

# FUNDING IMPACT

Impact measurement practices among funders  
in the UK

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# FOREWORD

Funders in the charitable sector give their money to good causes, so it can seem churlish to say that they need to think more about the impact of their giving. But surely this is true. The way in which funders support their chosen cause can mean they have a lesser or greater impact. All things being equal, funders want to make a greater impact with their money. To achieve that, they need some assessment of how well they are doing—some way of measuring their success.

This report shows that most funders agree. Nearly nine out of ten use information about the impact of applicants and grantees to make decisions about whether to give funding, and the same proportion are keen to try and understand what difference they themselves are making. Funders sense that the sector is moving further this way, with nearly three quarters expecting to be doing more on impact measurement over the next three years. The direction of travel is clear, even if there is a long way to go.

This is important not only for funders themselves, but also because of their role in driving change in charities. NPC's *Making an Impact* report showed that charities often only start down the impact measurement road under pressure from funders—even though when they get into it, they do find that it helps them improve what they do and therefore to help more beneficiaries.

But this would not be the sector we know and love if there was a uniformity of views. Some voices caution against all this going too far, saying that it leads to funders or charities avoiding projects and causes that are tricky to measure, or a bias towards only funding what has already been proved to work. Nothing can be further from the truth.

Of course, funders vary widely in what they are trying to achieve and how they go about this. Some are very reactive; a few are extremely strategic. Some expand successful charities; others go for innovation and describe themselves proudly as iconoclastic. Some focus on service delivery; others on advocacy. All of this funding has its merits and a rightful place in our varied sector. But none of that means that the search for improved impact should be outside any funder's brief. There are principles and techniques that help in measuring impact, but there are no rigid rules. The key is to try to get a handle on how you are doing to help you improve. That is as true if you want to fund innovative, one-off projects as it is if you are looking to scale up existing interventions.

This research reveals that more could be done to help funders with the task of impact measurement. Funders are looking to each other and to the sector for guidance, learning and action. The *Inspiring Impact* programme, run by NPC and with an ACF-led strand for funders, is already trying to produce guidance and tools to help funders understand what they should be doing. This report gives both the *Inspiring Impact* team and NPC valuable insights on how we can help the sector move forwards.

We lay out three distinct funding types and look at what they could each do to better use evidence of impact for themselves, their grantees and the sector. There really are few excuses left for funders to go slowly on this exercise. Those that distribute funds—which often benefit from the public purse via the tax advantages they enjoy—surely must make efforts to show that they are trying to allocate funding in a sensible and rational way, and should share what they have learnt to improve the evidence base of the sector.



**Dan Corry**  
Chief Executive, New Philanthropy Capital (NPC)

## INSIGHT FROM LBG

LBG is a network of corporate funders who are answerable to a range of stakeholders—all of whom, in their own way, want to know that the resources leaving the company to support the community are making a difference. As such, LBG has pioneered measurement within the business sector. However, we've never quite understood how companies stand in relation to other funders, or indeed the charity sector, until now.

So this research, both alone and in its comparison to NPC's *Making an Impact* report, is important and delivers useful insights. For example, it's quite an eye-opener to find that while on one hand companies tend to have a greater focus on impact measurement than other funders, they are on the other hand less likely to allocate funding to resource impact measurement. This provides a clear steer for companies to consider the balance between their expectations regarding measurement and the ability of the community organisations they support to meet those expectations.

The research highlights other fascinating challenges too: the contradiction between the number of funders that say they provide support for impact measurement (75%) and the number of charities who say they receive support (36%) is just one. What lies behind this contradiction and how we can close the gap between the perceptions of each sector are things we can, collectively, begin to work on.

It is also helpful to consider what can happen next to deliver improvements. The distinction presented here between *responsive*, *targeted* and *goal-oriented* types of funding, and the approaches that can be used to improve the gathering and use of data and evidence from each, builds on work done by LBG members and will help funders and their charity partners to identify the best approaches.

So we've been delighted to partner in this research that lifts the lid on what a range of funders do around impact, and sets a baseline for any future investigations. Despite some of the differences it highlights, we are also very encouraged by many of the results. At the most basic level it's great to realise we are not alone and that other organisations largely share our attitudes, our aspirations and our challenges. Secondly it's great to have this line drawn in the sand so that trends can begin to be identified. We also value the identification of some of the things funders can do both individually and collectively to move measurement forward.



**Jon Lloyd**  
**Head of LBG**  
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# EXECUTIVE SUMMARY

This research provides the first clear picture of impact measurement practices across a range of funders. It's a baseline that sets a starting point from which funders can progress and improve the way they use evidence of impact for themselves, to help charities, and to help the charity sector as a whole. While some of the information gathered reinforces what we already know (or thought we knew), it also provides real insight and a clear steer for future action both by funders and by the organisations that they support.

Some of the expectations that have been confirmed are very encouraging:

- Funders have a positive attitude to impact measurement: 88% think that it makes charities more effective and 89% think it makes funders more effective too.
- Measuring impact is a growing area for funders: 73% say their focus on impact measurement has increased over the past five years and 72% say they expect to be doing more in the next three years.

Some expected challenges have also been confirmed:

- The biggest challenges identified by funders when trying to understand both their grantees' and their own impact are capacity (65%) and knowledge (67%) of the charities.

## Not all funders are the same

While many challenges and expectations are shared across funders, the report shows how there are differences in key areas. Companies, for example, are generally keener on impact measurement than other funders. They are more likely to rate evidence of impact as 'extremely important' in the application process and in the decision to renew. However, companies seem to be less likely than other funders to give funding for impact measurement—32% of them provide no funding for impact measurement, compared to 22% of non corporate funders.

## Mind the gap

A comparison with NPC's *Making an Impact* research suggests a distinct imbalance in perceptions between funders and charities. Only a quarter of funders told us that they do not provide funding for impact measurement, whereas nearly two thirds of charities (64%) said their funders do not pay for impact measurement. Closing the gap between the perceptions and realities in funders and charities is something to think about.

## Use the data

The 'funder cycle' goes through the different elements that funders should consider when planning, 'doing', assessing and reviewing their funding if they are to be effective. This report shows how impact measurement information could be drawn upon at many more points along the cycle. Few funders (10%) are not using the data they collect at any stage of the funder cycle, but less than half of funders are using the data for key elements such as selecting grantees (38%) or compiling programme-wide results (42%) so there is an opportunity for better and wider application of this data.

## An impact measurement journey

Many funders feel they are at the beginning of an impact measurement journey. They are starting to measure their own impact and believe they will be doing more of this for their grantees and for themselves over the next five years.

## Tailored approaches

The research has shown that different levels of impact measurement work for different types of funding—for example aggregation of impact does not make sense for every funder. In conducting this research we have identified three types of funding:

- Responsive: flexible funding, meeting and reacting to a wide range of needs
- Targeted: funding tackling a defined set of issues
- Goal-oriented: proactive funding with a clear focus on meeting objectives around a key issue

We also recommend impact measurement approaches for each of these types of funding. Although it is never easy, it is more challenging for flexible funders to assess their impact. It is clear that some funders may need to develop new approaches to fit with their role and needs, and that the sector would benefit from more opportunities to share learning and approaches.

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# 1. INTRODUCTION

Funders frequently aim to tackle difficult social problems with limited resources, so it is essential that they make a difference with their funding and understand what they have achieved. However, it is difficult to measure funders' impact, and good practice here is less well developed than it is for charities. What is more, there is a lack of understanding about funders' attitudes towards impact and their impact measurement practices. In other words, there is no baseline. At NPC, we believe that if the funder sector is to get to grips with impact measurement, then it is essential to improve this baseline understanding of what funders currently think and do.

This research explores what independent funders (non-governmental funders, mainly companies, trusts and foundations) look for in terms of evidence from their grantees, and how they measure the difference their funding makes. We believe this is the first piece of work that explores what funders are doing around impact measurement.

- Chapter 2 considers funders' attitudes towards impact measurement;
- Chapters 3 to 6 consider funders' practice around their grantees impact measurement;
- Chapters 7 to 9 consider what funders are doing about their own impact measurement;
- Chapter 10 looks in detail of the practice of companies and corporate foundations; and
- Chapters 11 to 14 consider how impact measurement practice could move forward.

Terms such as 'impact' and 'outcomes' were not defined in the survey or interviews and so were interpreted by the respondents. The definitions that NPC uses are explained in Box 1.

## Box 1: Key definitions in impact measurement

**Impact:** Broader or longer-term effects of a project's or organisation's activities, outputs and outcomes. Also used as a calculation of net benefit once an allowance is made for what would have happened anyway and other factors. We use the terms 'impact' and 'results' interchangeably throughout this report.

**Outcomes:** The changes, benefits, learning or other effects that result from what the project or organisation makes, offers or provides.

**Outputs:** Products, services or facilities that result from an organisation's or project's activities.

**Impact measurement:** The set of practices through which an organisation establishes what difference its work makes. We use the term to define a broad set of practices that includes measuring both outputs and outcomes. This does not mean we equate measuring outputs with measuring impact—it is just part of the overall process.

**Evaluation:** Using information from monitoring and elsewhere to judge and understand the performance of an organisation or project.



## Methodology

This report is based on qualitative interviews and a quantitative survey of funders. For the interviews, we approached funders that represent a range of experiences and characteristics, taking into account staff levels, type of funder and type of grants awarded.

We invited funders to take part in the survey through a variety of newsletters, a mail out to grant-makers on NPC's database of contacts, and a mail out to companies on LBG's database of contacts (with some overlap between the lists used). We used this approach because there is no single source of contacts that covers all groups of independent funders.

There were 114 responses to the survey. Given the methodology adopted, we are unable to calculate the response rate that this represents. Also, the way that the survey was sent out means that our findings are subject to some response bias—we know that larger funders are over-represented (see Appendix), and it is likely that funders with stronger views on impact measurement, both negative and positive, were more likely to respond. Based on the results of the survey and previous evidence on this area from charities' point of view, we believe that the survey may overestimate how positive funders are about impact measurement. Our findings should therefore be interpreted with a degree of caution. Some comparisons between different types of funders are made in this report: these are tentative given the small sample sizes involved, and so should also be treated with caution.

*'As the financial environment gets tougher we need to feel that we're happy with the information that we're giving the trustees'*

The Henry Smith Charity is a major UK-wide grant-maker, giving away over £25m a year to a wide range of charities. Its grant-making is mainly reactive, although it does operate a small number of targeted programmes. *'Primarily it's been about supporting the most vulnerable, so as a generalist funder we cover a wide range of needs.'*

Henry Smith's approach to impact measurement for grantees centres on proportionality and pragmatism. Most of the time that it spends on impact measurement is done at the application stage. Information drawn from applicants—such as their ability to articulate their intended impact—is supplemented by the experience and expertise of Henry Smith's staff. Each applicant whose appeal goes to a trustee meeting for consideration of a grant is visited by its staff or a volunteer assessor so Henry Smith feels it has a good idea of what is actually being achieved before making a grant.

In common with many funders, however, it understands the drive to collect more detailed information from grantees. Interest from staff and trustees of the charity has driven a more formal assessment of grants. One implication of Henry Smith's approach is that the breadth and diversity of its grants make the aggregation of outcomes extremely challenging. For that reason, it has chosen to look at its outcomes in terms of what its grantees achieve, rather than investing in the measurement of its own impact. *'It's absolutely important, but some funders are much more thematic and some funders are publicly funded so they may have to be more accountable to others or in different ways than we are.'*

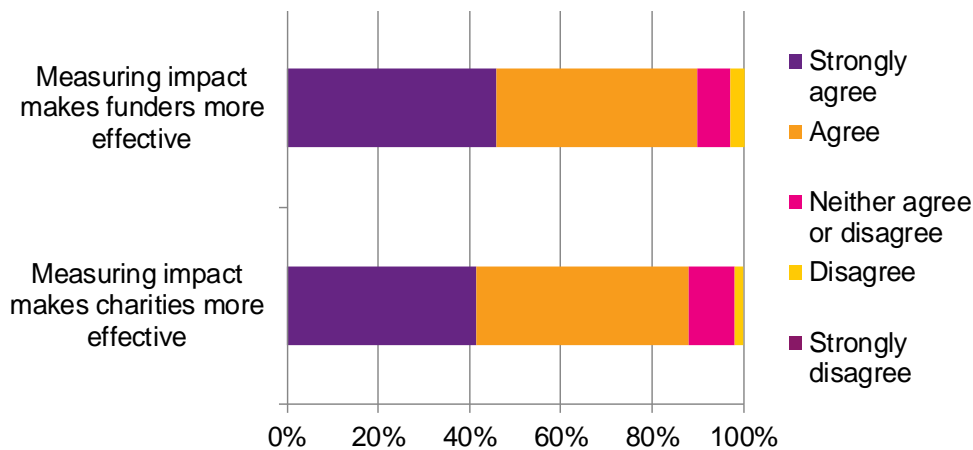
## 2. ATTITUDES TOWARDS IMPACT MEASUREMENT

### Funders' attitudes towards impact measurement for charities

As funders are such a key part of the charity sector, their beliefs about the pros and cons of impact measurement are important for the whole sector. The vast majority of funders (88%) think that impact measurement makes charities more effective.

For some of our interviewees, this positive attitude had led them to invest more in impact measurement for themselves and for grantees. They were keen to help their grantees become more effective by giving them support, encouragement and incentives to measure their impact.

Figure 1: Attitudes around impact measurement



Question: Please state how much you agree or disagree with the following statements N=100

This appreciation for impact measurement is not unconditional. A strong theme from the comments in the survey is that proportionality is very important in impact measurement—some saw proportionality as their biggest struggle because of the variation of capacity within the charity sector. One respondent said: *‘good and appropriate impact measurement helps—if you’re asking people to do things that are disproportionate or not relevant to their work it is not useful and will get in the way of a real understanding of what is effective by focusing on targets.’* Almost a quarter (24%) of respondents felt that there is too much pressure on charities to measure their results. This finding is particularly striking considering that most (88%) of the funders answering the survey do ask charities to measure their results.

Some funders made it clear that impact measurement in itself is not as important to them as how the information is used. Respondents felt that impact measurement should be used to influence policy or practice, and they are looking for a reflective and learning culture among their grantees, with impact measurement being an important part of this.

## Funders' attitudes towards their own impact measurement

Funders believe that they can learn from impact measurement—89% say that it helps make funders more effective. Nearly all (91%) also believe that it can help them to make the most of their resources and demonstrate their public benefit (88%).

### Influences

The board and the management team are the most significant stakeholders when it comes to influencing funders' approaches to impact measurement. The interviews revealed that the approach of trustees varies depending on the type of funder. Family foundations, which are giving away their family's wealth, seem to be less interested in impact measurement than non-family foundations. Other types of funder—particularly foundations that fundraise and companies—are more likely to feel that they need to show the results that their funding achieves.

#### *'The investment in impact measurement goes in at the application stage'*

A UK based programme of a large foundation told NPC about their approach to impact measurement, where the focus is on making sure at application stage that the grantees have strong evidence of impact.

The programme finds grants both proactively and reactively and generally gives large, multi-year grants. It puts a great deal of effort into researching and selecting promising projects. Once potential projects have been identified, they ask for a three-page concept note. There is then a second stage where organisations are invited to make a formal application based on the strength of their concept paper.

The programme looks for a track record of impact, and this focus has been led by their trustees. *'The trustees have driven it in terms of wanting to see the impact of each project but very much left it down to program staff to decide what measures we would use and what we'd ask for.'*

The programme has found that not all organisations understand what outcomes are: *'Often organisations aren't very clear about the outcomes they want to achieve or sometimes they'll talk about things that we don't consider outcomes. So we'll go back to them and talk to them and try to help them think about what the impact might be of the project that they're asking us to fund.'* The outcomes that are worked up during these discussions then form the measures of success for the grant and the programme puts a high value on outcomes tailored to specific projects and organisations. Because the foundation gives large, multi-year grants it has a very strong relationship with the grantees. It finds this helps them have an open and constructive dialogue about the performance of the grant.

The programme asks grantees to share their learning with other organisations. Recognising that sometimes capacity can make this a challenge for grantees, the foundation has recently appointed a member of staff to focus on developing a range of capacity- building initiatives.

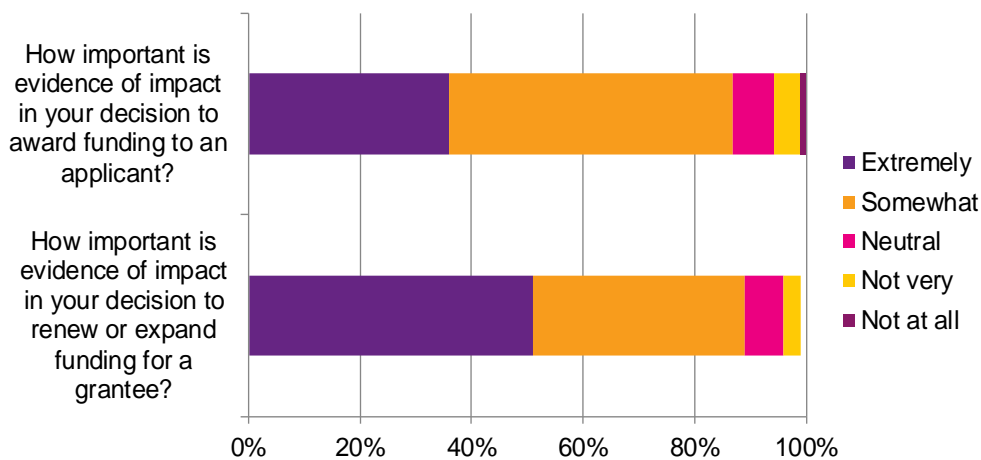
### 3. CHARITIES' IMPACT MEASUREMENT

#### How are funders involved in charities' impact measurement?

Most funders ask applicants and grantees for information about impact, and they expect to do this more over the next three years. For 87% of funders, evidence of impact plays at least some part in their decision to give a grant, and 36% say it is extremely important. This mirrors what we heard in the interviews: for most funders, evidence plays a part in funding considerations, but the final decision often rests on a charity visit and the funder's assessment of the capabilities of the charity. *'Evidence might not bear on the decision of whether to approve funding if the grantee is a new organisation which we wish to fund because they have interesting and innovative ideas; however, we would always put an evaluation in place and impact would become a consideration after a reasonable period of funding. But we would not refrain from funding just because there is no evidence of success yet.'*

Once a grant has been given, 79% of funders ask for evidence about what the funding has achieved in terms of outcomes. Evidence of impact plays an important part in the decision to renew—more important than in the original decision to give a grant. While 89% of funders say it plays some part in the decision to renew, for 51% it plays an extremely important part.

Figure 2: Importance of evidence of impact to funding decisions



Question: How important is evidence of impact in your decision to award funding to an applicant? N=106. How important is evidence of impact in your decision to renew or expand funding for a grantee? N=94

The survey responses tell us that most funders are more involved in charities' impact measurement now than ever before. For nearly three-quarters (73%), their focus on evidence of impact from grantees and applicants has increased over the past five years. It looks like this focus on impact measurement will get stronger: 72% expect to be doing more on impact measurement over the next three years. For those funders that have increased their focus on measuring their impact, it is primarily done to improve the understanding of the difference their funding is making (77%).

## 4. HOW FUNDERS USE INFORMATION ABOUT GRANTEE IMPACT

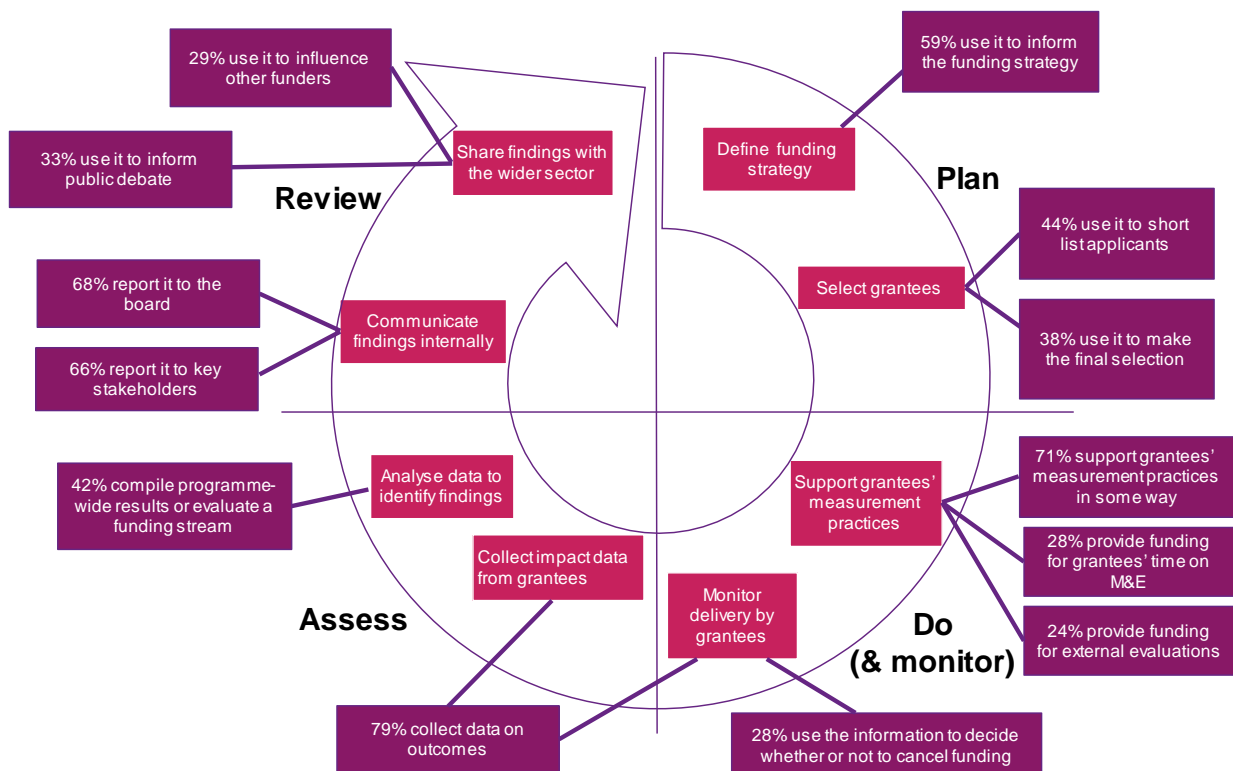
Many funders are adamant that using data from their grantees is a crucial part of their impact practices. However, our results show that the information provided is not being used as much as it could be.

The funder cycle, used by the *Inspiring Impact* programme ([www.inspiringimpact.org](http://www.inspiringimpact.org)), goes through the different elements that funders should consider when planning, 'doing', assessing and reviewing their funding if they are to be effective. Impact measurement information could be used at many points along the cycle. Figure 3 plots the ways that funders said they used the impact measurement data according to the stages of the funder cycle.

Few funders (10%) are not using the data they collect for any stage of the funder cycle. However, as Figure 3 shows, in some areas only around a third of funders are using the data, so there is scope for use of evidence to improve.

The interviews showed that different types of funder have different approaches to results data. Some are keen to be generalist funders, responsive to needs identified by charities rather than setting their own goals. However, by funding charities with different capacities and funding a range of interventions, generalist funders can find it almost impossible to use the information their grantees collect, unless they invest a lot of money. One of these funders asks grantees to measure their results not so that it can use the information, but so that it can help grantees become more reflective and learn from what they have done. Funders with more focused programmes are able to do more comparisons between grantees, because they are funding similar types of work. These funders are able to extract and share lessons from their grantees.

Figure 3: How funders use impact measurement data from applicants and grantees



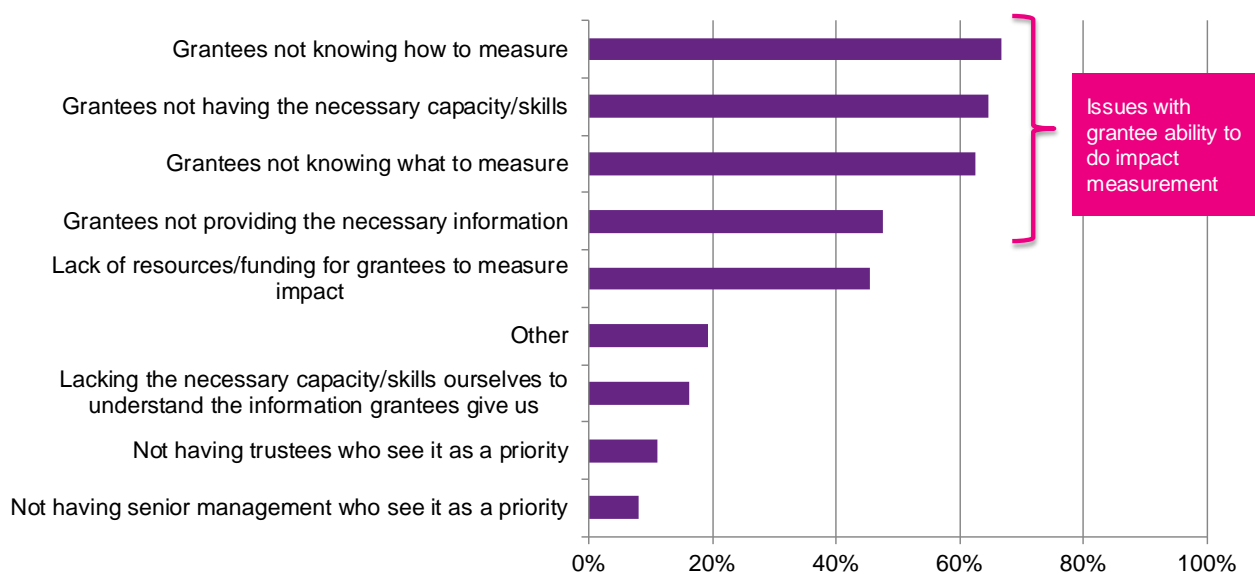
## 5. CHALLENGES FOR UNDERSTANDING GRANTEES' IMPACT

### Challenges for grantee impact

Some funders struggle to get good quality information from grantees. One funder told us: *'the variable quality of the data and evaluation reports we receive makes it harder to aggregate the data in a meaningful way.'* If grantees were able to provide better data, we might see funders using these results more.

The biggest challenges that funders face when trying to understand their grantees' impact is linked to a lack of charity capacity. As Figure 4 shows, this is a bigger challenge than funders' own capacity issues. Funders could therefore do more to support grantees with impact measurement. Over half of funders (52%) are collaborating with grantees to decide what outcomes should be measured. One funder confirmed it is doing this because many of its grantees do not understand what outcomes are.

Figure 4: Challenges to understanding the impact of grantees



Question: What challenges or barriers do you face to understanding the impact of your grantees? Please select all that apply. N=99

Funders believe that current impact measurement techniques do not always help them to understanding the impact of their grantees. A few funders think that there is too much duplication around tools and approaches, which creates confusion for grantees and makes it difficult to aggregate impact. One commented: *'Slow burn activities are very very hard to measure. Impact measurement as currently practised often seems to lead to a quick results culture. Some means of considering progress towards rather than arrival would be valuable.'*

One challenge that funders have is getting their grantees to give honest reporting. Nearly all funders (92%) believe that charities should be encouraged to report failures or negative results. However, comments during this research made it clear that funders sometimes struggle with this even though they were adamant that they wanted grantees to be learning from any mistakes.

## 6. SUPPORT PROVIDED TO GRANTEES

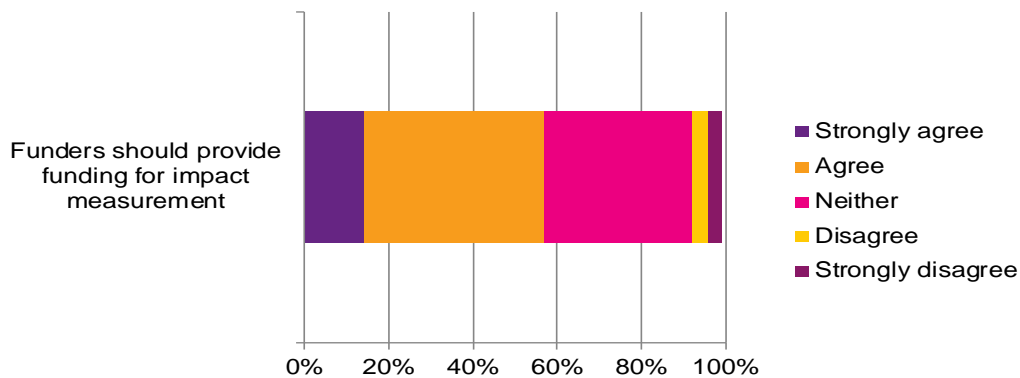
### Financial support

Given that funders are seeing a capacity and skills challenge with grantees that is preventing them from giving good evidence of impact, it is interesting to look at the support funders are providing to grantees around impact measurement.

Over half of funders believe that funders should pay for impact measurement, and most funders are providing funding here. However, there is a slight disconnect—only 7% of funders disagree that funders should provide funding, but a quarter do not provide such funding.

A third do not know how much funding they are providing for impact measurement. Some said: *'we expect monitoring and evaluation to be included in the project costs'*, which obviously makes it more difficult to judge how much funding is being provided overall.

Figure 5: Attitudes towards paying for impact measurement



Question: Please state how much you agree or disagree with the following statements. N=100

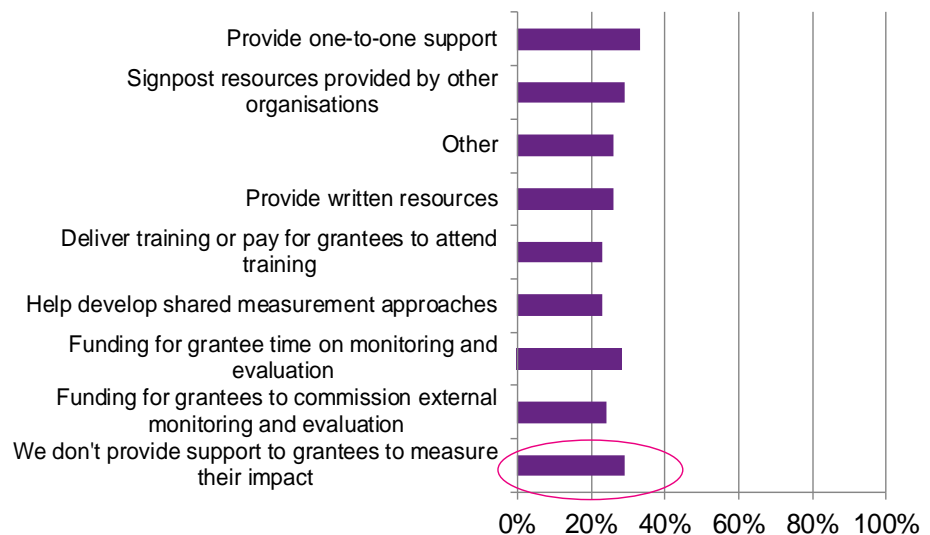
### Non-financial support

Most funders try to improve grantees' capacity

Figure 6: Support for grantees

to measure impact—only 29% do not provide any support here. Nearly a quarter (23%) are doing more than four things from the list in Figure 6.

Funders with more staff are more likely to provide support—38% of funders with ten staff or fewer do not provide support, compared to 17% with more than ten members of staff.



Question: How (if at all) do you support grantees to measure their impact? N=96

### *‘Impact measurement is about helping charities develop a learning and reflective culture’*

BBC Children in Need raises money from the public and gives it out to organisations working to help disadvantaged children and young people in the UK. Last year it distributed around £47m in around 1,200 grants. As it funds so widely, it accepts that not every charity it gives a grant to will be very good at providing evidence of effectiveness. But it is keen to help charities think about how they can measure the difference they have made for children—and being able to show evidence of this is very important to getting renewed funding. For BBC Children in Need the benefit of impact measurement is about *‘grantees being able to improve their services, so that children and young people will have a better chance of having better outcomes.’* It is keen to help its grantees use impact measurement as part of a *‘learning and reflective culture.’*

One thing that BBC Children in Need does to help its grantees instil this learning and reflective culture is to send recipients of its main grants on ‘Your Difference’ training. This is a one-day course that grantees go on after a grant has been awarded which helps the grantees be clear about the three main outcomes they are going to deliver and how they will be measured. After this training, the grantees are then have the opportunity to rethink or clarify what outcomes they believe the grant will deliver, rather than sticking rigidly to what they said in the application form. BBC Children in Need’s approach is *‘about enabling the grantees to set up their own measurement system as opposed to saying you need to bring in house systems that are already out there...For the most part we don’t expect it to be rocket science, but we expect every one of them will be doing something that helps to measure the impact of what they’re doing.’*

Because it is a fundraising foundation, BBC Children in Need is keen on reporting back to the public on what the grants have achieved overall. It wants people to be confident that the money they give is well spent. It has recently developed an approach to help it understand the difference it makes as a grant maker. It has an outcomes framework of nineteen outcomes that link to its three core ambitions that every child will be safe, happy & secure and be able to reach their potential. BBC Children in Need codes every grantees own-word outcomes to their framework. They are expecting that this framework and the numbers and qualitative data provided by grantees will help them better represent the difference they make as a funder and make public facing statements about their impact. It also expects to *‘begin to analyse to understand much more about what works, why and where, and to share this knowledge in a way that is useful to the whole sector.’*



## 7. FUNDERS' IMPACT MEASUREMENT

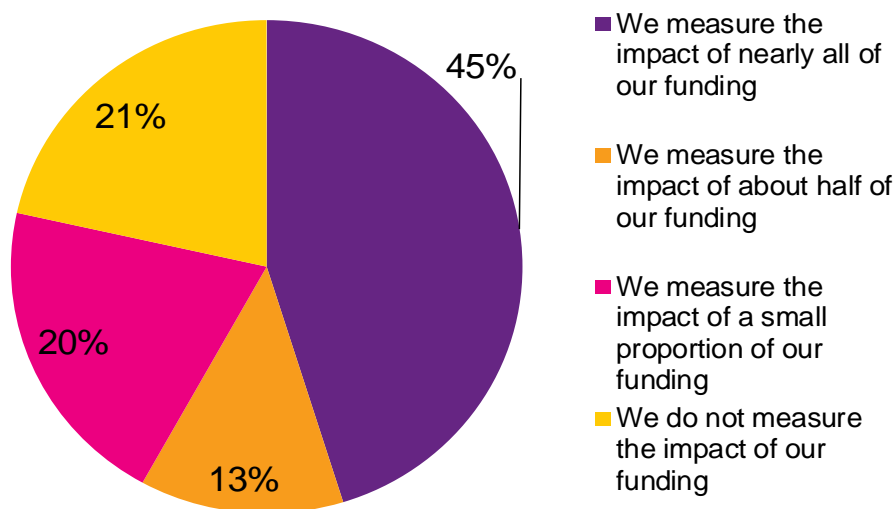
So far, this report has looked at what funders are doing around the impact measurement of their grantees. We now explore what funders are doing to measure their own impact.

### Do funders measure their own impact?

Half of the survey's respondents believe that it is extremely important for funders to measure their impact. Only 10% do not think it is important. This focus on impact measurement is increasing: three quarters have focused more on it in the past five years. Many of the respondents talked about being at the start of the impact journey, and some talked about trying new approaches to measuring their impact. What is more, 73% expect to focus more on their own impact measurement over the next three years. As one of our interviewees said, *'In the past we've focused on making sure that grants were spent appropriately, less on whether they were spent effectively.'*

When asked if they measure their own impact, 79% of funders said that they measure at least some of their impact. So while only 10% do not think it is important to measure impact, twice as many (21%) are not measuring their own impact.

Figure 7: Approach to impact measurement



Question: How would you describe your organisation's current approach to measuring the impact of its funding? N=94

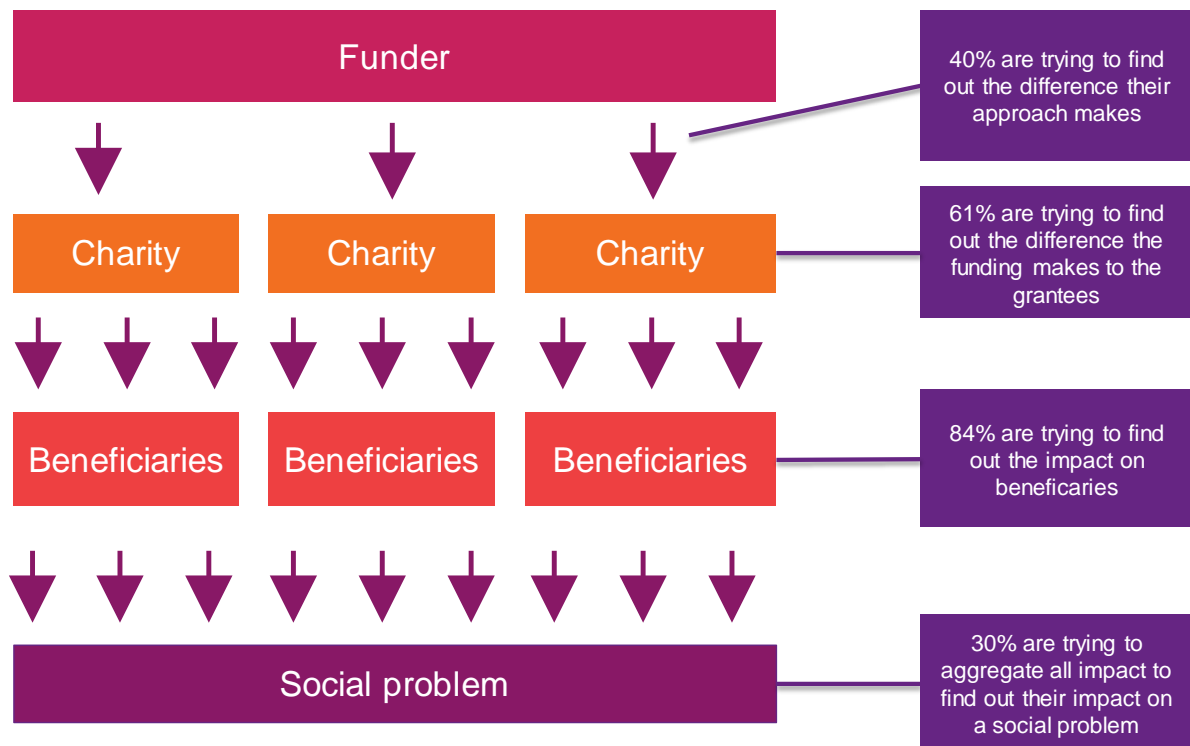
### Approach to measuring their own impact

Measuring the impact of a funder is difficult. There are different levels of impact to think about. The first is the difference the funders' approach has made—for example, has providing unrestricted funding made it easier for grantees to build their capacity?

The second is the impact that the funding has made to the grantees—for example, are there charities that would not be here without that funding? Has it enabled the charity to try something new? The third the impact on the people that the grantees are trying to help. This can then be aggregated to see the overall impact on the social problem.

The first level of impact is the easiest to try to measure, and it is the focus for most funders who are measuring their impact (see Figure 8). Less than half are trying to measure the difference their approach makes. One of the big difficulties of impact measurement for funders is identifying whether it is your money that has made the difference as opposed to that of another funder.

Figure 8: Approaches to measuring their own impact



Some funders are interested in what difference they have made in aggregate to a social problem. Measuring this is difficult and only possible for funders that are funding in defined programme areas—for example, funding in homelessness or youth employability, as opposed to funding a programme designed to raise the quality of life of people in the UK. Most funders (70%) who do measure their impact manage to aggregate at least a proportion of their impact, while 30% aggregate across all of their organisations' funding. This means that they have some idea of what dent they have made in the social problem they are trying to tackle. Only 38% of funders, however, say they communicate aggregated outcomes.

## 8. CHALLENGES FOR UNDERSTANDING FUNDERS' IMPACT

### What challenges do funders face when measuring their own impact?

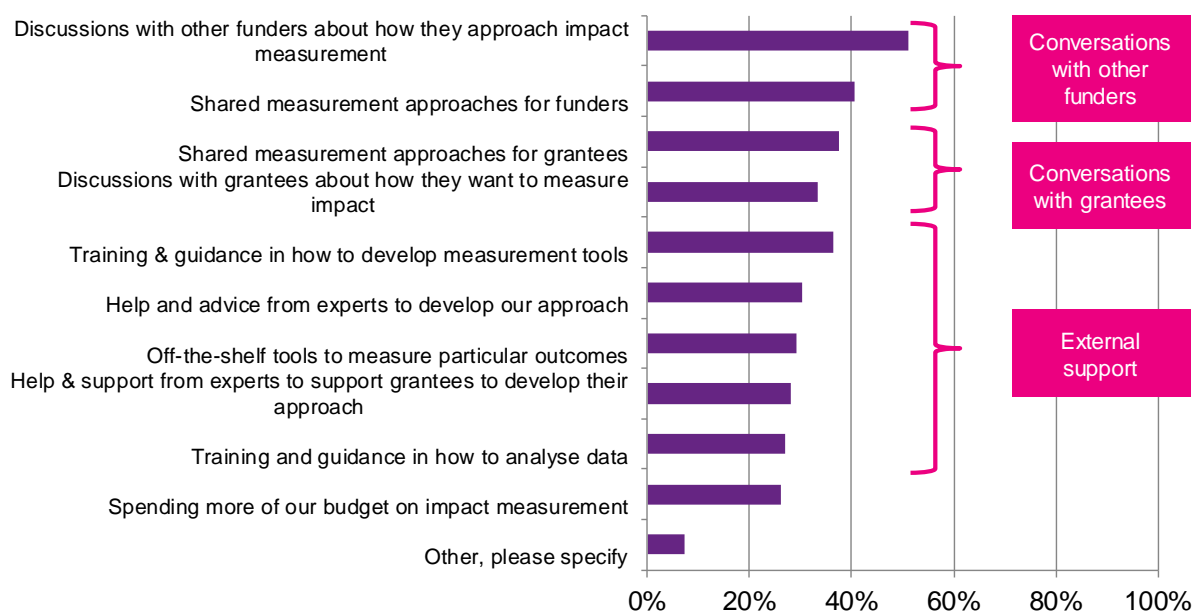
Some funders find it difficult to measure their own impact because they struggle to get good quality information from grantees. *'To produce an overview we have to come up with useful targets in a sector that is only in the early stages of developing and tracking statistics and where grantees are not trained or used to thinking about their activities or project management in this way.'*

Another barrier that funders face is a lack of funding or other resources for their own impact measurement. As one interviewee said: *'Trustees want to know the difference the funding and the approach makes, but the cost is so high, that they can never justify spending that.'* Some funders do not know how to measure what they are funding, especially when it comes to campaigning or infrastructure work.

### What could help funders?

There is no strong consensus among our respondents around what would be helpful to overcome these challenges. One theme that did emerge was working out a common approach with others. This may be because funders are at the start of measuring their impact, and there is no good methodology that suits them yet. Funders would like to learn from the approach that others take, and to develop together some shared measurement approaches: *'There is no standardisation so results cannot be compared and data cannot be benchmarked as each organisation measures their impact differently. Until this happens then impact measurement is not really that useful.'*

Figure 9: What could help overcome the barriers



Question: What would you find most useful in improving your impact measurement practices? N=96

### *'Grant-making is not the only way we make an impact'*

The Community Foundation Tyne and Wear and Northumberland is one of the longest-established community foundations in the UK and the largest by asset size, making around 1,700 grants a year worth £4.6m. As a community foundation, it works collaboratively with donors, grantees and the wider sector to make grants in a diverse range of areas. This structure gives a unique context for how grant applications are assessed. *'To a certain extent we are working to the objectives that are set by the people who are donating the money. Clearly we respect the donor's judgement, but it's complicated because community foundations are a place where negotiation happens ... it's a process of dialogue, with the goal to the grant being made.'*

The complexity of its grant-making presents challenges for understanding the wider impact of its funding. It will not always be able to aggregate across funding groups or produce a neat headline. *'It's not a simple situation that we plan what outcomes we're going to achieve and then measure whether we've achieved them. We don't have that degree of control. What we have of course is opportunities for dialogue, negotiation, collaboration—you lose something by not being a classic foundation, you also gain something.'*

The foundation has instead developed its own tool—Vital Signs—for understanding regional trends and need across its strategic aims as a funder. This allows it to see beyond the impact of its individual grants to the broader picture of well-being in the region. *'Grant-making is not our only way that we have impact. We have a role particularly in giving advice and support to groups, capacity building. So we have a separate programme where we provide opportunities for people to volunteer as mentors—clearly the impact of that would be measured differently to the impact of the grant-making. The third area in which we would expect to have impact is advocacy, research and development. It's activities like Vital Signs, but it's also things like some of the social policy work we do, for example on asylum seekers, refugees and employment and community resilience'*

## 9. FUNDERS THAT ARE NOT INTERESTED IN IMPACT MEASUREMENT

### Measuring grantees' impact

Although the majority of funders collect information about impact from their grantees, 7% do not collect any. We cannot do any statistical analysis of this small group, but we know that not all of them are opposed to impact measurement. Some are on the very first step of their impact journey—they acknowledge that they must do more. Some are struggling to collect data—*'the things we want to measure are extremely difficult to measure.'*

Most are planning to do more over the next three years for both grantees and themselves. Even funders that are not collecting data from grantees agree that impact measurement helps charities to become more effective, improving their decision making and efficiency.

However, in contrast with the rest of the funders answering the survey, this group tend to disagree that funders should provide funding for impact measurement. They are also more divided on whether impact measurement is necessary to understand the effectiveness of a charity, and more likely to believe that impact measurement can divert resources away from where they would be better deployed.

### Measuring their own impact

One in five funders (21%) do not measure the impact of their own approach. Again, some of them are planning on doing more, and some still believe that impact measurement brings benefits for funders. Others believe that impact measurement cannot offer them much. *'Being such a broad funder we are not able to aggregate in a meaningful way as we are comparing apples and pears.'*

Some funders do not want to be too restrictive with their grantees, which then limits what they can do with the information they collect. *'We feel collecting comparable quantitative data can be overly burdensome for grantees.'* Their approach to impact measurement is generally less influenced by what their peers are doing.

Family foundations appear to be over-represented within this small group of funders. The interviews showed that the boards of family foundations are less interested than other funders in what their funding has achieved. This may be because they feel less pressure of accountability than other types of foundations.

## 10. SPOTLIGHT ON COMPANIES AND CORPORATE FOUNDATIONS

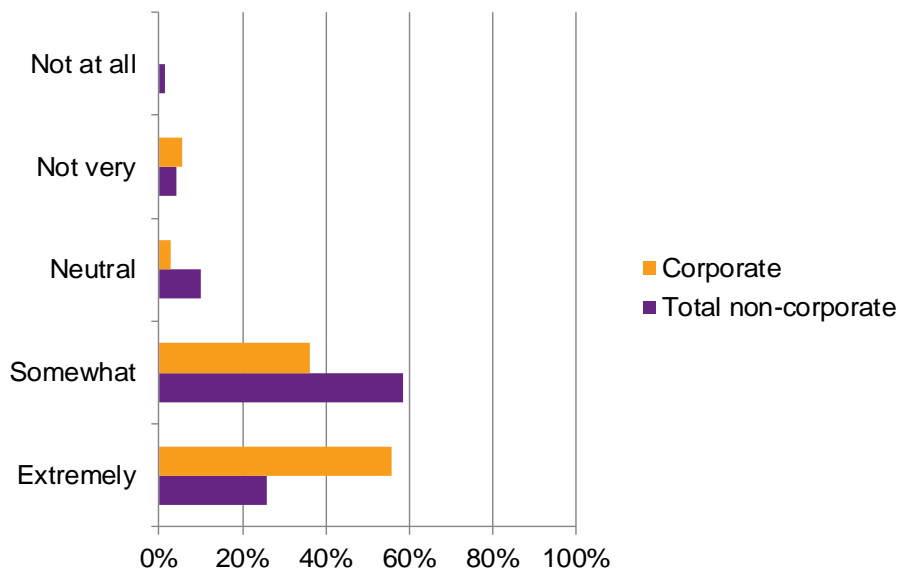
Corporate funders play an interesting and distinct role in the charity sector. This section looks at their behaviour in more detail. Note that the sample size here is small and statistical testing of the differences between funders is not possible due to the methodology of the survey, so these findings need to be treated with caution.

### For grantees

Companies appear to be keener on impact measurement than other funders. They are more likely to rate evidence of impact as ‘extremely important’ in the application process and in the decision to renew (see Figure 10). They seem to have focused more on grantees’ impact measurement over the past few years than other funders. For example, one corporate funder told us that the focus on measuring results begins for grantees at the application stage, because the funder itself has to produce evidence of its own impact.

However, companies seem to be less likely than other funders to give funding for impact measurement—32% of them provide no funding for impact measurement, compared to 22% of non-corporate funders.

Figure 10: Importance for companies of evidence in the decision to award funding



Question: How important is evidence of impact in your decision to award funding to an applicant?

Corporate =36, Non-corporate= 70

### For themselves

Companies showed in the interviews a growing engagement with funder impact measurement—again, they are more likely than other funders to have increased their focus on this in the past five years (82% for companies versus 71% for non-corporate funders). One of the interviewees said, ‘Five years ago community strategies were considered a “nice thing” to be doing; now there is need for social impact measurement to demonstrate that every penny has a business benefit, such as enhancing company reputation or increasing staff engagement.’ The

interviews revealed that corporate funders' desire to measure their impact often leads to them being more strategic about their funding, because the impact of broad funding programmes is too difficult to describe.

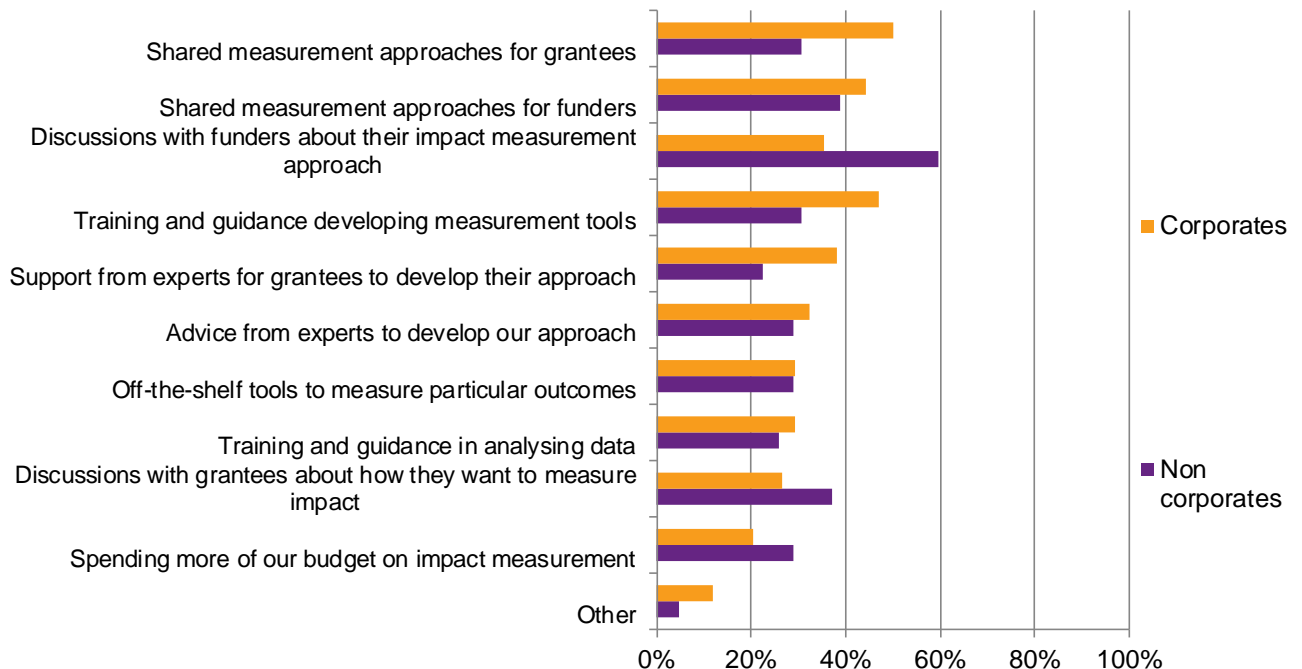
Companies can have different funding streams within their community investment programmes, with some funding focussing on more strategic, long-term partnership activity that has a focus on outcomes, and other funding being more reactive and ad hoc, responding to the needs of employees or other stakeholders. Here the focus is often about doing the 'right thing' rather than understanding results. This reflects the LBG model for reporting on corporate community investment, which has a distinction between reactive charitable gifts and more strategic community investment. It is therefore unsurprising that compared with other funders, fewer companies measure the impact of nearly all of their funding (39% compared with 48%); instead they are more likely to measure the impact of a small part of their funding (33% compared with 13%).

For companies, a major driver for measuring impact is assessing the value of the corporate giving (62%) and they feel slightly more strongly than other funders that they need to communicate to the public about their impact. However, the most popular driver for focusing more on impact, as it is for non-corporate funders, is wanting to improve their understanding of the issues they are trying to address (86%).

## Tools

Companies have different views about what would help them move their impact measurement practice on, as Figure 11 shows. Compared to non-corporate funders, they are less interested in discussing with other funders, and more interested in practical support, such as shared measurement approaches and training and guidance in developing tools. They are also less interested in spending more of their budget on impact measurement.

Figure 11: What support would companies like?



Question: What would you find most useful in improving your impact measurement practices? Corporate=34 Non-Corporate=70

From the interviews, it seems that the enthusiasm for shared measurement comes from a desire to give credibility to the impact measurement that is being done, so that the board, the public and other stakeholders can have faith in it.

*‘The need to demonstrate impact leads to high expectations of evidence of impact from our grantees’*

Nationwide Building Society has a citizenship strategy ‘Living on Your Side’ in which there are three core community programs:

1. Your housing—targeting homelessness and those at risk of losing their homes
2. Your Money—money management and financial advice
3. Your community—mobilising the community through investment

Nationwide’s community programs have been through changes over the past five years—previously they were considered a ‘nice thing’ to be doing, but now they are considered core to the business. Because of this change in attitude there is a need for the community investment programs to demonstrate that every penny has impact—either socially, or a business benefit such as enhanced reputation or staff engagement. It gives two types of grants: its flagship programs and funding to charities that are chosen by its employees and customers. For the second type of grant Nationwide is more interested in the brand and business benefits than the social benefits.

The impact of the community programs is important to the board and to several departments within Nationwide including the PR and legal department. They are looking a compelling story about its impact.

The need to demonstrate the benefits means that Nationwide has high expectations for demonstrating evidence of impact from its grantees within its flagship programmes. Being able to demonstrate evidence of impact is an important part of the selection process. Nationwide has found that *‘there is a too much inconsistency when it comes to charities’ impact reporting’*.

The focus on being able to demonstrate impact *‘has led to the company focussing on the flagship programs’*. Nationwide publishes a citizenship report. Last year’s report gave an overview of the first year, and it expects that years two, three and four will produce ‘richer data’ on impact.



# 11. ANALYSIS OF FINDINGS

## Attitudes and uses of impact measurement information

Funders are generally positive about impact measurement. They believe that having evidence helps them to be more effective and helps charities to be more effective too. Even funders that do not ask grantees for information about results are still broadly positive about the idea.

However, many funders are still not using impact measurement as much as might be expected given their generally positive attitudes. They are keen for charities to submit evidence of what they have achieved with their funding, but less than half of funders (42%) are using this information to compile programme evaluations, only a third are trying to use this information to influence the public debate, and less than a third (29%) are using it to influence other funders. This suggests that lots of information is not being used as much as it could be—possibly resulting in less effective funding in the sector overall. This mirrors a finding from NPC's *Making an impact* report, where 17% of charities believe that funders tend to ignore impact measurement information in their decision making.

## Challenges and support provided

At times, the information from charities is not properly used because it is not good enough quality. Funders are therefore not comfortable to use this information to influence others. Around two thirds of funders (67%) say that one barrier to understanding the impact of their grantees is when grantees do not know how to measure results. Most funders believe that they should support grantee impact measurement practices—only 7% of funders disagree. However, 25% of funders are not actually providing this funding. There is a disconnect on this issue between what funders are saying and what they are doing. Considering the number of funders that see a problem with grantee capacity, funders may need to provide more support, both financial and non-financial, if they want to see evidence get to a stage where it is really useful.

## An impact measurement journey

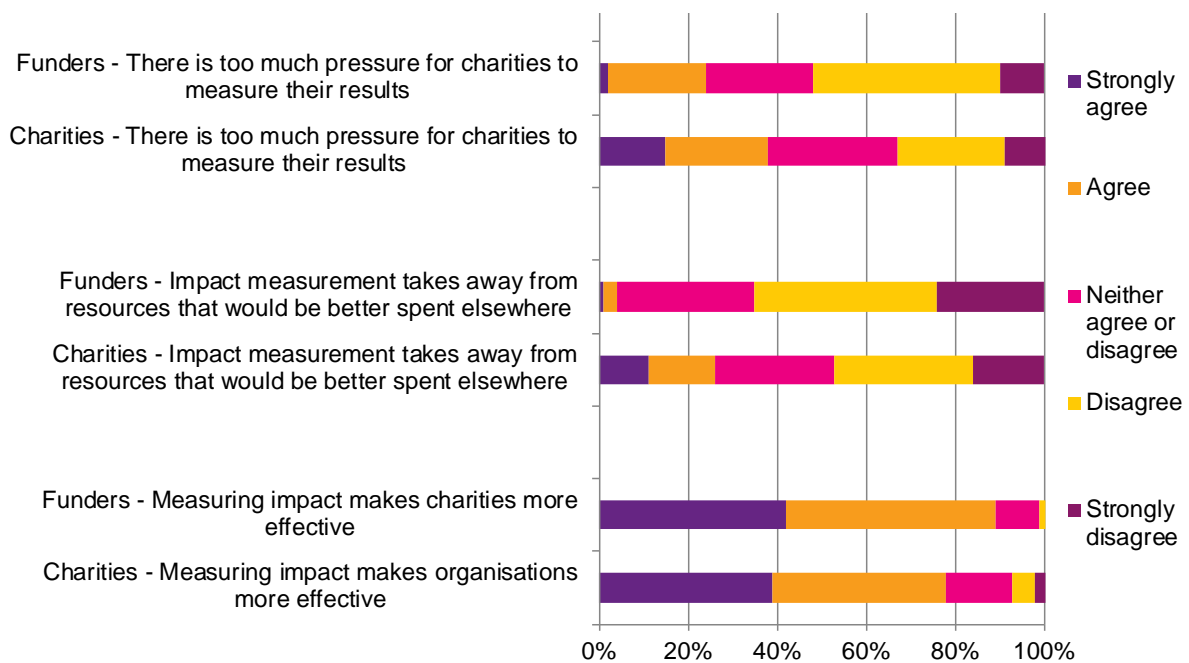
Many funders are at the beginning of an impact measurement journey. They are starting to measure their own impact and believe that it will help them be more effective. Most funders think that they will be doing more for their grantees and for themselves over the next five years. If this increase in activity is to generate useful information, there will need to be impact measurement approaches that are appropriate to more funders and charities. Many funders appear to be struggling to find an approach that is suitable for them—one that takes into account the type of funder they are and the constraints that are upon them. This seems to be why they would find discussions with other funders about their approaches useful. Hopefully, as more funders do more about measuring their own impact, they will share these approaches with others.

## 12. COMPARISON WITH CHARITY PRACTICE

We designed the survey in this research to reflect the questions we asked as part of *Making an impact*, NPC's landmark research into the impact measurement practices of charities and social enterprises. In some places we can compare these two pieces of research, comparing the views of funders and charities. However, we have to be cautious here, as the methodology used for *Making an impact* achieved a more representative sample of charities than our survey has achieved in the case of funders.

The two surveys paint a broadly similar picture of impact measurement. From *Making an impact*, we know that most charities have been focusing on impact more over the past five years (72%), driven by funders demands (52%). This mirrors what we have learned from the funder survey. Both funders and charities believe that impact measurement makes them more effective—although a slightly lower proportion of charities have this opinion (78% vs 88%). Charities are on the whole more negative about impact measurement. This might be expected considering that funders are driving charities to measure their impact. Indeed, a higher proportion of charities than funders agreed that charities are under too much pressure to measure their results (38% of charities compared with 24% of funders).

Figure 12: Comparison of attitudes from funders and charities



Question: Please state how much you agree or disagree with the following statements.  
 N of funders=101; N of charities=1,000.

There are significant differences of opinion when it comes to the level of support that funders provide for impact measurement. Only a quarter of funders told us that they do not provide funding for impact measurement, whereas nearly two thirds of charities (64%) said their funders do not pay for impact measurement. While 79% of charities see funding as a barrier to impact measurement, only 45% of funders see it as a barrier to understanding grantees' impact. Funders are more likely to suggest that grantee capacity is a barrier. This suggests that perhaps funders and charities are not having a clear dialogue about what is needed to improve impact measurement.

The same picture of corporate funders emerged from both surveys. Companies seem to be more likely to ask for evidence of impact than other funders, but they are also less likely to provide support for impact measurement.

*'We have a much better structure for analysing the achievement of our programmes than some of the individual grants'*

The Barrow Cadbury Trust is an independent charitable foundation, committed to creating socially just change at the structural level. The trust has a different approach to many other foundations—using its grant making to promote social justice through research, influencing policy and supporting communities. It therefore sees grant-making as one mechanism in a 'tool box' of several.

On some programmes, the trust works closely with its partners to jointly devise strategies which are then agreed by the board. From this shared plan and focus, joint outcomes between the work of the grantees or partners and the trust naturally evolve which link to how the work is measured.

Considering the overall impact of its work is key to Barrow Cadbury Trust's ethos and approach *'we do spend quite a lot of money and time and energy on evaluation or on measuring impact'*. It uses a version of a theory of change approach, measuring clear outcomes that are outlined in its strategies—for instance detoxifying public discourse on migration.

The Trust takes several approaches to measuring impact, depending on the nature of the work supported. It rarely funds direct service delivery, but when it does it is in order to create a new evidence base and this will involve in depth academic and cost benefit evaluation, some at the level of a Randomised Controlled Trial (RCT).

When funding action research, evaluation takes the form of assessing the consequent impact on policy and practice at the local and national level, together with an analysis of coverage across a range of media. The impact of campaigning work is notoriously difficult to measure, with attribution being particularly thorny. For this reason the trust considers its achievements as part of a collective action and focuses on *'contribution rather than attribution'*.

The Trust has an iterative process for evaluating the impact of each of its programmes annually. Because of the variety of its work the Trust acknowledges the evaluation of individual grants is variable. Some grantees do not have very robust processes in place: *'it completely depends. We work with some organisations that are more sophisticated than we are, and some that are very unsophisticated. Where necessary and welcome, we help small organisations to improve their outcomes measurement.'*

## 13. HOW CAN FUNDERS THINK ABOUT IMPACT?

This research shows that funders are increasingly trying to use evidence in order to make a greater impact themselves, and to help their grantees make a greater impact. Funders are looking to other funders to find approaches to impact measurement that they could use themselves. However, there is no one approach that suits every type of funder, as funders range from generalist to focused, and from proactive to responsive. One funder may be operating in a different way with each funding stream.

The charity sector thrives because of the different types of funders and funding and the various roles they play. If there was only one type of funding in the sector, then innovation, new groups and new approaches would be stifled. The sector needs some funders that have focused aims and are looking to see outcomes achieved in a specific area. The sector also needs others that take a more responsive approach, allowing people closer to the issues to decide what they want to see changed. The sector needs funding that is given based on evidence, and other funding streams that are given for unproven approaches in the hope of finding something that works better. Different types of funders also have different roles in supporting grantees—some fund broadly and therefore their influence over the general standard of measurement is higher; others only fund a few grantees and therefore cannot do much to build the capacity of the sector, but are able to do more for those they fund. However, all types of funders can use evidence to make sure that they and their grantees are achieving as much as possible.

Figure 13: Segmentation of funding

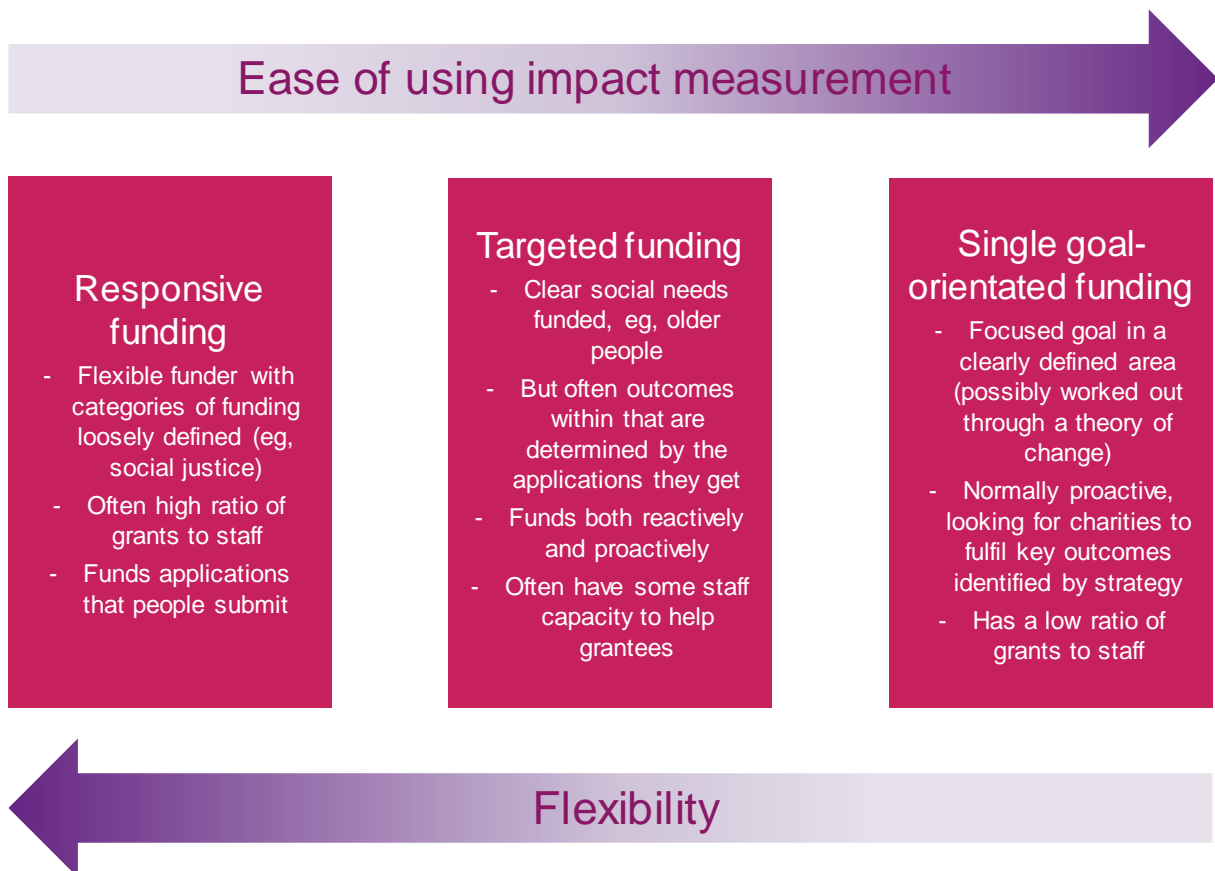


Figure 13 segments funding into three types: responsive, targeted and single goal-orientated. This typology of impact-focused funding is based on what we have seen in the interviews and the survey—each type has merits, but how each uses impact measurement varies. The three types are on a scale related to how flexible they are.

However, this flexibility naturally affects their ability to use impact measurement—if you fund widely, then it becomes harder to compare grantees as they may not be doing comparable work, so aggregation is impossible. This typology is quite broad, and there are necessary generalisations—it will not always be the case that goal-orientated funding will be easier to measure the impact of than responsive funding if the goal-orientated funding funds something that is harder to measure—for instance campaigning work. Some funders are a mix of the different types—for example, giving some goal-orientated funding and some responsive funding. The impact measurement approach should vary according to each funding stream.

Here we expand on this segmentation and how the different types could approach impact measurement. The approach described in the ‘measurement approach’ for each type is the ideal approach, rather than the approach most commonly used.

## Responsive funder or funding

Funders that provide responsive, flexible funding can support a wide range of charities. As these funders are not particularly focused on a proven intervention, they are able to fund smaller charities and innovative approaches. By using measurement, funders that aim to be responsive can make sure that they are indeed being responsive and flexible.

However, the breadth of a responsive funding approach makes it difficult to tell what difference the funder has made to the problems it is trying to tackle. What is more, unless the funder invests in a lot of capacity to look through grant reports and share the lessons learnt, it is likely that these lessons will be lost.

Without an investment in the assessment process, it may be that charities or interventions that are making only a small impact are still funded, as the funder does not have the capacity to weed them out. This means that at least some of its funding may not have any impact.

### Measurement approach

- They can use the evidence generated by others to inform what they fund.
- As they tend to be ‘grass-roots’ funders, they can help build grantee capacity, for example, referring grantees to resources around impact.
- They cannot do much about measuring the impact they have on the social issues.
- They can measure the impact of their approach, for example, through a grantee feedback survey to see what value their flexibility adds.

## Targeted funder or funding

Targeted funders can be flexible and responsive to some extent, but they also gain expertise by working in defined sectors. This gives them the ability to do more around evidence of impact in these sectors—for example, asking grantees to use standard measurement tools. Using standard tools means that results can be compared, building up an evidence base about what types of interventions work. This can be used to influence other funders.

However, many funders (across all the models) are worried about the power relationship they have with their grantees and therefore do not prescribe a certain way of measurement. But unless all grantees measure the same outcomes in the same way, it is hard to use the evidence to aggregate and really understand the impact on the social issue. Funders are able to say some things about their impact without shared measurement, but without aggregation cannot say much that is useful. Typical approaches include case studies of impact, evaluations of programme streams, and high-level aggregation of impact.

### Measurement approach

For funders that are less focused on impact:

- They can use the evidence generated by others to inform what they fund.
- They can build capacity of grantees.
- They probably do not want to be too prescriptive around measurement and therefore will allow grantees to measure things in their own way. This makes aggregation of data very difficult.

For funders that are more focused on impact:

- They can build capacity of grantees.
- They can use shared measurement approaches to aggregate results and learn about the impact on the problem and what approaches work best.
- They can use this evidence to influence others.

### Single goal-orientated funder or funding

Single goal-orientated funders normally have clear goals that they want to achieve and have ways of measuring such goals—for instance, eradication of a disease. This type of funder can do a lot around impact measurement, and should try to use its impact measurement to help others choose evidence-based work.

### Measurement approach

- They can measure both the impact of their funding on the social problem and the impact of their approach and funding on grantees.
- They can pioneer and build cutting edge measurement techniques.
- They can use evidence generated to influence others.

Although the more measurement that is done, the more the evidence base about what works is improved, we recognise that not all funders want to invest in every point—indeed, measuring some things is not appropriate for some funders. Table 1 summarises the approach that should be prioritised for different types of funding.

**Table 1: Summary of recommended impact measurement approaches by type of funding**

Funder impact measurement approach	Responsive	Targeted	Single goal-orientated
<b>Impact of funding approach</b>	Should focus on this.	Can do this.	Can do this.
<b>Impact of funding on organisations</b>	Should focus on this.	Can do this.	Can do this.
<b>Impact of funding on beneficiaries</b>	Should ensure grantees are equipped to do this, and where possible draw out lessons.	Should focus on this—ensuring that grantees are equipped and draw out lessons about interventions.	Should do this—ensuring that grantees are using the best possible methods to measure their impact.
<b>Impact of funding on social problem (aggregated impact)</b>	Should not attempt to do this, as will not be aggregating comparable outcomes.	If outcomes and measurement techniques are comparable, should try to do this. If not, then it should not be a focus.	Should focus on this—using comparable methods to further the evidence base about what works.

### *'We're on a journey to do more about impact measurement'*

Willmott Dixon is a construction, maintenance and property development business which has community engagement programs that aim to tackle social exclusion, inspire young people, and deliver community transformation. These programmes were identified because they fit well with the business—the construction and maintenance industry is well placed to provide apprenticeship schemes, work experience opportunities and mentoring etc.

*'Any successful business investment needs to be able to show a return and a community investment is no different. The big question is how to measure the impact of our community investment work on people's lives. How can you measure the difference you are making when that difference may not be apparent for years?'* Currently Willmott Dixon does not have a prescriptive approach to what evidence it asks charities to provide. *'It is more a case of using what the charity can provide'* and it sees that charities have different capacities and abilities when it comes to measuring their impact.

The company would like to be able to have financial evidence as well as qualitative measures about impact. *'That doesn't mean that the return has to be just of financial benefit, but we need to know that we are achieving the best impact we can for the resource we commit. Our Board needs to know that it is investing in the programmes that are the most effective and that the communities are getting maximum benefit.'* It is currently asking beneficiaries of the programmes for information on outputs, and is working on how to evidence outcomes—measurement of impact will be developed next year. It feels the key to doing this is *'understanding how to measure in a way which is acceptable for our partners, within an arena in which everyone understands terms differently'*. To help it get to a place where it can provide better evidence of impact it is currently sponsoring the two year research programme of one of its charities looking at measuring the impact of its work.

Willmott Dixon is keen to understand its impact primarily so it can tell its customers and its employees *'this is what we do, and this is why we do it.'*

## 14. WHAT IS NEEDED TO IMPROVE PRACTICE?

All types of funders could use evidence of impact more. However, the comments on the survey and in the interviews make it clear that funders do not find the techniques available to them that helpful—there is a call to action for the funding community to help the sector get better. In Table 2 we outline what could help funders improve the way they use evidence of impact for themselves, to help charities and to help the sector.

**Table 2: What is needed to improve practice?**

Type of funder or funding	For the funder	For charities	For the sector
<b>Responsive</b>	<p>Use the application process to ask for rigorous evidence of previous impact where possible.</p> <p>Use methods to evaluate their approaches, such as grantee feedback surveys, more widely.</p> <p>Use platforms and opportunities to learn about the evidence of interventions gathered from more evidence-based funders.</p>	<p>Build the capacity of grantees:</p> <ul style="list-style-type: none"> <li>- provide and signpost to written guidance about impact measurement; and</li> <li>- provide or pay for training.</li> </ul> <p>Provide more funding for impact measurement and ensure there is clarity about whether the costs of impact measurement will be funded.</p>	<p>Develop and use platforms and opportunities to share knowledge about evidence of interventions.</p>
<b>Targeted</b>	<p>Use the application process to ask for rigorous evidence of previous impact where possible.</p> <p>Use methods to evaluate their approaches, such as grantee feedback surveys, more widely.</p> <p>Develop and use platforms and opportunities to learn about the evidence of interventions gathered from more evidence-based funders.</p> <p>Where possible, use shared measurement approaches to evaluate different charities working in the same way to build the evidence base about interventions.</p> <p>Increase staff capacity to understand the impact information that grantees give.</p>	<p>Build the capacity of grantees (see above).</p> <p>Provide more funding for impact measurement and ensure there is clarity about whether the costs of impact measurement will be funded.</p> <p>Develop shared measurement approaches.</p> <p>Develop measurement techniques for difficult-to-measure work.</p>	<p>Develop and use platforms and opportunities to share knowledge about evidence of interventions.</p> <p>Develop shared measurement approaches.</p> <p>Share evidence of what works and what does not.</p>



Type of funder or funding	For the funder	For charities	For the sector
<b>Single goal-orientated</b>	<p>Use planning and impact measurement techniques, such as theory of change, more widely.</p> <p>Use methods to evaluate their approaches, such as grantee feedback surveys, more widely.</p>	<p>Build the capacity of grantees (see above).</p> <p>Develop cutting edge measurement techniques to improve the evidence base.</p>	<p>Develop and use platforms and opportunities to share knowledge about evidence of interventions.</p> <p>Develop shared measurement approaches.</p> <p>Share evidence of what works and what does not.</p>

Funders believe that impact measurement has benefits both for them and their grantees. However, there is still some way to go before the sector is able to generate information that is really useful. Funders can improve the sector by investing in the capacity of grantees, by helping to develop better measures where necessary, and by sharing information they have learnt. Each funder thinking about where and how they can use evidence of impact will help the sector move forward.

## APPENDIX: DATA TABLES

**Question 2: Please select the category that best describes your organisation**

Category	%	Number
Community foundation	8%	9
Corporate Community Investment/CSR Team	21%	23
Corporate foundation	13%	15
Family foundation	20%	22
Individual philanthropist	3%	3
Other	6%	7
Other charitable foundation	29%	33

N=112

**Question 3: How many employees does your organisation have?**

Category	%	Number
0	5%	6
1	7%	8
2 to 5	25%	28
6 to 10	18%	20
11 to 20	15%	17
21 to 50	12%	13
51 or more	19%	21

N=113

**Question 4: Approximately how many grants did you distribute in your last full funding year?**

Category	%	Number
20 or below	17%	19
21 to 50	8%	9
51 to 100	13%	15
101 to 500	35%	39
501 to 1000	8%	9
1001 to 5000	13%	15
Above 5000	5%	6

N=112

**Question 5: Approximately how much funding in total (in £) did you distribute in your last full funding year?**

Income	%	Number
£50,000 or below	5%	5
£50,001 to £100,000	0%	0
£100,001 to £500,000	15%	17
£500,001 to £1,000,000	13%	14
£1,000,001 to £5,000,000	26%	29
£5,000,001 to £10,000,000	15%	17
£10,000,001 or above	24%	27
n/a	2%	2

N=111

**Question 6: Which is the main geographic area in which your organisation carries out its activities?**

Geographic area	%	Number
Internationally	23%	25
Across the UK or nationally	56%	60
Defined area within the UK	21%	23

N=108

**Question 7: How important is evidence of impact in your decision to award funding to an applicant?**

Importance	%	Number	Corporate
Not at all	1%	1	0%
Not very	5%	5	6%
Neutral	8%	8	3%
Somewhat	51%	54	36%
Extremely	36%	38	56%

N=106 / 36 (corporate)

**Question 8: During or after a grant, what evidence of impact (if any) do you collect from grantees?**

Evidence collected from grantees	%	Number	Corporate
Recorded outputs	78%	83	83%
Recorded outcomes	79%	84	67%
None	7%	8	11%
Other	21%	22	14%

N=107 / 36 (corporate)

**Question 9: If grantees are required to report on outcomes from their funding, who determines the outcomes to be measured?**

Who determines outcomes	%	Number	Corporate
My organisation	11%	11	10%
The grantee	26%	25	10%
Outcomes are developed collaboratively	52%	50	74%
We do not require outcomes to be reported by our grantees	1%	1	0%
Other	9%	9	6%

N=96 / 31 (corporate)

**Question 10: How (if at all) do you support grantees to measure their impact?**

Support measures	%	Number	Corporate
Built-in dedicated funding for grantee time on monitoring and evaluation	28%	27	26%
Built-in dedicated funding for grantees to commission external monitoring and evaluation	24%	23	19%
Help develop shared measurement approaches for grantees working in the same areas	23%	22	32%
Provide written resources	26%	25	23%
Provide one-to-one support	33%	32	29%
Deliver training or pay for grantees to attend training	23%	22	10%
Signpost resources provided by other organisations	29%	28	16%
We don't provide support to grantees to measure their impact	29%	28	19%
Other, please specify	26%	25	29%

N=96 / 31 (corporate)

**Question 11: What proportion of your total funding do you provide for grantees to monitor and evaluate the impact of their work?**

Proportion of funding for M&E	%	Number	Corporate
None	25%	24	32%
Less than 1%	13%	12	6%
1%-3%	7%	7	6%
4%-6%	9%	9	6%
7%-10%	6%	6	13%
11%-15%	5%	5	3%
16% or more	0%	0	0%
Don't know or can't say	34%	33	32%

N=96 / 31 (corporate)

**Question 12: How important is evidence of impact in your decision to renew or expand funding for a grantee?**

Importance	%	Number	Corporate
Not at all	0%	0	0%
Not very	3%	3	3%
Neutral	7%	7	10%
Somewhat	38%	36	23%
Extremely	51%	48	63%

N=94 / 30 (corporate)

**Question 13: How have you used evidence of impact from grant applicants/grantees in the past year?**

Use of evidence	%	Number	Corporate
Short-list grant applicants	44%	42	32%
Make a final selection between grant applicants	38%	36	32%
Decide whether to provide non-financial assistance to grant holders	27%	26	26%
Decide whether to renew or expand funding	73%	70	68%
Decide to cancel funding	28%	27	39%
Report to board	68%	65	74%
Communicate impact to key audiences/stakeholders	66%	63	84%
Compile programme-wide results or evaluate a funding programme	42%	40	45%
Inform strategy, eg set or review objectives	59%	57	61%
Influence other funders	29%	28	23%
Inform public debate	33%	32	19%
Other, please specify	8%	8	13%

N=96 / 31 (corporate)

**Question 14: What challenges or barriers do you face to understanding the impact of your grantees?**

Please select all that apply.

Challenges or barriers	%	Number	Corporate
Lack of resources/funding for grantees to measure impact	45%	45	57%
Grantees not providing the necessary information	47%	47	46%
Grantees not having the necessary capacity/skills	65%	64	60%
Grantees not knowing what to measure (eg, deciding on the right outcomes)	63%	62	54%
Grantees not knowing how to measure (eg, knowing what tools or indicators to use)	67%	66	63%
Lacking the necessary capacity/skills ourselves to understand the information grantees give us	16%	16	17%
Not having trustees who see it as a priority	11%	11	6%
Not having senior management who see it as a priority	8%	8	6%
Other, please specify	19%	19	14%

N=99 / 35 (corporate)

**Question 15: Has your organisation's focus on evidence of impact from applicants and grantees changed over the past five years?**

Focus on impact from applicants and grantees	%	Number	Corporate
Yes, it has increased	73%	74	83%
Yes, it has decreased	2%	2	0%
No, it has remained the same	22%	22	14%
Don't know/Not applicable	3%	3	3%

N=101 / 35 (corporate)

**Question 16: How important is it for you to measure your overall impact as a funder?**

Importance of measuring funder impact	%	Number	Corporate
Not at all	1%	1	0%
Not very	9%	9	0%
Neutral	3%	3	3%
Somewhat	37%	37	40%
Extremely	50%	51	57%

N=101 / 35 (corporate)

**Question 17: How would you describe your organisation's current approach to measuring the impact of its funding?**

Current approach	%	Number	Corporate
We measure the impact of nearly all of our funding	45%	42	39%
We measure the impact of about half of our funding	13%	12	21%
We measure the impact of a small proportion of our funding	20%	19	33%
We do not measure the impact of our funding because we do not have the resources	5%	5	0%
We do not measure the impact of our funding because we are not sure how to	5%	5	6%
We do not measure the impact of our funding because it is not a priority	11%	10	0%
Don't know	1%	1	0%

N=94 / 35 (corporate)

**Question 18: What questions do you try to answer when measuring the impact of your funding?**

Questions	%	Number	Corporate
The difference our funding has made to the organisations we fund	61%	51	55%
The difference our funding has made to the people helped by the organisations we fund	84%	70	91%
The difference our approach as a funder has made	40%	33	18%
Don't know	0%	0	0%
We do not measure the impact of our funding	1%	1	3%
Other (please specify)	16%	13	9%

N=83 / 33 (corporate)

**Question 19: Do you try to aggregate impact across all of your grants?**

Aggregation	%	Number	Corporate
Yes, across all of my organisation's funding	30%	24	21%
Yes, within each of my programmes/grant types	12%	10	9%
Yes, but only for some programme, grant types	28%	23	42%
No, but we would like to	15%	12	15%
No	15%	12	12%

N=81 / 33 (corporate)

**Question 20: What challenges or barriers do you face to measuring impact?**

Challenges	%	Number	Corporate
Lack of resources/funding to measure your impact	42%	32	48%
Not having a board that see it as a priority	4%	3	3%
Not having senior management who see it as a priority	8%	6	10%
Impact measurement not linked to overall funding strategy	25%	19	26%
Not having staff who believe in the importance of impact measurement	12%	9	19%
Not having the right skills and expertise to measure impact	21%	16	26%
Not knowing what to measure (eg, deciding on the right outcomes)	25%	19	26%
Not knowing how to measure (eg, knowing what tools or indicators to use)	28%	21	26%
Not knowing how to analyse the data	20%	15	23%
Not knowing how to communicate your results	5%	4	10%
Other, please specify	12%	9	16%
Breadth and diversity of grants too high	8%	6	3%
Not able to aggregate impact consistently	9%	7	10%
Impact measurement of campaigning and advocacy too difficult	5%	4	3%
Quality of data collected from grantees too weak	7%	5	10%

N=76 / 31 (corporate)

**Question 21: Who does your organisation communicate the results of your impact measurement to?**

Benefits	%	Number	Corporate
To management	73%	60	85%
To the board	87%	71	79%
To employees	70%	57	73%
To grantees	41%	34	39%
To other funders	41%	34	18%
To the public	51%	42	55%
To the wider sector in your issue area (eg, education, animals, disability)	32%	26	18%
To the media (newspapers, television, radio, etc)	33%	27	24%
We do not communicate our impact	2%	2	6%
Other, please specify	21%	17	18%

N=82 / 33 (corporate)

**Question 22: What evidence of your impact have you communicated in the past?**

Evidence types	%	Number	Corporate
Anecdotes or case studies from grantees	89%	73	91%
Total number of beneficiaries reached by funded projects	70%	57	79%
Outcomes for beneficiaries of individual grantees	63%	52	61%
Aggregated outcomes for beneficiaries across programme areas or multiple grantees	38%	31	30%
Economic analysis/Social Return on Investment (SROI)	18%	15	9%
We do not communicate the results of our impact monitoring	2%	2	3%
We do not measure our impact	1%	1	3%
Other, please specify	9%	7	9%

N=82 / 33 (corporate)

**Question 23: Has your organisation's focus on measuring its overall impact as a funder changed over the past five years?**

Focus on funder impact	%	Number	Corporate
Yes, it has increased	75%	61	82%
Yes, it has decreased	0%	0	0%
No, it has remained the same	20%	16	15%
Don't know/Not applicable	5%	4	3%

N=81 / 33 (corporate)

**Question 24: What were the main reasons for your organisation increasing its focus on measuring impact?**

Reasons for increasing focus	%	Number	Corporate
Improve understanding of the difference funding is making to the issues we are trying to address	77%	61	86%
Help us learn from what we do	63%	50	62%
Help us learn from what our grantees do	44%	35	34%
Ensure that we are making the most of our resources	77%	61	86%
Assess the value of corporate giving to the company	28%	22	62%
Impact measurement prioritised by the company/board	28%	22	31%
Collaboration with/influence of other funders	20%	16	17%
Wanted to keep up with best practice	34%	27	34%
Better communicate the impact of funding to stakeholders	51%	40	55%
N/A	5%	4	0%
Other, please specify	14%	11	3%

N=79 / 24 (Corporate)

**Question 25: Do you plan to increase your impact measurement activity in the next three years?**

Response	%	Number	Corporate
Yes, for grantees	9%	9	9%
Yes, for ourselves	10%	10	6%
Yes, for both ourselves and grantees	63%	63	77%
No	11%	11	9%
Don't know	7%	7	0%

N=100 / 35 (Corporate)

**Question 26: Please state how much you agree or disagree with the following statements**

Statement	Strongly agree (%)	Agree (%)	Neither agree or disagree (%)	Disagree (%)	Strongly disagree (%)
Measuring impact makes charities more effective	42%	47%	10%	2%	0%
Measuring impact makes funders more effective	46%	44%	7%	4%	0%
Impact measurement takes away from resources that would be better spent elsewhere	1%	3%	31%	41%	24%
You don't need impact measurement to know that a charity's approach is working	0%	11%	16%	50%	22%
Funders should provide funding for impact measurement	14%	43%	35%	4%	3%
There is too much pressure for charities to measure their results	2%	22%	24%	42%	10%
Charities should be encouraged to report failures or negative results	48%	44%	4%	3%	1%
Funders should be encouraged to report the impact of their funding	41%	38%	12%	8%	1%
Impact measurement helps charities and funders work better together	39%	42%	17%	1%	1%

N=101

**Question 26: Please state how much you agree or disagree with the following statements (Corporates)**

Statement	Strongly agree (%)	Agree (%)	Neither agree or disagree (%)	Disagree (%)	Strongly disagree (%)
Measuring impact makes charities more effective	49%	40%	9%	3%	0%
Measuring impact makes funders more effective	54%	46%	0%	0%	0%
Impact measurement takes away from resources that would be better spent elsewhere	0%	3%	26%	46%	26%
You don't need impact measurement to know that a charity's approach is working	0%	11%	9%	49%	31%
Funders should provide funding for impact measurement	20%	37%	37%	6%	0%
There is too much pressure for charities to measure their results	3%	14%	23%	49%	11%
Charities should be encouraged to report failures or negative results	54%	37%	6%	3%	0%
Funders should be encouraged to report the impact of their funding	54%	37%	3%	6%	0%
Impact measurement helps charities and funders work better together	60%	34%	6%	0%	0%

N=35



**Question 27: Please state how much you agree or disagree with the following statements**

Statement	Strongly agree (%)	Agree (%)	Neither agree or disagree (%)	Disagree (%)	Strongly disagree (%)
By measuring their impact, funders can understand the difference they make	46%	42%	9%	2%	1%
Measuring their impact can help funders learn from what they do	50%	43%	6%	0%	1%
By measuring their impact funders can ensure they make the most of their resources	44%	47%	6%	2%	1%
Impact measurement can lead to improvements in decision making and performance	42%	49%	8%	1%	0%
You don't need impact measurement to know that a funder's approach is working	1%	9%	19%	50%	21%
For funders to measure their impact, they first need to understand the difference that they are trying to make	45%	46%	4%	4%	0%
Impact measurement can help funders identify and report on their contribution to public benefit	37%	49%	12%	0%	1%

N=100

**Question 27: Please state how much you agree or disagree with the following statements (Corporates)**

Statement	Strongly agree (%)	Agree (%)	Neither agree or disagree (%)	Disagree (%)	Strongly disagree (%)
By measuring their impact, funders can understand the difference they make	63%	34%	3%	0%	0%
Measuring their impact can help funders learn from what they do	57%	43%	0%	0%	0%
By measuring their impact funders can ensure they make the most of their resources	57%	37%	6%	0%	0%
Impact measurement can lead to improvements in decision making and performance	54%	43%	0%	3%	0%
You don't need impact measurement to know that a funder's approach is working	0%	3%	11%	63%	23%
For funders to measure their impact, they first need to understand the difference that they are trying to make	50%	44%	3%	3%	0%
Impact measurement can help funders identify and report on their contribution to public benefit	56%	32%	12%	0%	0%

N=35

**Question 28: What would you find most useful in improving your impact measurement practices?**

Category	%	Number	Corporate
Training and guidance in how to develop measurement tools	36%	35	47%
Training and guidance in how to analyse data	27%	26	29%
Spending more of our budget on impact measurement	26%	25	21%
Help and advice from experts to develop our approach	30%	29	32%
Help and support from experts to support grant holders to develop their approach	28%	27	38%
Shared measurement approaches for grantees	38%	36	50%
Shared measurement approaches for funders	41%	39	44%
Off-the-shelf tools to measure particular outcomes	29%	28	29%
Discussions with grant holders about how they want to measure impact	33%	32	26%
Discussions with other funders about how they approach impact measurement	51%	49	35%
Other, please specify	7%	7	12%

N=96 / 34 (corporate)

**Question 29: Which of the following influence your approach to impact measurement?**

Category	%	Number	Corporate
Board	68%	67	60%
Management team	66%	65	77%
Staff	47%	47	40%
Public	9%	9	14%
Other funders	27%	27	11%
Government	14%	14	17%
Sector initiatives	23%	23	29%
Other (please specify)	13%	13	14%

N=99 / 35 (corporate)

## ABOUT THE AUTHORS

### Angela Kail

Angela led on this *Funder Impact* research and is the acting Head of Funder Effectiveness at NPC. She has worked with a broad range of charity and funder clients and has conducted research around a diverse range of issues. She has also co-authored several NPC reports, including research into charities tackling violence against women and the role of community organisations.

Angela's particular expertise lies in helping charities and funders to develop their theory of change, which is often the starting point for refining strategy and developing a framework for impact measurement. She has also worked on several evaluations of funding programmes, for both government and grant-making trusts and foundations. Recently Angela worked on an measurement framework for Business in the Community and her work for funders also includes a needs review of Westminster for Grosvenor.

Angela began her career as an investment analyst at Baillie Gifford.

### Alex Van Vliet

Alex is a consultant in NPC's Measurement & Evaluation team, helping charities and funders to understand, measure and communicate their impact. Alex joined NPC in January 2013 and focuses on data collection, quantitative analysis and the design of measurement frameworks. He is currently working on a project for the National Offender Management Service to find new ways of measuring the short term impact of interventions and services intended to reduce reoffending.

Prior to joining NPC, Alex spent four and half years at the charity Stonewall and led the Workplace Equality Index there—a major annual audit of over 350 employers' policies and initiatives to promote positive working environments for their lesbian, gay and bisexual staff. Before this, he worked as a Research Executive at Ipsos MORI's Social Research Institute, undertaking research projects for a wide range of public and third sector clients and specialising in criminal justice and regeneration.

### Lena Baumgartner

Lena is Assistant Director of Research and Consulting at NPC and provides strategic consulting advice on effective charitable giving. She has delivered and managed consulting projects for foundations, businesses, private client advisors, individuals and families. Lena's particular expertise lies in advising individuals and families on their domestic and international giving, and she manages the giving of the Stone Family Foundation on an ongoing basis.

Lena runs impact workshops for donors as well as NPC's public and in-house training providing an introduction to philanthropy for private wealth advisors. Her experience of working with foundations and businesses includes strategy development, employee engagement and reviewing of funding practices.

Lena has worked at NPC since 2007 and prior to joining was an analyst for a strategic risk consultancy.

Read more about the authors at [www.thinknpc.org/about-npc/our-staff/](http://www.thinknpc.org/about-npc/our-staff/)

## TRANSFORMING THE CHARITY SECTOR

NPC (New Philanthropy Capital) occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

**Increasing the impact of charities:** NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

**Increasing the impact of funders:** We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

**Strengthening the partnership between charities and funders:** Our mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact.

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