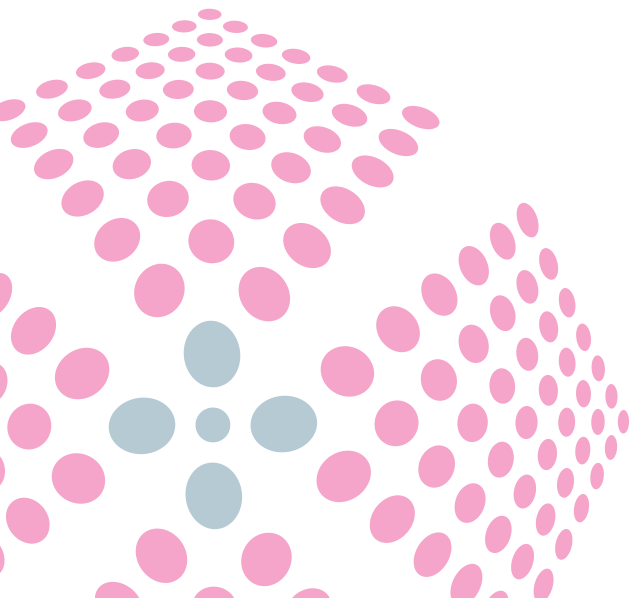
Scotland Funders' Forum

Harmonising Reporting Working Group: Report to the Scotland Funders' Forum



The Scotland Funders' Forum provides an opportunity for people to come together, to address areas of common interest, to learn from one another, and to share best practice.

I welcome this report, which is a direct result of funders and third sector funded organisations coming together to find practical solutions to a shared issue.

Funders have a right to know what difference their money has made, but it is not always easy for them to get the right information from the organisations they support. Equally, funded organisations know and accept that they have a responsibility to demonstrate to funders what they have delivered but often struggle when faced with different reporting demands from different funders.

Supported by Evaluation Support Scotland, representatives from eleven organisations, including the Scottish Government, have worked together to tackle the challenge of monitoring, measuring and reporting about impact and change. This report is the result of that work. It identifies practical solutions to address barriers to effective reporting experienced by funders and funded organisations.

The report can be used as a practical resource that will enable funded organisations to tell their stories in a less bureaucratic way. This will allow people to get on with the job and demonstrate more quickly and effectively the positive impact they are making and the outcomes they are delivering for people. It also provides a framework for funders to work within to help them to gain a much better understanding of the differences their investments have made.

I congratulate the Scottish Funders' Forum on producing this report. I hope that funders and funded organisations across Scotland will find it a helpful resource and would encourage people to adopt its recommendations so that funders and funded alike are able to see clearly what they are delivering for the people of Scotland.

John Swinney
Cabinet Secretary for Finance and Sustainable Growth

Funders want to make a difference with their funds. We want to spend our money wisely and fund the things that work. But in being accountable for public or charitable money and to follow the impact of the public pound, funders and regulatory bodies have sleep walked into a red tape nightmare. Organisations that receive funding want to prove they have spent any funding properly and are having an impact. But many have multiple paymasters with different reporting needs and requirements. All this assurance takes away from the real work to make a difference to people's lives. And it is not always giving us real and meaningful evidence about how to solve Scotland's challenging problems.

The Harmonising Reporting Group, chaired by Mary Craig OBE, has two high level objectives. Firstly, to improve the confidence and capability of the voluntary and community sector and social economy of Scotland to prove their worth and report on what really matters. We want to empower organisations to show the full picture of their strength and improvement and put questions back to funders about what they are purchasing in terms of results. Secondly, we want to improve the confidence and connections between funders in what we ask of those we fund. This will mean taking a common sense approach and determining what is actually needed for assurance and judgement. Making reporting more useful to both funders and funded organisations will allow us all to focus on outcomes and the difference we all want to make in communities across Scotland. I hope that when reading this report, you consider it a living document – not so much a finished text as the beginning of a new and exciting conversation.

It's time to "turn the tables". It's time to cut the red tape. It's time to have the resolve to focus on outcomes.

Dharmendra Kanani
Big Lottery Fund
Scotland Funders' Forum Convenor

Acknowledgements

This working group would not have been possible without the commitment of time from the members of the working group and the rooms for the meetings provided by the Lloyds TBS Foundation for Scotland.

The working group is grateful for the support and leadership Evaluation Support Scotland (ESS) staff who facilitated group meetings and wrote the report.

Funding for the ESS's time was provided by:

The Big Lottery Fund (Scotland), BBC Children in Need, Comic Relief, Faith in Scotland Community Action Fund, the Heritage Lottery Fund, Laidlaw Youth Trust, Lloyds TSB Foundation for Scotland, North Lanarkshire Council, The Robertson Trust, Scottish Government European Funding Division, Scottish Community Foundation, Scottish Natural Heritage, sportscotland, Voluntary Action Fund, The Pears Foundation

Membership of the group

Mary Craig OBE, Lloyds TSB Foundation for Scotland (chair)
Sheila Armstrong, Dumfries & Galloway Council
Linda Caston, Angus Council
Liz Dahl, Circle Scotland
Rita Hopper, Sense Scotland
Fiona Malcolm, Scottish Government Third Sector Division
Maureen McGinn
Iain Roxburgh, Forward Scotland
Carolyn Sawers, Big Lottery Fund
Christine Scullion, The Robertson Trust
Keith Wimbles, Voluntary Action Fund

Steven Marwick, Evaluation Support Scotland
Silvy Peeters, Evaluation Support Scotland (until end October 2009)

Executive summary

The Scotland Funders' Forum recognises that funders do not always get what they need from the reports they receive from funded organisations. Reporting does not always give them a clear picture of the difference their funding has made or the lessons learned. At the same time the reporting process can be burdensome for funded organisations and may not give them reports which are useful to show the difference they make.
The current system is not working.

This is a report of a practical project to tackle this problem. It builds on previous work in this area – in particular research for the Scotland Funders' Forum conducted by New Philanthropy Capital *'Turning the Tables'* (2008).

The Scotland Funders' Forum convened a working group of people from different funders and voluntary organisations. The working group was supported and facilitated by Evaluation Support Scotland.

The group did not set out to draft a single reporting format for all funders to use in all circumstances. One size does not fit all. Instead we identified practical solutions to address barriers to effective reporting.

We believe that if funders adopt the conclusions and good practice recommendations in this report, and if funded organisations also take on board our recommendations for them, reporting will become more effective and less burdensome for all parties.

This report takes the form of:

- A brief summary of what we did.
- Our conclusions and recommendations.
- A series of draft good practice guidance for funders and funded.

Summary of conclusions

1. No single reporting form will work for all funders but an approach which combines flexible format with clear guidance results in the most effective reporting for funders and funded organisations. Forms with fixed questions result in less useful reporting because they fail to capture the story of and learning from funded work.

2. Relationships matter – reporting is more useful and less onerous if funders and funded organisations take steps to communicate effectively and understand each other.

3. The best reports come from funded organisations that can evidence their work, tell their story and see reporting as an opportunity to reflect on what they have achieved and learnt. Larger organisations are not always better at this than small organisations.

4. Most funders want to know broadly the same things in reports from funded organisations (in a nutshell: “what did you do, what difference did you make, and what did you learn”).

5. Funders cannot always avoid specialised words. The word ‘outcome’ for example is here to stay. Some words can be useful shorthand for concepts that would otherwise take a lot of words to explain.

6. But reporting would be more effective and less onerous if funders used fewer specialised words in their reporting guidance and forms, defined what they mean by the words and used these words consistently.

7. Organisations that get support to build their skills on monitoring, evaluation and reporting often report more effectively than those who have had no support.

8. Support is about good communication such as a funder explaining their requirements clearly from the start. Support can also be more specialised – and that might involve referring the funded organisation to external sources of support.

9. While there is scope to harmonise the requirements amongst funders in relation to activities and outcomes, there is much less consistency or understanding on financial reporting.

10. It would not be helpful to attempt to duplicate existing general good practice (from Government and regulators) on financial reporting. We believe that more specific and tailored guidance for funders and funded organisations is needed.

List of Recommendations

1. **Funders** should avoid using reporting forms with specific fixed questions if they want useful reporting. Their reporting requirements should take the form of clear guidance and a flexible structure of headings or simple expandable boxes.

2. **Funders** should try to build positive working relationships with funded organisations so funded organisations understand what funders need in reports (see Good Practice Note 1).

3. **Funders** should think carefully about how much detail they really need and not ask for information they will not use.

4. **Funders** should think realistically about the activities and outcomes their funding is really paying for. If their funding contributes to particular activities and outcomes they cannot expect to have very different reporting requirements from the other funders of those same activities and outcomes. The key thing is for a funder to agree in advance with the funded organisation what activities and outcomes to report on (see Good Practice Note 2).

5. **Funders** should use the reporting template in Good Practice Note 2 as a model for their own approach to reporting.

6. **Funders** should minimise their use of specialist or technical words. If funders do use technical words we recommend using 'outcome', 'activity' and 'target' because these are most commonly used and should meet most funders' needs. If funders use other words they should explain them really clearly, be aware that funded organisations may have a different interpretation of the words and offer clarification if their material causes confusion (see Good Practice Note 3).

7. **Funders** should identify or provide appropriate support to help organisations to monitor, evaluate and report effectively. In particular funders should communicate their requirements clearly and consistently from the start of funding and throughout the period of funding. Funders should consider providing or referring to specialist training see Good Practice Note 4).

8. **Funders** should collectively develop or commission training or some other approach that will support their staff to develop skills and knowledge on reviewing and analysing reports.

9. **Funded organisations** are also responsible for good working relationships. They should read funders' guidance, and ask for clarification if necessary. They should keep in touch. They should make sure the staff or others who understand the work are involved in reporting on it. And they should view reporting as an opportunity to reflect on their work.

10. **Funded organisations** are also responsible for communicating clearly. They should follow the top tips in **Good Practice Note for Funded Organisations** to make reporting more useful for funders.

11. **Funded organisations** should read the guidance that funders provide about their monitoring, evaluation and reporting. They should ask for clarification if they do not understand the words funders use. They should also use clear language themselves when describing their work.

12. **The Scotland Funders' Forum** should set up a new working group to look at how to make financial reporting easier and more consistent. This working group would need to include people with appropriate expertise from OSCR, Audit Scotland and Government and from funders with detailed financial reporting requirements. The group should start by reading the financial reporting section of our report which sets out some of the challenges to address. They should seek feedback from funded organisations and funders to find out more about what makes financial reporting inconsistent and onerous. This working group should draw up specific guidance and good practice that funders could consider and adopt.

Contents

Aim and role of the Harmonising Reporting Working Group

1. The aim of the Harmonising Reporting Working group was to identify practical steps that funders could take to:

- Make reports more useful for funders.
- Make reporting more useful for funded organisations (and less burdensome).

2. A number of recent initiatives highlight the need to harmonise reporting requirements amongst funders to reduce the burden of reporting on voluntary organisations. At the same time the increasing focus amongst some funders on outcome funding means that funded organisations need to report not just on what they do with funding but on the difference that funding is making.

    - New Philanthropy Capital (NPC)'s research ***Turning the Tables***,[1] for the Scotland Funders' Forum investigated the costs and benefits of reporting by charities to funders. The charities in NPC's study spent 5% of their funding on reporting to funders but this reporting was not always benefiting charities or funders. The report looked at how charities could create a standard report for all their funders. NPC says that standard reporting can improve the quality and efficiency of reports and free up more money to improve services.

    - Evaluation Support Scotland (ESS)'s ***'harmonisation pilot'*** in central Scotland showed a need to improve the quality and relevance of reporting and communication between funders and funded organisations.[2]

    - The Scotland Funders' Forum ***Evaluation Declaration***[3] sets out 5 statements that describe why monitoring, evaluation and reporting are important and what they should achieve. The Evaluation Declaration and associated health check tool have helped improve understanding about the challenges in the current systems of evaluation and reporting in Scotland.

    - The experience of ***Gate***, a youth project in the Borders, and four of its funders showed that joined up reporting is not easy. But there are benefits to funders and funded organisations in understanding the achievements of the organisation as a whole and not just who paid for what.[4]

---

[1] *Turning the tables – putting charities in control of reporting* (2008) by Lucy Heady and Sylvia Rowley, New Philanthropy Capital – funded by Big Lottery Fund for the Scotland Funders' Forum
http://www.philanthropycapital.org/download/default.aspx?id=868

[2] *Harmonisation Pilot Briefing Note* (2009)- ESS
http://www.evaluationsupportscotland.org.uk/article.asp?id=67

[3] *The Evaluation Declaration* (2006) Scotland Funders' Forum
http://www.evaluationsupportscotland.org.uk/downloads/sff_eval_declaration06.pdf

[4] *Joined up reporting to funders: the Gate Experience* (2008) –ESS
http://www.evaluationsupportscotland.org.uk/article.asp?id=133

What did we do?

The working group held 5 practical meetings between August and December 2009 to identify:

- What are the common things that funders are looking for from reports?
- What are the common messages for funded organisations about what a good report should contain?
- Are there any other solutions to reduce the unnecessary administrative burden of reporting on organisations with several different funders?

We looked at monitoring forms and guidance from different funders, we considered examples of good reports and we shared our experiences in a focussed way. Evaluation Support Scotland facilitated and supported the group.

There is more information on how we worked together to write this report in **Annex A**.

The journey to harmonisation

The group identified five broad areas of work where funders (and funded organisations) could take action to make reporting more useful.

1. Harmonising **how** we report - Forms and format
2. Harmonising **what** goes in the report - content
3. Harmonising language
4. Supporting Reporting – capacity building and guidance
5. Financial reporting

Area 1: How we report - Forms and format

What we found out:

No form → Funder provides guidance on reporting → Funder provides flexible structure such as expanding boxes → Structured form such as non expanding boxes and fixed questions

1. Most funders require some form of written report. We found there is a spectrum of formats for reporting which for ease we have divided into four basic formats (above). The advantages and disadvantages are on page 10.

2. No one form works for all funders. However funders who do not say what they need rarely get what they need. And at the other extreme, forms with fixed questions may result in funders missing the whole story of the funded work. An approach that combines flexibility with clear guidance (the middle of the spectrum) usually results in more effective reporting for funder and funded.

3. Whatever format a funder uses, it is the relationship that matters. If funders and funded organisations trust and understand each other, reporting is more useful and less onerous. A good working relationship should foster a sense of working together to make a difference.

4. Building good working relationships requires regular and appropriate communication and this might mean having **meetings**. It is hard to build good relationships through formal letters alone. Funders may have to make difficult decisions about how to deploy their resources. Do they spend less time with applicants and more time with funded organisations? Funders that offer a consistent named contact and ensure staff are consistent in their approaches and messages create a better climate for effective working relationships than those who do not.

5. To help funders make the best use of meetings with funded organisations, Good Practice Note 1 includes guidance, drawn from the experience of other funders.

Conclusions

No single form will work for all funders but an approach which combines flexible format with clear guidance results in the most effective and useful reporting for funders and funded organisations.

Forms with fixed questions result in less useful reporting because they fail to capture the story of and learning from funded work.

Relationships matter – reporting is more useful and less onerous if funders and funded organisations take steps to understand each other.

The best reports come from funded organisations that can evidence their work, tell their story and see reporting as an opportunity to reflect on what they have achieved and learnt.

6. Reporting is also more useful when a funder actively encourages funded organisations to be honest about work that is not going as planned. The funder can help get the work back on track or at least learn from what does not work. The Scotland Funders' Forum leaflet "What to do when things go wrong" gives examples of funders and funded organisations working together to solve problems.

7. Funded organisations need to take time to understand their funder and ask questions and raise problems. Funders are people too!

8. Some funders have tried meetings **instead** of the written report. Some funders bring groups of funded organisations together to talk about their work to each other. Other funders meet individually with a funded organisation and the note of that meeting takes the place of a written report. Meeting instead of writing builds relationships and helps organisations that find it difficult to write reports. But meetings alone do not help organisations get better at writing reports for other funders and can be time consuming for the funder.

9. We found that phone calls to funded organisations to ask for clarification or additional information helps make reports more useful and meaningful. However telephone monitoring on its own can be time-consuming and does not always lead to more useful reporting for funders or funded organisations.

10. A number of factors help lead to useful reporting. Useful reports come from organisations that can evidence their work and can tell their story. Any size of organisation can do this. In fact, funders on the working group found that some small organisations provide better reports than large organisations. Funders also said they get a less useful report when the person who writes it is distant from the 'on the ground' delivery or sees reporting as a sales job. Reporting is more useful for funded organisations if they see it as an opportunity to reflect on what they have achieved and learned.

11. Some of the factors that lead to disproportionate reporting include overly frequent reporting and demands for too much information. For example quarterly reporting may be too frequent to show meaningful progress against outcomes. Asking for minutes of meetings or post codes of every service user might be a level of detail too far (and these are real examples)

Recommendations

Funders should avoid using reporting forms with specific fixed questions. Their reporting requirements should take the form of clear guidance and a flexible structure of headings or simple expandable boxes. Funders should try to build positive working relationships that help funded organisations understand what funders need in reports (see **Good Practice Note 1**).

Funders should think carefully about how much detail they really need in reports and not ask for information they will not use.

Funded organisations are also responsible for good working relationships. They should read funders' guidance, and ask for clarification if necessary. They should keep in touch. They should make sure staff or others who understand the work are involved in reporting on it. They should view reporting as an opportunity to reflect on their work.

The advantages and disadvantages of different reporting formats

	Advantages	Disadvantages
1: No form	Can be easy – no restrictions. Funded organisation can tell own story.	Funder gets a lot more (or less) than they want. Difficult for funder to compare or aggregate one report with another. Funded organisation doesn't know what the funder needs or how much information to provide.
2: No form – but guidance or headings on what should be covered	Funded organisation can tell its own story. Makes clear the information the funder needs without restricting how the information is presented. Funded organisation can copy and paste from other reports (saves time).	Funded organisation may not be sure how much detail to include under the headings. Difficult for funder to compare or aggregate one report with another (although easier than
3: A form with expandable boxes and some flexibility	A structure can help projects who are not used to writing reports or who have not reported to this funder before. Can allow funder to say how much information is needed.	Can be a bit more restrictive than option 2. Learning or explanations might get missed. (A box for 'anything else you want to tell us' can help but projects may not fill this in).
4: Non expandable boxes / fixed questions or boxes to tick	Makes clear what the funder wants. Might be good for very small grants if the focus of reporting is on activity rather than outcome. Might be easier for the funder to feed the information into an electronic database.	No chance to tell the real story of the project or of change. Frustrating for funded organisation to complete if it wants to say more than the box allows or the question is not exactly relevant. This in turn might tempt the funded organisation to supplement the report with other information or reports. Can be difficult for the funder to understand the context or meaning of the work. Questions may not relate to what the funding was given for so the funded organisation does not have information.

Area 2: What goes in the report – content

This area is about reporting on activities and outcomes. Reporting on finances is covered later.

What we found out:

1. If all funders use flexible reporting formats then the burden on funded organisations should reduce. But if every funder wants quite different information in their report then there is still a risk that the funded organisation has to produce very different reports for all of its funders AND each funder does not really understand the full story of the difference their funding has contributed to making.

2. New Philanthropy Capital (in 'Turning the Tables') identified 3 levels of reporting. The higher up the triangle you go the more detailed the information in the report but there is also less of the whole story of the organisation or context.

Conclusion

Most funders seem to want to know broadly the same things in reports from funded organisations (in a nutshell: 'what did you do, what difference did you make and what did you learn').

3. This can be a helpful model. But if every funder sees their funding as a 'project', then in practice there is no difference between the top and middle sections of the triangle.

4. As far as project reporting is concerned, funders and funded organisations first need to agree that both are talking about a discrete project within an organisation (rather than a way of packaging work for funding purposes) and therefore that a project specific report would be useful for both parties. Good Practice Note 2 sets out a table to help funders think more about these issues and what type of activity and outcome reporting would be most useful.

The good news – most funders want similar things

5. We undertook a review of different funders' requirements and found that most funders want the same things in their reports! Good Practice Note 2 includes a template covering the main things that most funders want in their reports from funded organisations.

It's not just about funders

6. Making reporting more effective and useful does not just require action by funders. Funded organisations also need to think about how to report.

7. The working group looked at examples of good reports and came up with 10 top tips for funded organisations which are set out in the **Good Practice for Funded Organisations.**

Recommendations

Funders should think realistically about the activities and outcomes their funding is really paying for. If their funding **contributes** to activities and outcomes they cannot expect to have very different reporting requirements from the other funders of those same activities and outcomes. The key thing is to agree in advance with funded organisation what activities and outcomes you want them to report on (see *Good Practice Note 2*).

Funders should adopt the good practice in Note 2 and use the reporting template as a model for their own approach to reporting.

Funded organisations are also responsible for communicating clearly. They should follow the top tips in **Good Practice for Funded Organisations** to make reporting more useful for funders.

Area 3: Harmonising language

This area is about reporting on activities and outcomes. Reporting on finances is covered later.

What we found out:

1. Funders use a wide range of different words in their reporting guidance and forms: **objectives, impact, benefits, goals, milestones, changes, difference, aims, output, improvements, tasks, achievements, targets, outcomes, activities, services, purpose,** and **indicators**.

2. Sometimes it is unclear from the words they use, exactly what the funder is asking for. Are they asking about what the organisation did, or about what difference they made?

3. Some funders give guidance to explain what they mean; others leave it up to the funded organisation to interpret.

4. Some funders use different words in their application materials from the words they use in the reporting forms which can cause confusion.

5. It is not just funders who use specialised or technical words. We found that some funded organisations use language that funders do not understand.

6. Glossaries of words already exist so we did not want to create another one. “Jargon Buster” written by Charities Evaluation Services and Big Lottery Fund with input from a steering group of funders and others is available free from the resources page of www.ces-vol.org.uk

Conclusions

We cannot always avoid specialised words. The word ‘outcome’ for example is here to stay. Some words can be useful shorthand for concepts that would otherwise take a lot of words to explain.

But reporting would be more effective and less onerous if funders used fewer specialised words in their reporting guidance and forms, defined what they mean by the words and used these words consistently.

Recommendations

Funders should minimise their use of specialist or technical words. If funders do use technical words we recommend using ‘outcome’, ‘activity’ and ‘target’ because these are most commonly used and should meet most funders’ needs. If funders use other words they should explain them really clearly, be aware that funded organisations may have a different interpretation of the words and offer clarification if their material causes confusion (see **Good Practice Note 3**).

Funded organisations should read the guidance that funders provide about monitoring, evaluation and reporting. They should ask for clarification if they do not understand the words funders use. They should also use clear language themselves when describing their work.

Area 4: Supporting Reporting

What we found out:

Supporting funded organisations to report effectively

1. Working with an organisation at the application stage can help the organisation to report effectively if it does get funding. This helps the organisation understand what the funder will need in their report and gets them thinking from the start about the reporting systems they need to put in place. It also helps ensure that the funding is focused on activities and realistic outcomes that the organisation will actually be able to report on. Nevertheless funders need to strike a balance between how much time they spend with organisations that have not (yet) got funding compared with those that have.

2. Set up meetings at the start of a funding period allow the funder to explain what they need and focus the funded organisation on what they will have to report on. These can be done individually or by bringing groups of funded organisations together. Timing is important. The funder should consider whether it is important to hold the set up meeting once the delivery staff are in place.

3. Other gatherings of funded organisations can help build relationships and understanding about good reporting; for example grant holder events or meetings of projects working in similar fields.

4. No surprises: making the monitoring form or guidance availablefrom the start of the award (or available on the website) helps funded organisations know what will be expected.

5. Some funders provide training on monitoring, evaluation and reporting. Other funders refer funded organisations to external specialist sources of advice and support. However it is important to check that the specialist support provider uses the same language as the funder does otherwise the funded organisation might get confused.

6. Putting funded organisations in touch with other funded organisations to share best practice can be an effective way to build skills and knowledge.

Conclusions

Organisations that get support to build their skills on monitoring, evaluation and reporting often report more effectively than those who have had no support.

Some of that support is simply about good communication such as a funder explaining their requirements clearly from the start.

Support can also be more specialised – and that might involve referring the funded organisation to external sources of support (which the funder might need to be prepared to pay for or contribute to the costs).

One useful thing a funder can do is to put funded organisations in touch with other similar funded organisations to share ideas and good practice.

Supporting funders' staff

7. We found that funders' staff are often supported or trained to assess applications but they are less likely to be supported or trained in assessing and giving feedback on reports. The group felt that funders would welcome more support to review and give feedback on project reports and smaller funders would not have the resources to do this on their own. So it might be helpful to commission such training or other type of support collectively.

Recommendations

Funders should identify or provide appropriate support to help organisations to monitor, evaluate and report effectively. In particular funders should communicate their requirements clearly and consistently from the start of funding and throughout the period of funding. Funders should consider providing or referring to specialist training see **Good Practice Note 4**).

Funders should collectively develop or commission training or some other approach that will support their staff to develop skills and knowledge on reviewing and analysing reports.

Area 5: Financial Reporting

What we found out:

1. All funders ask for information on finances. Most funders ask for in come and expenditure information. But financial reporting is the area where there seems to be the least understanding between funders and funded.

2. The level of detail of financial reporting varies significantly between funders:

- Some funders only require a copy of the organisation's annual accounts.

- Some funders ask for a simple budget breakdown against a few budget headings.

- Some require a more detailed of project expenditure, including estimated cost versus actual, and any under spend / overspend.

- Some funders ask for direct proof of expenditure such as receipts for all or some expenditure. 'Proof of expenditure' usually means 'the money was spent' (but not necessarily that the activity was delivered or the outcome achieved).

Conclusion

We concluded that it would not be helpful to attempt to duplicate existing general good practice on financial reporting. We believe that more specific and tailored guidance for funders and funded organisations is needed.

However there was insufficient expertise on the working group to provide a more detailed analysis of the problems and the solutions to making financial reporting more useful and less onerous.

3. Funded organisations which are registered charities produce annual accounts that are externally audited or independently examined in line with the Statement of Recommended Practice (SORP). On top of this, some funders ask to see original receipts (or copies). Some ask for receipts for everything. Other funders have a level of expenditure above which they need to see receipts (but the level varies from funder to funder). We could not understand why some funders were not happy with the level of scrutiny provided by a full external audit. We felt that it would be helpful to have:

- Clarity and consistency between funders about circumstances in which a funder should ask to see receipts over and above independently examined or audited accounts.

- Where receipts are required - a rule on whether these can be copies rather than originals.

- Consistent application across funders of a level below which receipts are not required.

- Training or advice for funders on the role of external audit and independent examination.

4. Many funders part fund the cost of an organisation or a project but want their financial contribution broken down separately. This means the funded organisation splits costs and invoices, possibly in an artificial way or even, in some cases, 'pretends' that the funder is solely funding one cost (such as a salary). We felt it would be helpful to have guidance and training for funders on the rules about the level of proof of expenditure when they are not the sole funder. More co-operation between co-funders might also be helpful.

5. Statutory funders are not allowed to pay 'in advance of need' but there are wide variations on what this means in practice. Some funders pay after (or long after) the funded organisation has actually incurred costs (and so the organisation has to cover costs from their reserves or overdraft). Treasury guidance (see below) is clear that such an approach is not necessary but the problem persists. We felt that it would be helpful to examine further why rules on 'advance of need' are not applied consistently.

6. Lots of general guidance (particularly for public funders) on financial reporting already exists but funders do not seem to be clear on how to apply this guidance day to day.

7. For example, the latest guidance from the National Audit Office 'Practical Guidance on Implementing the Principles of Proportionate Monitoring' (June 2009) says "Funders should seek to minimise the monitoring and inspection burden on the recipients of funds to a level proportionate to the level of funding and risk, and which maintains proper control of public monies". It sets out principles for proportionality.

8. This guidance is the latest in a long line of guidance from Government going back to the Efficiency Scrutiny of Government Funding to the Voluntary Sector (1990). The 2009 NAO guidance actually repeats guidance produced by the HM Treasury (2006) "Improving Financial Relationships with the Third sector". The Compact Funding Code of Good Practice (2003) also covered the same ground. Public sector funders do not lack general guidance. All of this guidance consistently stresses the importance of taking a risk and proportionality based approach to financial (and other) reporting. Yet this guidance has not helped make financial (and other) reporting more useful or less burdensome for funded organisations or funders themselves.

We recommend that the Scotland Funders' Forum sets up a new working group to look at how to make financial reporting easier and more consistent.

This working group would need to include people with appropriate expertise from OSCR, Audit Scotland and Government and from funders with detailed financial reporting requirements. The group should start by reading this section of our report. They might also get feedback from funded organisations and funders to identify the particular aspects of financial reporting that are onerous and the barriers to making things easier. This working group should draw up specific guidance and good practice that funders could consider and adopt.

Good practice for funders

Good practice for funders
Note 1 – Forms and format

The format for the written report

The best reports come when your reporting requirements provide enough guidance or structure that the funded organisation knows what you want but gives flexibility for the funded organisation to present their story in a way that works for them and allows them to explain the context of their work.

The key headings we recommend you use in your form or guidance are in the Reporting Template after **Good Practice Note 2**.

Getting the reporting relationship right

Whatever format you use, it is the quality of your working relationship with the funded organisations that usually determines how well the report is completed. Here are some relationship tips:

- Allocate a consistent named contact for each funded organisation. If that is not possible put in place internal systems that prevent a funded organisation having to explain the same thing several times to different staff and prevent different staff giving out different messages.
- Say what you will do with the report you receive. That helps the funded organisation understand what you want it for.
- Make really clear that you welcome honesty about what went well and did not go so well, and what has been learned.
- Use the information you receive – for example in your reports or for future decision making. Funded organisations are more likely to take reporting seriously if they can see you using the information they provide.
- Say how much information you need (for example number of pages or maybe a word count – but make clear that less might also be fine).
- Remind the funded organisation what they should be reporting on (before the reporting deadline). You could refer to outcomes and activities in their application form or any other subsequent agreement.
- If you use a reporting **form**, it is helpful, if you can, to pre-populate it with the outcomes and activities that the funded organisation said they would achieve. That reminds both of you what they should report against. If do not have the technology or staff resources to pre-populate your form (or you don't use a form), you could include the information in a covering letter.

- Give feedback on the funded organisation's report. Ideally this should be a letter or email setting out what was good and any concerns you have as well as suggestions about what to improve in future reports. Or you could go through the report in a meeting. As a minimum you should read the report and acknowledge it to say the report met your requirements.

- Ask for feedback – encourage funded organisations to tell what they like about your processes or what you could improve.

Timing of reporting

Agree a reporting schedule at the start of the funding agreement. Many funded organisations prefer to report on a financial year basis so consider whether this is possible for you. For example if your funding starts in June you could agree that the first reporting period runs to end March (assuming a financial year of April to March) and thereafter reporting periods could run on a financial year basis.

It can take time to recruit staff and get up and running. Many funders distinguish between the date of award and the start date so the clock does not start ticking until the project or funded piece of work is actually underway.

Meetings or visits

- You should try, as far as possible, to meet your funded organisations. This can help build funded organisations' understanding about reporting requirements and ensure they give you what you want. Meetings or visits can add value to a written report and help you better understand the impact of your funding. If a meeting is not possible then you could keep in touch by phone. Some funders use video conferencing for organisations at a distance.

- A **template with guidance** for funders to use (or adapt) in meetings with funded organisations is attached to this note.

- The same format of reporting might not be appropriate throughout the lifetime of funding. For example you might meet a funded organisation in year one to discuss a rewrite of an unsatisfactory report but once the funded organisation knows what you require, a written report alone could suffice.

Things to avoid

- **The form is too long** (you gave £1,000 but you say you require 10 pages).

- **Too much detail:** you ask for a lot of information without explaining why you feel you need it or what you will use it for. This also includes asking for too much financial information.

- **Too frequent:** annual reporting is enough for many funders. There may be good reasons for more frequent (such as quarterly) reporting but you should spell these out. If what you really want is regular **contact** (for example to check things are on track) then you might put in place a different progress checking process. This could include asking the funded organisation to send you an email update or include you in a newsletter. Then you could ask for outcome reporting on a less frequent, more realistic basis.

This is an optional resource for funders to adapt for their own use

Meeting a funded organisation - guidance and a template

Start-Up Meetings

Suggested agenda for the meeting:

1. Funder's reporting requirements (and any other terms and conditions).

2. Agreeing monitoring and evaluation plans or sharing understanding about how t he funded organisation will monitor, evaluation and report on their work.

3. (And possibly) discussing progress (such as staff recruitment) since funding awarded and consequent timetable.

When to meet: Discuss this with the funded organisation. If your funding is paying for new staff you might decide to wait until they are in post. But if you leave it too late the organisation may already be too far into delivery to set up the reporting systems you need.

Review Meetings

Suggested agenda for the meeting:

1. The story of the funded organisation or piece of work over the reporting period (what did they do, what difference did they make, how do they know).

2. Highlights from previous year including successes, challenges and learning.

3. If a written report has already been received – give feedback on that report and get information about gaps or things that are not clear.

4. Key priorities for coming year or what's going to happen next.

5. Feedback on you as a funder.

When to meet: you might hold a review meeting after you have received a written report (for example an end of year report). Less commonly you might want to hold the review meeting in order to shape the written report.

A template for a review meeting or visit

This is on the next page. The purpose is to capture information which you will put alongside written reports from funded organisations.

Things to think about:

1. Are there very specific pieces of information you need to help you monitor or evaluate the whole funding programme (such as numbers of people supported)?

2. Do you want to share the completed template with the funded organisation? You might both sign it as a true record?

This is an optional resource for funders to adapt for their own use

Template review form for a visit or meeting with a funded organisation

Name of funded organisation or project	
Who from the organisation	
Date and time	
Who from funder	

Understanding in general what's been happening
For example: ▸ Describe the progress of the organisation / project over the last year* ▸ How are you doing against your planned activities and outcomes (the things you said you'd do and the differences you said you'd make)? ▸ What were the main challenges or hurdles? ▸ What were the main successes? ▸ Are there lessons for the future or for other organisations in the same field?

*** or other time period if your reporting cycle is more frequent.**

More specific questions about delivery and achievements
▸ Specific questions to understand the organisation or project's activities. For example different types of activities, number of clients, length of time spent working with clients. ▸ Specific questions to understand the organisation or project's outcomes. For example how long it takes for positive outcomes to happen, circumstances in which positive outcomes are not happening, the approach the organisation takes to achieve the outcome – how and why change happens.

This is an optional resource for funders to adapt for their own use

Questions about how the organisation knows they are making a difference
‣ How does the organisation monitor and evaluate? ‣ Any interesting tools or methods? ‣ Any feedback from third parties / clients / case studies.

Questions about the future
Are there any issues arising from the meeting that are affecting the project or organisation? (for example operational or funding issues). What is going to happen next? What priorities for the coming year? Or if the funding is going to end, how does the organisation hope to sustain the outcomes?

Actions following the meeting
For funded organisation

1.
2.
3.

For funder

1. 2. 3.
Good practice or innovations to share with other funded organisations or funders?

Good practice for funders
Note 2 – What goes in the report

Think carefully about the activities and outcomes your funding is really paying for. Use the table below to think about the level of specificity you can realistically expect in a useful report.

(This is about activities and outcomes. Financial reporting is covered separately.)

What activities and outcomes is your funding paying for?	What kind of report should you expect?
My funding contributes to the main core work of the organisation (for example part of the manager's salary or general running costs).	A core report about the organisation's activities and outcomes (or an edited version of that core report agreed in advance with the funded organisation).
My funding pays for self-contained project within the organisation.	A project report about the activities and outcomes of the project.
My funding **contributes** to some of the organisation's activities and outcomes (either core or project). These activities and outcomes would not happen without other funders. For example I am paying for part of the salary of a development worker or 50% of project costs.	Do not expect a report that is solely about your funding. You should expect a report that is pretty much the same as the reports to other funders who are contributing to those activities and outcomes. Agree this at the start with the funded organisation.

The attached template covers the things that most funders are looking for in reports from funded organisations.

- If you are a new funder or you are starting a new funding stream you can use or adapt this template as your reporting guidance or form.
- If you are existing funder, check whether your guidance or form covers these key areas.
- If you ask funded organisations to report on other things, think carefully about why you want this other information and what you will do with it.
- Do not ask for information you won't use.

- No surprises! Tell funded organisations at the start what you want them to report on and don't change the goalposts. At the very least if you identify new information you need, you should discuss this with the funded organisation and accept that they might not have collected this information.

- Make sure your application and your reporting processes actually match up. Use the same language and be consistent.

- Make sure the outcomes you ask funded organisation to report on are realistic in the reporting timescale.

The Reporting Template

This is what most funders are looking for reports and is a good place to start for funders in designing their requirements and funded organisations in preparing reports.

What we expected to do
What goes here? A summary of what the organisation or project said they'd do (for example in an application form or at the start of the reporting period) including: ▸ Planned differences or changes that you want to make for the people you work with (outcomes). ▸ The main activities or services you provide to deliver your outcomes. [this section could also include a reminder of the overall aim of the organisation or project to set the context]
What we actually did
What goes here? The main facts and figures about actual activities, for example the number of people the organisation or project worked with and the main things they did.
What difference we actually made
What goes here? Overall information about the outcomes achieved. Could also include examples of how individual participants or service users experienced the projects (such as case studies or quotes).
Challenges and changes
What goes here? Any problems you encountered that slowed progress, stopped the outcomes happening or things that were changed.
Learning for the future:
What goes here? Unexpected outcomes (positive or negative). Key learning points. Anything they will do differently in the future.
Other
For example – budget details

Good practice for funders
Note 3 – Language

Good reporting is about good communication. Ideally you should not use specialised or technical words. But that is not always possible. Some words provide helpful shorthand for an important concept. So:

- Use as few specialised or technical words as you can. The 'useful words' section below contains the words that are most commonly used by funders.
- Define what you mean (in guidance and on forms if you have them)
- Use the word consistently each time it appears.
- Use the same words in your reporting materials that you use in your application materials.

Useful words for reporting

If you need to use specialised words, here are the ones we recommend:

Activity
What the funded organisation did – the activities and services delivered, the work under-taken, the things that happened.

Outcome
<u>The difference or change that happens as a result of the activity or service.</u> Outcomes can be numbers-such as the number of people who have reduced their debt. Outcomes can also be qualitative, such as improved parenting skills.

Outcome is not everyone's favourite word but it is here to stay. Most funders and funded organisations want to know what difference they make. For reporting purposes it is helpful to set and then report on one or more types of change or difference – in other words outcomes reporting.

Targets
A target is the defined level of achievement which an organisation or project sets itself to achieve in a specific period of time. A funded organisation might set a target at the start and then report on whether and to what extent the target was met. They might set targets for activities or targets for outcomes (or both).

Danger words
We recommend you **do not** use the following words. If you do, be aware that funded organisations may misunderstand you. So define them carefully.

Aim
Usually a statement of why an organisation or project exists and the broad effect that it wants to have or a summary of the overall difference it wants to make. It is helpful to have an **aim** (or aims) at the planning or funding application stage. But an **aim** can be something that might take a long time to achieve. So if you ask funded organisations to report on their **aim(s)**, be clear what you expect the funded organisation to say in the report and how that might be different from reporting on <u>activities</u> and <u>outcomes</u>.

Output
Usually means the same as **activity** but sometimes can have a more specific meaning. For example the **activity** might be to provide training and the **output** might be the number of people who attended the training. But a lot of the time **output** and the **activity** mean the same thing. You might choose to use the word **activity** <u>or</u> the word **output** but not both.

Objectives
This is a common word but is used by different funders and funded organisations to mean different things.

For example

- The objective is to increase household recycling [this is an **outcome**] OR
- The objective is to run a lunch club [this is an **activity**] OR
- The objective is to reach 100 people with our campaign [this is a **target**]

So if you ask funded organisation to set and report on **objectives**, explain what you mean and be aware that your funded organisations and other funders might use a different meaning.

Impact
Impact can be another word for outcome – difference or change. But some people use it to mean a longer term change. And others use it to mean the exact opposite – the immediate result of an activity. For example:

I run a parenting class. The outcome is that parents have improved parenting skills. The **impact** is that in the long run children grow up with fewer problems.
OR
I run a parenting class. The immediate **impact** is that parents understand the value of bedtime routines. The outcome is that parents have improved parenting skills.

So if you ask funded organisations to report on their **impact**, pick one definition of impact and use it consistently. Provide guidance to explain what you mean.

Milestones
Milestones are usually a well defined step on the way to success. But the nature of milestones can vary. For example if an organisation helps people into work the milestones might be:

Recruit unemployed people to project ➔ provide training for them ➔ run CV support service (these are activity milestones)
OR
Client completes a personal action plan ➔ client makes a job application ➔ client receives a job offer (indicators of progress towards a successful outcome)

So if you ask funded organisations to report on **milestones**, pick one definition and use it consistently. Provide guidance to explain what you mean.

Good practice for funders
Note 4 – Supporting Reporting

- Provide guidance to funded organisations about reporting to you. There should be no surprises. Make the monitoring form or guidance available from the start of the award (or available on the website). This helps funded organisations know what you will expect.

- Meet funded organisations to explain your reporting requirements. This could involve grant set up meetings or seminars for new grant holders. (A template meeting note is at Good Practice note 1).

- Consider providing specific training on monitoring, evaluation and reporting or refer to other sources of support. But before you set up your own training discuss your ideas with other funders so you learn from their experiences.

- Be aware that other funders that are funding your funded organisations may also provide support. This might be a good thing as you can benefit from another funder's support. But that only works however if the other funder's language and reporting requirements are similar to yours.

- If you commission someone else to provide training or you refer funded organisations to external specialist support, make sure that they use the same language that you do so funded organisations do not get confused.

- Give feedback on reports (verbally or in writing) so organisations know what they are doing well (and should keep doing) and where they can improve.

- If you have the resources, meet with funded organisations as well as receiving written reports.

- Put funded organisations in touch with each other to share ideas and good practice. This can range from sharing contact details to bringing groups of similar funded organisations together to network and share ideas.

- Ask for feedback from funded organisations on your monitoring, evaluation and reporting processes and systems.

If you have a staff team:

- Train and support your own staff in monitoring, evaluation and reporting.

- Discuss / support each other to share good practice or challenges arising from grant management and reporting.

- Support your staff to analyse and respond to reports in a timely way.

Good practice for funded organisations
What makes a good report

A good report:

1. Tells a story – of what you did and what difference you made.

2. Is well structured, concise and easy to read. No fancy phrases or specialist language. Longer doesn't always mean better – brevity can be good.

3. Makes a clear link to what you planned to do (or said you'd do when you got the funding). That might include explaining that things have not quite happened as you expected – and why.

4. Uses numbers clearly. Funders want to know how many people you worked with and what you did. Don't bewilder them or try to pretend that two sets of numbers relate to different people when they don't.

5. Provides qualitative information – not just numbers. Qualitative information provides depth and detail about attitudes, feelings and behaviour and gives a better sense of 'why' and 'how'.

6. Is clear about what you know and do not know from the evidence you have collected.

7. Gives a flavour of individuals' experiences of your organisation or project (case studies or quotes). Do this once you've told the general story of the organisation or project. A quote or short case study should be used to illustrate your numbers and qualitative information. Make clear whether this is a typical or exceptional experience. Be aware that some funders won't want too much.

8. Is honest. Funders know things sometimes go wrong. If you say it was all perfect they might be suspicious and ask questions.

9. Sets out what you have learned, what you might do differently in future.

10. Is submitted by the agreed deadline in the agreed format.

Some funders like [but check first before you provide this]

- Information about the broader context of the work or partnerships – such as who else you work with, the policy context.

- Supporting evidence such as newspaper clippings. A few but not many funders like DVDs.

- Visuals such as photos or pie charts and diagrams for numbers.

And finally …

Follow the principle of no surprises. If things are going wrong, don’t wait until the report is due to tell the funder about the problem. The funder is more likely to be supportive if you give them notice of variations, challenges or changes.

Annex A: How we worked

Validating our conclusions

The conclusions and good practice notes are drawn from the deliberations of the working group itself which represented a range of funders and voices of funded organisations. There were no resources for wider consultation. However through its own work ESS was able to test out some of our conclusions:

- A summary of our main conclusions was shared in a session led by Maureen McGinn at ESS's conference on 13 January. This largely endorsed our own conclusions but also provided additional clarification and good practice suggestions which have been added to this report.

- The reporting template at Good Practice Note 2 was tested out by ESS in its work with two new funding programmes (Long Term Condition Alliance Scotland self management fund and the Faith in Scotland Community Action Fund). Both funders found the template useful and with a few adaptations use it as their reporting guidance or form.

- A draft of this report was commented on by New Philanthropy Capital and Judith Lowes (in a personal capacity).

What did we do at each meeting?

At our **August** meeting we agreed our terms of reference, our programme of work and what would make this working group a success.

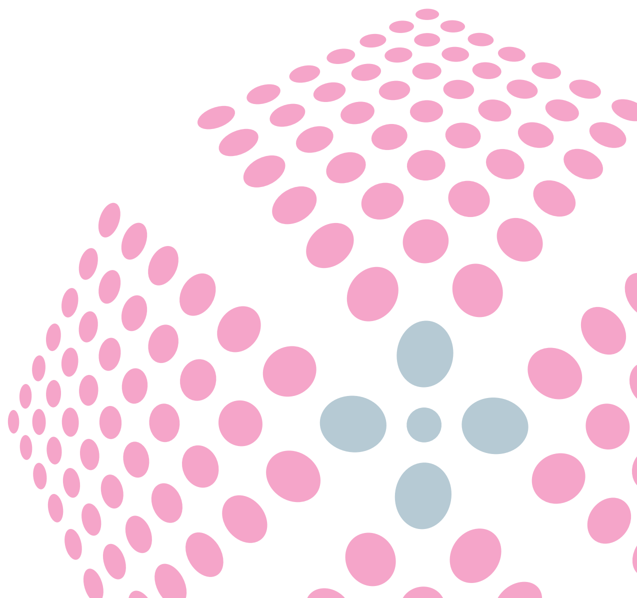
At our **September** meeting we looked at monitoring forms and reporting templates from different funders and drew conclusions about different words that funders use, the main pieces of information that funders ask for in reports and different practices in frequency, length, flexibility, format. We discussed our experiences of the main challenges in financial reporting.

At our **October** meeting we looked at examples of good reports identified by working group members. Members explained why they liked the report and how it met their needs. We did not find one perfect report but we pulled out consistent themes.

At our **November** meeting we discussed the factors that get in the way of proportionate reporting. We also discussed different approaches funders to build funded organisations' capacity to report effectively. We discussed why funders build capacity and what approaches are particularly effective.

At our **December** meeting we reviewed our programme of work. We started to pull together our conclusions and recommendations for this report.

At our final meeting in **February** we reviewed the feedback from the ESS conference and critical friends (see above). We finalised our report and planned how to present it to the Scotland Funders' Forum. We discussed a dissemination plan. We reflected on what each group member had gained from the group.



Scotland Funders' Forum