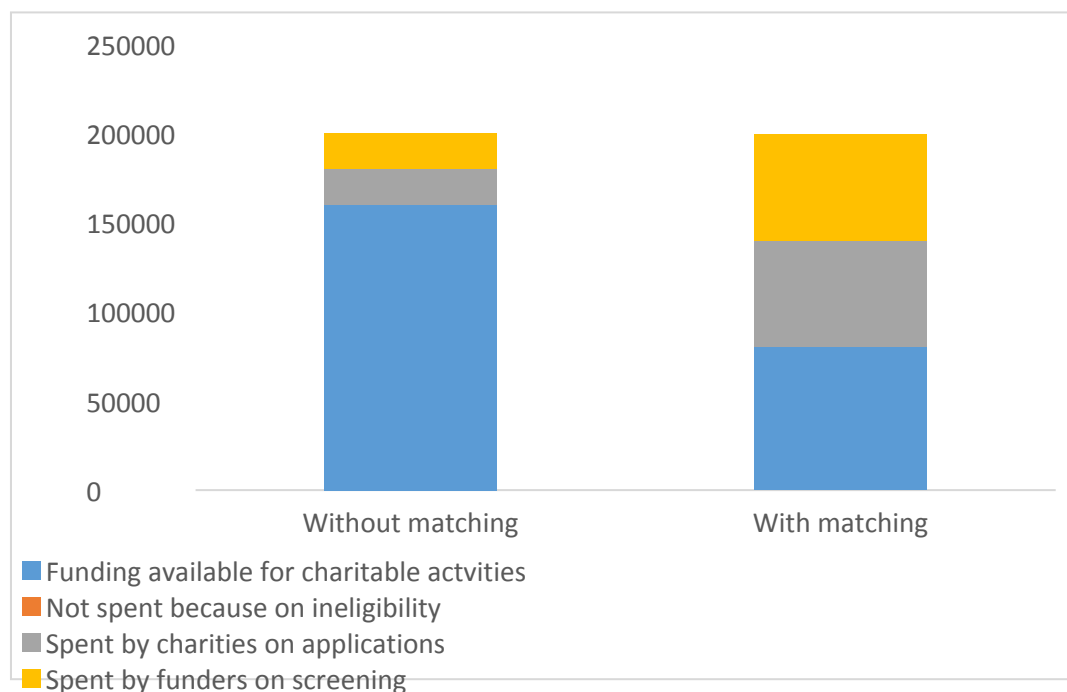
Scenario 2: In which matching increases application costs

Characteristics of this scenario:

- Matching schemes pull in many new applicants who were previously unaware of foundations' existence, rising from 10 applicants (without matching) to 50 applicants (with matching)
- Half of all applications are eligible for foundations' support, so the foundations attracted enough eligible applicants to be able to disburse their funds without matching.

Result: In this scenario foundations do not gain anything from the influx of new applications as they already had an adequate supply of eligible applicants. The distribution of funding may change between charities with some of the newer applicants taking resources from previous applicants but the amount of funding given to the sector as a whole does not change. However, many more charities apply for funding that they have little chance of getting, meaning the proportion of funds reaching charitable activities falls from 80% to 50% of the foundations' distributed resources. About half of this decrease is due to increased application costs borne by charities (they nearly double), with the rest coming from foundations' increased screening costs, which also more than double.

Figure 6: Illustrates scenario 2, in which matching increased costs

For information about the parameters used to illustrate the value of a matching scheme when eligible applications are common, see Appendix Four.

Scenario 3: In which matching can decrease application costs

In this scenario, matching decreases costs:

- There is a 60% chance that any given application is eligible
- There is a small (or zero) influx of new charities who didn't previously apply to these funders
- Participating in matching is cheap – we assume £10 - whereas making a full application costs each charity about £200[20]

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[20] We have made this slight parameter change from above because it helps generates results that are clearer on our graphs. We remain agnostic about whether £200 or £250 is closer to the real average cost of an application, as we do not have enough data to guide us.

Results: Matching is beneficial because foundations want to screen out ineligible applicants as soon as possible to prevent the costs of full-blown applications. This is good for ineligible charities too, as they are spared the efforts of applications which never had a chance of success.

Figure 7: Illustrating Scenario 3: matching can decrease application costs
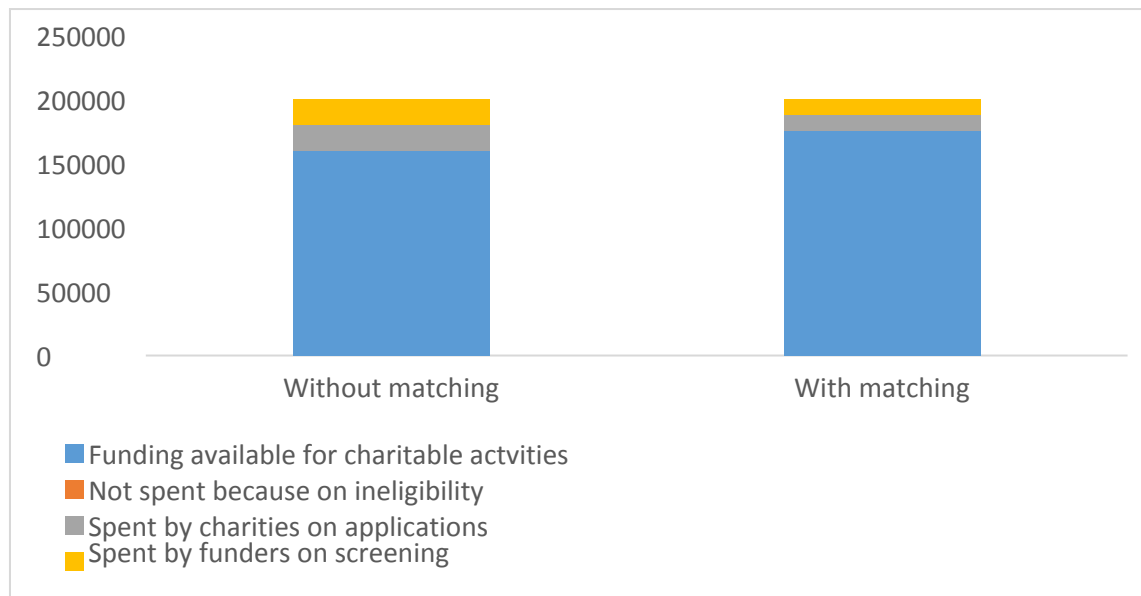
Costs to foundations and charities fall, and so the funds available for charitable activity rise Total application and screening costs fall by £16,000, and foundations' screening costs also fall, by £3,200. Funds for charitable activity rise by £16,000, 8%.

Summary of findings about matching schemes

Our interviews found little interest in matching schemes amongst foundations – unless they have few eligible applications. Our modelling shows that sometimes matching is useful and sometimes it is not. If matching schemes don't draw in too many new applicants, and it is moderately hard to find eligible applications, matching could be a useful tool for foundations. Yet if eligible applications are easy to find and matching attracts many new applicants, foundations are right to be wary.

Our interviews also found that charities were often unwilling to pay even small amounts to join a matching scheme. This is consistent with the idea that they expect low benefits from the matching scheme because they fear too many other charities will do the same, generating fierce competition.

Whilst matching is quite effective in reducing the number of charities making full applications, the modelling leads us to suggest that matching could work best if:

1) The scheme can attract mainly the charities that foundations find hard to identify and fund. Perhaps the cost to a charity of signing up to the matching scheme could be refunded for charities with rare profiles. (It may be possible to deduce what constitutes a 'rare profile' for one or more funders via access to funder's grants data and a suitable algorithm). This could help funders only attract the sort of new applications that they desire. However, it relies on charities having a good idea of whether their profile might be desirable to foundations (so that ineligible charities cease to apply, reducing processing costs for foundations).

2) It were possible to remove foundations' obligation (or sense of duty) to read all applications received. This could be done by closing applications once a sufficient number have been received or by randomising decisions for all of or a proportion of eligible applications. (See box 5.)

B. Joint application form (no pooled fund)

In this approach, charities fill in one application form and are considered by multiple funders who may or may not each decide to award a grant from their own budget. The aim is to avoid duplication when charities make multiple similar applications to multiple funders.

As mentioned, an example of a joint application form without a pooled fund was the London Community Response: this involved various funders in London in response to the pandemic in March 2020. These foundations received first stage applications and then decided independently which to fund (if any). (This scheme also had a pooled fund, through which some foundations funded applications submitted through that joint application form: see next section.)

Modelling joint application forms (no pooled fund)

In Box 8, we set out the assumptions that we use to characterise a Joint Application form with no pooled fund. We use this characterisation to understand how this funding mechanism might function in various scenarios. We will refer to this intervention as a JAF NPF.

Box 8: Main Assumptions for the Joint Application Form (no pooled fund)

We model two foundations that develop a joint application form. We assume that:

1. The joint application form provides some information, but not complete information, to each foundation, about whether each applicant meets its criteria.

2. Having received this information, each foundation can then decide whether or not to invite the applicant charity to submit a second round application. No foundation is obliged to do so.

3. Creating this joint application form is costly. This cost is shared equally between the two foundations.

4. Both foundations have to consent to this scheme for it to exist, in contrast to matching

We find that joint application forms are beneficial only if none of these three factors is too high:

- The costs of setting up the form/process;
- The number of new applicants attracted; and
- The costs of the processes in the two-step application (process) versus that of a one-stage process.

Each of these three factors contributes to ensuring that the benefits outweigh the cost: specifically, that the money going to charities' activity increases with this intervention.

We found that breaking an application process into two stages is a good thing (if done carefully), whether it is for one funder or more. Let's imagine that Foundation F has a ten-page application form. One day, it decides to ask applicants only to fill in the first five pages. On that basis, the foundation invites a selection of the first-stage applicants to apply at the second stage. This reduces

charities' application costs (fewer undesirable applicants go through the whole application process) – and as long as this is not more difficult for funders, all application costs go down. This argument works whether we are considering one foundation or two, and also whether two foundations collaborate on a JAF NPF or not.

The arguments above hold irrespective of a foundation's difficulty in finding eligible charities (in contrast to matching). Foundations that have trouble getting applications benefit more from joint application forms with separate processes[21].

In the following example, we illustrate the benefits of JAF NPF when the three factors above are not too large. We look at effects on application costs for charities, screening costs for funders, funds reserved due to eligibility problems and funds going to charities' activities.

<u>Scenario 4: Joint application forms with separate processes can be beneficial and feasible</u>

Characteristics of scenario 4:

- No new applications are generated when the joint application form with no pooled fund is introduced.
- The cost of completing the two-stage process is no more than that of going to the end of the original (pre- joint application form) process. The first round of the joint scheme costs £45 and the second round, which involves a foundation's separate, second-round process cost £105. This compares to a prior cost for the original one-step process of £150. A charity which goes through the joint process and then a single foundation process afterwards faces exactly the same cost as it would have before the joint process was introduced.
- Moderate cost of setting up the scheme (£3,000 each, compared to a total budget for each foundation of £100,000).

In order to demonstrate that this can happen when foundations have very different eligibility, we suppose that 10% of Foundation 1's applications are eligible whereas 90% of Foundation 2's are eligible. Once again, we use an overall size of a foundation's resources (here split equally between the two foundations) of £200,000.

Figure 8: Illustrating Scenario 4 in which JAF NPF are useful and feasible

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[21] We will also touch on uneven splits of costs in the examples.
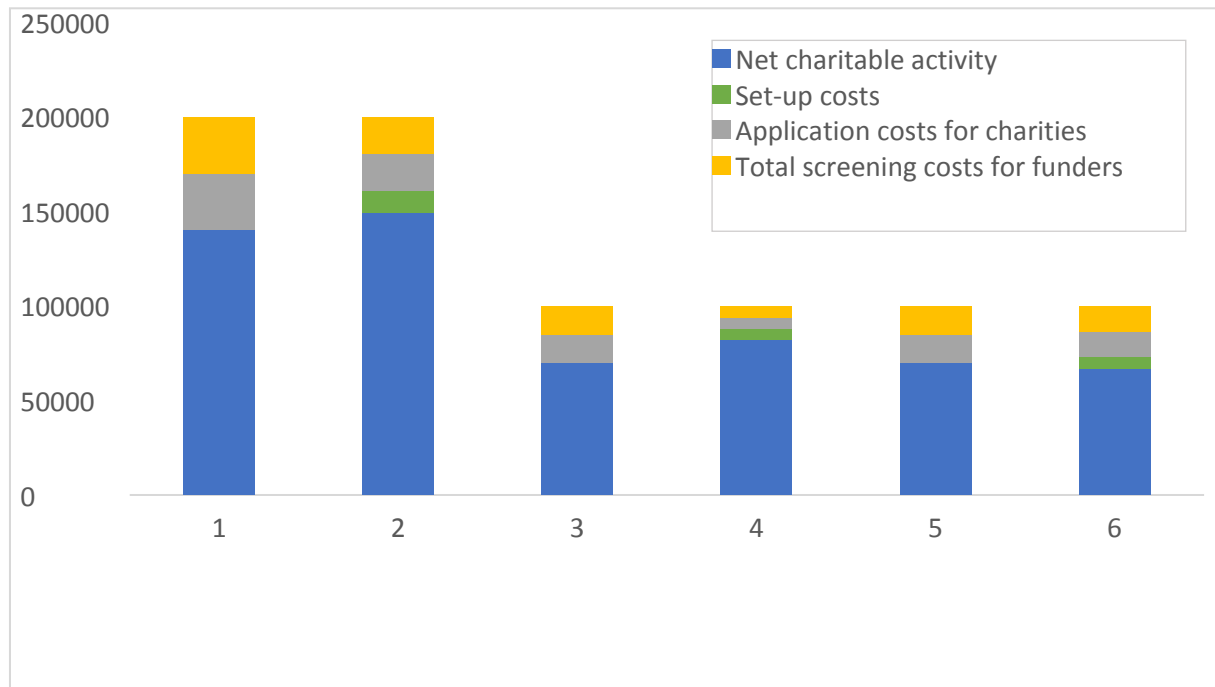
Results: Figure 8 demonstrates the effects of JAF NPF in this case. The funds going to charitable activity (the blue bar) rises for both Foundation 1 and Foundation 2 – and hence overall:

- Most importantly, the total amount of charitable activity goes up (first group of bars in the diagram) by £15,000, which amounts to 7.5% of the budget of the two foundations. This happens because across the board, costs to charities and to funders drop, because fewer charities go through the fully-fledged application processes.

- The amount of charitable activity preferred by foundation 1 goes up (second group of bars in the figure). Most gains in charitable activity come from Foundation 1 (£12,500). Having previously had too few suitable applicants, it gains more from having information in the first stage and reducing the pool to second stage applications.

- The amount of charitable activity funded by Foundation 2 rises (see the third group of bars). Foundation 2, for which most applications were already eligible, gains less from having information from the first-stage process. Charitable activity financed by foundation 2 goes up by £2,500.

This positive result depends on low set-up costs. We can infer from the figures that if the green bar representing overall set-up costs were to increase in size by £15,000, the case for a joint application form would be eradicated and the JAF NPF would no longer be desirable to foundations or society as a whole.

For more information on parameters used to illustrate the value of a matching scheme when the cost of setting up a JAF NPF is low, see Appendix Four.

Scenario 5: In which a joint application form could be useful, but isn't feasible

In the previous scenario, a JAF NPF is beneficial, but one foundation gains more than the other. In this next scenario, the set-up costs required by each funder are £9,000 per foundation - rather than £3,000 as per the previous scenario.

Figure 9: Illustrates scenario 5 in which a joint application form would be useful, but doesn't exist.
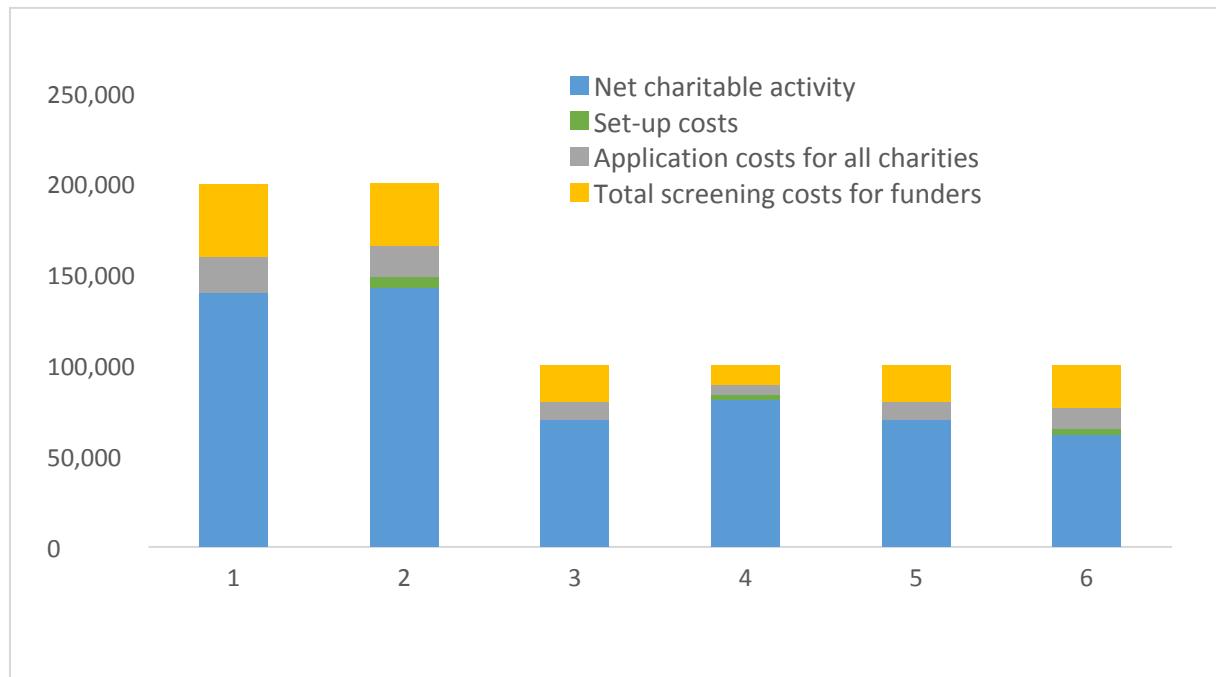
Results: Though a JAF NPF might cause the funding for charitable activity to rise (from £140,000 to £149,000), this does not happen because Foundation 2 would not agree to meet its share of the set-up costs. The JAF NPF would mean that Foundation 2's funding for charitable activity would fall from £70,000 to £66,940 (whereas for Foundation 1 it goes up from £70,000 to £82,060). This would probably lead to Foundation 2 declining to participate.

This is because Foundation 1, which finds it harder to find eligible applications, benefits more from a shared application form than does the other foundation.

The joint application form (no pooled fund) reduces application costs by enough to cover the set-up costs of the pooled fund. However, the impacts are not equally spread. Foundation 1 (the foundation that has the lowest probability of finding someone that meets its criteria in the absence of the joint application form) sees reduced application costs go down and the budget dedicated to charitable activity rises by nearly £17,000, even after covering £9,000 set-up costs of the pooled fund. However, Foundation 2 sees application costs fall, but by less than the £9,000 set up cost, so its contribution towards charitable activity falls by nearly £4,000.

Summary of findings about joint application forms (no pooled funds)

Joint application forms without pooled funds can be useful if:

- The benefits exceed the costs of setting them up, and their other effects are acceptable, e.g., on allocation of funds.

- Setting up the process, which involves each foundation breaking their application processes into two stages (and finding agreement) is done without introducing too many new costs. That is to say, careful design of the first and second stage processes is needed. Foundations should make it easy to remember or transmit the results of the first stage, avoid different first and stage assessors if possible - and of course, avoid repeating questions between the first and second stage.

Even if these funds are useful, foundations may not set them up of their own accord because funding to their own causes doesn't increase. Hence set-up costs may need to be borne by a third party (e.g. a membership body like London Funders).

JAF NPF are useful if only few new charities apply. If this is not the case, funders should be allowed (or might want to allow themselves) to disregard applications after the first stage, irrespective of whether the application may succeed at the second stage. This keeps the number of second stage applications manageable. Funders already have the power to do this but may be constrained by internal policies. Paradoxically, excluding some applications, sometimes with no good reason, may improve things for charities (as well as for funders and all that care about the charity sector as a whole getting more funding). This is also a reason for randomising grant decisions, which Giving Evidence has written about: See Box 5.

C. Joint application forms for a pooled fund

1. *Joint application forms:* These aim to reduce the redundancies when charities make multiple similar applications to different funders. We have identified two types:

   - Joint application form (with pooled fund): Charities fill in one application form and funders that have contributed to the pooled fund make a decision on whether to award a grant or not;

   - Joint application form (no pooled fund): Charities fill in one application form and are considered by multiple funders who may or may not decide to award a grant from their own organisational budget.

2. *Voluntary commitments for grant-makers:* These aim to engage foundations in making small but significant changes to processes. Based on an individual or collective recognition of the impact of application processes on charities, grant-makers accept to make changes to simplify and improve these processes.

Box 9: Main assumptions for the Joint Application Form (with a pooled fund)

The modelling assumes two foundations. They develop a joint application form and pool some funds. In effect, it is one fund. The Fenomenal Fund which supports women's organisations is one such[34]. We assume that:

1. The pooled fund awards grants to charities that meet both foundations' existing criteria. It will only fund anything else if there are not enough applications that meet both criteria (see below). This means that there has been no trading over what the joint criteria that might risk to one or other foundation funding outside its usual criteria.

2. If the fund cannot give away money to charities that meet both foundations' criteria, it splits funding between charities that meet one or other foundation's criteria, in the ratio that they occur in the pool of applicants.

3. Developing and implementing the system is costly. This cost is shared equally between the two foundations, who also give the same amount to the pooled fund.

4. Both foundations have to consent to this scheme for it to exist, in contrast to some matching systems.

These go a step further by allocating (or withholding) funds after the joint application. We assume and have modelled a pooled fund in which there is only one application stage. (Some work like this, e.g., the London Community Response, whereas others have more).

Modelling of joint application forms (involving pooled funds) (JAF PF)

Many of the findings that we have found for the other interventions can occur here too, for the same reasons. That is to say, we predict:

 i.) If the new scheme attracts many new applications, application costs could increase with
 the introduction of a pooled fund;
 ii.) When there are very few applicants, attracting new applications reduces funding retained
 due to ineligibility;
 iii.) Pooled funds do not occur often enough because sometimes, no-one is prepared to fund
 the set-up costs. This will happen particularly if one foundation benefits more than the other
 from the pooled fund, discussed below.

An unusual feature of JAF-PF is that sometimes foundations want to participate in one even when the fund reduces the total funding available for the charity sector. In a pooled fund, if two foundations decide to work together, we assume that they agree to fund only charities that meet both foundations' criteria. This means that foundations move from funding not what they care about, but what both foundations care about. This decision to work together implies a form of influence that each exerts on the other's funding.

Consider the Venn diagram in the left-hand part of Figure 8. This shows the difference between and the overlap of two foundation's criteria. Without the pooled fund, Foundation 1 is funding everywhere in its circle on the left. But with the pooled fund, it only funds in the overlap area. Foundation 2 is happy about this, just as Foundation 1 is happy that Foundation 2 is now only funding

in the overlap area. Both may consider that they have influenced the other's funding. Part of the appeal of a JAF PF is that influence.[22]

Figure 10: How pooled funds influence funding by concentrating on charities that meet both foundations' criteria
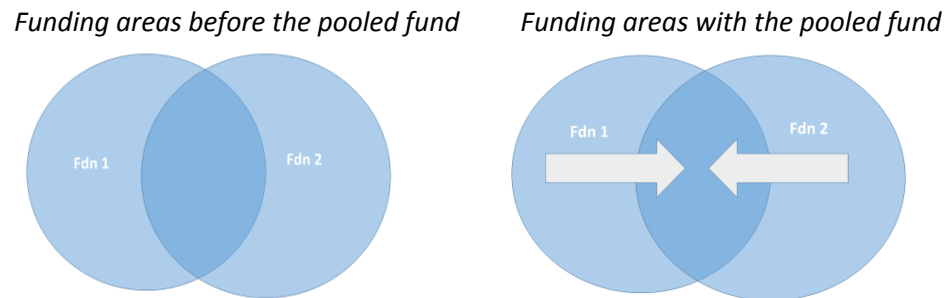
Notice that charities are unlikely to be indifferent about such schemes: whereas charities in the overlap area gain by foundations concentrating on them, charities in the light blue area (non-overlap areas) lose out.

The following scenario show how the desire to influence another foundation through a pooled fund can be bad for the charitable sector.

Scenario 6: In which a pooled fund reduces charitable activity

Characteristics of this scenario:

- There are two foundations (as before, each with £100,000) with a small overlap in their criteria. They are identical on all dimensions except for their criteria. Whilst half of all applications satisfy Foundation 1's criteria, and half Foundation 2's criteria, only 10% satisfy both.
- The pooled fund attracts many new applicants
- Set-up costs of the pooled fund are quite high: £7,000, which is 7% of each foundation's total budget.

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[22] For example, suppose that, the foundation work in the arts. Before a pooled fund, Foundation 1 gives £20 to arts in prisons and £80 to arts outside prisons. Suppose that Foundation 2 works uniquely with prisoners. In their pooled fund, the overlap is prison arts. So Foundation 1 gives everything (£100) to prison arts. In effect, Foundation 2 has influenced £80 of Foundation 1's funding.

Figure 11: Analysis of scenario 6 when the desire for influence drives a pooled fund that involves lower funding than without the fund
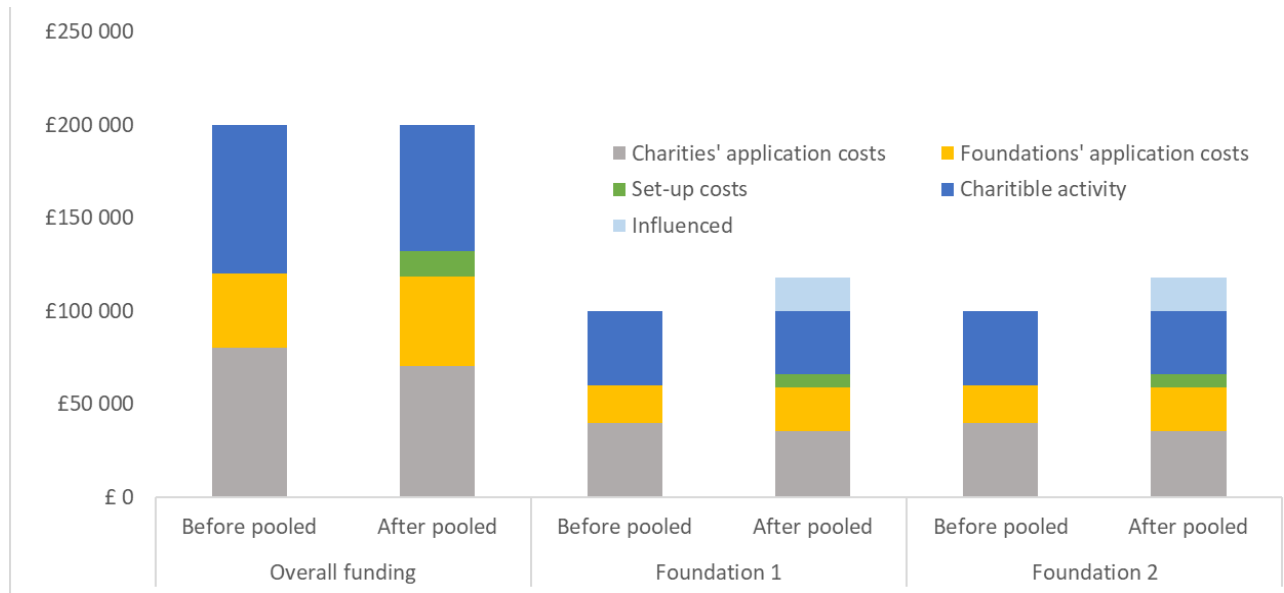
Results:

In the pooled fund, each foundation influences the other's funding, pulling some of it into the area of intersection. (See Figure 11, that influence can be quite marked).

Because there are quite few new applicants, application costs go up overall even though the cost per application is lower through the pooled fund. In addition, from the point of view of society (which cares about total funding for charitable activity), the set-up costs are quite high. Overall, the total of donations available for charitable activity fall from £80,000 to £67,000.

Both foundations suffer somewhat from these effects. As the two foundations are assumed to be identical, except in their criteria, let's focus on Foundation 1. The funding it gives alone to the causes that meet its criteria falls from £40,000 to £33,800. However, the funding that Foundation 2 gives to organisations that meets Foundation 1's criteria increases by £17,800. This makes the pooled fund valuable in Foundation 1's eyes.

Therefore, the pooled fund is launched by two Foundations seeking to influence the other foundations – even though it reduces funding going to charitable activity, because of the set-up costs and numerous new applicants.

Summary of findings about joint application forms with pooled funds

Our results on pooled funds indicate that there is a gap between what foundations tend to do and what is in the broader interest (i.e., which maximises the total funding for charitable activity.) Sometimes, foundations shy away from pooled funds despite them being good for charitable activity, and other times, they want to set up pooled funds which reduce charitable activity. The devil is in the detail. Giving Evidence is happy to talk to any funders considering setting these up.

Analogous interventions in other sectors

Below we describe two initiatives from other sectors, which provide insight and learning relevant to charities' application costs.

1) Student applications to US colleges– Common App (US)[35]

40 years ago, a small group of US universities and colleges started collaborating to try and make the college application process more accessible and equitable. As a consequence, in 2019, some members of this original group worked together to create Common App, a non-profit membership organisation now representing more than 900 diverse higher education institutions. It provides an online platform that connects applicants (prospective students) to a wide array of public and private colleges and universities across all 50 U.S. states, and 20 countries.

How it works

Applicants create an account and complete basic registration information. They provide that information only once. They can then add up to 20 colleagues of preference (that use Common App) to their account and engage supporters e.g., teachers who will need to supply additional information to support any application. Common App supports applicants to plan for and draft supporting statements required. Applicants can also roll over their application by twelve months via the platform, if needed.

Take up / effects

Common App is widely used and has succeeded in its goal of broadening the pool of applicants. For example, in 2019-2020 Common App saw:

● More than 5.6 million applications were submitted.

● More than 25 million recommendations submitted on behalf of students.

● More than $92 million in fee waivers provided by Common App members to students in need.

● More than 1.1 million unique applicants -- a third of whom are first-generation -- from more than 200 countries and territories.

Financials

Common App is free to access, though some colleges charge individuals a fee to submit via the platform. Others do not or decide to waive this cost, depending on an individual's circumstances. Common App takes a small fee from every **paid for** submission. Common App has received funding from foundations including the Jack Kent Cooke Foundation, the Michael and Susan Dell Foundation, the Bill and Melinda Gates Foundation, the Michelson 20mm Foundation, the Capital One Foundation, the Andrew Mellon Foundation.

Implications

Strikingly, Common App was created by entities which compete with each other: colleges and universities compete for students, for academics, for grant funding, for donor funding. And yet, they nonetheless initiated and have grown a shared online application process. We find this encouraging: charitable foundations do not compete with each other to anything like this extent, so the barriers to collaboration on applications should be lower for them than for academic institutions.

Common App demonstrates that online matching platforms can grow to significant scale if there is sufficient need, demand and a sustainable financial model. They may need subsidy, perhaps in perpetuity – though clearly grant-making foundations are in a position to provide that themselves.

2) **Matching platform for individual applicants – Lightning (UK)**

Lightning is a one-stop online grants portal transforming how people in financial hardship access grants[36]. It enables charities and public sector institutions to get funding to people, quickly and securely. The portal has been co-designed by the Social Innovation Council[37], bringing together a key group of organisations, and aims to:

● Improve the experience for individuals seeking financial support, enabling them to find and apply for support quickly, easily and securely;

● Reduce paperwork and fraud, using open banking and ID verification technology to accelerate grant delivery;

● Streamline processes by facilitating coordination across organisations, to reduce duplication and improve the user experience;

● Use data and insights across the ecosystem to identify gaps and deliver personalised, data-driven support over the longer term.

The early beta version of the portal launched in November 2021. Smallwood Trust, Electrical Industries Charity and Teaching Staff Trust are funding this pilot.

How it works

Individuals seeking financial support create a one-time profile which can be used to access a range of funding. They can check if they are eligible to apply for a grant from one of the platform's partners. Individuals usually also have to provide supporting evidence before applying.

Take up

Over 500 people have used the beta version as of 2021. Lightning has a 92% satisfaction rate among applicants.

Future

The beta version of the portal continues to be tested. Subject to findings, the plan is to encourage more individuals and funders to sign up.

Implications

Several interviewees mentioned Lightning as a positive example of an online platform designed to improve the discovery process (for individuals seeking financial support and funders looking to fund these people) and which provides a single point of contact for applicants. Such positive feedback is in stark contrast to our interviewees' lack of reference to matching platforms designed for charities and funders.

Interviewees who mentioned Lightning speculated that it had seen such positive feedback because it involved individual users and foundations in its initial design process. A key learning here is that it seems possible and useful to design a successful multi-funder application process around the users' needs. As mentioned elsewhere, charitable funding processes are rarely designed from this user perspective, and the 'interventions' to improve the application processes might be stronger if they had more charities (their users) involved in their design.

6. Conclusions

In the charity sector, the problem of application costs is acknowledged widely but – to our surprise – not universally.

Most charities we interviewed viewed application costs as a problem. It directly influences their work: they must spend significant time identifying funding opportunities and completing numerous bespoke application forms and financial templates. However, not all of them saw it as a problem: some charity interviewees saw it as just an inevitable part of life, whereas others expressed frustration and anger at funders for perpetuating practices they felt were inefficient and unhelpful.

Most funders that we interviewed also saw application costs as a problem. However, some felt more able than others to play an active role in trying to reduce them. **The main reasons for most of these costs arise because of how funders develop their application and funding processes to suit their own operational and governance needs** – often copying traditional approaches and layering on additional steps over time – without proactively working with applicants and grantees to develop these processes to test whether they're useful or to review them.

For foundations to reduce costs requires organisational permission and a will at all levels to create processes that are easier and more accessible for applicants (as well as the funder). Foundations making changes need digital and design skills and capacity, which usually requires hiring external design specialists. **We also found that a foundation's willingness and ability to change was not related to its size – either in terms of grant budget or staff team.**

Neither charities nor foundations routinely gather data on the costs that applications create for them. It is therefore hardly surprising that few organisations actively manage them. Several charities

interviewed felt wary about telling a foundation that their application process was particularly onerous, because of a concern that this honesty might affect their future chances of funding. In fact, we found that a charity is more likely to complement a funder on offering extremely basic customer service (such as sending an email to tell a charity to state that an application has been unsuccessful) than to give any constructive criticism. This is indicative of the power imbalance between charities and funders within a system based on competition and greater need than supply.

We identified various interventions that were designed to reduce or alleviate this problem. **Most of these interventions are designed and led by funders rather than charities**, e.g., joint application forms and pooled funds as well as some efforts to streamline. We also found that while some of these interventions appeared to have significant take-up by charities e.g. Brevio, there is no public data available on whether/how these interventions have achieved their aim of reducing costs. We heard of **a mismatch between the issues prioritised by funder-led initiatives and the problems that charities feel most**.

For each of the three interventions that we examined in detail, we found circumstances in which they can be helpful and also circumstances in which they can be harmful. It is therefore very important to proceed with caution. The key criteria for success are:

- How easy (or hard) it was, before the intervention existed, for a foundation to find an application that met its criteria.
- How much costs fall for the average charity when the intervention is introduced
- How many additional applications the intervention generates.

In general, interventions work best when:

- It is hard to find applications that meet foundations' criteria;
- Average costs for an individual charity fall with the introduction of the intervention (for example, because most charities only go through step one of a two-stage process);
- They generate few additional applications (with the exception of the case where it is very hard to find applications that meet criteria).

Our model is a useful tool that could help evaluate proposed interventions based on the details of their approach and the setting.

We also identified other practices that could help but are not always framed as addressing this problem. They include foundations being clear about eligibility and funding priorities via their websites i.e., by adding an eligibility checker for potential applicants. Finally, we identified some approaches - such as randomising grant decisions - that while not common practice in the sector, merit further research and testing.

Even when interventions could work well, they may not be established where foundations are unwilling to share the costs of setting them up. This may be because foundations may only care about the charities they fund, and not the charities funded by other foundations, creating a public

goods problem. Matching is again an exception because these online platforms can 'scrape' foundations' websites automatically and so foundations don't need to consent to participate.

When interventions could raise total funds for charitable activity, umbrella bodies or other third parties could pay some of the set-up costs in order to encourage participation - as London Funders did with the London Community Response.

In sum, it remains our view that application costs are a major problem. The proposed fixes are not necessarily helpful or always helpful. Application costs arise largely because of foundations' practices, and there are two barriers to influencing that: information and incentives. Much more information could be created and shared, and we have suggested some routes and methods for that. The incentive problem is harder because most foundations don't face any biting incentives. However, for some foundations, 'social norming' amongst foundations is a driver – i.e., if some foundations start to work on reducing these costs others may follow – and publishing information about the costs created by various foundations might be a lever.

The prize here – of freeing up substantial charitable resources for improving society and the environment – warrants further work to reduce these largely avoidable costs.

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