

What is open and trusting reporting, and why does it matter?

Framing paper

July 2022

Introduction

In this framing paper we:

- Explore the purpose of grant reporting
- Make the case for an agile and light-touch approach, drawing on grantees' experiences
- Identify the opportunities and barriers for funders
- Draw some conclusions about what all of this means in practice

We end with an updated set of principles for better reporting, which we will test and improve with charities and funders during 2022.

Funders and charities alike have long expressed frustration with the way grant reporting works

The flow of information about progress and performance that passes from charities to their funders should make a positive contribution to everyone's efforts to reflect, learn and do better. But too often it sucks energy and value from the system, with charities struggling to manage onerous, disproportionate requirements that are poorly aligned with their organisational needs, and funders feeling frustrated by overly positive accounts, which do little to help them understand how best to improve their own contribution.

But it doesn't have to be this way

In 2018, IVAR and Esmée Fairbairn Foundation brought funders and funded organisations together to tackle 'the problem of grant reporting', and to do it in a way that respected the challenges and concerns of both. A group of 16 charities and funders committed to work together to find practical ways of making grant reporting more proportionate, simple and useful. By early 2020, we had tested [six principles](#) to support better reporting and were poised to call for widespread change.

Covid-19 stopped this project in its tracks. But **the last two years have generated practical innovations across a range of funding practices – not least around reporting. Many more trusts and foundations found they could be lighter, more agile and more open in their thinking and ways of working.**

At the same time, many more charities – stretched to breaking point – have become bolder in challenging unhelpful or inequitable funder practices and saying what needs to be different. This experience is powering a growing commitment to more equitable and enabling funding relationships. That is to say, relationships which meet the needs of funders and respect the skills and expertise of operational charities, giving them the flexibility they need to do their best work. Over 100 funders have signed up to our [Open and Trusting Grant-making community](#), working actively with each other and with charities to make this change a reality.

Grant reporting is high on this agenda. The eighth commitment that our Open and Trusting funders have signed up to is:

Be proportionate – We will commit to light-touch reporting; we will ensure that our formal reporting requirements are well understood, proportionate and meaningful.

This short framing paper captures key elements of thinking in the community to date, looking at the purpose of reporting, the case for a more agile and light-touch approach, and what this means for funder practice and behaviour. It introduces a programme of work by IVAR to unpack and test emerging guidelines that are enabling funders of all kinds to take tangible steps towards a more open and trusting approach, whatever their individual opportunities and constraints.

We will be exploring with funders what they are doing, the barriers they are facing and how these are being tackled. And we will be talking to charities about what matters most to them in their reporting relationship with funders. Our next report, later in the year, will share the results of this work and our reflections on it. If you would like to get involved, please check the links at the end of this report.

Context: About Open and Trusting Grant-making

We believe it's time for a simpler, more respectful, and more inclusive philanthropy.

In response to Covid-19, funder practice changed overnight – with many of the practices IVAR had been researching for years coming to life: unrestricted funding; reporting requirements reduced or removed; application processes radically simplified. We established the Open and Trusting Grant-making community as a way of holding onto these positive changes for the long term. Now, over 100 funders have signed up to our eight commitments for making and managing grants in a way that reflects their confidence in the organisations they fund.

Being open is about clarity of thinking and transparency of language. If we are vague about what we mean, if our language is opaque and no one can question us, no one can say: *'I think it happens differently'*. And we cannot learn and improve.

Being trusting means taking seriously the wisdom and expertise of funded organisations and people with lived experience, sharing our own thinking and being an active participant in the collective effort towards positive social change.

There is no one way to be open and trusting – everyone is on a journey, working within the context of their own constraints and opportunities. And the shift to being more open and trusting is not just about how foundations relate to and interact with applicants and grantees. It is also about internal relationships, behaviours and systems.

You can read more about Open and Trusting Grant-making on [our website](#), and sign up to join our community. We regularly publish research (like this), host Community of Practice meetings, and create opportunities for charities to engage with funders and influence their practice.

What is the purpose of reporting?

Foundations who are trying to become less burdensome have found they need to approach the purpose of reporting with real rigour, so that the whole organisation is aligned with the answer to the question, **‘What are these reports for and how will we use the information in them?’**. Engaging with funded organisations is an essential part of this process, enabling foundations to balance their own information needs against the value and cost to charities of meeting them. It also helps foundations understand how best to communicate their requirements to charities – and how to build trust that they will live up to their promises about how reports will be used.

Both charities and funders benefit from this attention to clarity and transparency. **Funded organisations spend too much time and energy second guessing what funders want or need.** The more foundations can make their thinking and intent visible, the easier it is for charities *‘to operate confidently in the funding relationship and get on with the work’*. Foundations, too, feel liberated by a clear and shared view of what matters to them: *‘We can’t prioritise everything. We need to be clear about what is really important to us’*.

Grant reports generally serve one or more of three main purposes. For many funders, an essential first step has been taking them apart and scrutinising each element in terms of its value:

1. Accountability: ‘What have you done with this money?’

This first level of reporting is concerned with compliance, providing assurance to trustees that a foundation’s resources are being used responsibly and in line with the terms of the grant. If funders start from a position of confidence in their own application and assessment processes, and in the integrity and skills of the charities they are supporting, the responsibilities of good stewardship can be exercised very lightly. Funders are not auditors. And the trustees of the charities they support have their own duties of responsible management under charity law.

2. Impact: ‘What has been achieved?’

Everyone cares about making a difference. But foundations are far from uniform in their understanding of what ‘impact’ looks like, whose impact they are judging, and what they want to know about it. Some are concerned with tangible *outputs* – the number of activities provided, the number of people reached and so on. Some want to understand direct *outcomes* from the work – the short-term changes delivered or contributed to. Others are concerned with *impact* in its formal sense – the progress that is being made towards longer-term systemic and structural change (of which the work they are supporting is usually a very small part). Each makes different demands on funded organisations and calls for different behaviours from funders in agreeing realistic and meaningful reporting agendas with them.

3. Learning: ‘What can you tell us that will help us to do a better job?’

A commitment to more flexible, lighter-touch reporting does not mean Open and Trusting funders are giving up their responsibility to make purposeful, intelligence-informed decisions about strategy and practice. But it does mean they are not *‘pushing down the responsibility for “Are we doing a good job?” to the people we are funding’*. Rather, they are taking responsibility for thinking deeply about the critical questions that will help them to make informed judgements about how to improve their contribution to the complex ecosystem they inhabit.

A grant reporting system designed primarily to hold individual charities to account for

what they have done is unlikely to make much contribution to strategic questions for a foundation about ‘so what’ and ‘what next?’. Social change is complex and uncertain – we are all *‘swimming in murky waters’*. Foundations become a stronger partner in this process by respecting the expertise and intelligence of the organisations they support, rather than setting and imposing rigid agendas. And by *‘thinking out loud’* and sharing what they have learned, they give value back to the organisations they support and the wider field.

Achieving shared clarity on these three purposes is not an easy task. Foundations often find themselves talking at cross purposes: *‘Don’t assume that everyone is using language in the same way’*. And the pull back to familiar ways of working and away from difficult conversations can be a powerful one. Open, trusting, and respectful practice cannot flourish unless it mirrors and is supported by organisational culture, structure and leadership. But even modest or short-term steps towards a shared understanding of the different purposes of reporting have helped many foundations begin to move more confidently towards reporting relationships that they hope will be less burdensome and more useful both to charities and to their own needs.

The case for agile and lighter-touch reporting

What charities think – the best and worst of grant reporting

While we were testing the principles to support better reporting, we invited charities to share their views on ‘the best and worst of grant reporting’. **Charities want grant reporting to be a positive experience – a practical demonstration of the value of standing back, even under the most stressful circumstances, to reflect on what’s working well, what’s proving challenging and the improvements they can make:** *‘Let’s reframe reporting as a joyous experience – we all care about the same things. Let’s celebrate what’s working and explore what we could be adapting’*.

Five key messages emerged about what funders can do to help:

- 1. Reduce the collective cost of reporting:** Charities have many funders. Their different demands and requirements are onerous and too often force charities to focus on ‘what the funder wants’ at the expense of ‘what our organisation needs’. It makes a big difference when funders take account of this wider context in determining their own reporting needs.
- 2. Respect the demands on staff and service users:** Heavy reliance on project funding means that charity monitoring and evaluation systems have to speak to many different funder targets and outcomes. This makes them cumbersome for operational staff and volunteers, and frustrating for beneficiaries, who often feel *‘assessed to death’*. A bigger shift to funders looking at the overall performance of an organisation, not just their bit of the picture, would have huge benefits.
- 3. Be clearer and more transparent:** Charities need funders to be upfront about what they expect from the work and how they will make judgements about what they fund. They need to understand when funders are monitoring performance and when they are interested in learning about challenges and progress. And they want to know what funders do with their reports and get meaningful feedback. Without this clear framework, reporting is *‘a leap of faith’*.

4. **Pay attention to the funding relationship:** Charities appreciate the opportunity to build relationships with funders. It helps *'to know the person on the other side'*, and many find conversations and visits more satisfying than written reports. But relationships with funders are complex and framed by power differentials. And time is tight. Clarity about the nature and limits of the relationship a funder is offering enables charities to make informed judgements about how best to manage it.
5. **Be more flexible about how and when reports are made:** Funders can reduce inefficiencies simply by tailoring their reporting dates with charities' own cycles. But a greater willingness to share control is also needed. Particularly when communicating progress and impact, charities can feel constrained by traditional reporting methods and by having to translate their activities, outcomes or the experience of beneficiaries into *'funder language'*. Having more choice about how and when to report adds value to charities, rather than simply taking up time.

Fundamentally, this feedback from charities boils down to a desire for an approach to grant reporting that is characterised by clarity, utility and respect – all qualities that sit at the heart of funders' efforts to be more open and trusting. Some of the language and practices that have grown up in relation to reporting are experienced as disproportionate, unrealistic and too directive. And every funder, whatever their own challenges and constraints, has some power to improve this situation. Even small tweaks in reporting requirements make a difference to the experience and demands of the reporting relationship.

Funders' experience – identifying opportunities and overcoming barriers

Many funders made a positive start in testing out the principles for better reporting during 2019/20. They identified practical changes in support of a more proportionate, simple and useful approach to grant reporting:

- A number improved the **clarity of their communications** – producing grant award letters that explained why a grant had been made, not just the formal requirements of compliance; publishing more explicit information on the 'what and why' of their grant reporting requirements; and arranging set up calls with new grantees to welcome them, answer questions and agree the relationship.
- Some began experimenting with **more flexible reporting formats** – offering charities a choice about how and when to report; doing away with standard reporting templates or radically simplifying their 'must have' reporting into an easy to complete checklist format.
- Others were shifting the balance away from formal reports towards **more opportunities for conversations** – whether this is one-to-one between the funder and an individual grantee or a more collaborative mechanism where funders and charities sit alongside each other in exploring broader learning questions of mutual concern.

But others struggled to make progress, whether because of the challenges of achieving organisational alignment with new ways of working, the practical challenges of adapting systems and working practices, or anxiety about *'having less data'*. It was the moral imperative of the Covid emergency that freed them – and many others – to make quick, pragmatic and sometimes radical decisions about reporting. Nearly 90 funders responded

to an IVAR survey in autumn 2020. 70% had relaxed monitoring and reporting requirements for their emergency funds. And more than 40% were already mirroring at least some of this changing practice in their existing funding programmes, largely by reducing the extent and/or frequency of their reporting requirements.

This experience has built funders' confidence in doing things differently. Many are determined to make this '*a transformational moment*', rather than slipping back into long established habits around reporting and learning that no longer feel fit for purpose. They recognise that the new and flexible practices that were possible in a crisis are better suited to the conditions of complexity and upheaval that continue to frame all our work. More than two years later, **the imperative to achieve a more proportionate, simple, and mutually useful approach to grant reporting has never been stronger.**

*'What we did is what people have wanted us to do for a long time – and we wouldn't do it. How do we use this moment as a catalyst – not just individually but collectively – to shift the relationship between funders and funded organisations?'*¹

Both charities and funders stand to benefit from this change. In such a challenging and uncertain environment, neither has the headspace to collect programme and performance data '*just in case*'. And funders are increasingly aware that data from grant reporting is only one element of the '*whole basket of intelligence that will help us ... to make decisions about the best contribution we can make to support positive outcomes*'.² It cannot be allowed to soak up more than its reasonable share of capacity or stand in the way of a more equitable partnership between charities and funders.

Foundations, however, are experiencing challenges and anxieties in the implementation of a more open and trusting approach. Some of these are practical: it takes time to bring day-to-day systems and processes into line with more open and trusting principles, and then to build staff skills and confidence in implementing them.

Others speak more to questions of organisational alignment and culture, especially around the role and expectations of foundation boards. Staff often express concerns that their trustees have unrealistic expectations of what it is reasonable to ask of charities and of what it is possible to know about outcomes and impact. At the same time, trustees talk about wanting a more open and trusting relationship with staff that enables them to have more frank and challenging conversations. The next phase of this work will help to tease out these challenges and share positive ways in which funders are tackling them.

¹ 2020 Evaluation Roundtable Convening

² Trusting funders are not letting go of impact

What does it mean for how funders work and behave?

The foundations that make up the Open and Trusting community are far from uniform in their scope, size, interests, priorities and governance. It is clear from their experience that more open and trusting reporting practice does not – and cannot – look the same everywhere. But it is equally clear that **what enables foundations to make progress is their commitment to a new mindset – one which recognises and respects the priorities, expertise, resources and constraints of charities alongside their own when making decisions about funding practice.** This enables funders of all kinds to start from where they are and take positive steps to improve.

Clarity and transparency are paramount

It is often assumed that a more open and trusting approach to reporting calls for more intensive – and therefore more demanding – relationships between funders and funded organisations. But charity feedback, as well as the experience of many funders, suggests that a more open and trusting approach to grant reporting rests on clearer and more transparent relationships between funders and the charities they support, not necessarily closer ones.

Many charities talk positively about a more ‘relational approach’ to funding. But, like many funders, they use this term very loosely. Again, one size does not fit all. Some charities have very intense relationships with their funders and see themselves as genuine partners in common endeavour. Many are not looking for this – and would not have the capacity to manage it, if offered. But all charities appreciate interactions with their funders that are human, proportionate and respectful – ones that are clear about practical mechanisms and expectations; that respect both the demands on charities and their expertise; and, where funders are working hard to minimise the challenges of an unequal power dynamic, that also often leaves charities feeling frustrated, insecure or uncertain how to act.

Rebalance power

In the process of becoming more open and trusting, many funders are uncovering established assumptions and mindsets which unreasonably privilege their own needs and preferences over the realities of life for funded organisations. Traditional reporting methods and *‘fitting in with the language of funders’* can inhibit both the voice of beneficiaries and the ability of charities to capture and communicate progress and achievements in a way that is meaningful and useful. Becoming more open and trusting means looking carefully, as a funder, at *‘what WE can do’* to create a more equitable balance between these different priorities and needs.

It is about actively taking steps to avoid delegating the burdens of funders’ own constraints and challenges to funded organisations and the people they serve – whether these are their own accountability to other funders; inflexible databases; lack of alignment between board and staff; or staff caution about new ways of working. And, where this proves impossible, funders are increasingly exploring ways to make the load as light as possible – for example, by paying charities more for taking it on.

Next steps – testing this thinking

In reflecting on the actions that funders are taking to become more open and trusting in their approach to grant reporting, we see six principles emerging that are helping funders of all types to improve their practice. These can be broadly characterised as follows:

Getting started

1. **Be rigorous:** Take the time to agree what you need, why you need it and how you will use it
2. **Be realistic:** Reporting alone cannot answer strategic questions about ‘what next’

Moving to design

3. **Be respectful:** Do everything possible to lighten the burden
4. **Make it useful** to charities, not just to foundations
5. **Allow greater choice** in how and when reports are made

Communication

6. **Be explicit:** Minimise the risk of confusion or second guessing by listening and responding to the needs and preferences of your grantees

We see these principles as an evolution from those published in December 2019, and our next step is to test and improve them with funders and charities. We will be working with a small number of foundations to find out how they are bringing Open and Trusting to life in their reporting practices, as well as finding out from charities what changes matter most to them.

How to get involved

If you have examples of things you are doing, or materials/templates that bring Open and Trusting reporting to life, please do share them with natalie@ivar.org.uk

If you are doing something about reporting or have experience of reporting relationships that you would like to share as part of this study, please get in touch with vita@ivar.org.uk

And if you are not yet involved with Open and Trusting as a funder or a charity, please join us in this collaborative effort to create more equitable and effective funding relationships that will help us all make our best contribution to the communities and causes we serve. You can sign up through our website: www.ivar.org.uk/flexible-funders

You may also be interested in...

Through our Evaluation Roundtable network, we are exploring purpose and practice of learning within foundations – and particularly the challenges that foundation learning staff, CEOs and boards face in moving learning from the margins to giving it a seat at the strategy table.

You can read more about this by visiting: <https://www.ivar.org.uk/publication/giving-learning-a-seat-at-the-board-table/>

Authorship

This report has been written by Liz Firth, Ben Cairns, Dr Vita Terry and Emily Dyson. With thanks to everyone who contributed to our Better Reporting work between 2018 and early 2020.