

Learning from our grants

Insight Report 1

May 2017

In 2016 Esmée Fairbairn Foundation, together with the Blgrave Trust, surveyed UK charities on whether funders were fit for the 21st Century. From the (anonymised) responses, it's clear that many charities feel that funders are getting it wrong on learning.

Executive Summary

We have written this report for the organisations we fund. We have made a lot of changes over the last two years towards a goal of shared learning and we want the people we fund to see what we are learning from what they tell us, and how we are starting to make changes as a result. We hope it's useful to other funders as well.

“Delivering projects to vulnerable, at risk and sometimes challenging clients is not easy and what was originally envisaged does not always transpire... I think there needs to be a shift in emphasis among funders from compliance to learning – shared learning.”

What we have learned and changed so far:

Our flexible and hands-off approach is not what some organisations need or expect. We need to make it clearer to those we fund what kind of funder we are, and what we are not - many grantees want us to be more active on their behalf, and we sometimes failed to set expectations at the beginning of our funding. This is something we need to work on.

We have agreed not to make one year grants unless specifically requested by the applicant. We had been giving one year grants to “get to know” organisations who are new to us, then sometimes following up with a longer grant after a year. This prioritised our own learning over applicants’ work, left them holding all the risk, and less able to recruit or retain staff.

What our new approach to learning has meant:

We now have a map of our funding, and are starting to build evidence to back up things we suspected, but had no evidence for. In time we hope it will tell us things we don’t already know, or challenge our assumptions.

We have the framework and data to compare the performance of grants of different sizes and issues across a wide-ranging portfolio.

We have created a space for our Funding Team to reflect, learn and make changes as a team. Grants Managers’ observations of the grantees, themselves and Esmée have been wise and honest. During the team conversations, they have willingly opened themselves up to criticism in the spirit of improvement.

We are more able to acknowledge failure and learn from it.

We still need to work on:

Sharing what we’ve learned with others – this report is a first step but there is a lot more we could do.

Recognising the challenge of creating a space for learning in a relationship where we hold most power – can conversations with a funder ever be free from fundraising pressure?

Giving organisations the support they need during the grant, without the benefit of hindsight.

What kind of funder is Esmée Fairbairn Foundation?

Esmée is a funder with a broad mission to improve the quality of life for people and communities in the UK. We give away about £37m in 300 grants a year to organisations working in five sectors: the arts; children and young people; environment; sustainable food; and social change. We also make up to £35 million in social investments in organisations which can deliver both a financial return and a social benefit.

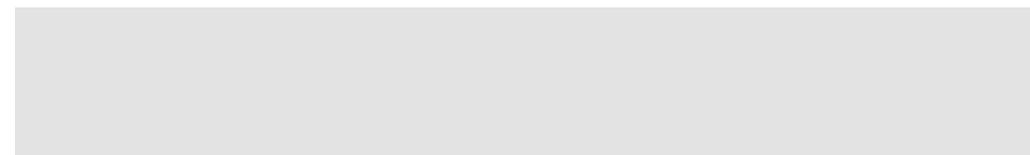
Most of our grants support organisations' core running costs (65%) and we aim to give long-term, flexible funding. We are not a directive funder. We have faith in the ideas and ability of people in our sectors, and try to give organisations the space and time to adapt to new challenges.

We have over 900 active grants, and Grant Managers look after about 86 ongoing grants each, as well as making 30 new grants a year. We try to get out of our London office as often as we can, but the reality is that we do not meet most applicants, nor many of those we fund.

What is our attitude to learning?

In 2015, as part of a five-year strategy, we set out a new approach to impact and learning: **to focus as much on learning from our funding as we do on allocating it.** This approach is not about measuring the impact of our funding. Instead we want to use evidence from our funding to learn from our own successes and failures, and to use that learning to make changes, so that we can support the organisations we fund to be stronger and more effective.

We have put a lot of work into this over the past two years. We wanted to build an approach to learning that is practical, proportionate, and – above all – useful. The aim is for it to inform our everyday work, as well as to build an evidence base for strategy review.



We used a “What? So What? Now What?” reflective model to plan and report on what we learn. This means we:

- Monitor our funding against agreed outcomes and assess the effectiveness of our support to those we fund (What?)

- Use this information to review and question our relevance and performance as a funder and to determine what works (So What?)

- Collect and aggregate the evidence to review performance trends, refine our strategic priorities and to improve what we do (Now What?)

We give away about

£37m

in grants to

300

organisations

Introduction

We made five main changes to the way we work:

1 A uniform approach to data

We can now find and report on what we fund by beneficiary, issue or location; identify patterns and gaps; and share our data externally through 360Giving (<http://www.threesixtygiving.org/>)

2 Shorter progress reports

We now ask for a simple, four-page report summarising progress and learning every year from each organisation we fund. We follow this up with questions or conversations. We don't want anyone we fund to collect data just for us, that isn't useful to them.

3 End of grant learning conversations

Grants Managers hold a “learning conversation” with each grantee at the end of the grant so that we can both feedback on what worked well, and what didn't, about our funding and its impact.

We keep the learning conversation separate to the application process for continued funding. This might mean we delay the conversation until a decision (positive or negative) has been made on a further grant.

4 Judging performance

Following the learning conversation, we use a four point scale – Excellent, Good, Improvement Needed, or Poor¹ – to rate how effective each grant was according to:

- Esmée's own performance – were we the right funder for the organisation? Could we have given more support, or acted differently?
-

- Outcomes – did grantees achieve what they planned to with our money?
- Organisation – how effective is the grantee organisation?

We summarise what can be learned or changed as a result of the grant (by us, the grantee, or the wider sector) in a “So what can we learn?” box on our salesforce CRM system.

We use these ratings to spot patterns in performance. As we collect more data we will analyse the variations in outcomes performance by our funding sectors and priorities, as well as beneficiary group, geographic region or type of work, in order to see if there are any strong indicators or trends that we or others can learn from, and feed this into our strategy and manage our risks.

We will not share individual “effectiveness judgements”, or ratings, externally without permission from grantees. Internally, we will always consider them in combination with the “so what can we learn” information. Individual ratings tell very little of the story in isolation. A grant may have missed most of its outcomes because of funding cuts or policy change, or because we gave the wrong package of support; the organisation could still be strong, and we would fund it again.

5 Sharing learning and making changes

We discuss the effectiveness of all grants which have recently come to an end every month at Funding team meetings. We base discussion on a report with effectiveness judgements, and “So what can we learn?” text.

We do not go through every grant in order. We ask provocative questions based on issues raised in the report or patterns spotted in judgements or learning information: What can we change as a result of what we've learned, to the way we fund, to our funding strategy, or to how we communicate?

Some changes can be made right there in the meeting, but other things are harder to resolve. We report tricky issues to the Senior Management Team and Trustees, and we keep a list of recurring problems which we hope to find ways to solve in future.

¹ See appendix 1 for a guide to making these judgements

What changes did we make?

Extract from Funding Team learning report

<i>Organisation Name</i>	<i>Awarded amount</i>	<i>Effectiveness of Esmée</i>	<i>Effectiveness of Organisation</i>	<i>Effectiveness of outcomes</i>	<i>So what can we learn?</i>
Streetwise Young People's Project	£29,725	Improvement Needed	Excellent	Excellent	This grant is the second of two. They originally came in for two years and we agreed one year and asked them to report and come back for the second year. We should have funded two years from the outset. It takes time and energy to get a new project up and running and person in post. One year is not long enough. Plus without that security it made valuable staff nervous and start looking for alternative employment which had an impact on the work. There was also some interesting learning about working with other charities whose staff were creating barriers for their beneficiaries. This work has no doubt improved the way they are working as well as highlighting additional training needs for them.
10:10	£110,000	Good	Excellent	Improvement needed	The grant was on course to be a real success story. However, the impact of significant policy changes and cuts to subsidies for the community energy/ renewable energy sector in 2015 impacted on 10:10 fulfilling its original aims for the project. Offering flexibility coupled with the organisation being fleet of foot enabled some good achievements despite this. In hindsight, 10:10 could have done more scenario planning and put policy risk higher in its work programme, a point the charity has since reflected in its project planning procedure. It is not news to us that Esmée is one of the major funders of community energy, but our role as a key funder in the sector was referenced by three organisations during recent end of grant conversations. Feedback for EFF: given Esmée's portfolio, it would be good if we could bring organisations together on key topics or for horizon looking. This would have been useful in the early months of the renewable policy announcements.

What changes did we make?

Continued

1

Outcomes

what we learned from what was achieved, or not, with our money

Why outcomes?

We ask applicants to identify up to three "key outcomes" they think they can achieve as a result of the work that we fund. We think this helps:

- Organisations to plan and explain their work;
- Esmée to understand what we are funding; and
- Us both to monitor progress of the work.

We use outcomes as a 'baseline' record of what the grantee plans to achieve with our funding, against which progress and change can be reported each year. At the end of the grant we assess how much what was planned before the work was started was achieved at the end.

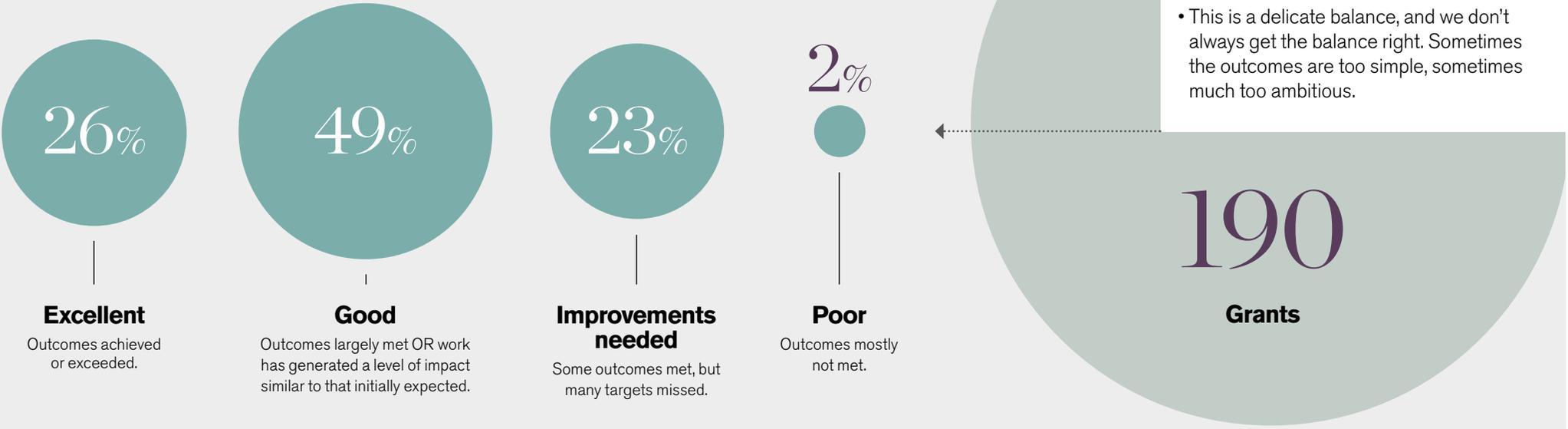
Crucially, when making a judgement about whether initial outcomes have been achieved, we consider evidence of the total impact of the grant to date. The initial outcomes may not have been met but the work could have generated a level of impact similar to that initially planned.

The problems with outcomes:

- As majority of our grants are for core or unrestricted costs, and we are likely to be one of many funders, the outcomes of the work can never be directly attributable to our grant.
- If an organisation is learning from their work, it's likely that their outcomes will change over the course of a grant.
- We set outcomes jointly with applicants: we don't want to change the way the work is delivered, but often we think it's helpful to change the way goals are expressed.
- This is a delicate balance, and we don't always get the balance right. Sometimes the outcomes are too simple, sometimes much too ambitious.

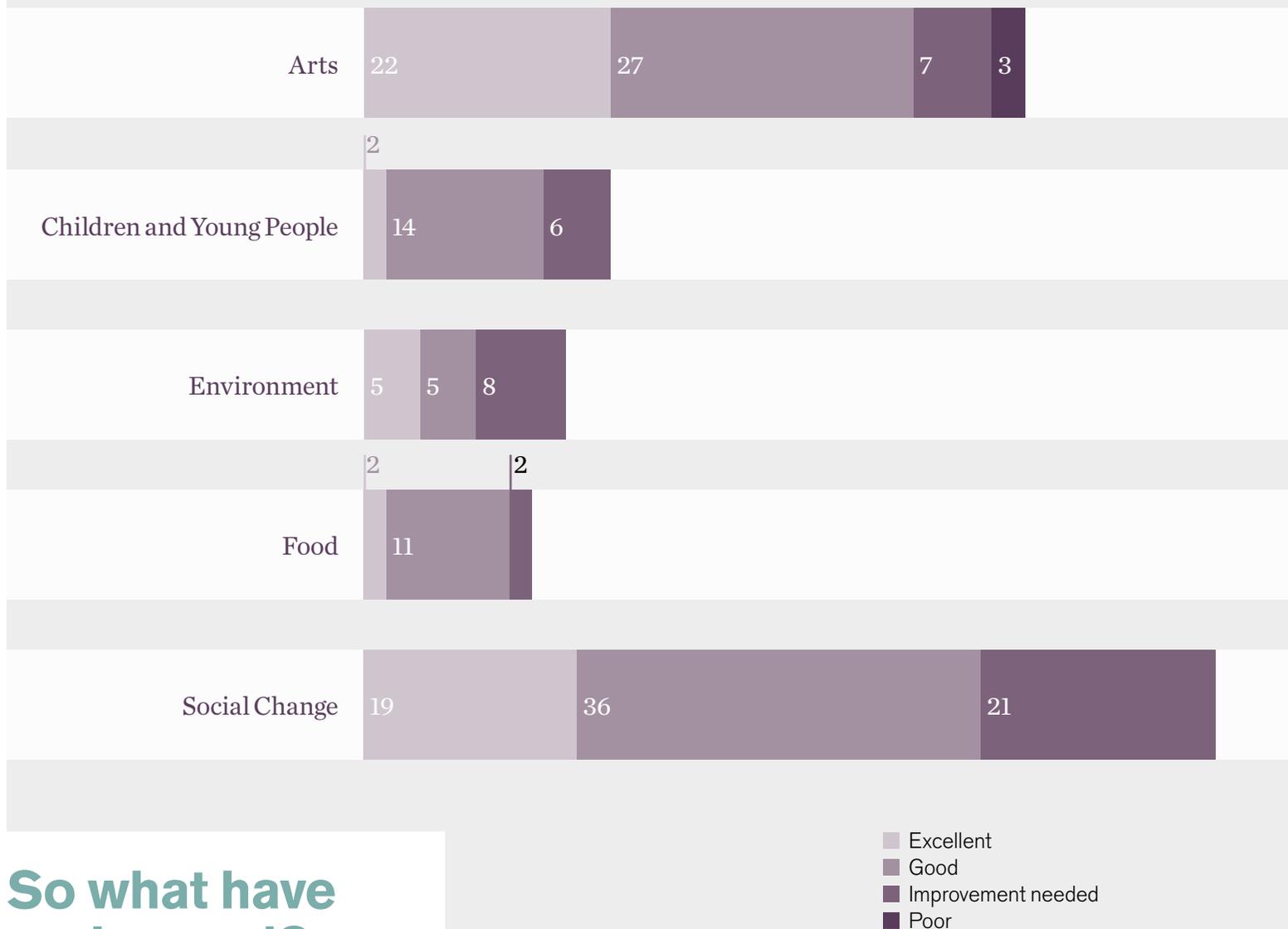
How are our grants performing against outcomes?

Grant performance out of 190 grants:



So what have we learned?

Outcomes performance rated by sector



There are differences in how grants perform by sector, by grant size and by geography.

- Grants of £60,000 and under were less likely to meet their outcomes (34% poor or improvement needed, against a portfolio average of 25%).
- We found no significant difference in the performance of grants for core running costs of organisations vs restricted grants for project costs.
- We did analyse the data by beneficiary, but as we track 25 different beneficiary groups (from people with Artists to Young People) there are as yet only a few grants in each category, so nothing we feel able to share at the moment.

Question:

How much data or learning is 'enough' to share with others in a responsible way? If we wait for more data, will it become irrelevant?

So what have we learned?

Continued

It's Not Grim up North

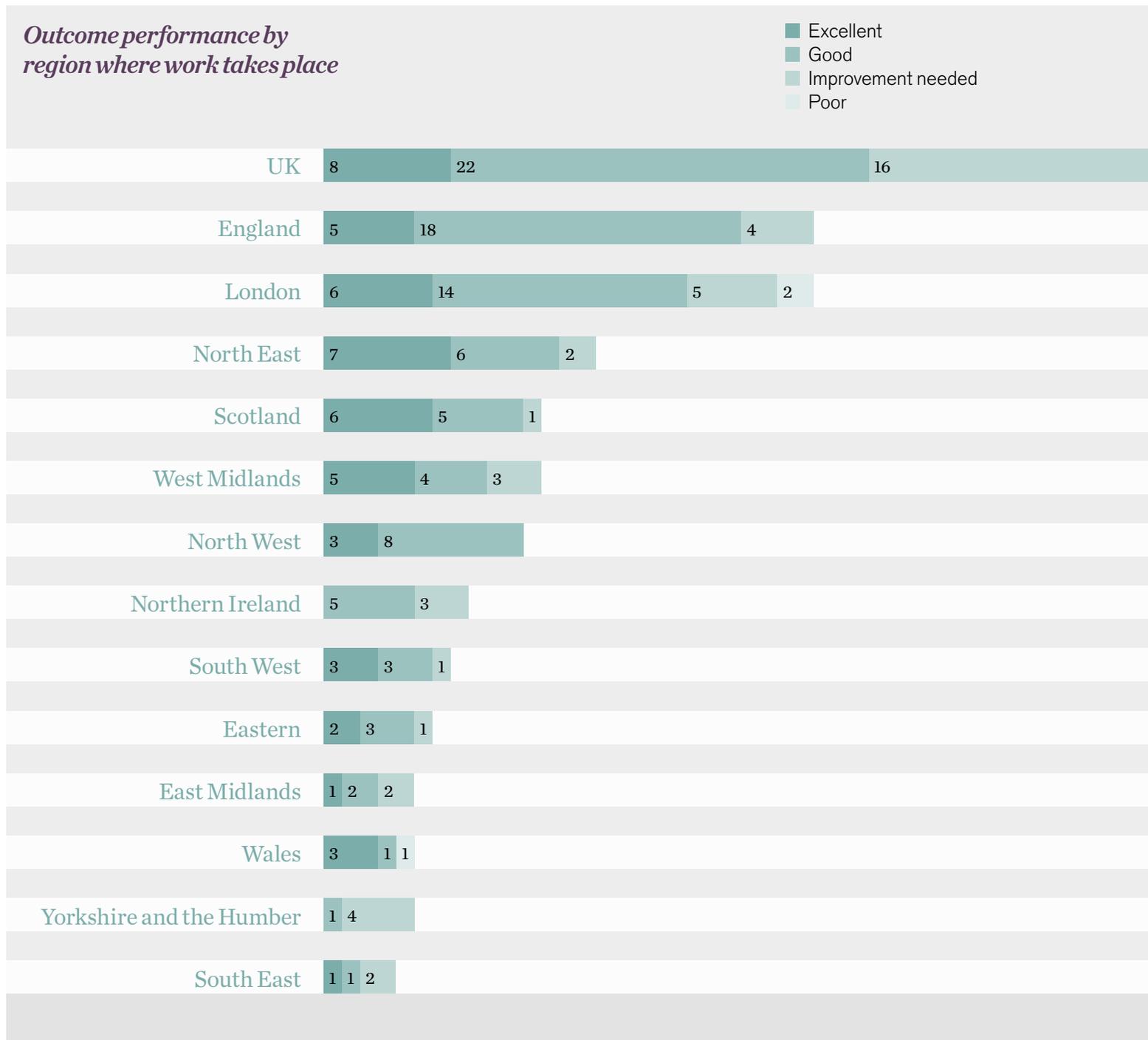
Grants in Scotland, the North East and the North West significantly out-performed the average grant on outcomes, with 92% meeting their outcomes (good or excellent).

- Northern grantees, however, feel they are missing out. Feedback from our learning conversations with organisations in the North East and North West particularly, tells us that they want access to London funders' networks and contacts.
- They often feel they cannot make the most of the social capital involved in having a relationship with Esmée, e.g. brokering relationships with London based trusts and London funding world. They also think that London-based trusts don't have enough knowledge of their world.

So what have we learned?

Continued

Outcome performance by region where work takes place



2

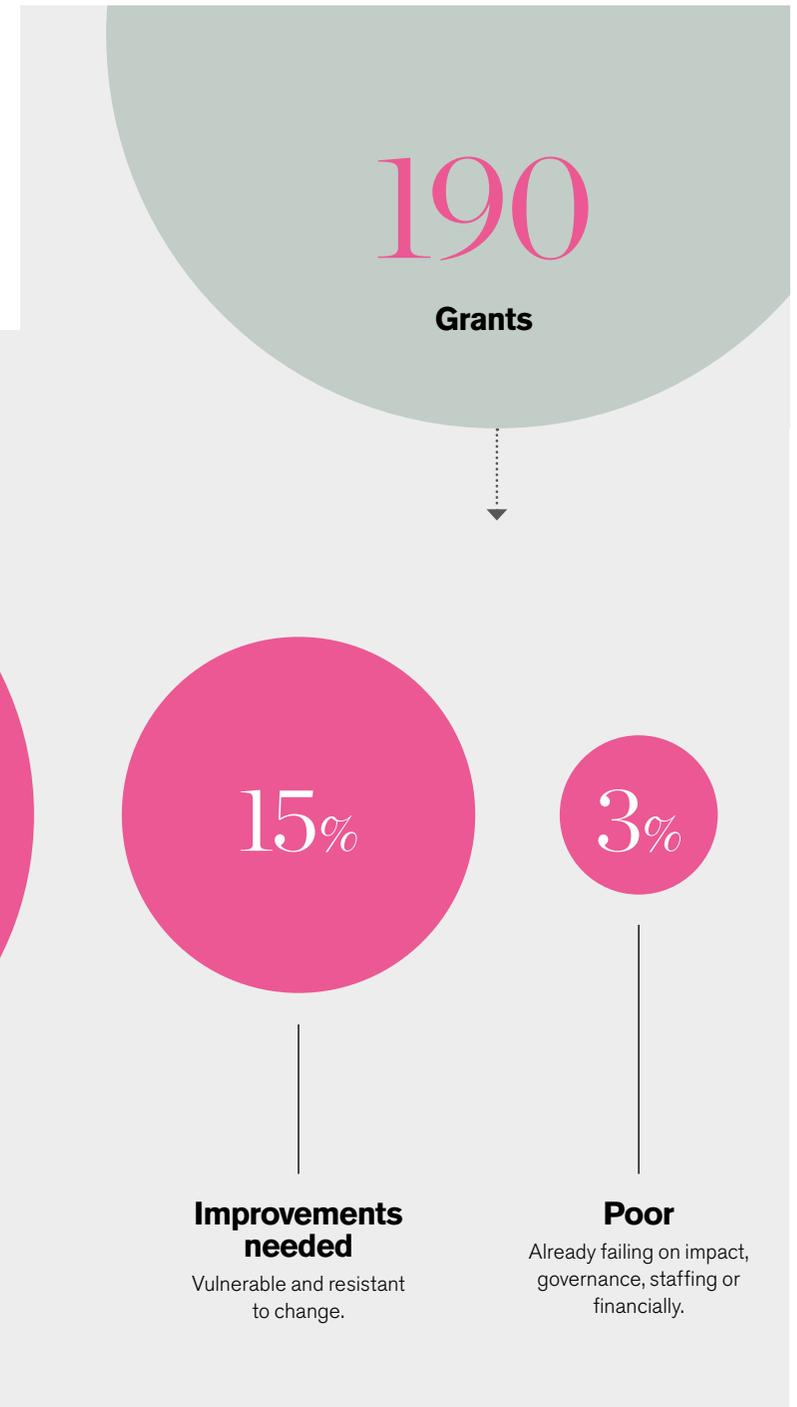
Organisational performance

how effective are the organisations we fund?

When making judgements about organisational strength, we consider organisations as a whole, not just in terms of our grant, and take into account their operating context. We will bear previous grants in mind when considering future applications, but we always take into account changed circumstances or improvements organisations might make over time.

How do we rate organisations?

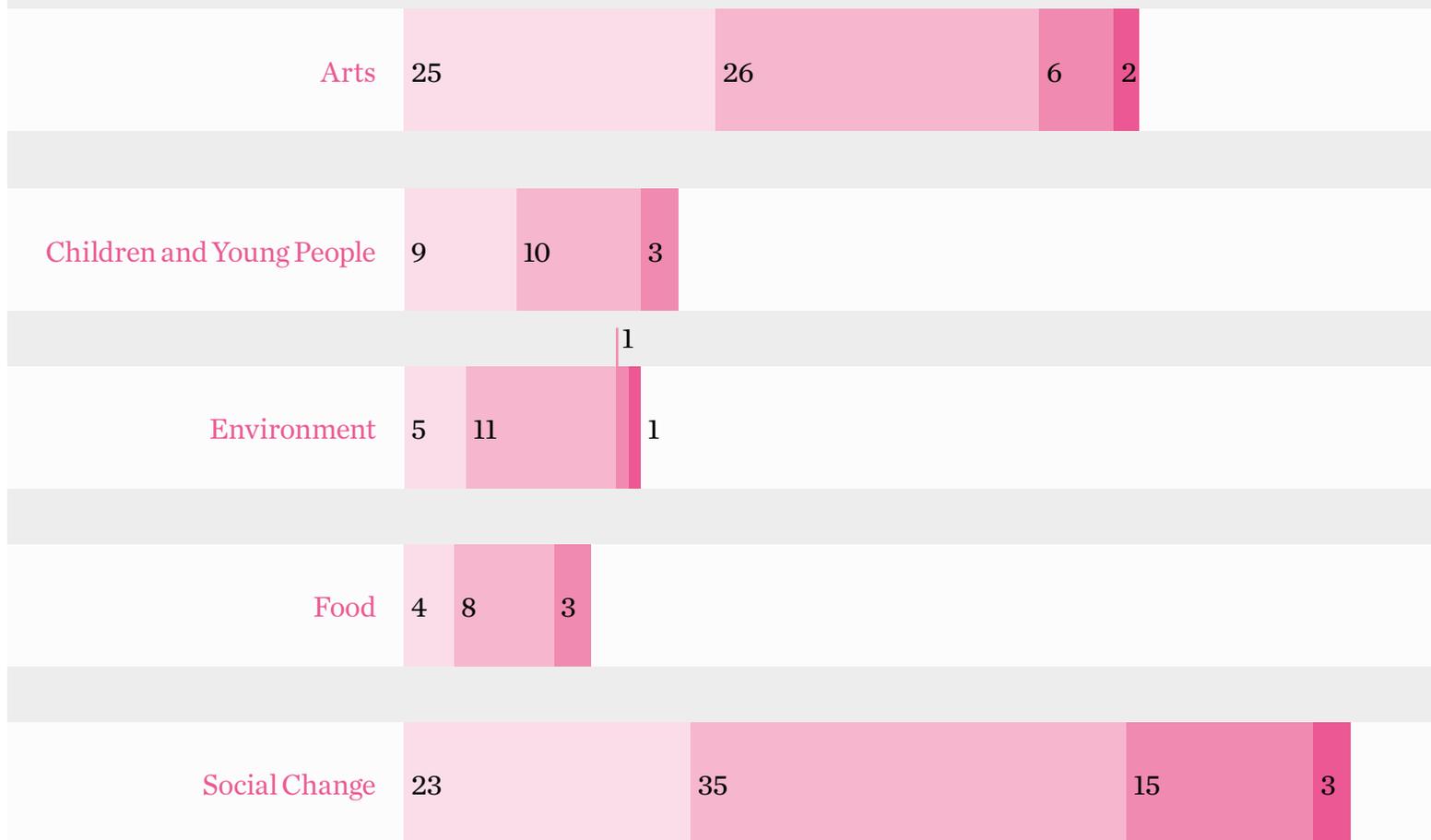
Grant performance out of 190 grants:



So what have we learned?

Continued

Organisation performance



Unsurprisingly, our grantee organisations are mostly performing well, even in difficult circumstances. From the 3,000 applications we receive each year, we are lucky to be able to choose the very best organisations to fund. Our application assessment process is demanding, and if we see an organisation is struggling we are less likely to give them a grant.

Organisations are rated as excellent most often in the Arts. This may be because one of our priorities expressly supports “organisations at a pivotal point”, reflecting not just why we chose those organisations, but also the effect and timing of our funding.

Question:

Can we track the effect of our grants on organisational strength? What could we do differently if we could, and how would that help organisations?

So what have we learned?
Continued

- Excellent
- Good
- Improvement needed
- Poor

3

Esmée's own performance

how effective are we?

Two misconceptions:

Before we started holding end of grant "learning conversations" with those we fund, the team worried that Grants Managers making judgements about our own performance as a funder would be "marking our own homework", and might make our judgements too subjective to be useful.

In reality this has been the most useful part of our new approach to learning, because it is based on open and honest feedback from grantees. As a funder, we thought it would be hard to get grantees to tell us anything negative, but the opposite has proven to be true. Organisations are happy to give funders honest feedback, but they need to be asked.

How do we rate Esmée's performance?

Grant performance out of 190 grants:



Excellent

We got it right – the funding and support we provided was as good as it could have been.



Good

Our support was satisfactory – though with hindsight we may have done some things differently.



Improvement needed

Our funding and support have not allowed the grantee to thrive.



Poor

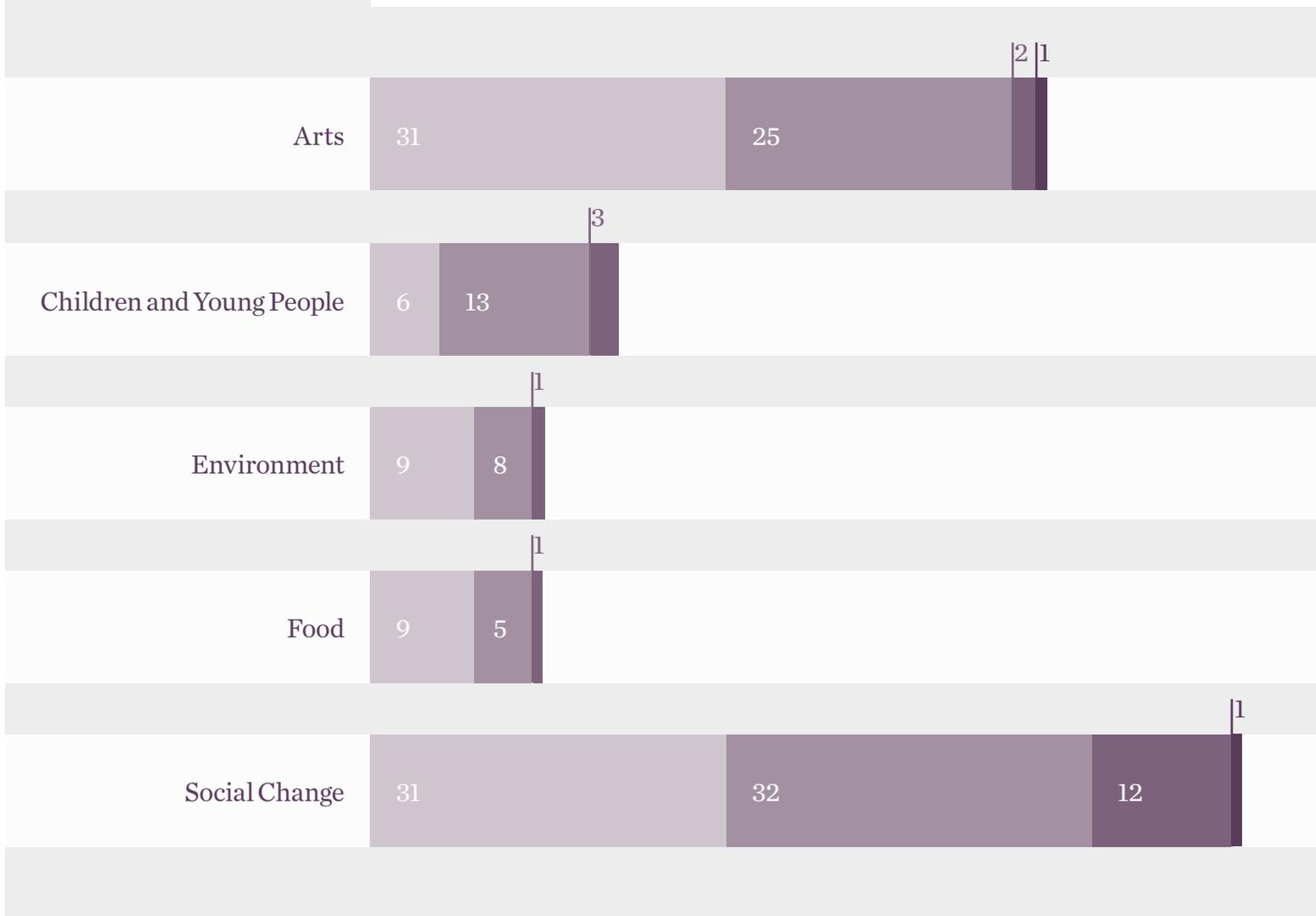
We got it wrong. Our relationship might have hindered the grantee's progress. In hindsight, we should have known not to fund them.



So what have we learned?

Continued

Esmée performance rated by sector



We rated our own performance highest in Food and the Arts, and lowest in Social Change. This could be because Social Change is our most diverse sector, where we must get to grips with the widest set of challenges. Food is our newest sector, but also the most specific, so we have been able to build up sector knowledge and contacts with the help of expert advisors.

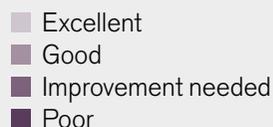
We were twice as likely to rate our performance as poor or needing improvement for grants of less than £30k.

Grant Managers' reasons for rating our performance as poor or needing improvement fit into two groups:

1. Reflections on our flexible, hands-off, funding style – see box on page 15
2. Things we got wrong that we can change in future

So what have we learned?

Continued



Esmée got it wrong:

What we got wrong

We gave one year's funding instead of the two or three requested in order to "get to know" new organisations - with a view of supporting them with a bigger grant later on.

We didn't recognise our importance to a sector – community energy. When major policy change happened we were passive.

Why did this matter?

Grantees weren't able to recruit, or even hold onto existing staff without secure funding. It takes 6 months for a new member of staff to get going.

Making short grants prioritises our own learning over the grantee's work, and means they are taking on all the risk.

Community energy may be less than 1% of our grant portfolio, but we fund most of the major voluntary sector organisations in this space.

They expected us to use our convening role, and help amplify their voice.

An opportunity to support or advocate was missed.

What can we do about it

We decided never to make one year grants unless an applicant only needs one year's worth of support or the work is a time-limited project.

When there is major policy change in an area where we are the most important funder, we need to offer more support to, and offer to convene our grantees.

So what have we learned?

Continued

Please note: These are not the only two things we got wrong. In the early days of this learning approach these are two issues where the data has been clear enough to allow us to identify an issue, explore why it's happening, and make a decisive choice to change it. There are many more issues that are emerging where we don't yet have clear data. And even more where we have data, but no clear way to change things as a result.

Esmée is too hands-off for some organisations

Our flexibility as a funder has been both a positive and a negative for those we fund. Agreeing a grant, then giving organisations time and space to get on with their work, is exactly what some want. But others want Esmée's help, advice or opinion, or to make the most of our overview and connections.

They wanted us to:

- act as broker for other funders
- introduce them to potential partners
- tell them what we thought of their work
- visit them
- be clearer about whether we were going to fund them again
- hold them to account

“We didn’t get any feedback – positive or negative - on how you felt our work was progressing”

25

organisations fed back that they found the flexibility of our funding helpful.

But

31

organisations wanted more from Esmée as their funder

So what have we learned?

Continued

What could we change? A small change we made:

Stop funding organisations that need a level of support we can't give, eg:

- Very small organisations without a strong staff team and good governance, which have high expectations of support from Esmée
- Pilots or start-ups which need a high level of engagement if we aren't willing to get involved

Set clearer expectations by:

- Being more clear to applicants about what kind of funder we are (and are not)
- Being clearer about our “grants plus” support offer and how to access it
- Setting out to grantees what contact they can expect from us, and how much we want from them

Be more of a partner, and less of a police officer, to those we fund

- Share our thoughts on their work, and be more willing to endorse them to others
- Link them up to others, making the most of our networks
- Be honest earlier on if we don't think we'll fund them again

All Grant Managers now say in their congratulation phone call that “we try to be a flexible and understanding funder. We expect you to work towards the outcomes agreed during the assessment process, but if you need to change direction please talk to us about it. We are open to change and value honesty and learning. If you need extra support for some reason, please tell us as we might be able to help.”

“We wanted some indication of what you thought about our work along the way”

Questions:

Can we commit to meeting all grantees once during the grant? How do we decide when to be more hands on? What are the reasons why we might be?

While developing our approach to learning, we weren't ready to share it beyond Esmée. Other foundations, applicants and those we fund might not realise much has changed. This report is the first step in communicating our change of emphasis and willingness to learn and change.

We will publish regular Insight Reports into what we are learning, as part of a commitment to shared learning with those we fund. If we build up more specific data on a sector or issue we will also share it with organisations, funders and decision-makers in that sector.

Now what? What will we do next?

There is plenty more to do

We now have a system in place for grants that have closed. We need to work on ways to build a space for honest feedback and learning into the course of a grant while the work is still taking place.

We are setting up a similar approach to learning for social investments which, because of the long-term nature of these commitments, will primarily help us learn from active investments.

A commitment not just to learn, but to change

We have been used to operating a single model at a single speed. If we are going to use what we learn to support those we fund during the course of their grant or investment, we now have to become a more agile organisation that can shift gears and implement changes more quickly. We also need to guard against slipping back into comfortable patterns of behaviour, when we have learned that they are not working for those we fund.

With great freedom, comes great responsibility

As a broad-ranging funder, we are not expert on every issue and sector we support. The real experts are the organisations we fund. They have much greater knowledge or lived experience, and they operate in the real world, without the security of an endowment.

However, we know that as an independent funder we have an overview and a freedom which others in our sectors do not. With this comes the responsibility to share what we are learning.

We hope this insight into how and what we are learning and changing as a result is interesting, and welcome any thoughts, comments, and insights of your own.

Please contact **Gina Crane**, Communications and Learning Manager, on communications@esmeefairbairn.org.uk

	A Excellent	B Good	C Improvements Needed	D Poor
<p>Esmée's Aims:</p> <ul style="list-style-type: none"> • Assessment • Funding Package • Relationship & further support. 	<p>We got it right.</p> <p>Our assessment of the application was good.</p> <p>The funding and support we provided was as good as it could have been. We have built a strong and strategic relationship where successes and failures are openly shared.</p>	<p>Our support was satisfactory.</p> <p>In hindsight, with the information available at the time of assessment and throughout the grant, we may have provided a different funding package and/or engaged in stronger communication and/or provided further support.</p>	<p>Our assessment which formed the basis for our funding decision was inadequate.</p> <p>Either because we misjudged the organisation; or the funding package and subsequent support provided have not allowed the grantee to thrive.</p> <p>We may not have created an open relationship with the grantee.</p>	<p>We got it wrong.</p> <p>We did not assess the organisation well.</p> <p>Or the grantee's work might not be in line with our strategy.</p> <p>Our relationship might have hindered the grantee's progress.</p> <p>In hindsight, perhaps we should have known not to fund them.</p>
<p>Grantees' Outcomes:</p> <ul style="list-style-type: none"> • Objective Outcomes • Subjective Outcomes • Evidence 	<p>Outcomes achieved, or exceeded (with potentially unexpected positive results).</p> <p>Excellent quality of data and evidence demonstrating impact.</p> <p>Outcomes deliver against Esmée's priorities.</p>	<p>Outcomes are largely met, in line with our priorities, and backed with good evidence and data. Results not outstanding but the grant was mostly successful.</p> <p>OR, the initial outcomes are not met but work has generated a level of impact similar to that initially expected.</p>	<p>Some outcomes are met and the organisation may be making progress but many targets are missed* and/or evidence of impact is not easily identifiable.</p> <p>*can be due to external circumstances – this is not a judgment on the quality of the organisation's work but only on the success of the grant relative to its outcomes.</p>	<p>Outcomes are mostly not met, organisation is unable to articulate the benefits and progress of its work.</p> <p>Thinking and evidence are poorly-developed and outcomes achieved are unsustainable.</p>
<p>Organisation:</p> <ul style="list-style-type: none"> • Governance and Staff • Processes and Approaches • Sustainability and exit 	<p>The organisation has a strong team. Its work is "best in class". Its model might have been replicated, or influenced others' work, or is changing policy at local or national level.</p> <p>It is well supported by an appropriate mix of funding or is self-sustaining through revenue. Strong reserves.</p>	<p>The organisation is making improvements. The operational team appear to be efficient.</p> <p>The quality of its work is good though perhaps not outstanding nor innovative.</p> <p>It has an adequate funding plan and reserves.</p>	<p>The organisation is vulnerable to staff changes and its operational team (and board) shows struggle.</p> <p>The quality of its work lacks consistency, it may be routine or not very receptive to change.</p> <p>It has no clear exit or sustainability plan. Its funding plan is not strong and the organisation has low reserves.</p>	<p>The board does not appear engaged or involved. The organisation may be losing its staff.</p> <p>It is unable to effectively demonstrate the impact of its work and has not used funding to build resilience.</p> <p>It has not approached other funders and has minimal reserves.</p>

Appendix

A framework for making effectiveness judgements



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