Reporting on core funding – addressing the challenge

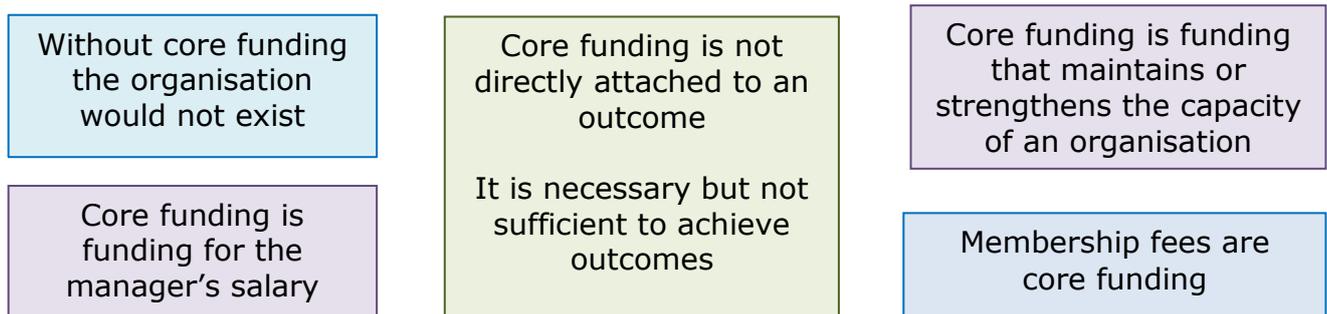## Background: where this paper came from

Funders and third sector can find evaluating and reporting on core funding difficult. We wrestle with questions such as: What do we actually mean by "core"? Can we set outcomes for the "core"? Should a funder contributing to core costs receive a report about everything the organisation does? What financial reporting is reasonable?

This paper by Evaluation Support Scotland comes from an event in August 2017 that brought funders and funded together to discuss these challenging questions. We do not claim to have found all the answers. However we came up with some learning that we thought it would be useful to share. Our intention is to help funders and funded think about what makes for a useful and meaningful core funding report.

What do we mean by core funding?

Different people mean different things by core funding. We do not think there is a single definition that would work for all types and sizes of third sector organisation.

Here are some definitions that we think illustrate the diversity of thinking about core funding. You may find some of them helpful in your own discussions and thinking.

Without core funding the organisation would not exist	Core funding is not directly attached to an outcome It is necessary but not sufficient to achieve outcomes	Core funding is funding that maintains or strengthens the capacity of an organisation
Core funding is funding for the manager's salary		Membership fees are core funding

> Unpack what you mean by core funding and explain your meaning when talking to others.

Some challenges with evaluating and reporting on core funding

- You have to make a leap between what core funding pays for (such as a manager's salary or furniture) and outcomes for the organisation's end beneficiaries.

- Core funding supports everything an organisation does. So does that mean reporting on everything the organisation does?

- There is often (usually?) more than one funder contributing to an organisation's core (whatever we mean by core) so which report goes to which funder?

- Core funding can be about maintaining an organisation rather than making a change. That doesn't necessarily make for a very exciting report.

> One way of addressing these challenges when reporting on core funding is not to focus on exactly what the funding paid for but instead report on the impact it has contributed to.

What might go in a core funding report?

We think that reporting on core funding needs to be different to reporting on a specific project with its own outcomes. A good core funding report should allow a funded organisation to talk about the big picture and the value of the organisation as a whole. We suggest a good core funding report could tell a funder about:

- *Health*: staffing complement, governance report, overview of finances
- *Impact*: highlights about the organisation's impact over the funding period (even though some impact may have been paid for by other funders). This could include case studies and third party endorsements (awards, inspection reports, press coverage). This section could link to the funder's own outcomes.
- *Context*: such as changes in beneficiary needs or new challenges to address
- *Relevance*: organisation reach, connections, partnership and profile
- *Challenges*: anything that's gone wrong and what the organisation learned. This could include learning from another funder's project but which informs organisational strategy or direction.
- *Future*: future plans and strategy.

For funded organisations: ask the funder what they want to know. Think of them as an interested investor and provide big picture information and honest learning.

For funders: are the funded organisation's own annual report and accounts sufficient? If not tell them what else you want to know, including how much detail about projects funded by others. Give feedback on what you like, or don't about a report.

If there is more than one 'core funder' – talk to each other about reporting.

Remember that a good report can provide intelligence, not just about your grant but about policy and practice context for your grant-making generally.

Managing core funding anxieties

Core funding might raise a number of anxieties for funders such as

- The potential (real or perceived) of an impact on the funder's reputation if anything goes wrong with the organisation's work,
- Dependency or sustainability,
- Perceived duplication (either funding the same thing another funder is paying for OR funding something another organisation is doing),
- Less clear outcomes that might have come from funding a project.

For funded organisations: ask your core funder(s) if they have any worries you should address. But don't assume they are anxious about anything. Make your report positive and honest rather than defensive.

For funders: if you do have any of the above worries (or your trustees do) ask the funded organisation to address them in the report.

What you could do now

Please use the ideas in this paper. If you are a funder you could use it in conversations with funded organisations or to improve your reporting guidance. If you are a funded organisation use it to think about your own reporting or as a conversation tool with your funder.

Please contact Evaluation Support Scotland (see below) with any comments.

If you like this paper, please share it with others!

Acknowledgements and contacts

November 2017