Turning the tables

Putting Scottish charities in control of reporting
A guide for charities and funders

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Contents

Introduction

Currently, charities in Scotland provide bespoke reports to multiple funders, completing different reports for each organisation that funds their work. New Philanthropy Capital (NPC) believes that this inefficient process does not encourage good reporting and diverts valuable resources away from charitable activities. This report aims to turn the tables on the current system of monitoring and reporting for funders by encouraging charities to develop a more streamlined standard reporting process for all of their funders.

An intractable problem?

This pilot study comes at a time when administrative costs for charities in Scotland are increasing, whether driven by the demands of private funders, public funders or regulators.

One of the administrative burdens charities face is reporting on their activities to their funders. Although this is a necessary part of the relationship between charity and funder, monitoring and reporting demands are rarely coordinated among both public sector funders and private grant-makers across the UK. The director of Newcastle Council for Voluntary Service commented that 'each set of funding requirements is different, and often quite inappropriate. Charities actually often spend far too much of their available time on trying to meet all these demands, rather than concentrating on quality improvements.'[1]

This lack of coordination is having a negative impact on charities. A 2007 report from the National Audit Office noted that complex public funding structures 'restricted their [the charities'] involvement in public services, damaged the quality of what they deliver and reduced their ability both to develop services over time and to innovate'.[2] Ultimately, it is the beneficiaries of charities who lose out as a result.

Government response

The Scottish Government has recognised that the burden of excessive and uncoordinated scrutiny is felt by the third sector, just as it is felt by the public sector, and that its needs must be taken into account.[3] The Office of the Scottish Charity Regulator (OSCR) states in its corporate plan for 2007-2010 that it is committed to reducing the burden of regulation on charities wherever possible and highlights in particular the need to reduce multiple reporting

processes.[4] Charities in Scotland are legally required to submit an annual report containing audited accounts to OSCR every year.

The most common approach taken to reducing the reporting burden for charities has been to try coordinating funders' reporting requirements. However, these attempts have failed. The current reporting system persists despite the publication of several sets of guidelines over the last decade urging better practice from funders, including the Scottish Compact* and HM Treasury guidelines.[5-12]

The Lead Funder Pilot, overseen by the Department of Work and Pensions, attempted to encourage funders to coordinate their monitoring and reporting needs. It did this by assigning a lead funder whose requirements would satisfy other funders. This programme was launched in 2003 but is yet to publish its full report. The draft report noted that: 'It became clear, quite early on, that joined-up monitoring would be a near impossible task.'[13]

In spite of this, a Better Regulation Task Force report in 2005 on 'quasi-regulation' once again advocated coordinating funders as the way forward. It recommended that government departments should work together to measure and reduce the administrative burden on charities.[14]

This recommendation has led to little concrete progress. As Lucy McTernan, Deputy Chief Executive of the Scottish Council for Voluntary Organisations, said: 'Action needs to be taken to address this issue urgently. Central Government, Local Government and funders all have a role to play in ensuring that we have smart, fit for purpose accountability without

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Box 1: The Place2Be—a case study

The **Place2Be** is a British charity that provides social and emotional support to primary school pupils in their schools. NPC asked the charity to calculate the cost of reporting to funders.

Using a detailed timesheet analysis, the Place2Be found that 4–7% of its project costs were spent on reporting to funders. These are the costs *over and above* the costs of Place2Be's existing reporting system, which it would like to offer to funders as a standard process. One of the Place2Be's hubs in Medway, South East England, costs £289,304 a year to run. The annual amount spent on monitoring and reporting this hub is more than £20,000, equivalent to 7% of the total running costs. This sum is equivalent to the cost of working with 100 additional children.

> **Charities should 'turn the tables' by creating their own standard report, which they then send to all funders.**

getting in the way of voluntary groups' ability of making a positive difference to the lives of people in Scotland.'[15]

Private funders have also had little success in this area. In 2007, an attempt to harmonise the monitoring and reporting requirements of four funders of the small Scottish youth work charity, **GATE**, also showed that, even when funders are actively willing to join up requirements, lack of capacity and shared understanding of terminology can get in the way. A short report of this pilot will be available by mid-2008 from Evaluation Support Scotland.*

A new approach

Encouraging funders to cooperate on reporting has not worked. At best, progress has been glacial. A new approach is needed that does not depend on funders alone, and empowers charities to collaborate with their funders on their reporting requirements.

Funders and the Government have begun to recognise this need. Following a presentation given to the Scotland Funders' Forum by NPC in December 2006, the forum commissioned NPC to produce this report, with funding from the Big Lottery Fund.†

In England, the Office of the Third Sector has commissioned NPC to carry out a similar 'Turning the tables' pilot study, to be completed in the first half of 2008. This is in line with its report, 'Partnership in Public Services—An action plan for third sector involvement', which called on government departments to 'systematically measure the administrative burdens associated with contracts held by the third sector' and then 'to reduce the administrative burdens on third sector service providers.'[16]

Sizing up the problem

The aim of this project is not to do away entirely with monitoring and reporting costs. Every funding body requires monitoring and reporting from charities, and both funders and charities benefit from this process. Being able to demonstrate the outcomes of activities, and learning from success and failure, are important for charities' development. In addition, receiving an outcomes-based report can help funders to understand the impact they are making.

However, where demands and requirements vary from funder to funder, charities spend considerable time and incur considerable costs tailoring reports to individual funders (see Box 1).

For the first time, this report estimates the financial burden placed on charities by monitoring and reporting requirements for funders. We asked 22 charities to cost how much time they spent reporting to each of their funders. We received data from 16 of these charities on a total of 193 grants (a list of the charities taking part in this pilot can be found in Appendix 1). The size of grants ranged from less than £1,000 to more than £1m.

One in ten of the grants in our sample came with a reporting burden of more than 9% of money received. The average monitoring and reporting burden is presented in Section 1, along with an analysis of what leads to a high reporting burden.

Any money spent producing information that is not useful—for charities or funders—is an inefficient use of time and valuable funds. After discussing the economic burden that the current reporting system places on charities, we also examine the negative implications it has for the quality of reports.

Putting an estimate on the average burden of monitoring and reporting provides an economic incentive for both funders and charities to change the system. If they know the size of the burden, then they know how much money can potentially be saved.

Quantifying the benefits in this way should be more persuasive than issuing guidance that appeals to a sense of fair play and offers no way of balancing the funder's desire for information with the demands this makes on a charity's resources.

Trying out a solution

This report explores a new approach: that charities should 'turn the tables' by creating their own standard report, which they then send to all funders. The following benefits could result:

- the quality of reports would improve;

- reports would be more relevant and useful when tailored to charities' needs;

- there would be a greater focus on outcomes and evaluation;

- reporting would be simpler and more efficient;

- more money could be spent providing services and improving outcomes for beneficiaries; and

- funding would be more effective.

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*Evaluation Support Scotland helps voluntary organisations and funders in Scotland measure the impact of their work. For more information, please visit http://www.evaluationsupportscotland.org.uk/
†The Scotland Funders' Forum is a group of public and independent funders that are working together to share information, learning and best practice. The Big Lottery Fund chairs the Forum and supports its development.

The second half of this report describes the experiences of a group of charities that, between September and November 2007, attempted to produce a standard report. A total of nine charities were successful and sent their standard reports to a range of funders.

On 17 November 2007, the charities met in Edinburgh for a roundtable discussion. They shared and discussed both the experience of compiling a standard report and feedback from funders. Sections 3 and 4 examine the success of trying out a standard report from the point of view of charities and funders. A timetable of the project can be found in Appendix 3.

During the project, NPC was advised by a steering group with a range of perspectives on the monitoring and reporting process (for members of the steering group, please see Appendix 2). The steering group was consulted throughout the project and offered advice and direction while NPC undertook the research.

The report concludes with recommendations for funders, public bodies and charities themselves. Based on this pilot, **NPC believes that standard reports can provide a viable alternative to the current system**. However, other recommendations, such as training and better communication, would also need to be implemented in order for standard reports to succeed.

The common theme that runs through all of the recommendations is the need for communication. Currently there is little or no discussion between charities and funders about reporting requirements, such as reasons for specific requirements or the problems caused by particular requests. By opening up the discussion, reports can be made more effective, providing useful information for both funders and charities. Ultimately this means a better service for the beneficiaries of charitable work.

Technical notes

For the sake of brevity we will substitute 'reporting' for 'monitoring and reporting' from now on. However, when we say 'reporting', we are referring to the process of data collection and monitoring, as well as writing up reports.

A whole range of income streams from contracts and service level agreements to straightforward grants are considered in this report. For convenience, all sources of income will henceforth be referred to as 'grants'.

Throughout this report we will talk about the importance of focusing on 'outcomes' in reports. This means concentrating on what *difference* a project or service has made to people's lives, rather than just reporting on what activities were run (outputs) or how money was spent (inputs).

Except where stated otherwise the views presented in this report are those of NPC.

NPC is a charity that promotes effective giving. NPC does this both by carrying out research and advising donors, and by improving funding flows between charities and donors. For more information on the work NPC is doing to help charities measure, analyse, manage and report their results please visit www.npctools.org.uk.

> Currently there is little or no discussion between charities and funders about reporting requirements.

Photograph supplied by Kristian Buus

Photograph supplied by Julie McEver

Reporting can place a heavy burden on charities. One in ten of the grants in NPC's pilot study came with a reporting burden of more than 9% of money received. However, the average percentage spent on reporting, 4.5%, is not unreasonable.

What is more striking is that this money is often not put to good use. NPC estimates that £450m per annum of Scottish charities' money is spent on reporting, yet the reporting process does not bring maximum benefit to those involved.

The system of bespoke reporting for multiple funders suffers from many problems, including insufficient focus on evaluation, lack of trust and poor communication. This reflects the lack of capacity in charities and funders to both ask for and produce relevant and useful information.

This means that charities are missing the opportunity to use reporting to improve their services. It also means that there are still cases of charities spending precious time photocopying hundreds of receipts for funders. Ultimately this is to the detriment of charities, funders and—most importantly—the people the charities are trying to help.

Economic burden

The burden that reporting places on charities has frequently been commented on. However, until now this burden has never been quantified. Clarifying the cost of reporting should encourage charities and funders to include this cost in budgets as part of full cost recovery.

Demonstrating the costs of reporting will also show funders that the more information they ask for, the less of their grant can be spent on delivering services. It should provide them with an incentive to concentrate on asking only for the information that is most important.

NPC has calculated the cost to charities of reporting *for funders*. The cost was calculated by asking charities how much time staff spent reporting on each individual grant. For some charities this funder-driven reporting is in addition to the reporting that they carry out anyway to ensure that their organisation is running effectively. The costs of this charity-driven reporting were not included in our calculations. Appendix 4 describes how these reporting burdens were calculated.

The costs

On average, the charities in our sample spent **4.5% of each grant** on reporting back to their funder. This corresponds to an average of 21 hours—or **three working days**—spent fulfilling each funder's reporting requirements. Charities had an average of 16 funders each, so this burden could quickly add up to 48 working days for each charity.

There were considerable variations in how much of a charity's grant was taken up with monitoring and reporting. **One in ten grants** came with a reporting burden of **over 9%**, while **one in five** grants had a burden of less than **1%.**

These numbers come from a small and unrepresentative sample of Scottish charities. Nonetheless, it is useful to extrapolate to the whole Scottish voluntary sector to get a feeling for the order of magnitude of the cost of reporting back to funders. If all Scottish charities spend 4.5% of their income on reporting then we estimate that more than **£450m per annum** is spent on reporting in Scotland alone.[17] This is not a large sum relative to the amount of income the Scottish voluntary sector receives as a whole. However, it is large enough to raise concern if this money is not being spent to best effect (see Quality of reports section).

This is a very conservative estimate of the average reporting burden. Many charities only submitted the costs of writing reports, and did not include the continual monitoring that they carry out in order to be able to write the reports. Charities found it too difficult to calculate how much time was spent monitoring their activities, and nearly impossible to attribute time spent to each funder.

In addition, the charities in this pilot were not chosen at random but were nominated by members of the Funders' Forum. This may have biased the sample of charities towards those

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Box 2: Are funders missing out?

Funding from the European Union (EU) in particular was identified as incurring a very high reporting burden. It is not unusual for charities to have to employ a dedicated member of staff to report back on EU funding.

Well-run charities are more likely to recognise that this burden is not worth the money given in exchange and so will not apply for European funding. The quality of applications to EU funding streams is likely to decline in the future if reporting burdens remain high.

Charities would like the amount of feedback required by funders to be proportionate to grant size.

with more interest in monitoring and reporting, as well as those with better relationships with their funders and hence lower reporting burdens.

Anecdotal evidence suggested that some of the charities in our pilot will not apply to funders with excessive monitoring and reporting requirements (see Box 2). This means that funders may be missing out on the opportunity to fund some of the best projects.

Heavy reporting burdens arise from funders asking for large amounts of information that the charity does not collect as a matter of course. The fact that many charities have multiple funders who each ask for different information—or the same information in different formats—compounds the problem. Some grants are more likely than others to incur high reporting burdens. The factors behind this will be described in the following section.

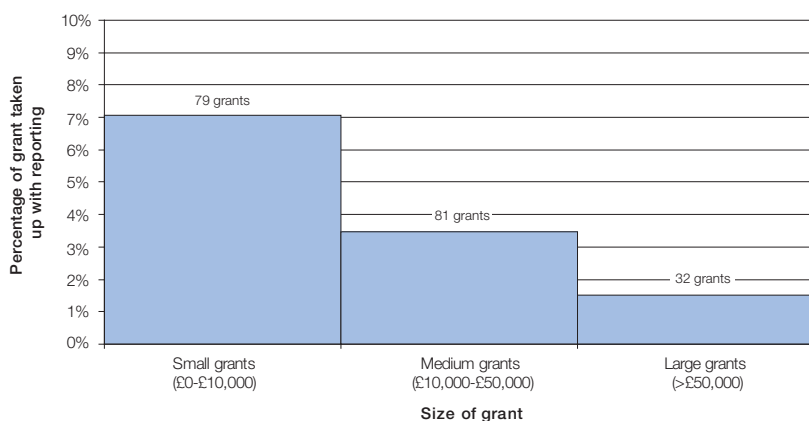### Which grants come with higher reporting burdens?

Small grants

On average, small grants had a far higher reporting burden than large grants. This suggests that funders do not vary their reporting requirements to reflect how much money they are giving a charity (see Figure 1).

Charities would like the amount of feedback required by funders to be proportionate to grant size. One charity was very strict about only offering a minimal standard report in return for grants of less than £5,000, but most charities did not have the confidence to do this.

Small grants with high reporting burdens are sometimes justified by the funder as being about building a relationship between the charity and the funder, and might lead to larger grants with proportionately lower reporting burdens.

Public funding

As expected by charities, grants from public funders came with higher reporting burdens than those from private funders (see Figure 2). This is true for all sizes of grant. However, for small grants the difference is very small, while for large grants public funders are almost twice as burdensome as private funders.

Grants from public funders tend to have higher reporting costs because they have to show how well they are meeting their statutory responsibilities. These responsibilities can change from year to year, meaning that reporting requirements can shift dramatically. Public funders are also concerned about creating a clear audit trail to account for taxpayers' money. Private funders, in contrast, usually have no higher authority to account to and have more stable and less specific reporting requirements.

While public funders in general have greater reporting requirements, experiences vary greatly from commissioner to commissioner. In the case of the Scottish Government, reporting requirements also depend on which fund money is coming from. Good relationships can make reporting much less onerous and more productive (see Poor communication section).

For the purposes of this analysis, grants from the Big Lottery Fund, Scottish Arts Council and NHS trusts were counted as public funding, as these bodies are all ultimately accountable to the taxpayer and their reporting requirements reflect this.

Grants to charities in certain sectors

Those charities in the pilot that worked in the black and minority ethnic (BME) sector or with children and young people seemed to suffer from a disproportionately high reporting burden (see Figure 3).

In the case of charities working with children and young people, this is because they are required to report on a significant amount of individual-level data. For example, some statutory funders require individual support plans to be filled in for every young person a charity works with.

The BME charities in our sample have a high reporting burden because they are quite small. Small organisations are likely to have less capacity, a smaller range of skills and possibly greater costs and more difficulty complying with accounting regulations—all of which make reporting more difficult. Small organisations are also more likely to have small grants, which have a higher reporting burden.

Figure 1: The reporting burden is larger for smaller grants

Funding applications

All the charities in the pilot study reported that funding applications take up as much time, if not more, than reports to funders. One charity estimated that it spends 80% of its administration time on applications and only 20% on reports.

The applications process is beyond the scope of this report, but NPC believes this is an issue worth further investigation.

Quality of reports

If monitoring and reporting for funders benefited charities and funders by leading to improved services for beneficiaries, then the argument for reducing the burden or altering the system would not be so strong.

An average burden of 4.5% is not high if the information produced in reports is meaningful and useful. However, the current system leads to poor quality reporting that does not benefit charities. This is not the best use of the estimated £450m per year that is spent on reporting in Scotland alone.

The reporting system is controlled by funders, which send forms to charities to fill out and return. The system is set up to provide funders with the information they want from charities, and most of the charities in our pilot see reporting as something done for the benefit of funders.

As a result, charities often do not learn much from the experience of reporting. Many funders only want to know what their money has been spent on, so there is little scope for charity staff to look at their organisation or project as a whole to assess how well things are going.

Moreover, by asking what their money was spent on, rather than what difference it made, funders are depriving charities of an opportunity to evaluate and improve services.

There have been notable shifts among some funders and charities towards outcomes-based reporting—particularly with the help of Evaluation Support Scotland—but this is not yet widespread enough.

Many funders still ask charities to report on inputs (where money went) and outputs (what the charity did) rather than outcomes (what difference was made). Any time spent by charities extensively documenting inputs and outputs or duplicating information for funders could be seen as wasteful for charities and should be minimised.

Funders also miss out if they do not ask for outcomes in reports, as they will not know whether their money is making a difference to

Figure 2: Public funding is more burdensome
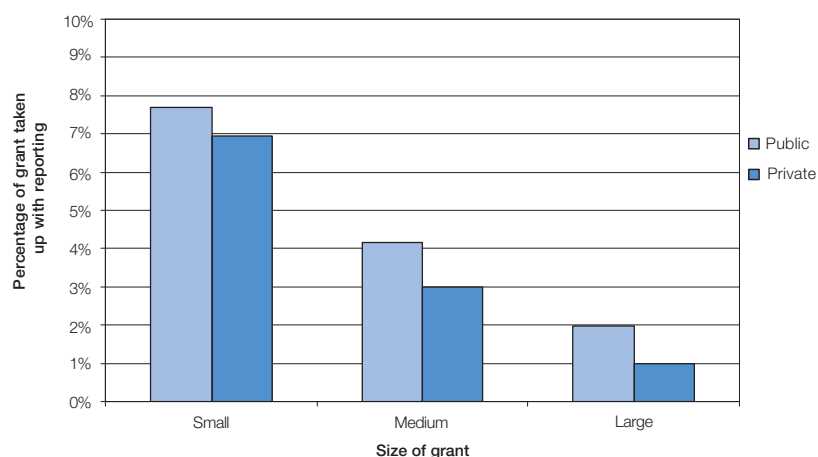
people's lives or not. Many private funders are charities themselves and so may be called upon by regulators to demonstrate that they have made an impact.

Poor communication

Poor communication between charities and funders hinders the reporting system.

Most funders do not give feedback on reports. This means that charities do not know how their reports are being used by funders, or if indeed they are being used at all. This is demoralising for charities, and if funders do not read reports then charities are wasting their time. One charity said it would be happy to give funders whatever information they wanted if only it understood why funders needed it.

A dearth of feedback also means that charities cannot improve their reports in line with what funders need. This compromises quality as charities try to guess what funders want but are not told if they are on track. Reports are therefore neither tailored to funders' needs nor to charities' needs.

Figure 3: Some sectors have a higher monitoring and reporting burden
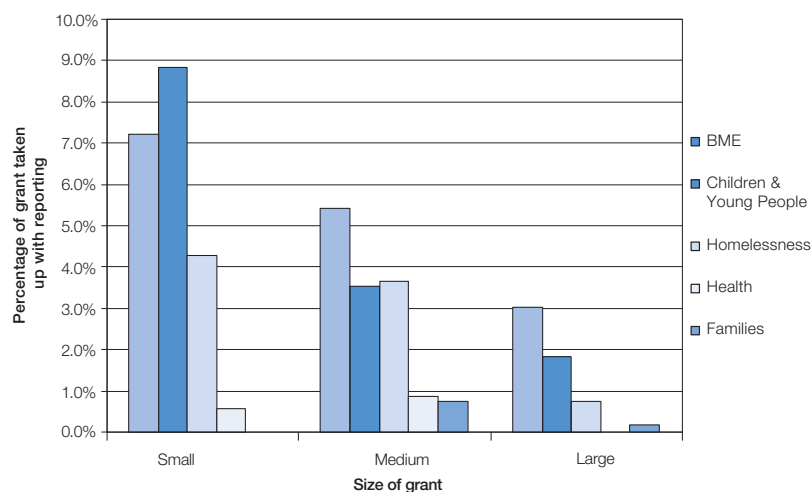
The situation is exacerbated by the fact that many charities are very timid in the face of funders.

Unfortunately, requiring charities to account for every last penny leads to 'artificial accounting' and is not conducive to transparency.

Sometimes funders only tell charities towards the end of a project what they will be expected to report on. This is incredibly inefficient and not conducive to producing good quality reports. Charities are unable to plan their monitoring in advance and have to go through the time-consuming and inaccurate process of trying to gather information retrospectively—or begin monitoring only near the end of a project. Neither option is desirable.

This situation is exacerbated by the fact that many charities are very timid in the face of funders. They are reluctant to question or challenge funders or to try and negotiate with them for fear of damaging a relationship that they depend on greatly. This timidity slows the improvement of the reporting system as it puts much of the onus for change on funders. It also means that there is less honesty between charities and funders than there could be, as charities are hesitant to report problems or speak plainly. Funders may well be unaware of the multiple reporting burden faced by charities until somebody tells them.

The steering group for this project identified a lack of openness and trust as one of their primary concerns with the charity-funder relationship. Funders on the steering group said they wanted charities to tell them when things went wrong so that they could help.

Insufficient capacity

Some charities have a high reporting burden because of a lack of capacity—many do not have the infrastructure or staff skills to report efficiently.

Project staff in particular are not necessarily given training on what to look for (eg, outcomes) or how best to record and report information. In some cases there is a strong staff tradition of reporting in a specific, possibly inefficient, way. Many charities lack a central database that would help with reporting. This lack of capacity can have a great impact on the quality of reports that charities produce, as well as on the size of their reporting burden.

Many charities will have similar infrastructure needs, for example all charities engaged in youth work will probably want to capture broadly the same data. The development of IT resources within charities could be done in a coordinated way to reduce duplication of effort.

Funders' capacity can also be inadequate, leading to higher reporting burdens and lower quality reports. Members of staff often do not ask for the 'right' information and there may be inconsistencies within funding bodies as to how much information is required.

Small organisations

Small organisations, including some BME charities, are particularly likely to suffer from a lack of capacity.

The steering group of this study was concerned that higher reporting costs add to the barriers that small and BME organisations would often face in becoming charities. Proportionally, there are not many BME charities registered with the Office of the Scottish Charity Regulator.

Steering group members felt that more information was needed to understand the situation with regard to BME charities. It could be that they are encountering administrative problems and do not want the additional burden of becoming a charity, or they might not be aware of the benefits of achieving charitable status.

Financial reporting

Of all the areas of reporting that NPC investigated, financial reporting was by far the most problematic. Financial reporting details how the funders' money was spent and when. This is in contrast to reporting what the outcomes of the money were ie, how the money improved people's lives. It is here that poor communication and trust between charities and funders is particularly damaging.

Most funders want to see annual accounts in order to gauge the financial health of the organisation they are funding, but beyond this their requirements vary greatly. Some funders are happy with project budgets, while others want exact breakdowns of how their grant was spent, and some want photocopies of receipts to prove every last detail of a charity's expenditure.

Sometimes asking for a detailed breakdown of how their money was spent can bring benefits for funders. They can use the information to understand how much a befriending service for elderly people costs to run, for example, and what the main costs are.

However, more often than not funders ask for receipts and a very detailed financial breakdown through lack of trust. Unfortunately, requiring charities to account for every last penny of a funder's money leads to 'artificial accounting' and is not conducive to transparency.

For example, if a funder requires particularly detailed information about how its money was spent, the charity is likely to allocate that funder's grant artificially to staff costs in order to avoid having to photocopy numerous receipts. Or if a charity is running a year-long project that ends in June, but one funder wants all of its money spent by April, the charity will have to allocate all the early costs of that project artificially to that particular funder.

This artificial accounting wastes charities' time, is of no use to funders and does not encourage transparency (see Box 3).

Summary

The average reporting burden is not paralysing, but neither charities nor funders are getting the most out of the current system. This is ultimately to the detriment of those people charities and funders are trying to help.

The reporting arrangements of the charities in our pilot highlighted the following concerns with the reporting system:

- **Cost:** Although the average reporting burden is not high, some funders do make time-consuming demands. Those with particularly onerous requirements are not balancing their own needs with those of the charity and its beneficiaries—they may even be missing out on applications from the best charities (see Box 2).

- **Quality:** Reporting is done for the benefit of funders, hence it is not seen by charities as an opportunity to learn about and improve their services. Many reports still concentrate on outputs rather than outcomes.

- **Communication:** Reporting requirements are rarely discussed and charities are unwilling to challenge their funders. Charities often do not know why they are being asked to collect particular information, and they rarely receive feedback on this information once it is submitted.

- **Capacity:** A lack of capacity in both charities and funders means that outcomes-based reporting is often not properly implemented. Capacity is a particular problem for smaller organisations, including BME organisations, which tend to operate very locally.

- **Financial reporting:** Some funders require, and many charities produce, an accounting system where money is allocated artificially. This is a time-consuming process that does not produce useful information.

Change is needed for reporting to become a useful part of the charity/funder relationship. In the next section we outline the case for 'turning the tables' by putting charities in control of their own reporting.

Box 3: Steering Group opinions on financial reporting

Members of the Steering Group agreed that they had hardly ever come across a charity that had not spent its money properly, and thought that the level of financial reporting required by public funders was high. They remarked that this situation is particularly bizarre when some public funders require little or no outcome data. Charities are not trusted to manage their money in compliance with the law, but they are trusted to deliver services without proof of whether these achieve anything or not.
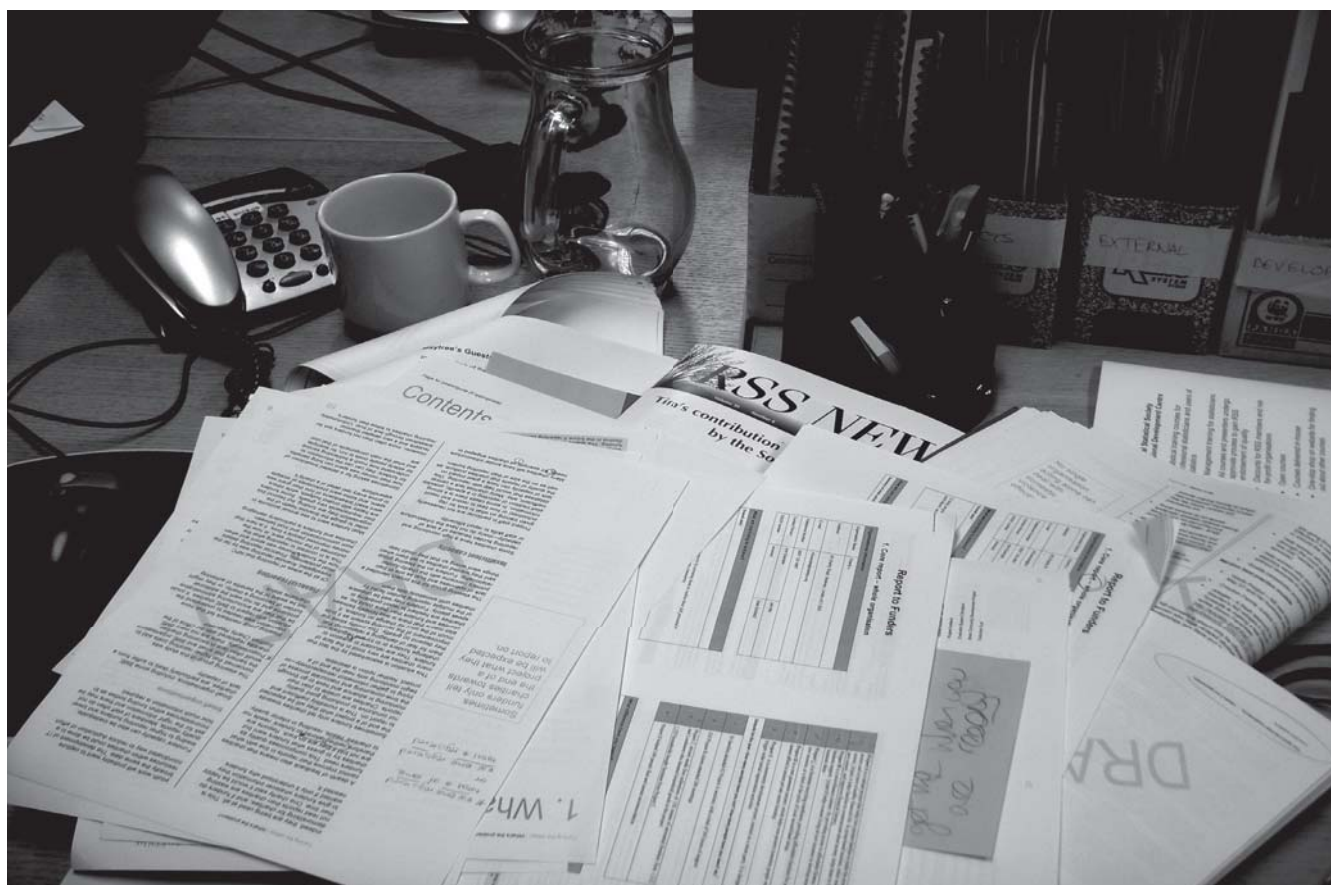
Photograph supplied by Julie McEver

Piloting standard reports

Standard reports would reverse the current reporting system. Instead of charities completing bespoke reports for every funder, each charity would produce one standard report to send to all of its funders.

The potential of standard reports is great. Using a standard report could cut down the time spent on non-essential reporting, at the same time as improving the quality of reports. Everyone involved would stand to gain.

This section introduces the concept and structure of standard reports, and presents the views of funders and NPC analysts on the standard reports produced by charities.

What is a standard report?

A standard reporting system would turn the tables on the status quo. Instead of having a funder-driven system where each funder receives a bespoke report (as shown on the left of Figure 4), charities would each produce a single report to send to all funders (as shown on the right of Figure 4). Each charity would be responsible for designing its own report, which would include information the charity considered relevant.
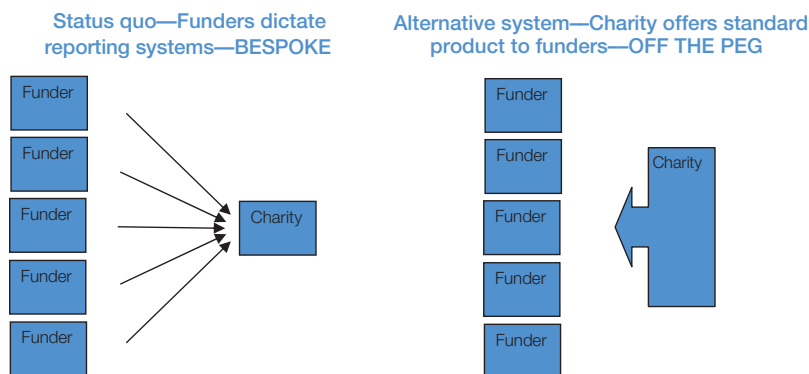
If a charity produces only one report for all of its funders, then the additional reporting burden for a charity when it gains an extra funder is negligible. This is in contrast to the current situation, where gaining an extra funder always increases the reporting burden.

When this pilot began it was not clear what a standard report should look like. Given the wide range of activities delivered by the charities in the pilot (from supporting homeless people to producing large public arts projects) the content of each report was clearly going to be different. Despite this diversity, everyone involved agreed that reports should contain some shared information eg, activities, outputs and outcomes.

Report structure

After consulting with the charities and the steering group, NPC suggested a structure with three levels (see Figure 5): a core report, a project report and an individual report.

Figure 4: The status quo vs standard reporting

Status quo—Funders dictate reporting systems—BESPOKE

Alternative system—Charity offers standard product to funders—OFF THE PEG

The core report

The core report would contain information that is relevant to the whole organisation. This might include the overall aims of the charity, a brief overview of its activities, the main outcomes of these activities, lessons learned and annual accounts.

All charities in Scotland are required by law to submit an annual report to OSCR every year that contains audited accounts and outlines their public benefit.

If the core report included annual accounts and details of how the charity is delivering a public benefit then this report could be sent directly to OSCR without needing to duplicate any information. This would also make clear to the public how the charity provides public benefit, something that is at the heart of public expectations of a charity.

The project report

Project reports would contain detailed project-specific information. This might include the aims, activities and outcomes of a specific

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Box 4: Plain English

Charities suggested that there would be much value in standardising terminology in funding reports. The steering group agreed; they were concerned that some confusion has arisen over similar terms such as 'outcomes', 'outputs', 'achievements', 'objectives' and 'milestones'. The steering group thought that the language of 'outcomes' and 'outputs' should not be abandoned, as some funders and charities had only just begun using it. However, they thought the terms should always be coupled with headings in plain English.

project, how many and what kind of people were helped and the project budget. If a charity runs several projects, each would have a separate report. Each project report would be sent to the funders that had contributed to that project.

The core report and the project reports together should contain all the information a charity needs to run itself effectively. An example core report and project report can be found in Appendix 5.

The individual report

An individual report would contain anything that a particular funder might want that is not included in the core and project reports. This might include detail about how a specific funder's money was spent, for example.

Individuality

It is important that charities have responsibility for the content of their reports. This helps them think about what they are trying to achieve and what information they should record. Having responsibility for content also allows charities to retain their individuality and convey the 'feel' of a project in their reports (through photographs and case studies etc).

However, as previously mentioned, it is important that there are similarities among charities' reports, both in terms of content and format. Funders are more likely to accept standard reports if they come in similar formats. Some charities would have found designing a report from scratch an intimidating prospect. NPC therefore produced two example reports for guidance (see Appendix 5 for one of these examples).

The steering group was concerned that some small organisations might be daunted by the idea of having to produce a complex report. They thought that younger or smaller

organisations should not be expected to supply such sophisticated information as larger, more established charities.

Reaction to the standard reports

Nine charities were able to produce standard reports for their organisation, out of the twelve that attempted to do so. Those that did not complete their reports were hampered by lack of capacity (see, Do standard reports improve capacity? section). The reports were sent to 22 different funders, of which 15 responded. Thirteen of the funders that replied were grant-making trusts; only two were public funders. Reactions from the charities, funders and NPC's analysts are presented below.

Charities

Overall the charities were positive about the reports they produced. They tended to stick quite closely to the suggested template (see Appendix 5), although not all organisations were able to provide the numbers to demonstrate their outcomes.

One charity commented that they liked writing the information that they thought was necessary rather than having to second guess how much information the funder wanted.

The majority of charities that produced a standard report felt that a core report was unnecessary. This could be due to the fact that OSCR's requirements for annual reports are quite new and so charities may not yet see the benefits of using a core report as their annual report to OSCR. They felt core reports repeated much of what could be found in their funding application forms. However, those charities that did put together a core report learned a lot from doing so and found looking at their organisation as a whole very useful.
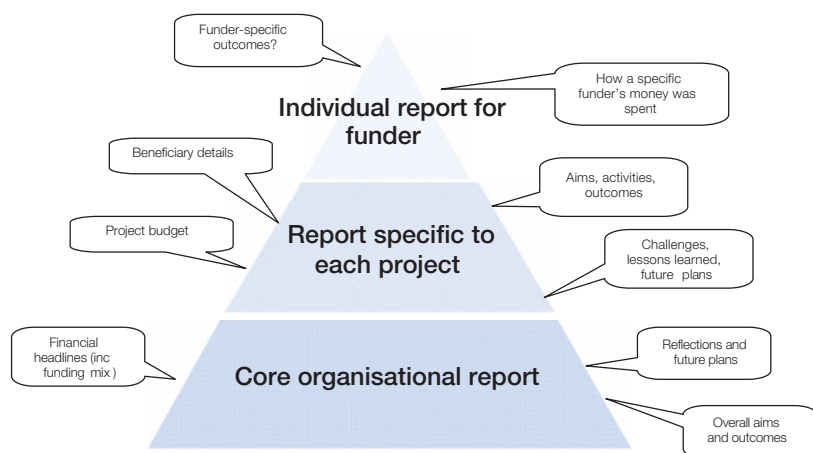
Funders

Charities sent their standard reports (composed of a core report and project reports only) to a variety of funders, from grant-makers to local authorities to corporate donors.

Of the 15 funders that did respond, four were very positive (Tudor Trust, Laidlaw Youth Trust, Lloyds TSB Foundation for Scotland and one other small trust), saying that they would be willing to accept the standard reports they were sent. Laidlaw Youth Trust and Lloyds TSB Foundation for Scotland in particular said that they would be happy to consider standard reports from its grantees, provided they followed the structure and content outlined above.

Two funders, including one local authority funder, did not usually ask for reports, but were happy to be sent standard reports and found them interesting.

Figure 5: Suggested format for a standard report

Five funders thought the standard reports were useful and liked them overall but had specific problems with elements of the reports. The most common was they were too long.

Several funders praised the clarity and the focus on outcomes of the reports (see the first two comments of Box 5). They enjoyed the mixture of case studies and hard statistics on outcomes.

Too much information?

Four of the funders were not keen on the standard reports they were sent. Their main complaint was that they did not want to wade through information they deemed to be irrelevant in order to get to the relevant information about how their money was spent.

Some funders were not interested in anything beyond how their money was spent, and in some cases, what their money had achieved. Several commented that the reports were interesting but too long. One funder responded negatively because its aims only partly matched the charity's aims: the funder was interested above all in artistic merit rather than social impact (see the third comment of Box 5). This reinforces charities' concerns that funders are not interested in the general information contained in core reports. Some funders appreciated the importance of a core report (as part of good management) even though they did not necessarily want to read it.

A possible solution would be for charities to make their annual trustee reports look more like core reports, including information such as the organisation's overall outcomes.

Communication is the key

The funders most likely to receive standard reports positively were those that had good relationships with their grantees. These were funders, whatever the size, that employed dedicated relationship managers. In these cases a charity could discuss reporting and other matters with the funder, and there was likely to be a higher level of trust and a willingness to negotiate. So called 'P.O. Box' funders that never made personal contact were least likely to respond well.

Developing a standard report gave charities a reason to increase communication with their funders, making it more likely that they would accept standard reports in the future, if not straight away. Even though some funders were not willing to accept standard reports, submitting a standard report did lead to dialogue about reporting and some

compromises being made over how much information needed to be submitted (see Box 6).

NPC analysts

NPC analysts looked at the standard reports to assess their quality using their own tested framework.[18] The most common problems with the reports were confusion over the distinction between outputs and outcomes, and not providing enough data on outcomes.

Unsurprisingly, the better reports came from the larger charities taking part in our pilot. Larger organisations have more staff capacity and better IT infrastructure to construct reports more easily.

Many charities did not include core reports in their standard reports as they felt they were repeating information given on application forms, and that funders would not be interested. In these cases, NPC analysts would have liked to have seen information about the organisation as a whole.

Summary

A system where charities only have to produce one report has the potential to be less burdensome for charities. However standard reports will only work if they are of high quality and hence useful learning tools for both funders and charities.

The format suggested here is comprised of three parts:

- A core report describing the whole organisation.

- A project report describing that particular project in detail.

- A bespoke section for particular funders.

An example core report and project report can be found in Appendix 5.

Box 5: Funders' comments

Lloyds TSB Foundation for Scotland: *'The report was well constructed and it was pleasing to see the number of positive outcomes achieved by the families supported.'*

Corporate funder: *'The report reads very well; it's very concise in the way it answers the questions and the information is easy to understand and backed up by factual figures so it's not just a "cosy" story.'*

Charitable trust specialising in the arts: *'Above all I want to discover whether the work was artistically original and of high quality… Did Jackson Pollock look for quality indicators and project outcomes? Did Beckett? I think not… Less is more! I think, in conclusion, that we would find a standard report of not much use when our real interest is in the artistic aspects of the project.'*

Box 6: The fruits of negotiation

In 2007, an environmental arts charity called **NVA** received £30,000 from a local council. At the end of the project, which cost £600,000 in total, the council asked the charity to fill in a lengthy form and provide photocopies of all receipts. The council wanted receipts not just for its contribution, but for the *entire* £600,000. Staff were asked to indicate on every receipt whether it related to the council's money or not.

NVA's executive director rang the council to challenge this excessive request and to explain how long it would take the charity to fulfill it. As a result the council not only dropped the request for photocopies of receipts, but also agreed on a shorter reporting form. NVA commented that, as soon as it made contact with the council to question its demands, there was little trouble negotiating a better deal.

The reports produced during the pilot varied in quality with the best reports coming from the largest charities with the most capacity. The key to good quality standard reporting will be communication between charities and funders. It is unlikely that charities will produce perfect reports on their first attempt, just as they do not fill in funders' forms perfectly. Funders will need to give feedback on reports in order to improve their quality.

In the next section we discuss whether standard reporting will solve the problems with the reporting system presented in the first section.

Photograph supplied by Julie McEver

Are standard reports the answer?

In Section 1 we identified five major problems with the current reporting system:

- the cost of reporting;

- the quality of reports;

- communication between charities and funders;

- capacity within charities and funding organisations; and

- the complexity of financial reporting.

Standard reports will only be a useful development if they address these problems.

The charities in this pilot found that producing a standard report and offering it to their funders improved communication, the quality of reports and, after initial start-up costs, the time spent on reporting.

As expected, standard reports did not remove capacity constraints, but they were a very useful tool for identifying needs within an organisation. Learning and training to motivate a culture shift towards monitoring outcomes would be crucial to making standard reporting work.

However, standard reporting did not improve the state of financial reporting amongst the charities in this pilot.

Do standard reports reduce costs?

It was very difficult to quantify the amount of time that charities spent producing their standard reports. The process tended to involve staff coordinating and consulting with each other, designing their own report for the first time and collating data that had not been collated before. This meant that several people within the organisation were involved to a greater or lesser degree. Consequently time estimates were necessarily vague.

The amount of time spent on each report varied from two or three days to two weeks. As only nine charities completed a standard report, it makes little sense to discuss a 'typical' burden for producing a standard report. Although one might expect larger, more complex charities to find it more challenging to create a standard report for their whole organisation, this was offset by having more staff with a wider range of skills.

The burden of producing a standard report was particularly high for those charities that had never attempted anything like this before. This was due to the time spent building capacity within the organisation (see Do standard reports improve capacity? section).

A few charities had already made considerable steps towards producing a standard report for their organisation before this pilot started. These charities said that, once they had got over the initial time-intensive period of designing and implementing the report, having a standard report saved a great amount of time (see Box 7).

Are standard reports of higher quality?

Many of the standard reports produced during the pilot were focused on outcomes, which meant that charities and funders could begin to understand the impact they were having on beneficiaries' lives.

Reports were also much more relevant to charities, as charities were reporting for themselves as well as for funders. This involved

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Box 7: One charity's experience of using a standard report

The **Tullochan Trust** runs activities and developmental projects for vulnerable eight to eighteen year olds in Dunbartonshire. With the help of Evaluation Support Scotland, the charity began creating a standard format for its project reports before NPC's pilot commenced. As a result, it has a good idea of the longer-term implications of using a standard report.

The Tullochan Trust has found that using a standard report saves staff a 'huge amount of time'. Having a standard reporting format allows project coordinators to begin thinking about monitoring and evaluation before the project begins, as they know what information they will be looking for. It also saves time, as project workers can add in case studies and anecdotes throughout the project.

Introducing standard reports has also improved the quality of reports. Staff members have learned to focus on objectives and outcomes, as well as answering difficult questions such as 'what went wrong?'. As coordinators are clear about what they need to write, there is less waffling and 'interesting but irrelevant' content. Staff are still working on personalising reports to convey the 'feel' of the project as well as the detail. The report that the Tullochan Trust sent to the Lloyds TSB Foundation for Scotland got the highest ranking for quality from the foundation.

Tullochan Trust is now also developing standard application forms that it will send to 12 small funders. These are based on its standard reports. If they are accepted, they will not only cut down on application time, but will result in continuity between applications and reports.

staff looking at projects as a whole, and indeed their organisation as a whole, possibly for the first time. Charities could use the information in their reports to learn from past experience and improve services in the future.

Those charities that had already begun using standard reports found that reports were more focused and accurate when staff knew at the beginning of the project what they would be reporting on at the end. Standard reports contained better quality information than usual reports. Charities actively considered what questions to ask and why, rather than being purely responsive to demands, or including certain information because it had always been included (eg, a detailed history of the charity).

Reports were also more direct and introspective. Charities felt they were reporting for their own learning and left out the flowery language and platitudes that they had included in the past when reports were purely for funders' benefit.

Although the quality of reports varied, this was often because of confusion over terminology or because the charity did not have the capacity to collect the information or report well. These are not problems that affect standard reports any more than other bespoke reports. Giving feedback on standard reports and providing training will allow charities to improve their quality.

> Reports were much more relevant to charities, as charities were reporting for themselves as well as for funders.

Box 8: The benefits of communication

Charities taking part in this pilot surprised each other with how much they could achieve by negotiating with funders.

The executive director of a homeless charity, **Move On**, commented that he could not think of a time when Move On has approached a funder with a request and had it denied. Funders primarily get annoyed when charities do things without telling them, and this is when funders might take back money.

Move On has found that funders such as Lloyds TSB Foundation for Scotland and Cairn Energy are open to re-negotiating what their grant will be spent on if needs or logistics change. The charity has also been able to refuse some funders' excessive demands. When one large national grant-maker asked Move On for all receipts for purchases over £25, Move On successfully challenged it. The charity explained that, as the grant had been spent on volunteer expenses, this would mean gathering hundreds of receipts that would take an unreasonable amount of time.

Another charity, **Hearts and Minds**, is strict about only giving funders a very short standard report for donations of under £5,000, and has had no complaints.

Do standard reports improve communication?

Within charities

Charities that produced a standard report said that the process improved communication about reporting within their organisations. Some charity staff openly discussed difficult questions such as 'what went wrong?' for the first time, allowing the reporting process to become a learning process.

Improved communication allowed staff to focus more on outcomes and to understand the point of reporting.

Between charities

Hearing about other charities' experiences with funders increased confidence amongst those charities that attended the roundtables. They were empowered by hearing examples of how other charities had successfully negotiated with funders. They also said it was useful to build consensus with each other about what a standard report should look like.

This has implications for any charity planning to produce its own standard report. The process is likely to be easier and charities will have more confidence if they form a group. This will allow them to discuss issues and collaborate with other charities.

Between charities and funders

For many charities, taking part in this pilot meant that they discussed their reporting requirements with their funder for the first time. By opening up this channel of communication, charities felt that they improved their relationships with funders and got a better understanding of what funders want from reporting.

It was also the first time that most charities had ever received feedback on their reports from funders. The charities were really positive about this and said that it made them much more likely to pay greater attention to the quality of their reporting (see Box 8).

Do standard reports improve capacity?

Creating a standard report was a learning experience for the charities. In some cases it improved their capacity to report well and to run as effective organisations. This was because, as has been discussed, charity staff discussed reporting with each other and focused more on outcomes. Creating a standard report also involved staff reviewing the whole organisation's aims and achievements.

Attempting to create a standard report is very useful in itself, as the first step towards improving performance is to identify gaps and weaknesses. Producing a standard report highlighted where capacity was lacking within charities. This made some charities realise that they did not have the IT infrastructure to report efficiently and needed a central database. It made one charity realise that some of its activities no longer fit properly with its overall aims.

It also enabled charities to evaluate how well different projects were being monitored, pinpointing areas of strength and weakness. Several charities said that this exercise revealed a great variation in what their projects were measuring. One charity, for example, realised that its health-focused services were already good at measuring outcomes, whereas other services still concentrated on outputs and description. It made certain charities realise that some of their reporting systems were based on historical quirks and needed overhauling.

However, creating a standard report was not an easy task. It involved charities reviewing their entire reporting system. It was difficult for charities to find the time to do this. The time needed to create a standard report consisted not only of time spent writing the report, but also time spent on training staff to think about outcomes and to answer questions they had never encountered before.

That only nine of the twelve charities that attempted to produce a standard report managed to do so is an indication of the capacity and resources required. In order for standard reporting to become widespread, charities will need to be supported in training their staff to collect data and understand outcomes.

Creating a standard report improved charities' capacity in many ways, and highlighted exactly what organisations were missing. However, the process was difficult and initially time intensive. Training and support will be crucial for making standard reports work for many charities, particularly those with low capacity.

Charities that had training and guidance were most successful in creating good quality standard reports. Those that had not had training and support said that it would have been very useful.

Do standard reports improve financial reporting?

The pilot made no progress towards standardising financial information.

Finances are the area where funders' demands are most diverse and least flexible. The range of information asked for probably reflects the lack of clear guidance on what funders are legally required to ask from the charities they fund. Local government in particular often asks for photocopies of receipts, sometimes on the assumption that this is a legal requirement when dealing with public money. This is not the case.

Wildly varying requests meant that charities thought there would be no way of standardising financial information to keep all of their funders happy.

There is also the question of 'artificial accounting', mentioned in the first section. Because funders want to know exactly how their money is spent, money is artificially allocated between the various expenses that a project incurs. Sometimes this 'artificial accounting' means that all of the reports given to funders would not add up properly if combined. As a result, charities are not keen on presenting all financial information in one place.

Artificial accounting does not benefit either side. It means extra work for charities and it means that funders are not getting a transparent account of how money is spent. Both funders and charities are complicit in perpetuating this system through a lack of communication and trust.

NPC believes that it is possible to standardise financial reporting based on clear guidelines on what information funders, in particular public funders, are legally required to collect. This is something that could be looked at in the future, possibly by Audit Scotland.

Summary

Once a system of standard reporting is in place, reports are quicker to produce. However, producing a standard report is initially time consuming and requires investment both in staff training and infrastructure. Hence the benefits of standard reporting in terms of increased efficiency will not be immediately apparent.

Standard reports are more useful for the charity and focus more on outcomes and the impact of funding (see Box 7). The process also increases communication between charities and funders.

Standard reports did not improve financial reporting but have the potential to do so if clear guidelines are put in place.

The biggest barrier to standard reporting becoming widespread is a lack of capacity within charities. Changing the reporting culture within an organisation takes time and training, but brings many benefits.

The next section outlines NPC's recommendations in the light of this pilot study. Both charities and funders will have to take steps to ensure that reporting is efficient and useful.

> Producing a standard report made one charity realise that some of its activities no longer fit properly with its overall aims.

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Photograph supplied by Julie McEver

Conclusions and recommendations

The way that charities typically report to funders needs to change. Neither charities nor funders are getting the most out of the current system. Charities are not systematically collecting and reporting the most appropriate information. Funders are not receiving good information on the impact of their money. This is to the ultimate detriment of those people charities and funders are trying to help.

The problems with the reporting system can be summed up as those of cost, quality, communication, capacity and financials.

To date, all attempts to improve the reporting system have relied on funders cooperating with each other. Progress has been limited and many charities are still spending too much time producing reports of limited value to themselves or their funders.

NPC's 'Turning the tables' pilot study encouraged charities themselves to try to change the reporting system by producing their own standard report and then offering it to all of their funders. The results of the pilot were positive; participating charities found that producing a standard report:

- lowered the cost of reporting, after initial investment of time;

- improved the quality of reports;

- increased communication between charities and funders; and,

- identified capacity needs of charities and funders.

However, clear guidelines will need to be issued and adhered to in order for standard reporting to solve the current problems with financial reporting.

Recommendations

For charities

1. **Charities should create a standard report for their organisation.** This will help staff to learn about and concentrate on outcomes and make reporting more efficient.

2. **Charities should use their core reports to fulfil their annual reporting requirement to OSCR.** This will further reduce the administrative burden on charities.

3. **Charities should discuss reporting with their funders and ask for feedback on reports.** Those that have done this have had great success. Funders are unlikely to change or reduce their requirements if they are not asked.

4. **Charities should make the most of any training opportunities on measuring and reporting on outcomes and finances.** If reporting is to be improved, through standard reports or otherwise, taking advantage of opportunities to learn and develop is crucial.

5. **Charities should push back on funders who make apparently unreasonable demands.** Sometimes funders will acknowledge that the information they have asked for is excessive. Sometimes charities will realise that the information required is useful to both charity and funder.

For funders and statutory bodies

1. **Funders should be willing to accept standard reports AND should advertise this fact during the application process.** Charities do not want to challenge their funders. By making the first move, funders will be opening up useful lines of communication and will receive higher quality reports.

2. **Funders should offer feedback on reports.** This is the best way to motivate charities to provide high quality reports. If the charity does not know what is wrong, it will not know what to change.

3. **Funders should be flexible and willing to negotiate.** Funders need to think whether the information that they ask for helps the charity and, ultimately, the beneficiaries of the charity's work.

4. **Funders and the government should provide training and investment in infrastructure for both charity staff and for grant-makers.** Extra support is required for BME and other small organisations. Charities need training to improve their capacity to report well, but funders' staff also need to learn to look for proportionate, outcomes-based reports. Infrastructure development, such as the creation of databases, should be done in a joined-up way, recognising the similar needs of many charities.

5. **Audit Scotland, in conjunction with the (OSCR), should issue clear guidance on what financial information is legally required by local authorities.** There is currently too much confusion and disagreement about the level of detail required in financial reports. Guidelines should focus on both organisational and project-based views of finances.

The future of standard reporting

NPC will be undertaking a similar project in England, funded by the Office of the Third Sector, during Spring 2008. This work will focus more on public funding arrangements with charities.

Once the English pilot is finished, NPC will publish a set of steps for both charities and funders to set up a system of standard reporting.

NPC believes there is huge potential for reporting to be improved, to better serve funders, charities and the people they help. Through smart standard reporting, the reporting burden for charities can and should be reduced. But funders will have to improve how they work—offering support, flexibility and commitment to change.

NPC is committed to helping charities improve how they measure, manage and communicate their results. Through our research and tools for charities, we will continue to investigate opportunities and advocate for positive change. Standard reporting is just such an opportunity, and NPC is committed to building on this study to help create change.

Photograph supplied by Julie McEver

Appendices

Appendix 1: Charities participating in the pilot

- Aberdeen Foyer*
- Aberlour
- Black Community Development Project
- Broxburn Family and Community Centre
- Calman Trust
- Circle*
- Crew 2000
- Dundee International Women's Centre
- Edinburgh Cyrenians*
- Hearts and Minds*
- Kibble Education and Care
- LINKnet Mentoring
- Move On*
- NVA*
- Project Scotland*
- St Andrew's Multimedia Youth Project*
- Tullochan Trust*

Appendix 2: Members of the steering group

- Carolyn Sawers (Big Lottery Fund)
- Jane Ryder (Office of the Scottish Charity Regulator)
- Mary Craig (Lloyds TSB Foundation for Scotland)
- Maureen McGinn (Laidlaw Youth Trust)
- Steven Marwick (Evaluation Support Scotland)

Appendix 3: Timetable of the project

- **May–July 2007:** 16 charities costed their monitoring and reporting burden
- **1 August 2007:** NPC met with charities and discussed the structure for standard reports
- **17 August 2007:** First meeting of the steering group
- **September–October 2007:** Nine charities drafted a standard report and sent it to some of their funders. Funders gave feedback
- **15 November 2007:** NPC met charities again
- **16 November 2007:** Steering group discussed findings
- **11 December 2007:** Findings presented to the Scotland Funders' Forum
- **March 2008:** Report published

* Produced a standard report

Appendix 4: Cost calculation

To ensure comparability among charities, some of which may offer greatly varying salaries and may even have chief executives who work for free, we assigned the same salary for each charity. There were two salary tiers: one for 'junior' employees of £20 per hour and one for 'senior' employees of £40 per hour. This was based on a reasonable estimate for the total wage costs of employing skilled workers.

These costs were then converted into the percentage of the particular grant spent on monitoring and reporting. This is to recognise that some level of monitoring and reporting is necessary and desirable but should be proportionate to the amount of money given.

Appendix 5: Example report with guidelines

1. Core report — whole organisation

Organisational information		
Organisation Name	Charity x	
Address	45 Charity Road, Hackney, London AC1 B23	
E-mail	AExample@charityx.org	
Telephone Number	0207 123 4567	
Contact Person	Ann Example	Job title
OSCR number	xxxxxxxx	Date 03/09/07

What are you trying to achieve?
Overall aims[1]
To help people in East London out of poverty by assisting them to realise their full potential as individuals, and play a valuable part in their own community.

How are you doing this?	
Summary of main activities this year (approx 50 words per activity)[2]	
1	**Project A** is a unique project that helps low-income families to make the most of their money and to have a healthy financial life. In group-based sessions, either one-offs or as a course, Project A helps families to communicate about money, helps them to find ways to save money, and improves financial literacy.
2	**Project B** is a microfinance scheme. By providing access to affordable finance and business support, Project B helps women living on low incomes to develop money-making business ideas.
3	**Project C** is a furniture recycling warehouse, providing affordable furniture for people on low incomes, at a third of the price of local second-hand shops.
4	**Project D** is a rent guarantee project, which helps non-priority homeless people who cannot afford to access private sector housing.
5	**Project E** is a community development project, centred on a street party. It is designed to trigger wider social regeneration activities.
Outputs for the year– How many services have you run? How many people have you seen? etc.[3]	
1	54 families attended 42 Project A sessions, with a total of 560 hours of support.
2	218 Project B clients attended 286 meetings.
3	Project C drivers made free collections of 130 tonnes of unwanted furniture from 1,312 East Londoners who donated household goods to the project. 1,325 households bought furniture from Project C.
4	Project D helped 140 people find and sustain accommodation.

What difference have you made?[4]

Major outcomes[5]

1	**Project A** • 80% of the 145 participants said that their confidence in understanding and managing money had increased after the sessions. • 75% of parents said that they were regularly able to resist pester power three months after attending sessions, compared to 35% of parents before sessions.
2	**Project B** • Of the 126 women who are clients now, 73 (58%) have their own business name and details. • In 2005/2006, 32 women developed either part- or full-time work out of their business, the equivalent of 18 full-time jobs.
3	**Project C** • Because Project C goods are priced at one third of the price of local second-hand stores, the 1,325 households have saved a total of over £150,000.
4	**Project D** • 90% of people housed through Project D stay housed. Sustained and stable housing results in independence and an improved quality of life.
5	**Project E** is a brand new project, so there are no results yet.

Case studies, quotes and descriptions to illustrate outcomes[6]

Project A
Case histories and conversations with clients show the following positive outcomes:
• Families communicate more openly about money.
• Confidence in understanding and managing money is increased—this is key to changing behaviour.
• Parents feel more in control of their finances.
• Parents are more able to resist pester power.
• Children and young people also gain skills to make informed choices around money.
• Participants learn that change is possible.

'I feel better already. I was really panicking and getting down about things but really it is just a simple matter of organising myself more.'—Single mum following her first session.

Project B
Feedback forms, consultation meetings and case histories show that:
• project B improves marriages and family relationships;
• it raises clients' confidence and motivation;
• clients tend to invest profits from their businesses back into their family; and
• businesses created tend to generate additional economic activity in the local area.

Case Study
Naglaa came to the UK as a refugee eight years ago, having previously worked as a translator in Sudan and the United Arab Emirates. Naglaa joined a Project B borrowing circle in 2005. She was lacking confidence and felt uncomfortable sharing with the group. However, once she had made the decision to set up a business, Naglaa drew on the support of her development worker and peers, and quickly gained confidence. She said that it was invaluable to have *'continuous information to follow up and training'* as well as *'leadership, guidance and role models'*.

Naglaa set up a business in interpretation and translation: *Naglaa's World*. Within a few months, she took out a loan from Project B to buy equipment. In her first year of business she has used 18 hours of one-to-one support to write a business plan, open a bank account, source information on software for Arabic script, and attend a breakfast meeting with the Arab-British Chamber of Commerce.

Naglaa continues to work part time at a local supermarket, but she is optimistic and ambitious about the future of *Naglaa's World*, and is currently considering establishing a business unit in the Gulf States countries.

Project C
'I heard about [Project C] through word of mouth. Now I have what I consider a beautiful home. I started off with nothing, I just rattled around inside there. Social security gave me enough to buy a stove … I tell everyone about [Project C]. There are lots of people in East London who need this.' (Tina)

Project D
'It's helped me heaps. I was going through a messy break-up and living between places, with friends, on sofas. It gives me somewhere now to put my stuff down and now I've got visiting rights with my daughter … everything's on the up. I couldn't get anywhere with that whilst I didn't have any fixed abode.' (Michael)

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Other developments for the organisation (e.g. new partnerships, staff, strategies, evaluations)
We have assessed our progress at our midway point of our three-year strategic plan and are on target with all of our objectives. We won a prestigious 'Liveable Cities' award, for Project C, in recognition of our provision of 'access to services and goods for disadvantaged communities'. We also gained a Level One Greenmark (an environmental quality mark) for Project C. The registered office, and the central office functions, moved this year, from our long-standing home, to take up a tenancy within premises owned by The Young Foundation at Bethnal Green. This has proved a very positive move: congenial space, closer proximity to our projects, plus accessibility to the other community and voluntary organisations that are also tenants.

Why are your activities important?[7]
Many people in East London are poor. The vast majority of wards in Hackney, Tower Hamlets and Newham are ranked in the top 10% most deprived wards on the government's *'index of multiple deprivation'*. Unemployment in Newham is more than double the national rate, and three out of every four children in Tower Hamlets live in low-income families. Poor financial literacy is a cause of poverty, as bad financial decisions can result in money being unnecessarily wasted, hitting the poorest families the hardest. No bank account means no direct debits, so gas and electricity are more expensive. A lack of a solid credit history can mean no access to mainstream lenders. Most of our projects have been innovative (and copied), and some are still unique. We consciously avoid duplicating services already delivered by others unless there is very high demand (eg, the rent deposit service). This means that, although East London has many charities that address poverty and social exclusion, we believe our services are crucial.

What have you learned and what will you do in the future?
What didn't work and why?[8]
Project X was closed last year because of problems with recruiting and retaining trainees. Project X was a DIY/home maintenance training project for people who had been homeless. Difficulties arose because many clients had ongoing issues with housing, benefits or dependencies, so the commitment was too challenging. Also, we found that funding for this kind of project was dwindling.
Lessons learned and future plans[9]

Future plans:
 	
1. **Starting new projects**
   [The charity] has a strong history of project innovation, and has always looked to develop projects to meet local needs. Recently staff and trustees have highlighted a gap in our current provision around meeting the needs of older people. As a result, we are actively seeking out new work in this area.
 	
2. **Growing existing projects**
   There is both potential need and demand for [the charity] to serve many more people within its local area. The chief executive and board have an appetite for growth, and would like all their existing projects to be bigger within East London. However, they do not want to grow outside East London, believing that [the charity's] success comes from its strong, local community roots; projects are very much tailored to communities' needs.
 	
3. **Sharing learning**
   Our projects are, on the whole, very much replicable in other locations. Replication has happened successfully in the past and we are keen to encourage this in the future, through sharing learning and helping other organisations.
 	
4. **Building profile and influence**
   [The charity] wants to be represented better at a local level, and this is one priority going forward.

Latest audited accounts attached

2. Project A report

Project information		
Project name	Project A	
Location	Tower Hamlets	
Contact Person	Anne Other	Job title Project co-ordinator
Date	03/09/2007	

What are you trying to achieve?

Project aim(s):[10]

'To build better communication in the short term, stronger families in the medium term, and a generation of children in the long term who are fiscally aware, astute and confident.'

Specific aims for the year

What did you plan to do? (planned outputs[11])

1	• To work with 52 low-income families through our financial literacy sessions.

What did you hope would come out of this? (planned outcomes[12])

1	• To enable 45 families to have more open communication around money and the issues it raises within the home.
2	• To empower 45 parents to feel more in control of their finances and the wider emotional impact of their finances.
3	• To equip 20 children and young people with the skills to make informed choices about money.

Who do you work with?

Number of beneficiaries: 54 families, consisting of 80 parents and 65 children

Further details of those worked with (eg, 10 homeless people, 15 people from BME groups, 20 people with problem drug use, 35 children under the age of five)

All of the 54 families have a low income

20 families come from BME groups

47 of the parents are women

How are you doing this?

Summary of the year's activities

Project A is a unique project that helps low-income families to make the most of their money and to have a healthy financial life. In group-based sessions, either one-offs or as a course, it helps families to communicate about money, helps them to find ways to save money, and improves financial literacy.

Project A sessions are run for groups of families or parents, usually through development workers making contact with other community and voluntary organisations. Sessions were given to existing groups (such as parents from a Sure Start Centre or a Bengali dads' group), and two new groups were formed by advertising in a primary school. Other groups have no organisation in common, and are formed by referrals from agencies (such as a women's refuge) or self-referrals.

Groups usually have six to eight members (although one only had two, and another had 15). Sessions are two or three hours long, and range from one-offs to a seven-week series.

Each session is themed, and particular issues addressed this year include:
• Budgeting;
• The power of advertising and how it affects the family;
• How families can communicate better about money; and
• The emotional impact of living life on a low income.

Outputs—How many people have you served? How many services have you run? etc.[13]

1	54 families attended 42 Project A sessions, with a total of 560 hours of support

What difference have you made?[14]	
Major outcomes for each activity[15]	
1	• 115 family members reported feeling able to talk to each other calmly about money after the sessions.
2	• 80% of participants said that their confidence in understanding and managing money had increased after the sessions.
3	• 75% of parents said that they were regularly able to resist pester power 3 months after attending sessions, compared to 35% of parents before sessions.
Case studies, quotes and descriptions to illustrate outcomes[16]	

'I feel less guilty now—last week we were in Woollies, and he wanted a gun, I said no and he just walked away. I don't feel guilty because since I've been coming to the sessions I'm wanting to save and it makes me feel better to say no.' (A mother from Hackney, talking about her three-year-old boy)

'I feel better already. I was really panicking and getting down about things but really it is just a simple matter of organising myself more.' (Single mum following her first session with Project A)

'I talk more with my husband now and I feel that we are communicating better. Before I just talked to him about money whenever I felt like it, for instance when he was coming in the door and he didn't respond very well to this. Now I wait until I can see that he is relaxed and ready to talk… I feel I can communicate more effectively.' (Participant from Women's Centre)

'I've learnt how to write cheques. When bills came before I didn't understand them but now I do and I now know how to pay for them. My husband has now given me the responsibility of paying the bills. I used to have to go to others, like neighbours, to help me write cheques but now I can do it myself and go to the post office with it.' (Participant from Women's Centre)

'I'm going to react more positively when dealing with my children's behaviour during our shopping trips by talking to them positively instead of negatively, and to try and get a good response from them by involving them more in the activity.' (Participant from Hackney Downs Sure Start)

What have you learned and what will you do in the future?
What didn't work and why?[17]

We found that the sessions were more successful in engaging adults than children. This was because we had not tailored our materials enough to make them appealing to children. We are planning to address this next year by designing a new range of materials and planning activities that children will enjoy.

Lessons learned and future plans[18]

Project A was initially set up as a three-year project, but, in light of progress to date, the charity's trustees have recently agreed that it should be continued. Because Project A is a new project, its service delivery is only just beginning to settle down, and staff are still learning from it. In 2007/2008, Project A will focus on recruiting volunteers, developing peer education, and filling in gaps in materials and communications for and with children and young people.

We aim to:
• Work with 48 families, 60% of which will include work with the whole family.
• Ensure that 80% of participants are satisfied with Project A services.

Project budget[19]	
Project A Budget	**2006/07**
INCOMING RESOURCES	
EARNED INCOME	0
PUBLIC FUNDING	8,337
Trust Funding:	
Funder A	46,186
Funder B	20,000
Funder C	13,000
Funder D	40,000
TOTAL INCOMING RESOURCES	**127,523**
EXPENDITURE	
STAFF COSTS	65,026
PREMISES	4,102
OFFICE COSTS	4,822
ADMINISTRATION	1,033
FUNDRAISING COSTS	829
PROJECT-SPECIFIC COSTS	7,677
DEPRECIATION	1,014
PROJECT MANAGEMENT SUPPORT	24,393
FUNDRAISING SUPPORT	13,850
TOTAL EXPENDITURE	**122,746**
SURPLUS/(DEFICIT)	
INCOMING RESOURCES	127,523
less EXPENDITURE	(122,746)
PERIOD SURPLUS/(DEFICIT)	**4,777**
OPENING RESERVES	
INTER-FUND TRANSFERS	
CLOSING RESERVES	**4,777**

Summary of how evidence was collected[20]
Project A's evaluation tools, which are now being put into place, measure: • **Baseline information**, regarding abilities, confidence and knowledge, collected at the start of contact; • **Ongoing change**, monitored throughout contact; and • **Lasting change**, collected in the weeks and months after final contact. The tools used to measure this change include: • Skills and knowledge self assessment, and learning review sheets • Emotional well-being questionnaire • 'Jelly bear' self-assessment (a visual depiction of attitudes to money issues) • Spending diaries • Observation by development worker • Review meetings, to take place six to eight weeks after final contact

Guidelines for core report
1 Write the overall aim(s) of your organisation
2 Give a brief description of your main activities
3 Give details of the scope of the services you have delivered or activities you have carried out. For example:
• We delivered 30 skills workshops this year, which were attended by 500 people.
• The policy team met with seven MPs and was consulted for two government policy reviews.
• 5,000 fact sheets on care for the elderly were requested through our advice services, and a further 20,000 were viewed on the internet.
4 This section is about the major outcomes of your work. Outcomes are the changes brought about by your charity's activities.
5 Examples of outcomes might be:
• 63% of children reported feeling much happier after attending counselling.
• 26 people were helped to get jobs through the 'into work' programme.
• 100 young people's self-esteem and respect for others was increased after attending conflict resolution workshops.
6 Here you might put case studies or quotes showing the impact of the charity's work on an individual or family. You could also include details of how members of staff think a project has affected participants.
7 Make a case for your organisation! What social problems are you addressing? How does this relate to wider social problems? How is this different to what other organisations are doing?
8 What activities did not have the outcome you'd hoped for? Why was this?   Did you have any other problems? For example
• Staff leaving
• Problems beneficiaries had that were out of your control (i.e. bereavements)
9 What did you learn from problems you encountered? What will you do differently? What are your plans for the next year and beyond?

Guidelines for project report

[10] Write the overall aim(s) for the project

[11] Give details about what you planned to do this year: how many people did you plan to help? How many sessions did you plan to deliver?

[12] What difference did you hope to make to people's lives?

[13] Give details of the scope of the services you have delivered or activities you have carried out. For example:

- We delivered 30 skills workshops this year, which were attended by 500 people.

- The policy team met with seven MPs and was consulted for two government policy reviews.

- 5,000 fact sheets on care for the elderly were requested through our advice services, and a further 20,000 were viewed on the internet.

[14] This section is about the major outcomes of your work. Outcomes are the changes brought about by your charity's activities.

[15] Examples of outcomes might be:

- 63% of children reported feeling much happier after attending counselling.

- 26 people were helped to get jobs through the 'into work' programme.

- A piece of legislation that your charity had campaigned for with other charities was passed.

[16] Here you might put case studies showing the impact of the charity's work on an individual or family. You could also include details of how members of staff think a project has affected participants.

[17] What activities did not have the outcome you'd hoped for? Why was this?

Did you have any other problems? For example:

- Staff leaving

- Problems beneficiaries had that were out of your control (i.e. bereavements).

[18] What did you learn from problems you encountered? What will you do differently? What are your plans for the next year and beyond?

[19] Give your project budget including details of the funding mix and any match funding.

[20] Give a brief summary of how you collected the information for your evaluation. What methods did you use? Who did you involve? How long did it take?

Acknowledgements

References

[1]   Society Guardian website, http://www.guardian.co.uk/society/2007/nov/28/voluntarysector [accessed on 28 November 2007].

[2]   National Audit Office (2007) *Public funding of large national charities.*

[3]   The Scottish Government (2008) *Independent Review Of Regulation, Audit, Inspection And Complaints Handling Of Public Services: Government Response.*

[4]   Office of the Scottish Charity Regulator (2007) *Corporate Plan 2007-2010.*

[5]   English voluntary and community sector's Working Group on Government Relations (1998) *Compact on Relations between Government and the Voluntary and Community Sector in England.*

[6]   Gershon, P. (2004) *Releasing resources to the front line: Independent Review of Public Sector Efficiency.*

[7]   Department for Education and Skills (2003) *Guidance for Effective Working with Frontline Providers.*

[8]   HM Treasury (2006) *Improving financial relationships with the third sector: Guidance to funders and purchasers.*

[9]   HM Treasury (2006) *Local area pathfinders - building public service partnerships.*

[10]   Office of Government Commerce and Home Office (2004) *think smart… think voluntary sector!*

[11]   HM Treasury (2002) *The Role of the Voluntary and Community Sector in Service Delivery: A Cross Cutting Review.*

[12]   The Scottish Government website, http://www.scotland.gov.uk/Topics/People/15300/partnership-working/Scottish-Compact [accessed on 21 January 2008].

[13]   Department for Work and Pensions (2005) *National Lead Funder Pilot: Draft Report.*

[14]   Better Regulation Task Force (2005) *Better Regulation for Civil Society.*

[15]   Scottish Council for Voluntary Organisations website, http://www.scvo.org.uk/scvo/TFNPR/ViewTFNPR.aspx?pr=6676&from=Home&al=t [accessed on 29 Nov 2007].

[16]   Office of the Third Sector (2006) *Partnership in Public Services – An action plan for third sector involvement.*

[17]   Office of the Scottish Charity Regulator website, http://www.oscr.org.uk/charityfactsandfigures.stm [accessed on 10 December 2007].

[18]   Lumley, T., Langerman, C. and Brookes, M. (2005) *Funding success* New Philanthropy Capital.

Other publications

Community

- **Not seen and not heard:** *Child abuse, a guide for donors and funders (2007)*

- **A long way to go:** *Young refugees and asylum seekers in the UK (2007)*

- **Home truths:** *Adult refugees and asylum seekers (2006)*

- **Inside and out:** *People in prison and life after release (2005)*

- **Grey matters:** *Growing older in deprived areas (2004)*

- **Side by side:** *Young people in divided communities (2004)*

- **Local action changing lives:** *Community organisations tackling poverty and social exclusion (2004)*

- **Charity begins at home:** *Domestic violence (2003)*

Education

- **After the bell:** *out of school hours activities for children and young people (2007)*

- **Misspent youth:** *The costs of truancy and exclusion (2007)*

- **Read on:** *Literacy skills of young people (2007)*

- **On your marks:** *Young people in education (2006)*

- **What next?:** *Careers education and guidance for young people (2005)*

- **School's out?:** *Truancy and exclusion (2005)*

- **Making sense of SEN:** *Special educational needs (2004)*

Health and disability

- **A life less ordinary:** *People with autism (2007)*

- **What price an ordinary life?** *The financial costs and benefits of supporting disabled children and their families (2007)*

- **Don't mind me:** *Adults with mental health problems (2006)*

- **Valuing short lives:** *Children with terminal conditions (2005)*

- **Ordinary lives:** *Disabled children and their families (2005)*

- **Out of the shadows:** *HIV/AIDS in Burundi, Democratic Republic of Congo and Rwanda (2005)*

- **The hidden assassin:** *Cancer in the UK (2004)*

- **Caring about dying:** *Palliative care and support for the terminally ill (2004)*

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- **Striking a chord:** *Using music to change lives (2006)*
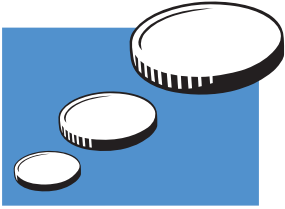
Improving the voluntary sector

- **On the bright side:** *Developing a questionaire for charities to measure children's well-being (2008)*

- **Going global***: a review of international development funding by UK Trusts and Foundations (2007)*

- **Funding success:** *NPC's approach to analysing charities (2005)*

- **Surer Funding:** *Improving government funding of the voluntary sector (2004, published by acevo)*

- **Full cost recovery:** *A guide and toolkit on cost allocation (2004, published by NPC and acevo)*

- **Just the ticket***: Understanding charity fundraising events (2003)*

- **Funding our future II:** *A manual to understand and allocate costs (2002, published by acevo)*

Environment

- **Green philanthropy:** *Funding charity solutions to environment problems (2007)*

Forthcoming research

- *How to fund (2008)*

- *Violence against women (2008)*

- *Financial exclusion (2008)*

- *Homelessness and housing (2008)*

- *Advocacy and systemic change (2008)*

- *Child mental health (2008)*

- *Young offenders (2008-2009)*

- *Sport (2008)*

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- What is the best way to support these organisations?

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