

WHY TAKE AN IMPACT-DRIVEN APPROACH TO FUNDING?

NCVO Charities Evaluation Services

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Introduction

Funders – trusts, foundations, investors and commissioners – are increasingly looking to understand the difference their money makes. There is a push for them to do so. For example, as part of its drive to make high-quality impact measurement the norm for charities, Inspiring Impact (of which NCVO Charities Evaluation Services, CES, is a partner) is encouraging funders to place impact practice at the heart of their activities. The continuation of austerity, and increased public and media scrutiny of charities, are also leading funders to strengthen their focus on impact.

This article describes the benefits of taking an impact-driven approach to funding, with a specific focus on how and why funders are looking at the outcomes of projects they fund. It draws on CES' long experience of working with funders, and is informed by conversations with BBC Children in Need, Comic Relief, National Foundation for Youth Music (Youth Music), Trust for London and the London Borough of Hounslow Council. More detail on their work is outlined at the end of this piece.

The benefits

The benefits for funders who explore the outcomes of their funding are:

- greater clarity about what they want to achieve
- clearer communication of the change their funding brings about
- better targeting of funding
- a better understanding of delivery approaches that work
- an improved relationship with funded organisations
- influencing sector practice or policy
- getting good value for money.

Greater clarity about what you want to achieve

Taking an outcomes-based approach can help funders clarify and articulate the changes they want to facilitate for people and communities. This can be used as a basis for strategic planning of funding programmes, management and decision making.

To achieve this clarity, many funders build a theory of change. This will set out how outcomes achieved by funded groups in the short or medium term can lead to longer-term intended impact.

- **Larger** funders may set out a more complex theory of change, identifying multiple areas in which change occurs.
- **Smaller** funders can use a simpler tool, such as the [CES planning triangle ©](#), to set out links between their funding and the specific changes that occur as a result.

Involving recipients of funding in this clarification process is useful. BBC Children in Need and Youth Music have used outcome information provided by organisations they fund to help them refine their theories of change, ensuring they are focused on the outcomes most important for children.

Clearer communication of the change your funding brings about

Collection of outcome data enables funders to communicate better with a range of audiences. This can be particularly helpful for funders with a fundraising remit. For example, Comic Relief produces specific fact files and issue profiles, which are used for marketing, fundraising and building corporate relationships.

Better targeting of funding

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With many funders receiving a high volume of applications, and some facing reduced budgets, difficult decisions about where to allocate funds must be made. Having greater clarity about their own intended outcomes can help funders target their grants, commissioning or investments. Later, outcome data provided by funded organisations can also help funders make decisions about how to allocate their resources.

Asking organisations to identify outcomes in their funding applications helps funders focus on projects looking to achieve the types of change they prioritise. To help them stimulate relevant applications and guide applicants, some funders have set out overarching outcome areas which grant recipients or commissioned organisations can align with.

Managing applicant desire to impress funders can be a challenge. Some funders we spoke to for this article said intended outcomes in applications are not always realistic in the context of the work that's planned. Funders may need to explore with projects whether activity plans should be changed to achieve the desired outcomes, or whether alternative outcomes should be set.

A better understanding of delivery approaches that work

Funders can use outcome data from funded organisations to help them understand which types of project work best to achieve change. This type of learning approach can help funders fund more effectively, although some funders we spoke to for this article commented that it is important not to stifle innovation by focusing solely on what has worked in the past.

More broadly, some funders have used data from funded organisations to help them identify support needs in the sector. Trust for London, for example, is providing training to small community organisations working with refugee and migrant communities in immigration advice as it identified a need for them to develop their skills and become accredited in this area.

Being able to develop an understanding of what works relies on the quality of reporting by funded groups. Funders have experienced some challenges here, perhaps linked to a lack of time or skills among those they fund. Funded organisations may also be reluctant to share information about what has not worked in a competitive funding environment. It can be helpful for funders to encourage organisations to reflect on elements of their work that have not gone as planned, and to ensure they feel supported while doing so.

Funders should also remember that asking funded organisations for data on how their processes have worked – as opposed to just on outcomes – will help develop understanding around effective delivery approaches. This type of information is usually vital to help understand why something worked or not.

An improved relationship with funded organisations

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Supporting organisations to define and measure their outcomes can help funders build strong relationships with them. When outcome monitoring becomes a joint exercise in exploring what changes have come about, there are benefits for funders (who may receive better quality outcome data from funding recipients) and for the recipients themselves (who can develop their monitoring and evaluation skills).

Some funders deliver or commission training to help funded organisations identify outcomes and plan monitoring. CES training for Comic Relief UK, BBC Children in Need and Trust for London is very well received, and Youth Music has also had positive feedback on support it provides. Smaller funders may signpost organisations to online guidance – via Inspiring Impact, and its Measuring Up! self-assessment, for example.

At CES, we encourage funders to be proportionate in their requests of funded organisations. We also encourage them to recognise that funded organisations are experts in their work areas, and are therefore best placed to identify what their outcomes are and to devise appropriate monitoring approaches. Funders can best support funded organisations by clearly communicating the aims of their funding and empowering funded groups to demonstrate how their work and intended outcomes feed into these aims.

Some of the funders we spoke to for this article have found that funded groups respond positively when they can set their own outcomes, indicators, data collection questions and ways to gather data, rather than working towards ones set by funders. This will, however, affect how funders can report on the data, so funders may want to consider whether there is a requirement for them to use standardised measures and validated tools to collect outcome data.

Some funders have also found benefits in facilitating contact between organisations working in the same field, who may have related outcomes and face similar challenges when it comes to data collection.

Influencing sector practice or policy

Some funders have started to look further afield to improve practice beyond the scope of their funding programmes. For example, Trust for London has shared key learning through funder networks and Comic Relief UK has produced resources for practitioners focused on dealing with the effects of alcohol hidden harm following a funding programme in this area.

Getting good value for money

Funders want to know that their money has been well spent. But value for money is not just about what funded projects have delivered. Unless funders have an understanding of what outcomes are occurring as a result of their funding, they cannot judge cost effectiveness and

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whether money is being spent in the most appropriate way. In some cases, funders may also want to commission cost benefit studies, but this is not possible without good outcomes evidence.

Tips for funders: Building an outcomes-based approach to funding

If this discussion of benefits has got you interested, we've pulled together six top tips to help you build the approach in your organisation.

1. Use a planning tool

Clarity around the type of change you want to see is key. A planning tool such as theory of change will help you develop your thinking, and may provide a useful way for you to engage with the organisations you fund. CES' publication [‘Making Connections’](#) can help you build a theory of change. We are also running a training course for funders, which introduces a range of impact-focused planning tools, in 2016.

2. Get buy-in from your staff members and funded organisations

Engaging senior members of staff is important, and will help you drive change through. Funding officers may have useful intelligence on outcomes from their conversations with funded groups; developing their ability to define outcomes and identify good outcome data is also worth considering. Communicating key findings from your outcome data can also be motivating for staff working to ensure that grants are managed effectively.

3. Offer support to funded organisations

Providing training, consultancy support or written guidance, or simply offering the opportunity to call you to ask for advice, can all help organisations you fund get better at measuring outcomes – and, by extension, help you understand the difference your money makes.

4. Engage with your data

It's important to make good use of your outcome data once funded organisations have taken the trouble to collect it. Make sure that the way in which you ask recipients to report fits the way in which you plan to analyse. For example, you may want to ask for numbers of people experiencing outcomes so you can aggregate data. Or you could analyse qualitative data to draw out key learning. You may also want to review your database or IT provision to make sure that you can collate and extract data in the format you need.

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5. Encourage funded groups to share learning

Groups may be reluctant to share learning about aspects of their work that have not gone so well. Encourage them to reflect on their projects, and stress the benefits of thinking about areas for improvement. Help them to feel supported in sharing their learning 'warts and all'.

6. Be patient

Developing an effective outcomes approach takes time, and you won't see dramatic change overnight. Be flexible and adapt your approach if you need to.

How funders have made it work

Funders who have experienced a range of benefits by seeking to understand the difference they make.

BBC Children in Need

BBC Children in Need's outcomes-based approach has helped it better target its funding, and to build good relationships with funded groups.

BBC Children in Need (CiN)'s vision – that all children in the UK 'have a safe, happy and secure childhood and the chance to reach their potential' – is at the centre of its grant-making. Outcomes that support this vision are at the heart of all its application decisions, grant management and grantee reporting. Each funded project reports annually on their three most important differences (outcomes) for children.

This approach has helped CiN make better decisions about what new and continuing projects to fund. Recently, it used outcomes data to help create a new theory of change (called their Difference Framework) – which sets out seven 'building blocks' for children (such as strong self-belief and positive relationships), which applying and funded organisations should be helping to improve.

A recent CES review showed high levels of grantee satisfaction with CiN's requirement that they self-identify three outcomes of their work. Grantees said this:

- makes monitoring manageable
- provides a useful focus
- allows them to set their own priorities as experts in their field.

CiN grantees can access evaluation-focused support, including guidance from grants officers and CES outcomes training. CiN were early adopters of this type of training, and CES has trained its funded groups for almost 20 years.

CiN encourages groups to use their evaluation to improve their work. It asks for examples of learning in its reporting forms, prompting grantees to consider the implications for future work, and gathering information that CiN can use to develop its funding programmes. For example, an internal review of funding of holiday play schemes identified that they were achieving important outcomes, and are essential in many disadvantaged children's lives, as opposed to being 'nice to have' activities.

Two key factors have helped CiN build its outcomes approach:

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- engaging staff across the organisation helping it see that change for children is at the heart of its work
- shifting to online grantee reporting making it easier to aggregate and analyse data.

Comic Relief (UK grants)

Comic Relief UK puts outcome data at the centre of its fundraising appeals and uses its evaluation findings to encourage other organisations to improve service delivery.

Comic Relief sets clear priorities for the changes it wants funded projects to help generate. In its most recent UK grants programme, which closed to new applicants in autumn 2015, these priorities were articulated as outcomes under five funding themes. For example, the ‘Safer Lives’ funding theme, focused on reducing violence, abuse and exploitation, had three overarching outcomes, one of which was that ‘people experience less harm from past or present violence, abuse and exploitation’.

CES runs outcome monitoring ‘start up’ meetings for Comic Relief grantees just before they begin project delivery. Meetings are organised by funding theme, so that attendees meet others doing similar work, and can share their experiences of monitoring. A 2013 CES review of these meetings found that they contributed to positive perceptions of Comic Relief as a funder among grantees.

As well as identifying which of Comic Relief’s overarching outcomes their work contributes to, funded organisations must set their own intermediate outcomes – changes that they can realistically expect to achieve with their funding. Comic Relief provides examples of intermediate outcomes, but organisations are encouraged to write their own if they prefer. They can choose indicators and data collection tools that suit the client group they work with and the specific context of their project.

Once aggregated, grantee outcome data forms a core part of Comic Relief fundraising appeals, which highlight the number of individuals supported to achieve different changes. Developing simple reporting forms with clear guidance has been critical to achieving this.

Comic Relief also funds larger, specialist projects, and aims to use its evaluation of these to inform service practice beyond the scope of its funding. Current funding (as part of a joint initiative) for a project introducing social pedagogic models of care for looked after young people is leading to better-quality foster placements, and Comic Relief is keen that others adopt this approach.

Youth Music

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Youth Music uses its grantee outcome data to help it take an evidence-based approach to its activities.

Youth Music has a theory of change, which it based on the understanding it gains from its grantees, and from the wider evidence base around outcomes of music projects. It also links in with Arts Council KPIs (Youth Music's Lottery funding comes via Arts Council England).

When Youth Music first adopted outcomes-based funding, it required its funding recipients to measure progress against specific outcomes it set. Later, it changed its approach to ask them to set their own outcomes (within broad areas set out by Youth Music) instead. The decision was taken as organisations' ability to identify their own outcomes had improved, and Youth Music found its grantees were more engaged in measuring outcomes that they had set themselves.

Outcomes training is provided to funded organisations, and Youth Music also gives detailed feedback on their reports to help them improve and to encourage them to share learning about what did not go well. Its quality framework, which sets out the elements of an effective music session for young people, is also helping Youth Music to gather useful data, as it enables grantees to reflect on their experience of delivering sessions.

Youth Music has faced some interesting challenges in its work with the creative sector. While reflective practice is an important element of the sector's work, organisations have not historically been used to engaging with the more structured approach of outcome monitoring. Youth Music has needed to offer support around this.

Youth Music produces an impact report, which looks at the effects of its investment and support as a funder. It also has a learning report, looking at the types of outcomes achieved by its grantees, and at their experiences of measuring those outcomes. It feeds its reflections back in to its wider work. For instance, its learning from grantee data informs its assessment process, where it looks at whether proposed grantee activities are likely to lead to the outcomes set out.

Trust for London

Trust for London's outcomes-based funding approach has helped it engage with organisations to plan effective projects. It has also used evaluation data from funded groups to help it identify opportunities to strengthen the voluntary sector in London.

Trust for London has a plan setting out the outcomes it wants to fund. This has enabled it to be clearer and more focused about the change it's working towards, and to assess grantee applications. It uses its grantee reporting data (alongside other information, such as internal reviews of the policy environment) to plan its activity.

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As well as outcomes training for grantees, Trust for London also provides evaluation support around special initiatives; for example, a current work programme focused on increasing the employment rates for young black men has an evaluator supporting organisations to develop a theory of change and developing appropriate data collection tools. It has also started to do some work (with other funders) to encourage organisations working around domestic violence and around immigration to work together to strengthen evidence from evaluations, share learning, and explore opportunities to set joint outcomes.

Trust for London finds that its outcomes approach helps it engage with organisations to discuss whether or not they are planning a suitable intervention for the change they want to see.

Trust for London funds a lot of campaigning work, and is currently looking at how it can facilitate proportionate outcome reporting by campaigning organisations who often find it more difficult to link their outputs and outcomes.

More broadly, Trust for London's evaluation data from grantees helps it identify how it can strengthen the sector. It is currently training small organisations working with refugee and migrant communities in immigration advice giving as it identified a need for them to develop their skills and become accredited in this area.

London Borough of Hounslow Council

The Community Partnerships Unit at Hounslow Council has recently updated its outcomes-based funding approach. It hopes to develop the evaluation skills of local groups so they are in a better position to get funding from a range of sources.

Hounslow Council's Community Partnerships Unit started to ask the voluntary sector groups it funds to measure outcomes five years ago. It commissions its Voluntary Sector Support to provide outcomes training for groups, and has funded local organisations to deliver peer learning sessions on outcomes. It also gives tailored guidance to groups setting outcomes to make sure they don't overcommit themselves. As well as being able to collect outcome data useful for the Council, it also wants to build both a base of evidence for local services and the skills of local groups so they can successfully apply for external funding.

More recently, with support from CES, the Community Partnerships Unit developed a model of three strategic outcomes covering its work as a unit, and 15 service specific outcomes. The work was informed by commissioned service providers, with the Unit holding a series of focus groups to gather their views on what the outcomes should be. It also linked closely to strategic work happening at Council level, showing how its outcomes fed into the borough strategy and corporate plan.

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Since the adoption of its Thriving Communities Strategy in September 2015, commissioned organisations and groups funded via its grants programme have been asked to show that their work links in to one or more of the service outcomes.

One useful learning is that it is important to allow groups sufficient freedom to set up monitoring that works for them. The Council had developed an 'evaluation databank', incorporating a range of outcomes, indicators and data collection questions, but found that some groups needed to use alternative ways to engage, particularly with vulnerable client groups.

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Introducing your own impact-driven approach

Taking an impact-driven approach to funding can help ensure your money achieves the best possible benefits for beneficiaries. If you've been inspired by the experiences of the funders featured here, there are plenty of resources that can help you take your next step:

- CES' free publication '[Does Your Money Make a Difference?](#)' sets out good practice in monitoring and evaluation by funders.
- Inspiring Impact provides a [series of principles](#) to guide funders' work in this area.
- CES' one-day training course, 'How to assess the outcomes of funded work' is running at the NCVO offices in central London on 15 March, 29 June and 3 November 2016. [Book your place.](#)

Or to find out more about CES' work with funders, call [020 7520 3193](tel:02075203193), email ces@ncvo.org.uk or [visit our website.](#)