

## **Guidelines for Funders of Voluntary Organisations**

The first suggested theme for this article was "*Do foundations need a code of practice?*", though the publisher's reaction took me by surprise: "*I thought you already had one!*" This may be a widely held misconception, but in fact codes of practice for foundations are far from commonplace. I know of only two such documents in the world: "*Principles and practices for effective grantmaking*", issued by the USA's Council on Foundations, and the "*Ethic Code*" of the Union of Bulgarian Foundations. The American document is not an enforceable code of practice, and the Bulgarian one has been developed in a context where suspicion of corruption is rife. For UK foundations, the only firm requirements are to operate within the law; there is as yet no 'code', and in any case things have moved on since I suggested the topic.

The purpose of the present article is to do both less and more than I originally envisaged. It is to introduce the draft of a new set of guidelines which, though not as strong as a formal 'code of practice', are intended to apply across the board to foundations and corporate givers, and to central and local government.

In 1993, the first ever national round-table seminars of voluntary sector funders took place, under the theme *Resourcing the Voluntary Sector*, involving the key funding departments of central government, and several larger trusts and companies. The seminars did not move the earth. But they did reveal the different motivations of the different sectors in providing funds: to fulfill or help fulfill pre-determined policies (government); to achieve charitable or philanthropic objectives by giving to, investing in, or collaborating with voluntary organisations (trusts); or through a sense of community responsibility, enlightened self-interest, or to cultivate good will or employee involvement (companies). Among the recommendations was the notion of a code of practice for funders, "*to cover such matters as the timing and length of grants, core funding, proper notice of changes, and so on*". The draft *Guidelines* have arisen directly out of this recommendation.

### **Best practice, but not a code**

Being a funder of voluntary organisations is not a profession like accountancy or the law. Anyone can be a funder, if they have the money and the inclination, and can find willing recipients (and who can't?). Funders may aspire to best practice and 'professional' standards, but if they don't achieve these, no-one can stop them from providing grants, so long as they stay within the law.

Individual trusts and companies are jealously independent, both of funders from other sectors and of each other. Associations of funders, like the Association of Charitable Foundations, or the Corporate Responsibility Group, have minimum conditions for membership - so as to ensure that prospective members are genuine grant-makers - but cannot censure their members for poor practice. (Corruption is another matter, but that is very rare in the UK.) A 'code of practice' carries near-legal connotations, machinery for vetting and policing quality, a formal list of subscribers, and sanctions including expulsion for breaches of the code. ACF and CRG cannot go to such lengths. They exist to promote discussion among their diverse memberships, to encourage good practice, perhaps to warn, but not to criticise their members, nor to be the means of mutual regulation among them.

Government is in a different category, but has similar difficulties. Though more formally accountable than trusts and companies, the various units of government organise services, in which the funding of voluntary organisations normally plays only a small part. Policies and procedures are developed in each department of central government or a local authority. Policies are drawn up departmentally and according to wider political considerations; and departmental procedures tend to

grow from these separate origins. Influencing procedures across the board is therefore difficult. A local authority chief executive's department will face the challenge of influencing administrators in other departments, whose main accountability is through largely autonomous service committees. Local authorities can compare policies and practices through their national associations, but the associations have limited (though certainly not negligible) ability to influence individual authorities' procedures, because the authorities' accountability is downwards. Within central government, the Home Office Voluntary Services Unit has a loose co-ordinating role in relation to other departments, very much like that of a voluntary association. It can promote discussion, encourage, and sometimes warn, but cannot enforce procedures on other departments, even in this era of the *Citizens Charter*.

Individual trusts, companies, and units of government thus find great difficulty in the very notion of an enforceable code of practice.

### **Good practice in funding**

However, funders from all sectors increasingly recognise that there *is* such a thing as good practice in funding the voluntary sector; and many acknowledge that there are advantages in defining good practice, and in being seen to subscribe to it. Hence the agreement, as yet tentative, on 'guidelines' rather than a formal code.

Because of their wide application, the *Guidelines* have been written in quite general language. Their wide provenance means that they are not as detailed as some might like, and their existence does not rule out the development of more detailed guidance within the different sectors.

The *Guidelines* do however break new ground. For example, they suggest, for the first time in a document produced by funders themselves, that there is a need to provide proper information for applicants. They raise issues of fair and equal access to funds, and wider aspects of equal opportunity. They cover decision-making procedures, the need to deal reasonably with applicants, and to give proper notice of making (and withdrawing) grants. They suggest a common sense approach to monitoring and evaluation, including prior agreement on objectives. The intention is to give applicants and recipients of grants a greater sense of what they can expect from funders, and to set out the main characteristics of good practice.

The draft *Guidelines* are published for consultation over a period of six months or so. The sponsoring bodies will be meeting again in July 1995, and would be happy to receive comments, especially from umbrella organisations and through the National Council for Voluntary Organisations.

### **Biographical note**

*Nigel Siederer was appointed in 1990 as the first Director of the Association of Charitable Foundations.*

*He has worked in the voluntary sector for twenty years, starting out at the National Council for Civil Liberties in 1974. Most of his experience is with co-ordinating and resource bodies, of which he has been variously a committee member, development worker, chief officer, and funder's representative. From 1978 to 1985 he co-ordinated the local advice centres in Lambeth, and played a part in setting up the national Federation of Independent Advice Centres. From 1986 to 1990 he ran the Local Development Agencies Fund at the National Council for Voluntary Organisations.*

*The Association of Charitable Foundations was set up in 1989 as a development and support organisation for the UK's grant-making trusts and foundations. It has 220 members, who give over £300 millions to voluntary organisations each year.*

**This article originally appeared in *Henderson Top 2000 Charities 1995*. It should be read in conjunction with the *Guidelines* themselves. The *Top Charities* series (now expanded to 3000!) is now published annually by CaritasData Ltd, and the current sponsor is Investec.**