

# **Giving pains: The cost of grant-making**

Assessing the cost of foundation funding applications

July 2022

Helen Barnard

Research by Giving Evidence:  
Caroline Fiennes, Gemma Bull,  
Sarah Sandford



---

## Executive Summary

Charities across the UK play a vital role in delivering services, connecting communities and driving social change. Throughout the pandemic and the current cost of living crisis, charities have been at the forefront of efforts to support individuals, families and wider communities. However, the sector is also under immense financial pressure. Demand for services has risen substantially, with baby banks, advice organisations and foodbanks facing record levels of need. At the same time, the pandemic and the squeeze on living standards has reduced charity income, while inflation drives up costs and means that grants and donations are worth less in real terms. In the midst of this perfect storm, it is more important than ever that the sector makes the best possible use of its resources. New research suggests that the inefficiencies currently built into many funding application processes are undermining this goal.

The social sector relies on philanthropic investment to carry out its crucial work, with trusts and foundations providing billions of pounds in grants to charities each year. There are long-standing concerns about the costs created by the application processes required to access this funding. New research by Giving Evidence for the Law Family Commission on Civil Society finds that the total cost of these application processes comes to about £900 million per year. Other estimates range between £442 million and £1.1 billion per year.

The overall cost is increased by high numbers of ineligible and unsuccessful applications, in addition to unnecessarily laborious processes. Small and medium charities face particularly high costs to access funding, having to devote more than a third of their resources to applying for charitable grants on average.

There is little evidence that these application processes create value in terms of useful learning for either charities or funders, or that they are well designed to maximise the impact of investment.

Four factors drive the sub-optimal design of application processes:

- Lack of design: funders do not tend to purposively design their processes; rather they evolve organically over time.
- Lack of information: neither funders nor charities consistently track the costs of application processes or the gains that could be made by improving them.
- Lack of incentive: there is little external pressure or incentive for funders to improve their approaches, and charities are more strongly motivated to build relationships with funders than to share their views or data about application processes.
- Lack of skills: many funders do not employ staff with service design or digital skills. They are often focused more on holding down their staff and other organisational costs than on developing capabilities which might improve the efficiency or effectiveness of their grant-giving practices.

This study suggests that many funders should be more active in considering the costs created by their application processes and redesign them to reduce ineligible and unsuccessful applications and streamline processes. Simple improvements can help



them achieve this, such as publishing funding priorities and criteria, providing an eligibility checker and ensuring application forms make all questions visible upfront, avoid repetition and are able to be saved during the process.

More funders should also take much bolder steps, creating funder collaborations, using joint application forms and striving to reduce the number of ineligible and unsuccessful applications they receive. Interventions such as matching platforms may also help but need to be designed carefully to avoid inadvertently increasing overall system costs. For example, in one modelled scenario where a matching platform draws in many new applicants to a funding source they were previously unaware of, the proportion of funding that ends up being used to deliver charitable activities falls from 80% without the matching platform, to 50% with it.

There are funders who have been leading the way in making both incremental improvements and more fundamental changes to their processes. They have demonstrated the feasibility of doing so and the positive impacts that flow to all involved. It is clear, however, that this kind of action is not yet taking place at scale across the funding landscape.

Charities and funders exist to achieve common goals, with a shared interest in ensuring that resources within the sector are used to achieve the maximum possible impact. The current system embeds inefficiencies which should be highly concerning for philanthropists, donors and policymakers, as well as for charities and volunteers. Forthcoming research from the Commission will examine potential levers that could be used to drive a step change in funding approaches across the sector and make recommendations for action from policymakers and the sector itself.



---

## Introduction

There are 160,000 charities in the UK, employing 930,000 workers, alongside millions of volunteers. The sector creates about £180 billion of social value each year.<sup>1</sup> It exists to do good across society, from supporting specific groups of people to improving the environment and tackling disease. So we should aim to create the greatest possible impact with the investment available. This is especially important given the financial strain felt by many organisations in the social sector, the level of demand for its services and the sector's importance in nurturing the social connections which underpin our society. According to recent research<sup>2</sup>, eight out of 10 charities are worried about their bills and seven in 10 are concerned about increasing demand for their services, while significant numbers of donors are considering cutting back on charity donations. Analysis by Pro Bono Economics suggests that the social sector's income is likely to be about £8bn lower than previously expected this year, due to the combined impact of the pandemic and the cost of living squeeze.<sup>3</sup> In the context of these pressures, it is especially important that all the resources available to the sector are used in the most efficient and impactful ways possible.

The investment that supports the sector falls into three broad types; earned income (for instance from charity shops), contracts (to deliver services on behalf of the public or private sectors) and philanthropy. Philanthropic funding includes legacies, individual or private donations to charities, and grants from trusts, foundations, governments and public agencies.

There are more than 10,000 charitable trusts and foundations in the UK, varying greatly in their size, goals and source of funding. They include corporate foundations (e.g. Greggs, Lloyds Bank and Asda foundations), family foundations (e.g. Sainsbury Family Charitable Trusts), private foundations (e.g. Wolfson Foundation), community foundations (47 across the country, connecting donors with local groups) and endowed foundations (e.g. Wellcome Trust).

The top 300 foundations in the UK, which account for about 90% of foundation giving, gave approximately £3.5bn in grants in 2019-20.<sup>4</sup> To access this funding, charities must apply to grant-makers then, if successful, they have to manage the grant and meet monitoring conditions set by the funder. The resources these processes consume can be viewed as the 'cost of capital' for the social sector.

Accessing finance requires resources for any organisation in any sector. No system allocates investment entirely efficiently. However, the charitable funding system is particularly vulnerable to inefficiencies because it lacks both the private sector's direct connection between demand and supply and the public sector's co-ordination capacity.

---

<sup>1</sup> Civil Action: Exploring civil society's potential in the 2020s, Law Family Commission on Civil Society 2020

<sup>2</sup> Increased demand and falling donations create 'perfect storm' for charities in cost-of-living squeeze, Charities Aid Foundation, 2022 <https://www.cafonline.org/about-us/media-office-news/increased-demand-and-falling-donations-create-perfect-storm-for-charities>

<sup>3</sup> Second wave: charities and the Spring Statement 2020, Pro Bono Economics, <https://www.probonoeconomics.com/second-wave-charities-and-the-spring-statement-2022>

<sup>4</sup> Walker, C. & Pharoah, C. Foundation Giving Trends 2021, ACF, 2021

Foundations control their own funding and make decisions according to their specific objectives, using processes which they determine. They are accountable to their trustees but not usually to anyone else (apart from the Charity Commission as the regulator). In most cases, each grant application requires an individual application form, many of which collect similar information in different formats.

There are longstanding concerns that the ways in which many foundations choose to distribute their grants use a disproportionate level of resource from across the sector. The system should ideally be designed to contribute to achieving impact, effectiveness and value for money, however there is no evidence that this is the case. In particular, the costs arising from charities making applications for funding for which they are ineligible and from the laborious nature of some application processes can be fairly viewed as 'wasted' resources, which could be better spent on charitable activities.

New analysis by Giving Evidence for the Law Family Commission on Civil Society explores the costs of these application processes and the economic impact of some of the most commonly proposed solutions.

#### Box 1. Method

The research was carried out by Caroline Fiennes, Gemma Bull and Sarah Sandford at Giving Evidence. It consisted of:

- Interviews with 12 sector experts, 14 UK charities and seven foundations.
- Analysis of the total cost of application processes for different types of charity and for the sector as a whole.
- Economic modelling of the impact on total application costs of several interventions which are designed to reduce those application costs.

Fieldwork was carried out between November 2021 and February 2022.

## How much do application processes cost?

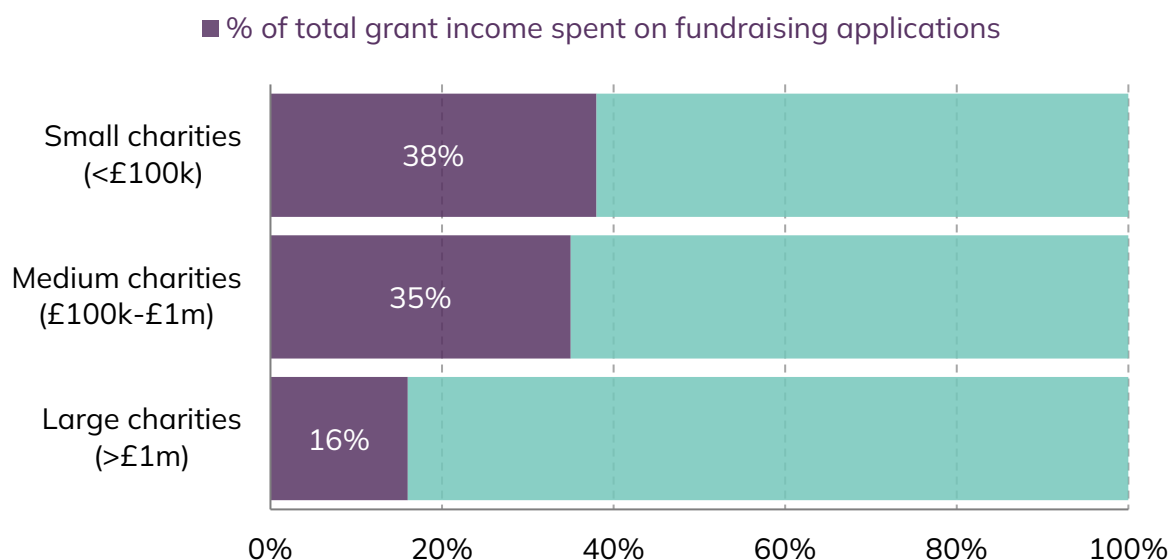
The analysis suggests that charities spend at least **£900 million every year** applying for grants from charitable trusts and foundations. This calculation is based on the cost to medium and large charities of fundraising staff making grant applications and the time spent applying for grants by non-specialist staff or volunteers in small charities<sup>5</sup>.

The cost of applications does not fall equally on all types of charities, however. Large charities (with revenues of more than £1m) incur more than half of the total cost - £565m – which accounts for 16% of the funding raised. Medium-sized charities (with incomes between £100,000 and £1m) bear about £284m of the cost, accounting for 35% of the resources raised. Small charities face the highest costs proportionally, at 38% (with applications costing about £49m overall).

---

<sup>5</sup> Full methodological details can be found in the forthcoming report *Understanding and reducing the system costs of Foundations' application processes* (2022) Fiennes, C. Sandford, S. Bull, G. Giving Evidence

Figure 1 - Small and medium charities spend more than a third of the income raised through grants on grant applications



Black and minority ethnic-led charities disproportionately tend to be small, and previous research has shown that they face especially high barriers to accessing funding.<sup>6</sup> This likely contributes to the long-term underfunding of this part of the sector, and the financial fragility of many charities serving black and minority ethnic communities.

It is striking that the estimated cost of applying for grants across the sector for a single year is about 1.5 times the income of the National Trust. Over two years, it is equal to the amount of money released for charities from the Dormant Assets Scheme.

These estimates can be compared with previous analysis. For example, Brevio research in 2020<sup>7</sup> estimated the cost to be at least £442m, and a 2019 study by Bath University estimated the annual cost of writing grant applications at £1.1bn.<sup>8</sup>

This cost is particularly worrying because of the high number of ineligible applications made by charities – applications which have little chance of success – and the extent to which many funders are oversubscribed, meaning that the majority of funding applications are unsuccessful.

Research by the Directory of Social Change examined the level of ineligible funding applications in 2009<sup>9</sup> and 2017.<sup>10</sup> They found that a third were ineligible in 2009, falling to a fifth in 2017 – an improvement, but still representing a significant level of wasted resources.

Most funders are oversubscribed, with some experiencing extremely high levels of demand. Overall, Bath University found that about two-thirds of applications were

<sup>6</sup> Funding and racial justice: data driving change (2021) Pippard, D. ACEVO

<sup>7</sup> UK charities are spending at least £442 m to secure vital funding since covid (2021) Brevio

<sup>8</sup> Speller, M, Hodgson, P, Brandon-Jones, A, Dimov, D & Padget, J 2019, UK Third Sector grant making: A summary of research by the University of Bath.

<sup>9</sup> Ineligible Applications: the wasted work of the voluntary sector (2010) Directory of Social Change

<sup>10</sup> Unpublished data shared with Giving Evidence and Pro Bono Economics research teams

unsuccessful, meaning that their £1.1bn cost represented £374m spent on successful grants and £726m on unsuccessful applications. Success rates can be far lower for some sources of grant funding. For instance, in 2021, the Esmée Fairbairn Foundation funded 6% of applications received through its open process.<sup>11</sup> Resourcing Racial Justice, a UK-wide tailored fund launched in 2020, had over 1,400 applications and could only support about 3%.<sup>12</sup> Voice4Change's emergency fund for black and ethnic minority charities was nearly seven times oversubscribed.<sup>13</sup>

Eligible but unsuccessful applications may still represent value if they arise from processes which improve the impact of charitable funding or create useful learning for applicants or grant makers. We therefore turn next to the design and drivers of foundations' application processes to assess if this is likely to be the case.

## What drives the design of application processes?

Foundations generally have bespoke application forms and processes. Most don't use pre-existing or shared approaches (although there are some funders who have started to do so). Charities usually have to enter similar information many times, often in different formats and with small changes required to answer slightly different questions or criteria. In addition to this inherent inefficiency in the system, the research identified a range of additional issues which increase the cost of the system without increasing impact or learning:

- Many foundations do not publish eligibility criteria or provide an eligibility checker, meaning charities cannot be sure whether they are eligible before starting an application.
- Poorly designed online forms increase the time required to navigate them and can exclude visually-impaired applicants where they cannot be read by screen readers.
- Some application processes appear excessive in relation to the size of the grant offered. One respondent described a 60-page form being required for a grant of £500.
- Many online application forms do not make all questions visible to applicants at the start of the application, making it harder for applicants to gather the right information and plan their responses.
- They also do not always allow applications to be saved before submission, creating additional work where an applicant has to pause part way through and then start again. This is particularly problematic where applicants are fundraising alongside other activities, as is often the case, especially in small charities.

Foundations taking part in the research reported that some information was collected in applications but not used in decision-making, that asking for more information did not

---

<sup>11</sup> *Frequently Asked Questions: 3.5. What is the success rate of applications?* Esmee Fairburn Foundation website: <https://esmeefairbairn.org.uk/applications/faq/#35-what-is>

<sup>12</sup> Wijeyesekera, D *Digging Deeper: Insights on tailored funding to organisations led by black people and communities experiencing racial injustice in 2020* Baobab 2021

<sup>13</sup> Hargrave, R. *Covid fund for BAME charities was seven-times oversubscribed* Civil Society News 2022

necessarily improve their decision-making and that they did not always know why their organisation used these processes or required the information. One commented:

*“Lots of times foundations forget why they are asking for information and who initially required it.”*

There appear to be four main factors driving these issues:

First, there is a **lack of design**: Many foundations have not purposefully designed their application processes; they have evolved organically over time, often becoming more complex as new requirements are added. While some foundations have carried out a major overhaul of their processes (often prompted by a change in leadership or strategy), most do not review processes regularly or look for improvements unless they are in such a moment of change.

Second, there is a **lack of information**. Foundations do not usually assess or track the costs their processes create for applicants. Some charities are very aware of the costs they incur through fundraising and choose to target or avoid certain funders because of differences in the costs created by their processes. However, this is not universally the case, and many charities still underestimate the cost of applications. Even when awareness of costs does exist, it is unlikely to be shared with funders, since many charities are more concerned with building relationships with funders to improve their chances of securing funding than with improving the efficiency of application processes.

Third, there is a **lack of incentive**: Funders do not have to compete for income and demand for funding is so high that they also do not usually have to compete for applicants. There is therefore little pressure or incentive to improve practices across the system. Some foundations reported that their boards were keen to retain wide criteria for their grants or reluctant to publish clearly what they would and would not fund or provide an eligibility checker, because they did not want their decision-making to be constrained. The lack of information about the impacts and costs this creates makes it difficult for staff or outsiders to challenge these views or highlight the trade-offs implicit in setting the breadth of criteria or judging how much information to publish.

Fourth, there is a **lack of skills**: Most foundations do not employ staff with service design or digital skills. Those who have redesigned their processes have often brought in specialists to carry out this work. However, this is rarely seen as a priority on which they are prepared to spend money. The research finds that they tend to focus on ensuring that their own staff costs are viewed as proportionate to their grant budget, rather than to the costs created for the social sector overall. In many foundations, there is a deep concern, especially at board level, about not spending too much on staff, training or other organisational costs because this would reduce the money available for grants. There often appears to be less attention paid to the capabilities necessary for them to distribute grants most effectively or to the costs generated for charities by inefficient processes.



---

## How effective are the proposed solutions?

There are two types of intervention which can help to reduce these inefficiencies and costs; incremental improvements to processes that all funders could implement and more formal interventions which require greater co-ordination and resources to establish.

First, the research examined examples of ***incremental improvements and initiatives undertaken by individual funders.***

Some funders have clearly recognised these issues and the problems they cause and have taken steps to redesign their processes. BBC Children in Need took steps to clarify its eligibility criteria at a time when it was attracting four applicants for every single grant it could fund and succeeded in halving the number of applicants.<sup>14</sup> Having an accessible website that includes eligibility and funding priority information was a high priority for many charity respondents. Eligibility checkers could also be used far more widely. Directory for Social Change research in 2017 found that these halve the number of ineligible applications.<sup>15</sup>

The international Fix the Form campaign found that not being able to see the full application form was the most common and most painful cause of frustration among fundraisers responding to its survey.<sup>16</sup> The campaign resulted in more than 130 foundations making their grant application forms public and five grant management software providers making changes to their platforms to facilitate this. They identify 3,300 foundations as now enabling their full grant form to be downloaded. Other pain points identified by the campaign would also be straightforward for many foundations to address, such as forms you cannot save and return to and forms that repeat similar questions.

Many foundations split their application processes into two stages, with a light touch first stage to identify a smaller number of eligible applicants, who then complete a more detailed second stage. This can significantly reduce the cost of applications by filtering out ineligible applicants and reducing the number of eligible applicants who complete the whole process but are eventually unsuccessful. In the US, GiveWell also provides funding for charities who pass the initial stage, to pay for the time it takes them to fulfil the more arduous second stage of the application process.

Mission 44, established in 2021 by Sir Lewis Hamilton, aims to share the costs of the process by not asking charities to submit information that the foundation can access itself, such as information on the Charity Commission website, and by developing ideas in partnership before taking them to their board.

Funders which operate multiple funding streams can save charities time and money by having a 'single front door', as demonstrated by the Heart of England Community Foundation, which funds charities in the West Midlands. Prompted by its experience of adapting funding practices during the pandemic, the foundation decided to redesign

---

<sup>14</sup> Fiennes, C. *It ain't what you give, it's the way that you give it* Giving Evidence, 2012

<sup>15</sup> Unpublished research shared with Giving Evidence and Pro Bono Economics research teams

<sup>16</sup> What is #FixTheForm? GrantAdvisor: <https://blog.grantadvisor.org/fixtheform/>

their processes for the long term, employing a service design agency to help them. They created a new 'single front door' or online portal for applicants. Each would apply just once, and the foundation would assess which of their funding streams were relevant. The system also enabled charities to see all questions upfront and only apply and share information once a year, rather than for each separate funding stream. It reduced costs not only for the applicants but also for the foundation as they no longer had multiple staff assessing applications for each funding stream.

The UK Government's Cabinet Office is similarly developing a new system for charities and SMEs to apply for government funding, which is being piloted with four central Government departments. It intends to test an online portal enabling charities to search for grants across government and a standardised application process enabling applicants to enter data and documents only once.

In addition to improvements made by individual funders, the analysis assessed two more **formal and collaborative interventions** which are commonly proposed or have been tried.

The first is **matching platforms**, such as Brevio. Matching platforms aim to avoid ineligible applications and to streamline the application process. Charities upload information on 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, in other cases charities apply through the matching system once the foundation has verified their eligibility. Brevio has developed this approach further by scraping information from public sources about foundation funding (because of the low number of foundations who were proactively providing their information). If the foundation allows Brevio access, the platform can also automatically fill a charity's information into the foundation's application form.

The economic analysis<sup>17</sup> of the impact of a matching platform on the costs of applications found that it varied very significantly depending on the starting point of the foundations involved in it:

- Where foundations struggle to find enough applications or eligible applications, using a matching platform can reduce the overall cost of the application process. Costs fall since the platform prevents ineligible applications. It also reduces the likelihood of the foundations being unable to find eligible applicants. System-wide costs are reduced even if we assume that charities pay a small amount (£10) to use the platform.
- However, where foundations are already attracting enough eligible applications, matching platforms can increase the overall cost of the system by pulling in large numbers of new applicants who had previously been unaware of the funding

---

<sup>17</sup> Full methodological details can be found in Understanding and reducing the system costs of Foundations' application processes (2022) Fiennes, C. Sandford, S. Bull, G. Giving Evidence

opportunity. The system still prevents ineligible applications, but the proportion of unsuccessful applications rises significantly.

- For example, in one scenario, the modelling found that the proportion of funding that ended up being used to deliver charitable activities fell from 80% without the matching platform, to 50% with it. This happened because a foundation already had sufficient eligible applicants, but the matching platform drew in many new applicants to a funding source they were previously unaware of, resulting in higher total application costs.

The research also found that there was scepticism about the usefulness of matching platforms among both foundations and charities. Foundations perceived little benefit from joining such platforms unless they were attracting too few eligible applications. One of those who had used a matching platform for this reason had been disappointed that it had not delivered greater access to a specific type of charity in their area.

Some small and micro charities expressed interest in matching platforms but were unwilling to pay even a small amount to access them, especially since they assumed that many others would do the same, meaning competition would be intense. They were sometimes even deterred by having to give credit card details for the future, despite the service being provided for free at the time. Most gathered information about funding opportunities from umbrella bodies or newsletters and were reluctant to pay to identify additional funding sources. Charities also often reported that they were more successful when they were able to form a relationship with a potential funder first and where they tailored the description of their work to fit a funder's interests, both of which were felt to be curtailed by a matching platform.

The second intervention is using a **joint application form** across several funders. This aims to avoid duplication of effort where charities are making similar applications to multiple funders. A joint application form can be used as a shared first stage, after which individual funders invite some applicants to complete a second stage. Alternatively, a joint application form can constitute the full process with a group of funders either pooling funds and jointly making decisions or keeping their funds separate and making individual decisions based on the single application form.

The economic analysis of these interventions found that they can be effective ways to reduce the overall costs of applications as long as:

- The amount of effort required by the joint application form and any subsequent stages did not exceed that of the previous systems.
- It did not significantly increase the total number of applications and/or the number of applicants taken through to a more detailed second stage is kept low relative to the number of grants awarded.
- Any additional costs to funders of setting up and maintaining the joint approach did not outweigh the savings to charities of making fewer applications through a more streamlined system.

A shared application process was run in 2020 by London Funders, which set up the London Community Response Fund in March 2020. The fund allocated over £57m, provided by 67 funders. It included two options for funders to participate. Some were "aligned funders", making individual decisions and able to "reserve" applications that they thought they might fund. Others contributed to a pooled fund run by City Bridge Trust. Applicants who were not 'reserved' were considered by the pooled fund. Overall, the London Community Response Fund allocated over £57m provided by 67 funders and awarded via 3,300 grants.

The research also heard about a broader increase in funder collaborations during the pandemic. Many charities hoped these funders would continue to work together to streamline their processes and share due diligence and other information, so that charities did not need to submit the same information repeatedly to different funders.

## Conclusion

There is strong evidence that the current system of applications for charitable funding from trusts and foundations creates unnecessarily high costs for the sector, reducing the investment available to deliver charitable activities. System costs are increased without creating additional value by high numbers of ineligible and unsuccessful applications, as well as disproportionately laborious processes. These costs fall especially heavily on small and medium charities, with more than a third of their resources being taken up by fundraising, rather than delivering their charity's objectives.

There are funders who have significantly improved their application processes, some through incremental improvements and others with more fundamental changes, such as joint application forms and funder collaboratives. They have demonstrated the feasibility of such changes and the positive impacts that flow to all involved. However, these improvements are not yet taking place at scale across the funding landscape, and there is little sign of widespread moves towards them.

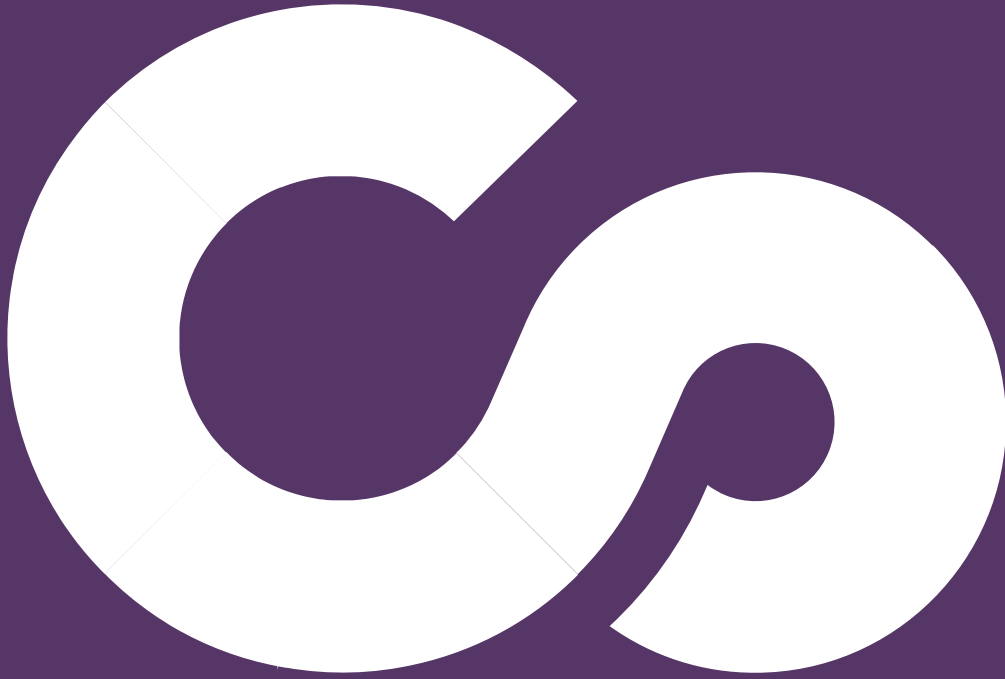
Charities and funders exist to achieve common goals, with a shared interest in ensuring that resources within the sector are used to achieve the maximum possible impact. However, current systems embed inefficiencies which should be highly concerning for philanthropists, donors and policymakers, as well as for charities and volunteers.

All funders should actively consider the costs created by their application processes and aim to design approaches which reduce ineligible and unsuccessful applications and streamline processes. At a minimum, they should publish funding priorities and criteria, provide an eligibility checker and ensure application forms make all questions visible upfront, avoid repetition and can be saved during the process.

Far more funders should also take bolder steps, creating funder collaborations and using joint application forms. Interventions such as matching platforms may also help but need to be designed carefully to avoid inadvertently increasing overall system costs and ensure they add value from the perspective of both charities and funders.



Forthcoming research from Commission will examine potential levers to drive a step change in funding approaches across the sector and make recommendations for action from policymakers and the sector itself.



The Law Family  
**Commission**  
**on Civil Society**



@ProBonoEcon



[civilsocietycommission.org](http://civilsocietycommission.org)



020 3632 2668