

# The evaluation of the Local Sustainability Fund: final report

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## Acknowledgements

We would like to thank Andrew Stinson at the Big Lottery Fund and Tom Leftwich at the Office for Civil Society for their support and guidance throughout the evaluation, as well as all of the LSF grant holders who have participated in this evaluation by responding to our surveys, interviews, and case studies and for sharing their experiences so openly and honestly. We would also like to thank Karl Wilding and Véronique Jochum at NCVO for their wider insight and expertise during the course of the work.

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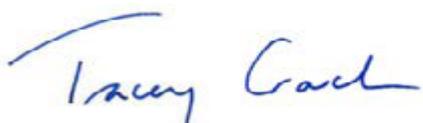
## Foreword

When we think of civil society many of us will think of the large household name charities. These organisations do important work and it is right that they are recognised for it. However, alongside the big players are many more smaller charities and social enterprises, working tirelessly to build a stronger and fairer society. It is easy for these organisations to be overlooked, but for many in need they play a vital role, delivering a wide range of community based, personal and specialist services and support.

While all of civil society has had to adapt to a changing economic climate, it has arguably been most difficult for small and medium sized organisations. Many emerged prior to the financial crisis, funded by what were seen as reliable sources of income. However, as the funding environment has changed many have struggled to access the resources and expertise needed to change and take advantage of new opportunities. It was in recognition of these challenges that government decided to offer help. The aim was to support a group of important charities and social enterprises, and in doing so develop a better understanding of sustainability so that many more could benefit. Working closely with our stakeholders, and in particular with our partners at the Big Lottery Fund, the Local Sustainability Fund was created.

This Fund was designed to enable hard working individuals to take time out to plan for the future and start to deliver change, without neglecting frontline services. It allowed organisations to take control of their own future, giving them maximum freedom supported by tools and expert support and advice. Around 260 organisations took part and it is a great pleasure to introduce this independent report, which tells the story of the work they did and the change they have started to see. It will take some time to get a full picture of the difference the Fund has made. However, we can get a good indication from the emerging outcomes, and there is much to learn for both frontline organisations and those that seek to support them. For me some of the key learning points include the importance of seeing sustainability as a journey and not a goal to be reached, as well as the value in looking at the question of sustainability holistically.

Government wants to hear the views of our partners on the question of sustainability and how we can build on the learning of the Local Sustainability Fund, particularly as we work to develop a new Civil Society Strategy. I have already heard interesting views from a number of civil society organisations, including around the need to consider sustainability in funding and commissioning arrangements. I hope that all parties who share our interest in the future of charities and social enterprises will be able to benefit from this report and will work with us to help shape the next steps.

A handwritten signature in blue ink that reads "Tracey Crouch". The signature is fluid and cursive, with a long horizontal stroke at the top.

Tracey Crouch MP - Minister for Sport and Civil Society

## Summary

### 1. Introduction

The Local Sustainability Fund (LSF) was announced in June 2015 as an Office for Civil Society (OCS) programme, delivered by Big Lottery Fund (referred to as 'The Fund' throughout the report). It aimed to build the strength, resilience and sustainability of small and medium-sized frontline voluntary, community, and social enterprise (VCSE) organisations that offer needed and effective services to vulnerable disadvantaged people. In 2016 NCVO, in partnership with Resources for Change (R4C), was commissioned by The Fund and OCS to undertake the independent evaluation of LSF. Its aims were:

1. To assess the effectiveness and impact of LSF;
2. To enable LSF and grantees to identify and benefit from emerging learning;
3. To add to the evidence base about what works in building stronger, more sustainable organisations, and to support The Fund to identify, nurture and spread best practice beyond the programme.

The evaluation activities took place between April 2016 and December 2017, covering the 12-month funded period for grant holders. It involved a wide range of data collection methodologies, both qualitative and quantitative, gathering new data using in-depth case studies and surveys as well as analysing secondary data including monitoring data collected by The Fund (see Appendix A for a detailed description of the methodology).

This report is written to be of interest to grant makers, policy-makers and government, organisations accessing support, and infrastructure bodies; chapter five in particular will examine implications for these different stakeholder groups.

### 2. The Local Sustainability Fund

#### The programme

- Charities based in England that provided frontline services to vulnerable, disadvantaged people and had an annual income of less than £1,500,000 were eligible to apply to the LSF programme.
- Successful organisations (257) began their 12-month projects in the spring of 2016.

#### The grant holders and their projects

- There was a slight bias towards organisations at the smaller end of this income spectrum: the average income of a grant holder was just over £530,000.
- While organisations across the whole of England were funded, the regions with the greatest number of grant holders were London (21%) and the North West (17%).
- Organisations could apply for up to £100,000 and the average award size was £66,081.

### The focus of funded projects

Funded projects described the main focus of their projects as aiming to:

- Improve the financial position of their organisation, particularly to develop new funding streams and/or diversify income (57% of application forms).
- Build strategic thinking within their organisation (51%).
- Improve impact assessment (47%).
- Improve internal systems, processes and policies, most commonly in marketing (41%), finance (25%) and IT (24%).

### The role played by external partners

A key element of the LSF programme was its requirement for grant holders to seek external input to support their projects, which took two forms:

- Local advisors – these organisations, consultancies or individuals, worked with grant holders on a paid basis to help develop their application and to provide support throughout, providing advice and guidance as a critical friend. They were chosen by the grant holder.
- Business partners – they were again chosen by the grant holder to provide critical input on a voluntary basis throughout the project, with most offering guidance and support around strategic planning, general support, and developing marketing.

### Typologies of grant holders and their projects

Analysis of the original grant holder application forms, ODT data, and background characteristics of the grant holder organisations allowed us to develop some typologies of grant holders and their LSF projects, including:

- ‘Growers’ (12%) – consistent growth in income and have maintained substantial reserves and assets.
- ‘Squeezed middle’ (75%) – little growth (if any) in income over recent years although they may still have substantial unrestricted funds, assets and reserves.
- ‘Fighting for survival’ (13%) – sharp declines in income and have few reserves, often leading to reduced staffing levels over recent years.

### 3. Outcomes of the Local Sustainability Fund

While organisational sustainability meant different things to different grant holders, we can nonetheless observe perceived changes in the overall sustainability of grant holder’s organisations and describe a range of different outcomes they experienced.

### Overall changes in organisational sustainability

- Nine out of ten (94%) of grant holders reported improvements in the 'strength, sustainability and resilience' of their organisation over the course of their LSF project.
- Nearly half (45%) felt this was 'predominantly due to LSF' while a further 51% said they felt it was 'partially to do with LSF'.
- The average change in the sustainability score between taking the Online Diagnostic Tool (ODT) before the LSF project and re-taking it after was +11%.
- Not all grant holders experienced the same level of increase but the vast majority (93%) did see an increase in their score over the course of their project and only 7% saw a decrease.
- Larger organisations were more likely to have seen bigger positive changes in their sustainability score than smaller ones.
- Grant holders classified as 'growers' (those experiencing increasing income prior to LSF) did not experience as big positive changes in ODT scores as organisations we classified as 'squeezed middle' or 'survivors'.

### Emergent outcomes

A wide-range of outcomes and benefits were observed, including:

- **Governance and leadership:** grant holders commonly cited improvements in the leadership of their organisation, specifically within the board of trustees and how it worked with the rest of the organisation, as well as improvements in the skills and abilities of senior staff members.
- **Strategic thinking, planning and mission:** grant holders frequently mentioned changes in how they undertook strategic planning, likely reflecting the large number whose application forms had specified a specific focus on this (51%).
- **Income diversification:** while an important outcome for many grant holders, income diversification did not feature as the most commonly observed outcome.
- **Partnerships and collaboration:** outcomes associated with developing partnerships, collaborations or networks were not as commonly observed as with some of the other outcomes discussed in this report.
- **People:** this included staff gaining new skills and knowledge which they could feed in to their work.
- **Beneficiary connection:** outcomes associated with improvements in connection to beneficiaries were the most commonly cited outcome in our sample of end-of-project monitoring reports despite not being a focus of a large number of application forms.
- **Organisational systems, processes, and infrastructure:** improving systems (most commonly financial, IT, HR and governance) was a potential route for grant holders to build their capacity and capabilities, something that can ultimately help organisations improve their sustainability.

- **Organisational confidence and self-belief:** this included having been reassured of the value and relevance of their organisation's mission and being more confident about the need for the work they did.
- **Monitoring, evaluation and impact assessment improvements:** many grant holders experienced benefits in this area, which were commonly linked to being better able to describe the difference they made when applying for funding.

#### 4. Factors enabling and limiting outcomes

There was a range of factors that helped facilitate or enable the outcomes outlined above, as well as some that acted to limit these outcomes.

##### Facilitating factors

###### (a) Programme design and management

- **Allowing time and space to focus strategically:** LSF gave grant holders the time and space to stand back and consider their challenges strategically.
- **Funder approach:** the trust placed in grant holders by LSF helped generate ownership of projects.
- **External input:** while valuable there were differences in experience between the local advisor, which tended to be seen very positively by the majority of grant holders, and the business partner, which demonstrated a much wider range of experiences but less popularity overall. Relationships were most effective when focused on specific, targeted support and they acted as a critical friend role to the CEO or lead staff member.
- **Peer learning opportunities:** grant holders spoke positively about opportunities for networking and sharing learning with other grant holders, reducing isolation of CEOs in particular.
- **The Online Diagnostic Tool (ODT):** just over half (51%) of grant holders found the ODT 'very useful' for their application process and project development, while 95% felt the results were accurate and 90% would recommend it to other organisations.

###### (b) Grant holders

- **Commitment to working with change:** many organisations appeared to recognise the need to value and embrace change as part of a journey towards greater sustainability.
- **Staff, leadership and key individuals:** this included gaining new skills and confidence as well as freeing up senior leaders to work strategically.
- **Flexibility and proactivity:** organisations described how they had learnt about the importance of being flexible and adapting their work on an on-going basis.

##### Inhibiting factors

###### (a) Programme factors

- **Short funding period:** grant holders very commonly felt that a longer funding period (rather than more money) would have allowed for greater change (i.e. 18-36 months).

- **Late delivery of funding:** most (61%) projects experienced delays in funding<sup>1</sup> which affected workload planning, financial planning, recruitment, and sometimes undermined relationships with staff, volunteers, advisors and business partners.
- **Challenges with the business partner relationship:** this included lack of time from the business partner and a lack of understanding of the grant holder's organisation work.

#### (b) Organisational factors

- **Resistance to change:** this was most commonly seen amongst senior leadership and trustees.
- **Lack of staff capacity:** the pressure of existing commitments outside of their LSF project.

#### (c) External factors

- Grant holders commonly described the challenging external environment, including rising demand for services, decreasing grant income, a move towards commissioning and contracts, and political uncertainty.
- Factors external to a grant holder's project but still within the organisation also acted in a limiting way, including staffing changes, restructures, and IT problems.

## 5. Conclusions and implications

### Concluding themes

1. **Sustainability is a journey, not an end point:** grant holders frequently described a journey towards sustainability, seeing it as path they were taking rather than an end point to reach or an absolute position. Furthermore, the majority of grant holders felt that becoming more sustainable takes a significant amount of time.
2. **Understanding organisational life-stage is critical for interventions:** organisations with more stable income at the start of LSF tended to see smaller increases in their overall sustainability scores over their projects compared to those that had a more volatile, insecure income base. The risk is also higher with the latter group, raising questions of what type of organisation and at what life-stage funds such as LSF wish to support.
3. **Trusting grant holders is empowering:** grant holders frequently described this approach in very positive terms. They noted how it had given them a strong sense of ownership over their projects and a feeling of empowerment in how they were tackling their challenges and aiming to increase their sustainability, something that could arguably lead to more effective projects.
4. **Focusing internally is highly valuable:** the evidence gathered has suggested that for some organisations, an effective pathway for grant holders may be to first address internal weaknesses (a 'closed', inward-looking phase) and then move on to the external challenges (an 'open', outward-looking phase).

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<sup>1</sup> The first drawdown of funding from OCS to The Fund was delayed by two months due to a range of factors, including the introduction of new due diligence requirements on public grant funds.

5. **External input makes a critical difference:** grant holders tended to feel that external input added considerably to their projects and could often be fundamental to their success. Having an independent and objective external voice brought a fresh perspective and could challenge set ways of thinking, introduced new skills and knowledge, and provided welcome pressure to ensure milestones were met.
6. **The external environment remains important:** grant holders often described external factors such as rising demand for their services and decreasing availability of grants as having limited the progress of their projects, but at the same time noted that because of what they had done with the project to date, they were in fact more able to respond effectively to something than they would have been before. It is also possible that some organisations may find it easier to access more diverse – and sustainable – forms of income such as charged-for services due to their field of operation or sub-sector.

### Implications

These implications are directed at organisations and stakeholders wishing to develop – and access – support aiming to improve the sustainability of VCSE organisations.

#### *Funders and policy-makers*

- a) Recognise that organisational sustainability is more than just getting more money;
- b) Recognise that change takes time;
- c) Be clear of intended outcomes of the programme, which organisations are the focus, and your appetite for risk;
- d) Support organisations to strengthen their leadership and governance;
- e) Use diagnostics to support organisational development.

#### *Organisations accessing support*

- a) Accept that the journey towards sustainability requires change;
- b) Get the internal processes and systems right first;
- c) Work with diagnostics as living documents.

#### *Infrastructure bodies*

- a) Support the continued development of diagnostic tools;
- b) Promote and encourage opportunities for peer learning;

#### *Researchers / evaluators*

- a) Prioritise longer-term impact assessment;
- b) Do not overclaim outcomes as impact;
- c) Build in peer learning and networking to evaluation work.

## 1. Introduction

### 1.1 The Local Sustainability Fund

The Local Sustainability Fund (LSF) was announced in June 2015 as an Office for Civil Society (OCS) programme, delivered by Big Lottery Fund (referred to as 'The Fund' throughout the report). It aimed to build the strength, resilience and sustainability of frontline voluntary, community, and social enterprise (VCSE) organisations that offer needed and effective services to vulnerable disadvantaged people.

Following a two-stage application process, by February 2016 262 VCSE organisations with an annual turnover between £100,000 and £1,500,000 had been awarded a grant of up to £100K to deliver on a plan for change.

The activities of grant holders needed to contribute to achieving three high level LSF programme outcomes so that by the end of the programme organisations:

1. Were stronger, more sustainable and more resilient due to changes in how they work;
2. Had processes/structures in place enabling them to continually look for ways to improve how they worked, forward plan, and ensure ongoing success and relevance for beneficiaries;
3. Were able to continue to provide disadvantaged people with quality services in the future.

At the start of 2016 NCVO, in partnership with Resources for Change (R4C), was commissioned by The Fund and OCS to undertake the independent evaluation of LSF.

For further detail about the LSF programme please see Appendix B.

### 1.2 Evaluation aims and objectives

The NCVO and R4C evaluation team developed the following evaluation aims and objectives, which this report will seek to answer:

#### Evaluation aims

1. To assess the effectiveness and impact of LSF;
2. To enable LSF and grantees to identify and benefit from emerging learning;
3. To add to the evidence base about what works in building stronger, more sustainable organisations, and to support The Fund to identify, nurture and spread best practice beyond the programme.

### Evaluation objectives

1. To describe the characteristics, profile, needs and plans of those reached through the programme;
2. To assess how well the programme identified and responded to the needs of medium-sized VCSE organisations;
3. To assess how well delivery models worked in practice;
4. To describe and assess outcomes, the distance-travelled by organisations, and how far programme outcomes had been achieved;
5. To identify barriers, enablers and what worked best in achieving programme outcomes;
6. To assess the value of outcomes achieved in relation to impact;
7. To enable grantee learning between peers and from evaluation activity;
8. To enable real-time learning for LSF and The Fund about emerging themes, ideas, what worked and what did not work;
9. To draw together and share learning about what worked for VCSE organisations and for future programmes aimed at building capabilities.

### 1.3 Methodology

The evaluation activities took place between April 2016 and December 2017, ensuring the 12-month funded period for grant holders (approximately May 2016 to June 2017) was fully covered. It involved a wide range of data collection methodologies, both qualitative and quantitative, which gathered new data from approaches including in-depth case studies and surveys, but also analysed secondary data, such as monitoring data collected by The Fund.

The evaluation included the following different activities, all of which are described in detail in Appendix A (Methodological Appendix), including any limitations where relevant:

1. Snapshot Surveys to all grant holders (4 surveys throughout the 12-month projects);
2. Analysis of data collected by The Fund:
  - a. Grant-holder monitoring data (a sample of 80 six-monthly monitoring forms and 80 end-of-project monitoring forms);
  - b. Online Diagnostic Tool scores (before the projects started and after they completed);
  - c. Application forms (from 262 organisations).
3. In-depth case studies (20), made up of:
  - a. Journeying Together case studies (8 organisations, with three data encounters in each organisation during the grant period);
  - b. Learning from Success case studies (12 organisations, with one data encounter at the end of the grant period).

4. Development of a Theory of Change for the programme at the start, then reviewed and revised after the end.
5. Interviews with non-successful applicants (15 organisations).
6. Evidence review on organisational sustainability.

The evaluation also sought to share learning with grant holders, The Fund and OCS throughout the contract (thereby responding to objectives 7, 8 and 9 above), and did so primarily by undertaking the following learning activities:

- Online learning network – to provide a mechanism to share findings and host discussions;
- Evaluation bulletins – 13 concise reports were published on different elements of data collection and made available to all grant holders;
- Share and learn events – three events held to bring together grant holders, The Fund and OCS to discuss emerging findings (100+ attendees across all three events);
- Peer visits – 30 grant holders took part in exchange visits with other grant holders;
- Webinars – two were held to share emergent and final findings with grant holders.

The learning strand to the evaluation was evaluated by NCVO CES, the results of which are described in a [separate report available to download](#).

#### 1.4 Structure of report

This report is structured as follows:

- Chapter 2 – the characteristics of the grant holders and their projects, outlining several typologies that have been developed by the evaluation team and will be used to frame the analysis throughout the report;
- Chapter 3 – the emergent outcomes experienced by grant holders;
- Chapter 4 – the different factors that helped facilitate and enable these outcomes as well as those that acted as inhibitors, thereby examining the effectiveness of LSF as a programme;
- Chapter 5 - the concluding chapter draws together a series of common themes observed throughout the evaluation before discussing what these findings might mean for funders, policy makers, organisations receiving support, infrastructure bodies, and researchers;
- Appendices – further detail on the evaluation methodology used and additional information on the LSF programme.

The eight Journeying Together case studies will be referred to anonymously throughout the report, using letters A-I to distinguish them, while the 12 organisations forming the Learning

from Success case studies are given their real names. Further quotes from other data sources will be included anonymously with no organisations or individuals named.

### 1.5 A word about impact and outcomes

A key aim of this evaluation was to examine the difference that LSF made to grant holders. As the evaluation progressed, however, it rapidly became apparent that we – and the grant holders – were observing outcomes rather than impact and this report therefore uses the language of outcomes throughout<sup>2</sup>. This was primarily because it was too early to see longer-term changes, with our final data collection point being only several months after project completion. As will be seen, however, these shorter-term improvements can nonetheless be very meaningful for the organisations involved. Furthermore, many of the outcomes reported are indicators that could suggest an organisation is more likely be sustainable in the longer-term (e.g. having diversified their income), rather than a concrete indicator that the organisation is now sustainable (i.e. an organisation in this position can remain unsustainable if they are not able to manage the diverse range of income effectively).

Change in an organisation's sustainability is inevitably a complex process that is affected by multiple different factors, both within and outside of the grant holder's organisation. It has not been possible, therefore, to definitively attribute the outcomes observed to the LSF programme, and where relevant the report discusses the potential part played by factors such as the wider environment within which the organisation exists.

It is also important to highlight that the group of grant holders with whom we were undertaking the research may not necessarily be typical of the wider voluntary sector. For two reasons, they may exhibit a degree of bias in terms of their attitude towards addressing the sustainability of their organisation. Firstly, the grant holders were self-selecting – organisations applying to LSF appreciated, to varying degrees, that there was a challenge or several challenges to be addressed within their organisation, and it could therefore be assumed they may be more willing to tackle it and work with change than organisations not applying (also taking into account that some organisations may simply not have been aware of LSF). Secondly, The Fund and OCS have potentially selected organisations with greater potential to succeed or see positive outcomes rather than fund organisations that were at imminent risk of failure or in crisis.

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<sup>2</sup> Impact is considered to be changes and effects that are broader and longer-term than outcomes (see <http://inspiringimpact.org/jargonbuster/> as well as section 1.5 of this report).

## 2. The Local Sustainability Fund

### Key points

#### The Local Sustainability Fund programme

- Charities based in England that provided frontline services to vulnerable, disadvantaged people and had an annual income of less than £1,500,000 were eligible to apply to the LSF programme.
- Successful organisations (257) began their 12-month projects in the spring of 2016.

#### The grant holders and their projects

- There was a slight bias towards organisations at the smaller end of this income spectrum: the average income of a grant holder was just over £530,000.
- While organisations across the whole of England were funded, the regions with the greatest number of grant holders were London (21%) and the North West (17%).
- Organisations could apply for grants up to £100,000 and the average award size of £66,081.

#### The focus of funded projects

- To improve the financial position of their organisation, particularly to develop new funding streams and/or diversify income (57% of application forms).
- To build strategic thinking within their organisation (51%).
- To improve impact assessment (47%).
- To improve internal systems, processes and policies, most commonly in marketing (41%), finance (25%) and IT (24%).

#### The role played by external partners

A key element of the LSF programme was its requirement for grant holders to seek external input to support their projects, which took two forms:

- Local advisors – these organisations – consultancies or individuals – worked with grant holders on a paid basis to help develop their application and to provide support throughout, providing advice and guidance as a critical friend. They were chosen by the grant holder.
- Business partners – they were again chosen by the grant holder to provide critical input on a voluntary basis throughout the project, with most offering guidance and support around strategic planning, general support, and developing marketing.

#### Typologies of grant holders and their projects

Analysis of the original grant holder application forms, ODT data, and background characteristics of the grant holder organisations allowed us to develop some typologies of grant holders and their LSF projects, including:

- ‘Growers’ (12%) – consistent growth in income and have maintained substantial reserves and assets.
- ‘Squeezed middle’ (75%) – little growth (if any) in income over recent years although they may still have substantial unrestricted funds, assets and reserves.
- ‘Fighting for survival’ (13%) – sharp declines in income and have few reserves, often leading to reduced staffing levels over recent years.

## 2.1 Introduction

This chapter will give a sense of the Local Sustainability Fund (LSF) and the main processes involved as well as providing some detail about who was funded and what they did. It will also present a Theory of Change for the programme, as it was at the start. This chapter is largely descriptive, providing the detail necessary to make the most of the following chapters in which more detailed findings and analysis will be reported on.

This chapter will primarily respond to the following evaluation objectives:

*Objective 1: To describe the characteristics, profile, needs and plans of those reached through the programme.*

*Objective 2: To assess how well the programme has identified and responded to the needs of medium-sized VCSE orgs.*

## 2.2 The structure and process of the Local Sustainability Fund

LSF aimed to support small and medium-sized organisations adapt to and thrive within the rapidly changing environment in which they operated. Both The Fund and OCS recognised that these organisations experienced unique challenges that larger organisations in the sector might not; research by NCVO found that small and medium-sized organisations have considerably more vulnerability and volatility to their income than their larger cousins<sup>3</sup>.

LSF chose to focus on those organisations that were providing good quality services but that had struggled to undertake strategic planning and organisational development. More detail on the assumptions that underpinned the programme can be seen in Appendix C.

Charities based in England that provided frontline services to vulnerable and/or disadvantaged people and had an annual income of less than £1,500,000 and over £100,000 were eligible to apply to LSF. Those organisations wishing to make an application completed the Online Diagnostic Tool (ODT); 4,372 did so. The ODT helped them understand more about their current level of organisational sustainability and the areas that were working well as well as those that were not. Along with an application form, the results from the initial ODT were used by The Fund and OCS to decide who would be invited to submit an application to stage two of the programme.

Invited organisations, of which there were 370, made a full application. At this stage they had the support of a 'local advisor' who worked with them to develop their application. This could be an organisation or individual and was chosen by the applicant. Grant applicants were required to identify and bring in the local advisor themselves.

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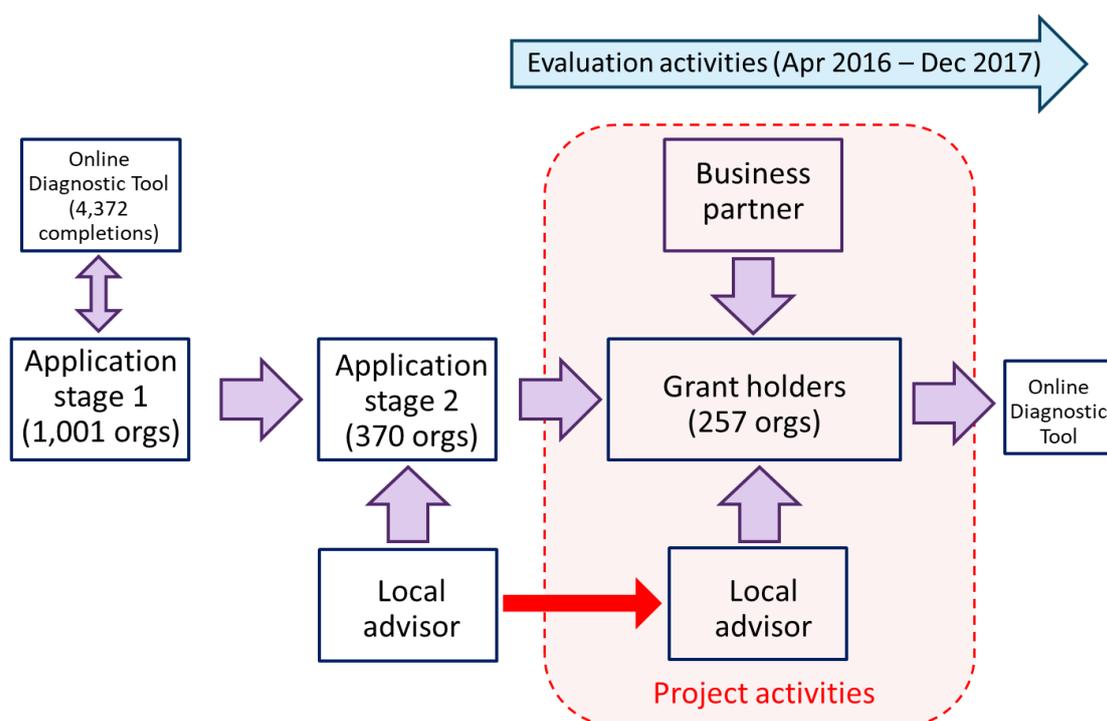
<sup>3</sup> [Navigating Change: an analysis of financial trends for small and medium-sized charities](#), NCVO (2016)

Successful organisations, the grant holders, began their 12-month projects in the spring of 2016 (257 organisations). Throughout their project they continued to work with the same local advisor who had supported them in their application, in a paid role. A further source of external input came in the form of a ‘business partner’. Grant holders were required to identify a business who would provide support to them throughout the project voluntarily.

After the grant holders’ projects had been completed, by the end of June 2017, they submitted an end-of-year monitoring report to The Fund and re-took the ODT.

The diagram below summarises the processes involved in LSF from application stage to completion of the grant holders’ projects.

**Figure 1: the LSF application and delivery process**



## 2.3 The grant holders and their projects

### 2.3.1 Characteristics of grant holders

Analysis of grant holder application forms gives a good sense of the characteristics of the funded organisations and their activities.

To be eligible for funding, all grant holders needed to work with disadvantaged vulnerable beneficiaries. Within this remit, the most common sub-sectors represented were community (18%), disability (14%), family (11%) and youth (11%).

LSF funded organisations with an annual income of £100,000-£1,500,000. While organisations of all sizes received funding, we can see a slight bias towards organisations at the smaller end of this spectrum: the average income of a grant holder was just over £530,000, although the most populous group of grant holders was those with an income of £100,000-£500,000 (59%) with just under a third (30%) £500,000-£1,000,000.

While organisations across the whole of England were funded, the regions with the greatest number of grant holders were London (21%) and the North West (17%). This pattern broadly reflects the general distribution of voluntary organisations in England<sup>4</sup>, although a greater than proportionate number of grant holders were in the North West and a comparatively smaller number of organisations have been funded in the South East compared to the general regional distribution.

Perhaps reflecting the fact that LSF was focused on smaller organisations, most grant holders described their organisational reach as 'local' (61%) while 22% said their reach was 'regional'; and only 6% said it was 'national' (a further 3% said 'neighbourhood-level', 3% 'multi-regional', and 1% 'international').

### 2.3.2 Grant holder perception of the problem to be tackled

Analysis of the application forms gives some insight into how grant holders saw the problem that needed to be addressed within their organisation and operating environment:

- An increasingly tough and competitive funding environment, including a perceived reduction in funding and a shift from grants to contracts;
- Specific policy or legal changes that the organisation had to respond to;
- Increased demand for services due to austerity measures – especially perceived increased poverty of certain beneficiary groups;
- Broader changes amongst beneficiaries including changing demographics.

Far fewer organisations detailed specific internal changes and challenges.

Grant holders also had a wide range of interpretations of what was meant by organisational sustainability, but tended to focus on financial sustainability. In Snapshot Survey Two, grant holders were given a list of 15 options describing different aspects of organisational sustainability and asked to pick their top three. The two most frequently cited options were

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<sup>4</sup> See [NCVO's Civil Society Almanac](#).

‘diversifying income streams’ (50%) and ‘becoming less reliant on core or grant income’ (36%). The third most cited was ‘planning’, with a third of respondents citing this<sup>5</sup>.

### 2.3.3 The funded projects

Organisations could apply for grants up to £100,000 and the average amount grant holders applied for was just over £62,627. Records from The Fund show an average award size of marginally less than this figure, of £66,081, which varied from £21,070-£100,000.

The wide range of grant sizes awarded is reflected by extensive variation in what projects set out to achieve. By coding the description of project activities and their objectives within the application forms, we gain a valuable sense of the range within the LSF programme. It is firstly possible to conceptualise the broad focus of projects in three main clusters which highlight some of the high-level differences observed:

1. A general, broad focus embedded throughout the organisation (e.g. strategy) or projects that were discrete and targeted, focusing on specific issues (e.g. processes and systems);
2. Aiming to bring about a change (e.g. a new product or service) or aiming to shift to a continuous change (e.g. embedding ongoing impact assessment systems);
3. Infrastructure development in the organisation or focused on change-based projects.

In terms of the specific focus of the project, the majority sought to improve the financial position of their organisation, which is not necessarily surprising in the current funding environment: 57% sought to develop new funding streams and/or diversify income, whereas 20% aimed to increase funding from existing income streams. Organisations classified as ‘growers’ (i.e. organisations with more stable income – see section 2.3.4) were the most likely to be looking to secure income from new funders (34%) with those categorised as ‘fighting for survival’ being the least likely (18%), perhaps suggesting stability and confidence could affect the type of funding being sought.

Just over half (51%) of grant holders’ projects sought to build strategic thinking within their organisation, which included having better information available to managers and trustees in order to improve decision-making, which was often connected to improved financial planning (29%) and enhanced user involvement (17%). Improvements in business planning processes such as better market intelligence were also discussed.

Projects aiming to improve impact assessment were seen in 47% of application forms, which tended to be connected to improving success in future funding bids rather than improvements in service provision.

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<sup>5</sup> See [Evidence review on organisational sustainability](#) for further exploration of definitions.

Large numbers of grant holders focused on improving internal systems, processes and policies; essentially the infrastructure of the organisation. The most common system improvement was in marketing, as outlined in 41% of applications. This was followed by finance (25%), IT (24%), and systems for attracting new business (22%). Projects also commonly had aims associated with the human resources of the organisation: 44% aimed to develop staff, particularly their capabilities, while a quarter of projects (26%) sought to build the capacity and capabilities of volunteers within their organisation. Fewer projects focused substantially on building partnerships with other VCSE organisations (26%), involving users and beneficiaries (17%), or reducing operating costs (12%).

### 2.3.3 The role played by external partners

A key element of the LSF programme was its requirement for grant holders to seek external input to support their projects. While later sections (see 4.2 and 4.3) will examine the effectiveness of local advisors and business partners and the difference they made, it is useful to outline certain characteristics, how they were involved and what they did.

#### (a) Local advisors

Reflecting the fact that grant holders could choose their own advisor, the type of organisation they worked with varied considerably, with some advisors being consultancy firms and others being individual, self-employed professionals. Most local advisors were already known to grant holders (71% of respondents to Snapshot Survey Two reporting so), choosing to build on existing relationships. Recruitment appeared to be largely informal, with only five per cent reporting they had a competitive selection process and two per cent saying they invited applications or held a formal interview process.

The type of support and input the local advisor provided varied considerably but appeared to be relatively wide-ranging and holistic in nature in which they acted as a critical friend or sounding board: 'advice and guidance' was the most common type (81%) chosen by respondents to Snapshot Survey Two. General support across the grant holder's operations (63%) was also frequently seen, with slightly fewer organisations reporting support on discrete aspects (such as reviews of financial systems or developing a website) (47%) and active delivery of concrete parts of the project (37%). Given the wide range of challenges identified by grant holders that needed tackling (see 2.3.2), the breadth of the approach taken by the majority of local advisors appears understandable.

#### (b) Business partners

As with local advisors, grant holders were required to identify their own business partner. Coupled with the comparatively limited time they had to do this at the start of their projects, it is perhaps not surprising that the majority of respondents to Snapshot Survey Three (81%) said they knew their business partner before their project. Grant holders were

also free to choose the type of business they wanted to work with, resulting in some diversity of organisations: while the majority (79%) were from the private sector, 14% of grant holders reported working with ‘businesses’ from the voluntary sector and 8% did so with those from the public sector (including organisations such as universities or housing associations). Some business partners may not, therefore, necessarily fit with conventional understandings of businesses as for-profit, shareholder-based entities.

The way in which business partners were involved varied considerably, again reflecting the freedom grant holders had to direct this. Analysis of application forms indicated some had a complex, multi-faceted role, while others were more specifically connected to individual projects or employer-supported volunteering. The results from Snapshot Survey Three provide, however, some sense of priorities: the most common type of support that business partners provided to grant holders was strategic planning (54%), general support (53%), and developing marketing (41%). This appears to match relatively closely with the focus of grant holder projects, as outlined earlier in this section (particularly the high incidence of projects focused on strategic planning and marketing improvements). Equally, meetings were the most common way in which this support was delivered (57%), but business partners also attended events run by the grant holder (38%), had their staff volunteering at the organisation (33%), and offered gifts in kind such as free rooms or computer software (31%).

#### 2.3.4 Typologies of grant holders and their projects

Analysis of the original grant holder application forms, ODT data, and background characteristics of the grant holder organisations allowed us to develop three typologies of grant holders and their LSF projects, outlined below. These were designed to help make sense of the diversity of projects, organisations, and outlooks at a higher, strategic level and will be referred to throughout the findings reported in chapters 3 and 4.

##### (a) Stage of sustainability

<b>Growers (12%)</b>	<b>Squeezed middle (75%)</b>	<b>Fighting for survival (13%)</b>
Consistent growth in income and have maintained substantial reserves and assets. Their applications often referenced the success of the organisation and their LSF project was largely seen as a way of adapting to ‘growing pains’.	Little growth (if any) in income over recent years although they may still have substantial unrestricted funds, assets and reserves. Their LSF project often recognised the need for change. They had often made significant changes which had helped them adapt to some extent.	Sharp declines in income and have few reserves, often leading to reduced staffing levels in recent years. Their LSF application described reduced funding and inability to adapt to a changing environment. Their LSF projects often involved fundamental change to the organisation.

(b) Internal and external

<b>Internal (22%)</b>	<b>Balanced (40%)</b>	<b>External (38%)</b>
These organisations had more of an inward-looking focus, indicating they were aiming for formal accreditation regarding quality assurance / quality standards and were looking to improve their internal systems.	These organisations may have referenced some internal and external factors in their applications, but did not focus strongly in one direction.	These organisations had more of an external focus, indicating they actively involved users and were pursuing partnerships / relationships.

(c) Open and closed

<b>Open (30%)</b>	<b>Closed (70%)</b>
These organisations indicated they actively involved users and were pursuing partnerships / relationships. They feel their board was balanced with regard to the proportion of board members representing users/the community. They are actively involved in some important networks and partnerships and invest significant resources to being/becoming an established and respected organisation in their field.	These organisations weren't necessarily involving their users or pursuing partnerships / relationships. They acknowledged their board was relatively unbalanced, with an under-representation of users / the community. Whilst they are possibly involved in local networks, there are gaps in their links to others and they lack active involvement with partnerships or networks which would enhance the organisation's knowledge, skills or opportunities.

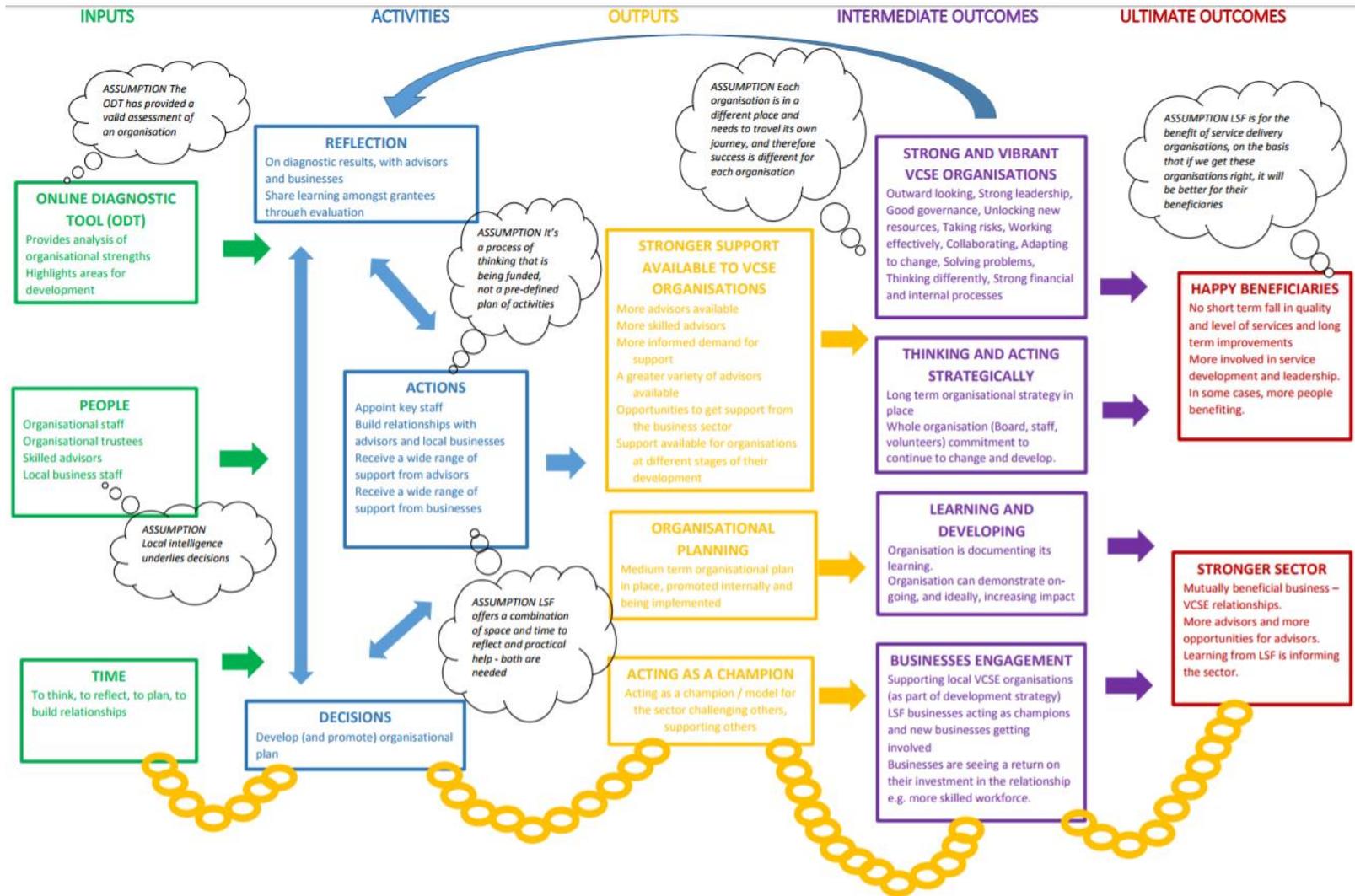
2.4 A theory of change for the Local Sustainability Fund

We worked with key stakeholders for LSF to create a high-level Theory of Change (see figure 2), which summarised the intended delivery process of LSF, the intended outcomes and the main assumptions underlying this logic<sup>6</sup>. It described the intended outcomes for the funded organisations as strong and vibrant voluntary and community sector organisations that are outward-looking, have strong leadership and good governance, attract new resources, collaborate, adapt to change, think differently, take risks, and have strong financial processes as well as thinking and acting strategically and are learning and developing organisations. Ultimately, these changes are seen to result in improved outcomes for their beneficiaries, who will also have more say in some of these organisations. As well as benefiting individual organisations, LSF aimed to result in a stronger VCSE sector that has stronger relationships with business and receives greater support from expert advisors.

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<sup>6</sup> This version of the Theory of Change was developed towards the start of the evaluation and the funded projects, and a revised version, developed in the autumn of 2017 and several months after grant holders' projects had been completed, is described in section 5.3.

Figure 2. A theory of Change for LSF



[Want to know more?](#)

Further detailed analysis of the topics discussed in this chapter is available in the following bulletins which have been produced during the evaluation:

- Bulletin – [Needs Analysis and Thematic Mapping Bulletin](#) – *a detailed description of the characteristics of grant holders' organisations and projects.*
- Bulletin – [Further Analysis of ODT and Application Data](#) – *a comprehensive analysis of the initial scores in the Online Diagnostic Tool and a review of the focus and detail of the original application forms for the final grant holders, including the development of several typologies of grant holders.*

### 3. Outcomes of the Local Sustainability Fund

#### Key points

##### Overall changes in organisational sustainability

- Nine out of ten (94%) of grant holders reported improvements in the 'strength, sustainability and resilience' of their organisation over the course of their LSF project.
- Nearly half (45%) felt this was 'predominantly due to LSF' while a further 51% said they felt it was 'partially to do with LSF'.
- The average change in the sustainability score between taking the Online Diagnostic Tool (ODT) before the LSF project and re-taking it after was +11%.
- Not all grant holders experienced the same level of increase but the vast majority (93%) did see an increase in their score over the course of their project and only 7% saw a decrease.
- Larger organisations were more likely to have seen bigger positive changes in their sustainability score than smaller ones.
- Grant holders classified as 'growers' (those experiencing increasing income prior to LSF) did not experience as big positive changes in ODT scores as organisations we classified as 'squeezed middle' or 'survivors'.

##### Emergent outcomes

A wide-range of outcomes and benefits were observed, including:

- **Governance and leadership:** grant holders commonly discussed improvements in the leadership of their organisation, specifically within the board of trustees and how it worked with the rest of the organisation, as well as improvements in the skills and abilities of senior staff members.
- **Strategic thinking, planning and mission:** grant holders frequently mentioned changes in how they undertook strategic planning, likely reflecting the large number whose application forms had specified a specific focus on this (51%).
- **Income diversification:** while an important outcome for many grant holders, income diversification did not feature as the most commonly observed.
- **Partnerships and collaboration:** outcomes associated with developing partnerships, collaborations or networks were not as commonly observed as with some of the other outcomes discussed in this report.
- **People:** this included staff gaining new skills and knowledge which they could feed in to their work.
- **Beneficiary connection:** outcomes associated with improvements in connection and reach to beneficiaries were the most commonly cited outcome in our sample of end-of-project monitoring reports despite not being a focus of a large number of application forms.
- **Organisational systems, processes, and infrastructure:** improving systems (most commonly financial, IT, HR and governance) is a potential route for grant holders to build their capacity and capabilities, something that can ultimately help organisations improve their sustainability.
- **Organisational confidence and self-belief:** this included having been reassured of the value and relevance of their organisation's mission and being more confident about the need for the work they did.
- **Monitoring, evaluation and impact assessment improvements:** many grant holders experienced benefits in this area, which were commonly linked to being better able to describe the difference they made when applying for funding.

### 3.1 Introduction

This chapter will examine the different outcomes that grant holders experienced during and after their LSF projects. It will begin by exploring the evidence for any overall changes in organisational sustainability before discussing a series of different outcomes experienced by grant holders.

This chapter will primarily respond to the following evaluation objectives:

- *Aim 1: To assess the effectiveness and impact of the LSF.*
- *Objective 4: To describe and assess outcomes (what change, how much and for whom), the distance travelled by organisations (increased organisational capabilities), and how far programme outcomes have been achieved.*
- *Objective 6: To assess the value of outcomes achieved in relation to impact (i.e. the wider actual or potential value of outcomes in relation to sustaining services for disadvantaged people).*

### 3.2 Overall changes in organisational sustainability

While organisational sustainability meant different things to different grant holders, we can nonetheless look at perceived changes in the overall sustainability of the organisation based on what they told us and analysis of ODT scores. Following completion of their projects, grant holders tended to be overwhelmingly positive about the changes they had seen, as seen in Snapshot Survey Four: 94% reported having seen improvements in the ‘strength, sustainability and resilience’ of their organisation, of which 61% said it had ‘improved greatly’. In turn, nearly half (45%) felt this was ‘predominantly due to LSF’ while a further 51% said they felt it was ‘partially to do with LSF’, introducing the idea that factors external to the project had a potentially notable part to play (see section 4.3.3).

An alternative way to understand high-level changes in organisational sustainability is by comparing the scores grant holders obtained in the Online Diagnostic Tool (ODT) before their projects started, and after their projects had finished; an increase in the score would act as an indicator of increased sustainability in the organisation, albeit a self-reported perception<sup>7</sup>. This data also describes a positive story, in which grant holders observed an increase in their overall sustainability score, suggesting they felt that their organisation had become more sustainable during the course of their LSF project.

The average change in score across all grant holders was an 11% increase, with the average score increasing from 66% in the ‘pre’ run of the tool to 76% in the ‘post’ run. While it is not

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<sup>7</sup> Due to a bug within the ODT the final sustainability scores were inflated by approximately 2%, in both the pre- and post- ODT scores. The implications of this are fully examined in Appendix A although they do not detract from the findings discussed here.

possible to directly attribute the change in score for organisations to their involvement in LSF, the scores do suggest that the majority of organisations underwent a positive journey in this period.

There is, however, inevitably more variation within this pattern than the figures first suggest and not all organisations experienced the same level of increase as can be seen in the table below; the vast majority (93%) did, however, see an increase in their score over the course of their project and only 7% saw a decrease as can be seen in figure three below.

**Figure 3. Changes in ODT scores for overall sustainability**

<b>Rate of growth</b>	<b>Change in score</b>	<b>Number of grant holders (%)</b>
High growth	16%+	51 (22%)
Moderate growth	6% - 15%	126 (56%)
Low / negative growth	Less than 6%	50 (22%)

In terms of factors that can help to explain this variation discussed in figure 3, size of organisation appears to have the most notable influence. Larger organisations (i.e. those with an annual income of over £500,000) were more likely to have seen bigger positive changes in their sustainability score than smaller ones. Equally, there seems to be some evidence of a connection between increases in the number of volunteers over the course of the LSF project and achievements in higher levels of overall ODT score growth. However, it should be noted that it is organisations with an income of over £250,000 that appear to be driving this relationship. This indicates that it is size of organisation in combination with change in volunteer numbers explaining this relationship, rather than solely change in volunteer numbers.

Changes in sustainability scores also varied in relation to the stage of sustainability the organisation was at (see the typology in section 2.3.4). Those organisations classified as 'growers' (i.e. those experiencing increasing income prior to LSF) did not experience as big positive changes in ODT scores as organisations classified as 'squeezed middle' or 'survivors'. This could possibly be because 'growers' might be further along on their journey towards sustainability and therefore have less far to travel in the future (i.e. they have already done most of their 'growing' and are therefore continuing to gain at a slower pace).

As well as the overall sustainability score, the ODT produced scores for five sub-categories. The changes observed, including the variation, for these five categories is set out in figure 4 below, and will be discussed more fully in section 3.3.

Figure 4. Changes in pre- and post-ODT scores for the five sub-categories

ODT sub-score	Average change	Minimum change	Maximum change	Related outcomes as experienced by grant holders
Sustainability	+12%	-10%	+37%	All outcomes
Market & opportunities	+8%	-10%	+25%	n/a
Strategy & planning	+11%	-10%	+36%	Strategic thinking, planning and mission
Track record & capability	+12%	-9%	+38%	Organisational systems, processes, and infrastructure
Quality & impact	+9%	-9%	+35%	Monitoring, evaluation and impact assessment improvements

Grant holders frequently described the outcomes they experienced in quite general, wide-ranging terms. This was often focused on having become – or importantly *becoming* – a more sustainable, resilient, and/or stronger organisation. For them, this included being better able to assess and act on their strengths and weaknesses, and similarly having an improved ability to identify and mitigate risks, being more efficient as an organisation, or having become more flexible and agile. Organisations also outlined specific outcomes (or perhaps indicators of sustainability) related to overall organisational sustainability, including having avoided closure and simply having survived as an organisation, having increased cash reserves, or having reduced the risk of losing their premises:

*‘We are now a much more stable organisation, with a better infrastructure and much more able to respond to day-to-day challenges.’*

*‘Without the support from the Local Sustainability Fund there would have been a very real risk that there would have been insufficient funding for these services to continue into 2017.’*

*‘Our resilience is improved by our ability to look at ourselves and critically assess our strengths and weakness and to work out ways to make improvements. We feel stronger, more sustainable, and more resilient as a result of the work we’ve done over the past 12 months and this will continue into the future.’*

Similar outcomes were also identified within Snapshot Survey Four when respondents were presented with a list of 14 different outcomes and asked to identify which they felt they had experienced. While many of these are specific in nature and will be reported on in the following section, it is worth noting several here which relate to broader changes in the overall sustainability of the organisation. The fourth most identified outcome, for example, was being ‘better able to adapt to change’, and having become ‘more outward-looking’ was

the seventh. However, being ‘better able to solve problems’ and ‘taking more risks’ came in at 12<sup>th</sup> and 14<sup>th</sup> place respectively, suggesting a lower level of importance for in these areas for many organisations.

A further way in which to understand the possible difference made by LSF to the sustainability of grant holders is to examine what may have happened in the absence of funding. Our 15 interviews with organisations that applied to LSF but were not successful, undertaken more than a year after they originally applied, gives a high-level suggestion of what this might look like<sup>8</sup>. Given only 15 were spoken to, their experience should clearly be taken as indicative rather than representative of the rest of the sector.

Of the 15, two reported having delivered on their LSF plans during the same 12-month period without undue disruption to the organisation or the person leading the change, suggesting that it is, in the right circumstances, possible to make progress in the absence of LSF. Our 15 interviews cannot definitively explain why some organisations may have still seen success in the absence of LSF, but it appears that certain characteristics may help to explain this, including: existing quality of leadership and staff; having other viable options to pursue; connectedness and networks; engaged and skilled trustees; and more up-to-date systems, especially for reporting.

A further nine had secured sufficient funds, contracts and/or support to achieve at least some of their ambitions for making the organisation more sustainable. Crucially, however, their experience demonstrates an important benefit of LSF: they were only able to make this progress by delaying other work or taking greater financial risk, indicating that the direct support and resource provided by LSF made an important contribution.

The experience of the final four also reaffirms the value of LSF as they reported making no positive progress at all, with one having ceased trading in September. For these organisations they noted that the absence of LSF support had been significant or instrumental in frustrating plans to develop their organisation and greater resilience. They described their biggest challenge to be a lack of time to implement urgent change and instead spoke about having to support delivery and pursue funding, locked in a cycle of chasing grants and ‘getting by’.

### 3.3 Emergent outcomes

This section discusses the main outcomes that were experienced by grant holders. Reflecting the diversity to grant holder organisations and their projects, the range of

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<sup>8</sup> These organisations, along with all that made stage one applications, were given some support through the application process, including completing the Online Diagnostic Tool and working with a local advisor.

outcomes discussed is similarly broad, and organisations' experiences of outcomes differ. Furthermore, in many cases the outcomes described are not mutually exclusive and it was possible for grant holders to experience multiple different outcomes. Connections between different outcomes can be also be seen. These outcomes are not therefore presented in order of importance as we lack the evidence to support a prioritisation, but commentary will be offered on which were more or less commonly observed. Insight from wider research in relation to these findings will be examined in the conclusion in chapter five.

### 3.3.1 Governance and leadership

Grant holders commonly discussed improvements in the leadership of their organisation, specifically within the board of trustees and how the board worked with the rest of the organisation, as well as improvements in the skills and abilities of senior staff members. Improvements in governance was the second most frequently mentioned outcome in the analysis of end-of-project monitoring forms, although having 'stronger leadership' was only the ninth most cited outcome in Snapshot Survey Four (64 respondents, 74% of respondents agreed with this option from a list of 14 possible outcomes) and having 'better governance' was the 10<sup>th</sup> most cited outcome (63 respondents, 74% agreed with this option). The evidence we have does not, unfortunately, shed any light on this disparity.

Improvements in governance often concerned practically enhancing the systems and processes of governance, with grant holders describing improved reporting, the introduction of sub committees and better internal functioning, and new, and enhanced induction of board members. Subsequently, organisations described better involvement and engagement from their boards, increased proactivity on the part of trustees, an improved understanding of their roles and commitments, and an improvement in the skills of board members (as well as a better recognition of skills gaps):

*'The board have become more proactive. This means they are more able to scrutinise the work, the vision and the financial planning.'*

*'In particular the work to improve the governance arrangements of the organisation and take a more dynamic approach to assessing and acting on risks and opportunities has meant that we are more resilient and able to operate in an ever-changing external environment.'*

*'Our Board and Governance review and action planning is probably the best thing we have done in this area during the year. Our Board of trustees have moved from a fairly passive position to one where they are proactive.'*

One of the case studies, Women's Environment Network, felt that the increased clarity on its strategic aims that came with the LSF project was instrumental in improving the

organisation's leadership through the Board of Trustees. The project's local advisor commented that *'the 'what' and 'how' are so much clearer, it's excited people to join the Board, significantly strengthened the Board'*. Changes have also been seen in the recruitment of new trustees on to the boards of some grant holders. CTLA, for example, noted that LSF had led to them strengthening their trustee board with new additions including a retired director from Tesco who brought qualified accountancy experience:

*'The improvement in governance is quite widely felt in the organisation...We have increased the trustee knowledge base with our recruitment. That was our aim.'*

While distinct from improvements in board functioning, organisations also frequently discussed outcomes related to the leadership of the organisation by senior staff. This included having developed a stronger senior management team (SMT), which could be the result of having increased skills amongst senior leaders within the organisation, the SMT having become better at working together and delegating responsibility to others, and SMT having an improved understanding of their roles and commitments. This was also reflected amongst the case studies. The director of case study Organisation A noted that one of the positive changes as a result of their LSF project had been greater clarity for her role, while two senior roles in Organisation G, that of CEO and Head of Operations, have become better defined, with the result that there is no longer any duplication of effort.

### 3.3.2 Strategic thinking, planning and mission

Grant holders frequently mentioned changes in how they undertook strategic planning, likely reflecting the large number whose application forms had specified a specific focus on this (51%). This could involve having developed a stronger strategic focus (and thereby avoiding mission drift within the organisation) and having strengthened their organisational vision and objectives, with increased buy-in and engagement from across the organisation (in terms of staff, volunteers, trustees, and service users):

*'We're more focused about what we do and the outcomes we want to achieve. Despite continuing to meet a wide range of need, our services are now more clearly defined; we can articulate more clearly the work we do; we are more disciplined about which funding opportunities we will pursue.'*

This could also include practical improvements in the strategic planning process:

*'The LSF investment has helped us to improve our forward planning processes. We now hold regular strategic planning meetings to look for continual improvements.'*

The occurrence of such outcomes is also backed up by the changes seen in the pre- and post-ODT scores. 'Strategy and planning'<sup>9</sup> was one of the five sub themes of the ODT and scores in this area ranged from a 10% decrease to a 36% increase, with an average change of an 11% increase. A large proportion of grant holders (92%) saw an increase in this score, with less than one in ten (8%) seeing zero or negative growth.

One of the main outcomes of being involved in LSF appeared to be having developed a greater clarity of purpose and what the organisation was set out to do, something that frequently had a wide range of positive additional outcomes. In the case of Soft Touch Arts, for example, the stronger and more focused vision they achieved as a result of LSF was felt to help them better meet the needs of their key beneficiary group, in this case young people. This could also have benefits around communicating this vision to others, with several of the case studies noting that having a clearer strategy and focus enabled them to undertake more effective marketing. Soft Touch Arts are now confident that their renewed clarity will help them to articulate better to others what they are about and how others can help, while Action East Devon similarly described how their key stakeholders are welcoming the organisation's new clarity about its purpose and communications.

Grant holders also often developed a better idea of what services they supplied and how, as in the case of Home Start Greater Manchester, who gained a clearer idea of which specialist skills they had that could be rolled out to other areas. In other cases, it could lead to a more fundamental refocusing exercise. London Gypsies and Travellers agreed to re-position the organisation from one which was seen as a provider of services to one which worked as an enabler, leaving the community in a stronger position.

The case studies also illustrated that this was not simply about doing more but that an important element of re-focusing the organisational mission also involved deciding what not to do. As part of the strategic rethinking described above, London Gypsies and Travellers noted that a crucial part of the work had been identifying what the organisation was no longer going to do, a challenge which they felt should not be underestimated. Similarly, one of the Journeying Together case studies, Organisation A, completed a new business plan as part of the project which meant they identified three main areas of work which they believed would help them become sustainable. Crucially this meant no longer undertaking some areas of work and therefore withdrawing some of their services for their client group. Another case study, Organisation B, reported how in order to become sustainable in the future, they are currently considering expanding one service (and taking on additional premises) and withdrawing the provision altogether in another, something that would be a very significant change for the organisation. It was felt that work on what the organisation

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<sup>9</sup> In the ODT this is described as: 'Having up to date, realistic and relevant strategic plans are vital. Such plans include overall direction and objectives for the organisation and how these will be met.'

is fundamentally for, and where it can have the greatest impact, has enabled staff and Board members to make the cultural shift needed to make this work.

In other cases, it had simply meant that the grant holder developed a renewed belief in the mission and activities of their organisation and realised that their existing work was valuable and needed to continue. This was often re-affirmed by seeing that people external to their organisation – including business and the public sector – valued what they were doing, but also emerged from contact with other grant holders. One organisation, for example, reported being re-convinced of the value of being a user-led organisation after discussing overall approaches with another grant holder during a peer visit (this connects to an increase in confidence amongst staff and throughout the organisation; see section 3.3.8).

LSF also appears to have allowed grant holders to think carefully about their beneficiaries and the best way to provide services to them. This could involve wider debates about why the organisation was seeking to become sustainable in the first place, and whether sustainability was an end in itself or more closely connected to the needs of beneficiaries. This raises interesting questions about the sustainability of organisation (i.e. keeping the mechanics of an organisation alive) and the sustainability of purpose (i.e. providing a service to a beneficiary group, either through the existing organisation or a different form):

*‘We owe it to our beneficiaries to ensure that our organisation is financially viable, fit for purpose (now and in the future) and is constantly re-evaluating what it does in line with the changing environment and the needs and wishes of our customers.’*

Organisation G’s chief executive changed their thinking about organisational mergers through the course of the LSF project. Having previously seen it as a negative step with connotations of organisational failure, she subsequently felt it was possible that it could be something positive, for example a considered decision about how services could best be provided to their client group.

### 3.3.3 Income diversification

Seeking to secure a more diverse mix of income was the most common way in which grant holders conceived of improving organisational sustainability (see section 2.3.2). Moreover, developing new income streams and/or diversifying income was the most popular type of project outlined in application forms (see section 2.3.3). This makes it perhaps surprising that while an important outcome for many grant holders, income diversification did not feature as the most commonly observed. Having ‘unlocked new resources’ was only the 8<sup>th</sup> most commonly cited outcome in Snapshot Survey Four (66 respondents, 77%) and outcomes related to income diversification were the fourth most commonly mentioned in grant holders end-of-project monitoring forms. It is possible that achievements associated

with income diversification may be more clearly seen in the longer-term, beyond the 12-month funding period.

Grant holders nonetheless frequently described their motivation for diversifying their income base as a way to reduce dependency on government grants, something they often felt they had gone a long way to achieving:

*'We have moved from being grant dependent to successfully winning substantial long-term contracts from the public sector.'*

*'By not being reliant on grant income and building a sustainable business without the need of grant income will protect the service from the ever-decreasing grant income pot.'*

*'We now have a successful business which generates a substantial proportion of our core running costs. We are now far less dependent on specific grants for core funding which means we can focus on fundraising efforts more on activity costs.'*

This was also reflected in the case studies, some of whom described the main motivation of having developed trading enterprises in these terms. The CEO of Access2Business noted that *'charities need to move away from grants'* while Hoot Creative Arts felt one of the main benefits would be to increase the amount of unrestricted income. Motivations remain multi-faceted, however, with the same organisation also seeing potential benefits to trading activities as offering part-time staff an opportunity to earn additional income which could increase retention, allowing people to develop additional skills, and enabling different parts of the organisation to work together more effectively.

A common and important way in which income diversification was starting to be achieved was through the development of earned income. This was cited by approximately a quarter of the grant holders in our sample of end-of-project monitoring reports in which they described having increased the amount of earned income through the development of new products and services or in one case the creation of a social enterprise, often involving a re-design of the business model. This often involved the development of new services or the repackaging of existing ones so they could be sold in to new markets. Soft Touch Arts, for example, developed traded income by selling a creative team-building service to business, with the young people providing some of the service, something they have set income targets for, while Access2Business established a new social enterprise to provide back-office facilities to support long-term unemployed people who had recently set up their own businesses.

Several organisations who attended the peer visits as part of the evaluation reported learning about different models that their organisation could pursue, again frequently being connected to earned income. Examples included learning about the relevance of structures such as Community Interest Companies and whether they were appropriate and effective, how to consolidate smaller services in to a more effective delivery mechanism, or the limitations of developing commercially-focused models. Learning from the peer visits could also be practical in nature, including identifying new sources of funding, obtaining new contacts and introductions, or developing new ideas for fundable projects. However, it was also common for such learning to involve more strategic insight around how to better generate unrestricted income, how to work more effectively with fundraising consultants, and which income streams would be most effective.

Some of the outcomes experienced were often quite practical in nature and involved starting to implement changes to fundraising or income generation practises, and as such could be seen to be closer to project outputs. Those who attended the peer visits discussed setting up an internal group to focus on fundraising, looking at different income sources, and making more applications to small trusts and foundations. The changes could also be more strategic in nature, including revising the organisation's outcomes work to better communicate the difference they make when making funding applications, developing a new fundraising tool, or looking at how to involve their fundraiser in new ways.

#### 3.3.4 Partnerships and collaboration

Outcomes associated with developing partnerships, collaborations or networks were not as commonly observed as with some of the other outcomes discussed in this report. They were the tenth most described outcome in our analysis of the sample of 80 end-of-project reports and 'we are collaborating more' was the sixth most commonly identified outcome in Snapshot Survey Four (69 respondents, 79%). This is perhaps not surprising when we consider that only a quarter (26%) of grant holders described building new partnerships with other VCSE organisations in their application forms. Furthermore, the typologies outlined in section 2.3.4 identified that only 30% of grant holders could be classified as 'open', a key element of which was seeking to identify and build partnerships with others.

There were nonetheless important examples of new partnerships being formed as a result of LSF projects, as well as increasing the number of contacts, supporters, relationships and networks. This included with national charities, central government departments, educational institutions and NHS trusts. In the end-of-project monitoring forms, it was most commonly discussed with regard to improvements in relationships with business, establishing new partnerships, and having a greater capacity to engage with business (e.g. through improvements in social media and communication, receiving specific guidance around working with businesses, or simply by having more time).

Four Corners Film illustrates the range of new partnerships that can be developed as well as some of the emerging outcomes of these partnerships. Their most notable new partnership has been with The Royal College of Art and Birkbeck, University of London, where the university is taking the lead applying for a grant from the Arts and Humanities Research Council for a joint project to deliver a programme of talks, an exhibition and networking events linked to the unique Four Corners film and photography archive, something that they have described as *'a new development, as we have never participated in writing a bid of this scale with Higher Education partners'*. As well as new relationships with other local VCSE organisations, Four Corners Film has begun working with local authority staff in new ways, specifically to help develop a new commissioning process. The project lead feels that the commissioning process is now more relevant to their organisation and that they have a better chance of winning funding in the future as a result. Furthermore, the organisation has been exploring a new consortia partnership with other VCSE organisations to bid together in to the revised commissioning process, and increase their chances of success as well as reducing local competition.

An additional, advanced form of partnership is that of mergers. While only two per cent of application forms described mergers as a key element of their LSF projects, those organisations who did pursue this option appeared to have experienced some important positive outcomes in terms of sustainability:

*'The current planned merger will provide a more robust, sustainable and resilient charity, able to cascade good practice and take up new opportunities and funding streams.'*

*'Our developing partnerships and potential merger will lead to cross organisational learning, better and more innovative ways to support service users and give us the potential for growth and diversification.'*

Collaboration and sharing learning was an important part of the LSF programme and indeed of the evaluation, which included peer visits in which grant holders could exchange ideas and challenges with similar projects. Many who attended the visits appeared to have developed a more appreciative view of sharing learning. Some had decided to continue the relationship independently, after the funding period had come to an end. In other instances, the visits appeared to have helped create an understanding of the wider value of sharing learning, with several organisations saying they wanted to seek further opportunities to discuss and share throughout the sector or develop more partnership working:

*'I will now, however, seek out more opportunities to share experiences with other charity CEOs as I found the process very helpful.'*

*'We will stay in touch so as to have the opportunity to discuss any difficult issues together and to continue the peer-to-peer support.'*

*'The visit has encouraged me to approach other third sector organisations to share practice, problems and solutions.'*

### 3.3.5 People

Outcomes associated with the people within grant holders' organisations were commonly seen, both in relation to paid staff and volunteers. Given that more application forms reported focusing on paid staff than on volunteers (44% and 26% respectively), it is perhaps not surprising that outcomes associated with staff were more commonly observed than with volunteers. It is also possible that the comparatively short funding period limited opportunities to engage with volunteers, as was mentioned by one of the case studies.

In our analysis of our sample of 80 end-of-project monitoring reports, 25 organisations described improvements in staffing (excluding changes specific to the leadership of the organisation), although many were focused on outputs rather than outcomes, such as the introduction of new and improved management and human resource processes (e.g. new ways to undertake appraisals and performance management, and new systems of training) or the restructuring of staff teams.

The most common outcome was staff gaining new skills and knowledge which they could feed in to their work. This could be spread diffusely throughout the organisation's staff body but were frequently concentrated within the CEO or other senior staff. This could be, as in the case of Teamwork Trust, specific skills around how to promote, cost and sell a new 'product', with staff attributing their success in renegotiating a contract with their local authority to their involvement in LSF: *'we didn't necessarily have those skills and LSF allowed us to bring those skills into the organisation'*. Similarly, the LSF project coordinator at Women's Environment Network spoke of her own personal learning relating to her co-director role with finance in the organisation, explaining how she has learnt a huge amount about financial planning, allocating budgets and investment for longer-term benefit.

Outcomes associated with wider benefits throughout all staff were also commonly described, including increased resilience, adaptability and ability to respond to the challenging and rapidly changing environment in which they existed:

*'Staff development, restructuring and training is building a resilience within the staff team. It has also made a more proactive team which moves forward confidently and with a greater ability to adapt to change.'*

*'Now we have a focus, we know what direction we're going in. We have a better sense of identity. We have developed staff along the way, so we are more self-reliant and there is better succession planning.'*

Organisations frequently saw improvements in volunteering (excluding outcomes associated with the board of trustees) as an important outcome of their LSF work, having been mentioned by 17 organisations in our sample of 80 end-of-project monitoring forms. Insight, new ideas and plans were also frequently discussed during the peer visits. In both cases, they tended to be quite practical in nature, and often concerned changes and improvements to volunteer management practises, such as training provision or how volunteers were recruited. The subsequent outcomes were often discussed in broad, generic terms such as having improved the overall volunteering model or processes of involvement, but a range of important, more specific changes were also outlined including: improvements in volunteer satisfaction and a happier volunteer body; better communication to volunteers; improved volunteer-staff relationships; an expansion of areas in which volunteers were involved; and an increase in the skills set of volunteers.

#### 3.3.6 Beneficiary connection

Outcomes associated with improvements in connection to beneficiaries were the most commonly cited outcome in our sample of 80 end-of-project monitoring reports, complementing the Theory of Change which was developed as part of the evaluation and described 'happy beneficiaries' as one of its two ultimate outcomes (see figure 2). Snapshot Survey Four suggested a slightly different situation, with the outcome 'we are involving our service users more' emerging as the 13<sup>th</sup> most common of the choice of 14 listed outcomes' (49 respondents, 58%).

Interestingly, only 17% of grant holders outlined user involvement in some form in their application forms and one in five (21%) had outlined intentions to develop new services for services users. The variance between this and the higher frequency of such outcomes seen in the end-of-project monitoring forms may be because projects could identify a wide range of outcomes in these forms and the connections to beneficiaries can cut across a wide breadth of work activities and objectives (i.e. the work of all grant holders – and by virtue their LSF projects – will ultimately relate back to providing some form of service to a beneficiary group) and exist alongside other outcomes such as diversification of funding.

Those beneficiary-related outcomes discussed tended to be focused on the grant holder's organisation having developed a better connection or service to their beneficiaries. In some cases, the organisation's survival had meant that they had the ability to continue to provide services to their beneficiaries (particularly notable for those organisations whose survival was more doubtful prior to funding), but for others the organisational growth and expansion they had seen with LSF meant that they could provide a greater range of services to a

greater number of people, expanding their reach. Organisation E, for example, has been successful in attracting funding to enable them to work with clients over the age of 25 through new projects, which was an age group they had previously had to turn away.

In other cases, the outcomes were focused more generally on improved relationships with beneficiaries, specifically around better and more regular feedback, dialogue and communication, which together helped enhance their understanding of beneficiary need and fed in to the development of services and continuous improvement of the organisation's offer. In some cases, the increased dialogue with clients was beneficial in itself, with Organisation G noting that service users had been positive about being asked their views about the organisation and its services. This could also contribute to improvements in service provision. Organisation H, for example, described how it is finding it helpful to carry out online surveys about user experiences, through which they are gathering useful information (e.g. why boys and older children do not want to come to the holiday club). This information is being used to make changes to activity provision, such as timetabling activities well in advance to help people who work flexibly and the organisation is subsequently more confident that they are delivering what their service users want and need. Similarly, for Organisation B, LSF provided the time and resource for a mapping exercise to see where the clients were drawn from and to understand why they were using the centre. The exercise showed that the organisation was increasingly acting as a sub-regional hub, covering a 20-mile radius and sometimes considerably further. The case study felt that this could shape funding opportunities and conversations with partners, as their reach was discovered to be more extensive than they had originally thought.

### 3.3.7 Organisational systems, processes, and infrastructure

It was common for grant holders to discuss a range of outcomes associated with the internal systems and processes of their organisation, with many having made notable improvements to organisational infrastructure. While some of these changes are perhaps more output-based than outcomes in themselves<sup>10</sup>, there are also indications that they have, in many instances, been connected to positive changes in organisational sustainability. Snapshot Survey Four highlighted, for example, some of the outcomes identified by grant holders which were connected to organisational systems: 'we are working more effectively' was the second most commonly cited outcome from a list of 14 possible outcomes (76 respondents, 89%); 'we have stronger financial and internal processes' was 5<sup>th</sup> (68 respondents, 79%); and 'we have better internal communication' was 11<sup>th</sup> (59 respondents, 69%).

The changes in the pre- and post-ODT scores also show that grant holders experienced notable change in areas associated with internal systems. 'Track record and capability', one

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<sup>10</sup> [Inspiring Impact](#) describes outputs as 'products, services or facilities that result from an organisation's or project's activities' and outcomes as 'the changes, benefits, learning or other effects that result from what the project or organisation makes, offers or provides'.

of the five sub-scores in the ODT, was the one most closely connected to internal systems<sup>11</sup>. It was the sub-score that saw the widest range in score (from a 9% decrease to a 38% increase), the highest average increase of any of the five sub-scores (12%), and the smallest proportion of grant holders that saw 'negative/zero' growth (6%). Notably, around nine out of ten grant holders which were improving systems saw 'moderate/high' score growth (88%) against 72% of those that were not. This finding indicates that improving systems is a potential route for grant holders to build their capacity, something that can ultimately help organisations to improve their sustainability and thus their overall ODT score.

In their end-of-project monitoring forms grant holders described a range of outputs and outcomes connected to how their organisations functioned and behaved. Many referred to general improvements in their organisational systems which had made the day-to-day functioning of the organisation more effective and efficient, as well as improving the resilience and adaptability of the organisation (more specific improvements will be discussed later in this section):

*'We feel that we now have systems and processes in place to ensure we are an organisation that continuously improves and is an agile organisation.'*

However, others described more specific examples of improvements, and the most commonly discussed was related to financial systems and processes which allowed better financial planning and forecasting:

*'We have increased efficiency and productivity by updating IT and implementing SAGE. This enables better forecasting as well as in time reporting and cash flow management, supporting strategic financial planning and the board's ability to plan financially as well as manage day-to-day finance.'*

In many cases, this meant a more streamlined, efficient way of working, as in the case of Organisation F, which had seen improvements in billing as well as improved information and payment methods for service users, especially parents using the childcare service. It had also contributed to organisations being better able to access funding, as a result of having a more reliable and sophisticated system in place. As a result of modernising their processes and making improvements in financial systems, data storage, human resources, and monitoring impact, the CEO of CAST Northwest noted that the organisation is now more successful at winning funding bids: *'we are now getting further with funding bids because of the management and quality we have put in place'*.

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<sup>11</sup> Described in the ODT as: 'This is about the performance of the organisation up to the present and its capability and readiness for the challenges ahead including its effectiveness in delivering services and in managing within its financial constraints'.

Improvements in these processes have, in some cases, also contributed to a better understanding of the business that is being operated and which elements should be developed and which may need attention. Organisation G, for example, reported that there are now systems in place which enable staff to better grasp which activities are profitable and what the organisation's core costs are. As a result, the CEO has a better understanding of how much business needs to be *'in the pipeline'* and *'coming in through the door'*.

Changes in how grant holders work as organisations have also been facilitated by adapting and refining their financial processes. As a result of their LSF project, the accounts of Women's Environment Network are now managed *'in the cloud'* which has enabled more home-working and the revised financial systems have meant that the organisation can manage their membership database much more effectively. Similarly, by working with a financial consultant, Soft Touch Arts improved their finance systems to meet their changing needs after they had taken on a significant building asset and associated liabilities, and helped them to develop a new fundraising strategy which reflected their changing funding context, including identifying new opportunities with business.

A further area mentioned was improvements in IT systems, including the introduction and use of new servers or databases, which were helping to increase the grant holders' understanding of beneficiary need and engagement. Organisation E, for example, adopted the use of a CRM system for client management, noting that the reports from this were helping the organisation and saving them time:

*'The purchase of a new database has helped us continually look for ways to improve the way we work, forward plan, and ensure the ongoing success and relevance for our beneficiaries.'*

Quality accreditation is one form of improvement to systems and processes that some grant holders had made progress in – and indeed, is an external validation of wider improvements to systems and processes. Such standards and accreditation will not be relevant to all organisations, confirmed by their being described in only a quarter (24%) of grant applications, but for those that had focused on these they had experienced some important benefits. CAST Northwest, for example, were extremely positive about working through the PQASSO quality standard as part of their LSF project:

*'PQASSO has brought quality to the charity. It shows we are at the level we need to be.'*

*'Using PQASSO has actually underpinned all of that – it has really underpinned it as a system.'*

Similarly, as a result of improvements to its systems and processes, Organisation G successfully retained its ISO9001 standard, something they see as vital for contract bidding purposes as it was felt to demonstrate their continuous improvement and quality:

*'It's really important [as a way] to demonstrate the organisation's continuous improvement, important for bidding for contracts.'*

The outcomes observed relating to systems and processes were also frequently associated with learning about new processes and systems and ideas for the future, as much as implementing them in the present. Much of what was discussed in the peer visits was practical and as such organisations gained learning around financial management, systems and processes that they could go on to apply in their own organisation, as well as practical details about project management tools, software and approaches they could use. In some cases, the opportunity to share ideas and challenges with peers had contributed to potential changes being made within grant holder organisations:

*'I am considering taking our accounts function back in-house so that we have greater control and understanding of the flow of income, which will prepare us for a greater income spectrum.'*

We can gain further insight in to grant holders and the extent to which they experienced outcomes associated with internal processes and systems by applying the typologies outlined in section 2.3.4. Those organisations classified as 'survivors', for example, were most likely to be focusing their project on improving systems (particularly HR and finance), perhaps suggesting a recognition that they did not feel sufficiently stable or strong enough to develop outward-facing work at the current time, but rather needed to focus on addressing some of the 'basics' first. Focusing on their own internal capabilities and capacity could be an important first step in the process of building sustainability for some grant holders, indicating the possibility of grant holders interpreting this as a journey towards achieving greater organisational sustainability (this is discussed in more detail, including through a visual image, in section 5.2.4).

### 3.3.8 Organisational confidence and self-belief

This included having been reassured of the value and relevance of their organisation's mission and being more confident about the need for the work they did, something that was often gained from having seen the value that others, particularly those in the public and private sectors, placed on their work. Organisations described this happening in a variety of

ways, including being asked to speak at conferences and meetings, being approached to discuss the potential for partnership working, and having new discussions with commissioners:

*'I have to say we feel more confident and indeed see a new energy in our day-to-day work and strategic approach.'*

*'We feel more confident in fighting for our cause and values.'*

*'Confidence...that the organisation has, that staff have, that people are interested in us, in what we do, in our ideas and they want to work with us and they are approaching us. We're now getting the resource that we hadn't before, so that we can take on work when we are approached, which we couldn't before.'*

The increased confidence that was discussed in the end of project reports could also include being more confident about the future of their organisation, which they could feel was in a more stable, and sustainable, position as a result of the funding.

### 3.3.9 Monitoring, evaluation and impact assessment improvements

Nearly half of grant holder application forms (47%) indicated that their projects were focusing on improving impact assessment at some level. It may not, therefore, be surprising that 'gathering better evidence about our impact' was the third most common response in Snapshot Survey Four when respondents were presented with a list of 14 possible outcomes (70 respondents, 81%). Impact-related outcomes, however, were less commonly mentioned in the end-of-project monitoring reports, being the ninth most cited outcome area.

Results from the ODT pre- and post-scores give some indication of how much change was seen in relation to impact-focused outcomes. One of the five sub-scores in the tool was 'Quality and Impact'<sup>12</sup>, in which changes in score varied from a 9% decrease to a 35% increase, with an average increase of 9%. This sub-score saw the largest proportion of 'negative/zero' growth of any of the five sub-scores, at 11%, with a third of grant holders (33%) seeing low/negative growth. It is unclear why less progress was seen here, but could be related to changes in impact measurement frequently taking time to come to fruition, and having longer-term, strategic impacts.

Grant holders experienced a range of different outcomes associated with improvements in their impact assessment and measurement. Perhaps the most notable and frequently mentioned outcome was having better information as a result (i.e. collecting it

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<sup>12</sup> Described in the ODT as: 'This covers both the quality of services provided and the impact of the organisation in its community and/or its customers.'

systematically) and knowing how to use this data (such as being better able to communicate the difference their organisation made and being able to discuss impact in a more compelling way, thereby potentially improving their chances of being successful with funding bids):

*'We can now evidence and communicate the benefits of the services we provide, and make a compelling case to commissioners and other purchasers about the value of our work.'*

*'We have improved the way we are to evaluate and measure our impact and have produced an impact report enabling us to demonstrate our ongoing successes for our beneficiaries.'*

Teamwork Trust's work with a local advisor, for example, helped them better track outcomes for a client's progression through the organisation, allowing staff to capture a more detailed story of how they have benefited. As a result of the LSF project, they felt that they had developed '*good impact speak*' when targeting donors, funders and the community, and had created a new four-page impact report that was easily accessible from the homepage of the website. Similarly, Organisation B put in place a new impact measurement tool which has given them better information to use to explain the impact of their work to commissioners. They believe that this has been important in persuading commissioners of their value as a training and education organisation. Action East Devon, who run a 'Counselling for Carers' service, also used the LSF project to develop more evidence-based practice, commissioning independent consultants to research the impact of the service so they were better able to talk about its value. One of the emergent outcomes has been for this data to act as an initiator for new conversations with partners and funders, in this case health commissioners, something that they believe will help sustain the service in the longer term. This perhaps suggests that while grant holders appreciate the embeddedness of their approach to become more sustainable, changes could often ultimately relate back to interpreting success as being related to financial improvements.

A second, albeit less commonly mentioned, area of improvement was using the improved data to enhance their services and products. Teamwork Trust noted that having better data collected on their services and the impact on clients '*enabled us to take a fresh look at what we do and how we do it, and [it] will redirect us*'.

Want to know more?

Further detailed analysis of the topics discussed in this chapter is available in the following bulletins which have been produced during the evaluation:

- [Journeying Together case studies](#).
- [Learning from Success case studies](#).
- [Bulletin – End-of-project monitoring reports](#) – *an analysis of outcomes and learning from the perspective of grant holders.*
- [Bulletin – Snapshot Survey 4](#) – *focusing on outcomes from grant holders' projects and facilitating and limiting factors.*
- [Bulletin – Analysis of Pre- and Post-ODT scores](#) – *a detailed examination of how scores in the Online Diagnostic Tool changed from before the LSF project started to after it was completed.*

## 4. Factors enabling and limiting outcomes

### Key points

#### Facilitating factors

##### Programme design and management

- **Allowing time and space to focus strategically:** LSF gave grant holders the time and space to stand back and consider their challenges strategically.
- **Funder approach:** the trust placed in grant holders by LSF helped generate ownership of projects.
- **External input:** there were differences in experience between the local advisor, which tended to be seen very positively by the majority of grant holders, and the business partner, which demonstrated a much wider range of experiences but less popularity overall. Relationships were most effective when focused on targeted support, and worked well as mentoring relationships. Pre-existing, established relationships could also contribute to more successful partnerships.
- **Peer learning opportunities:** grant holders spoke positively about opportunities for networking and sharing learning with other grant holders, reducing isolation of CEOs in particular.
- **The Online Diagnostic Tool (ODT):** just over half (51%) of grant holders found the ODT 'very useful' for their application process and project development, while 95% felt the results were accurate and 90% would recommend it other organisations.

##### Grant holders

- **Commitment to working with change:** many organisations appeared to recognise the need to value and embrace change as part of a journey towards greater sustainability.
- **Staff, leadership and key individuals:** this included gaining new skills and confidence as well as freeing up senior leaders to work strategically.
- **Flexibility and proactivity:** organisations described how they had learnt about the importance of being flexible and adapting their work on an on-going basis.

#### Inhibiting factors

##### Programme factors

- **Short funding period:** grant holders very commonly felt that a longer funding period (rather than more money) would allowed for greater change, with 18-36 months typically suggested.
- **Late delivery of funding:** most (61%) projects experienced delays in funding which affected workload planning, financial planning, recruitment, and sometimes undermined relationships with staff, volunteers, advisors and business partners who were expecting the LSF work to begin.
- **Challenges with the business partner relationship:** this included the difficulty of finding a partner, not having an existing relationship with them, not knowing who to approach, lack of time from the business partner, and not being able to sufficiently define the role.

##### Organisational factors

- **Resistance to change:** this most commonly affected senior leadership and trustees.
- **Lack of staff capacity:** the pressure of existing commitments outside of their LSF project.

##### External factors

- Grant holders commonly described the challenging external environment, including rising demand for services, decreasing grant income, a move towards commissioning and contracts, and political uncertainty.
- Factors external to a grant holder's project but still within the organisation also acted in a limiting way, including staffing changes, restructures, and IT problems.

## 4.1 Introduction

This chapter will examine the different factors that affected the extent to which grant holders experienced the outcomes discussed in the previous chapter. It will begin by outlining the elements that can help to explain what facilitated the outcomes, including those relating to the design of LSF and to the grant holder organisation itself. Secondly, it will discuss factors that acted to limit, or inhibit the outcomes experienced. As with chapter three, what the wider literature tells us in relation to these findings will be discussed in chapter five, the conclusion.

This chapter will primarily respond to the following evaluation objectives:

- *Aim 1: To assess the effectiveness and impact of the LSF.*
- *Objective 3: To assess how well delivery models work in practice – particularly identifying the role played by advisers, businesses or other partners in delivering organisations' change plans.*
- *Objective 5: To identify barriers, enablers and what works best in achieving programme outcomes including robustly assessing the specific contribution of the programme's support to outcomes.*

## 4.2 Facilitating factors

This section examines the main factors that have acted as facilitators or enablers of the outcomes discussed in chapter three. Those associated with the design and management of the LSF programme are examined first, followed by those connected to the grant holder.

### 4.2.1 Programme design and management

#### (a) Allowing time and space to focus strategically

A key element of LSF was to provide grant holders with time to reflect and evidence from the evaluation shows how beneficial this has been to organisations and their projects. Grant holders frequently described how having the time, space and 'permission' for staff, particularly at a senior level, to take a step back from the day-to-day responsibilities and focus on the longer-term, more strategic issues as being a fundamental element to LSF which helped to facilitate positive change (this also connects to building a sense of empowerment amongst grant holders, discussed further in section 5.2.3). This was also described as being able to spend time looking at the bigger picture, with more than one grant holder noting it was unusual for grant funding to allow recipients to 'pause and reflect'. Organisation B, for example, commented that LSF had provided the time and space at the centre of the organisation to allow them to develop their capacity, something that was usually very hard to secure funding for, noting that: *'the LSF has allowed 'funding for change' and this has been amazing.'* Similarly, 'freeing-up staff time from delivery to enable staff to focus on organisational development' was the top of five pre-determined options that grant holders responding to the fourth Snapshot Survey could select as elements of the

LSF programme that could help to explain why their organisation had seen an increase in sustainability (76 respondents, 88%). This was also reflected in the case studies, with Teamwork Trust noting that the experience *'has taught us the value of the staff having time to do that reflection...everyone in your organisation has a role in reflection.'*

One of the more unexpected benefits of having sufficient time to stand back to consider strategic issues more widely was that it appears to have allowed some grant holders to take stock of existing aims, objectives and activities and reaffirm to themselves that they had been right to undertake the work they had been doing; something they may not have been able to do under normal, everyday work pressures and commitments.

Teamwork Trust was clear about how having time to think strategically had been fundamental to the success of their project:

*'[LSF] bought us the real time that we needed to strip back the organisation, look at the core, look at the projects around the organisation, make decisions around whether the core is sustainable or do the projects support the core, where do we go to sustain the organisation in two or three years' time if the local authority cut the percentage of funding.'*

Organisations also outlined more practical elements regarding time in the end-of-project monitoring forms, including understanding more about the value of freeing up staff time to focus on strategic issues, the importance of allowing other staff to concentrate on their day-to-day work, or the need to invest in management time:

*'I think the main learning point has been that you need to make space to do this. As a very lean and responsive voluntary sector organisation, we are often drawn into long periods of 'fire-fighting' which is very draining on staff time and means there is little space for forward planning.'*

*'We've learned the value of carving out time to focus on key areas of work which can get lost in managing the demands of front-line work.'*

#### (b) Funder approach, attitude and management

The way in which the LSF programme was designed and managed had an important part to play in grant holders' experience of success and positive change. As has been explained in section 2.2, The Fund and OCS deliberately put a large degree of choice in the hands of the

applicants and grant holders who were, within boundaries, permitted to develop and manage their projects as they chose<sup>13</sup>.

They feel that LSF's flexibility has been vital, allowing them to set their aims and objectives, rather than being dictated to by the funder from the outset. The flexibility itself was acknowledged and appreciated by many grant holders, for example, Home Start Greater Manchester who noted that the ability to move money between budget lines as the project evolved was useful, as was the broader pragmatic and realistic approach taken by The Fund. This was also conceived as being a light-touch approach that placed trust in the grant holder. Organisation G noted that they found it helpful that they remained in control (rather than the funder), and that they were able to decide how to deliver the project and were '*left to get on with it*'. Similarly, Organisation B described positively how they felt able to set their own aims and objectives rather than being dictated to by the funder, something that had led to a sense of ownership of the project and what it was seeking to do.

### (c) External input

Bringing in external advice, in the form of local advisors (paid) and business partners (voluntary), was an important element of LSF's programme design. Grant holders frequently described the value of having an external perspective and challenge, noting how this was often fundamental to their success and in helping to explain the positive change they saw. 'Bringing in external people to help and advice' was the second most common factor in Snapshot Survey Four when respondents were asked to choose from four programmatic characteristics that could help to explain the outcomes (67 respondents, 79%).

The value of external support was also the second most common response in the end-of-project monitoring forms when grant holders were discussing factors which helped to explain the outcomes they experienced, identified by 15 organisations. Organisations described the value and importance of having an external, often challenging, voice and how bringing in new perspectives could add a great deal to their work:

*'External support and challenge for managers is valuable and productive and helps drive innovation and learning.'*

*'The importance of having an external advisor cannot be underestimated, the input they provided to the organisation has been part of the critical success factor in the last 12 months.'*

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<sup>13</sup> Grant holders received advice, support and guidance from their local advisors and business partners who informed their applications and projects. Grant holder also completed the Online Diagnostic Tool which helped guide the focus of their projects and the areas they concentrated on.

*‘External objective support is very important when faced with significant organisational change especially for staff members living with uncertainty and the advisor’s role has enabled effective support, objective analysis and enhanced credibility when presenting revised business plans to funders.’*

The value of external input was described in three main ways by grant holders:

- a) Bringing in specific knowledge, experience and skills; those most commonly mentioned included business skills, sales, marketing, branding, and strategic planning. This was often conceived as supplementing existing skill sets.
- b) The value of having an independent, objective person coming in to their organisation, noting that this was especially valuable to support and advise senior staff who were dealing with challenging and difficult decisions within the organisation or significant external change (such as restructures).
- c) Having a fresh perspective. Grant holders said that simply having a new pair of eyes to come in and see a challenge or problem differently could be fundamental in helping their organisation progress.

There were, however, important differences in experience between the local advisor, which tended to be seen very positively by the majority of grant holders, and the business partner, which demonstrated a much wider range of experiences but less popularity overall.

#### *Local advisors*

Local advisors were seen as central to the organisations’ LSF projects’ success and even at half way through the projects, as reported on in the six-monthly monitoring reports and the Journeying Together case studies, were seen to be doing well. Respondents were asked to rate the success of their advisor(‘s) role in their LSF project so far out of ten: the overall average was 8.8 out of 10 (in Snapshot Survey Two), something that was backed up by quotes from grant holders:

*‘Our LSF advisor has supported us in working as a whole company to address some of the challenges in sustainability and governance. The quality of our advisor has been key in understanding our complex organisation and helping us to see beyond the day-to-day operation and to think more strategically as a whole organisation.’*

*‘The impact of the advisor on the organisation has been evident in the reporting processes which have been developed to ensure that the Board of the Trust are fully informed and engaged in the strategic development of the Trust.’*

*‘Overall, the experience of working with the advisor has been extremely positive and critical to the project. We felt supported and at the same time challenged by the*

*engagement. The advisor has been a balancing force within the relationships on the board and has offered very valuable external perspective.'*

The local advisor for CAST Northwest was seen to have the relevant skills, knowledge and experience for the role, including actually growing an organisation of a similar size, with the organisation noting that of value was *'having that advice from someone who has been there and done it and has the strategic view of it'*. The mentoring approach of the advisor was felt to be key to the successful relationship and its results, providing supportive challenge to the CEO as the leader of the organisation, taking them through a process of transformation.

Although 'active delivery' was the type of support least likely to be given by advisors (37%), those organisations that did receive this type were more likely to report 'high' success levels of the advisor role (42%) than those receiving other types of support, highlighting the value of direct, targeted support as opposed to more generic support. How advisors were recruited also had some bearing on the level of success grant holders scored their projects. Those who had advisors recommended to them were most likely to report 'low' success of the advisor role (53% versus an average level of 32%) and were least likely to report 'high' success (23% versus an average of 33%). Those whose advisor was already known to them were the least likely to report 'low' success (27%) by some distance. This potentially indicates that a degree of familiarity or knowledge of the grant holder could be beneficial to a successful relationship.

Grant holders identified particular attributes, competencies and attitudes that they particularly valued in their advisor and which helped underpin a successful relationship. These included the advisor having the experience, skills and knowledge of particular sub-sectors and areas of work, having sufficient time and capacity to engage and communicate with the grant holder, having an 'outsider's' perspective that was objective, and having an ability to challenge thinking in a constructive, sensitive, and measured way.

#### *Business partners*

Many grant holders did discuss positive impacts of working with their business advisor<sup>14</sup>, describing meaningful relationships that had been established and positive outcomes that had emerged as a result:

*'The Business Partner is a vital member of the Working Group and brings an independent and different perspective to the LSF Project offering alternative ideas for long-term sustainability.'*

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<sup>14</sup> There was considerable breadth of experience with the role of business partners. Many grant holders also experienced challenges to the relationship which will be examined in section 4.3.1 (c), as an inhibiting factor.

*'This is enabling us to engage in local business networks in the way that we have long identified that we need to but until now have not had the capacity for.'*

*'We have found the business partner aspect of the LSF project extremely beneficial. It has transformed our approach to fundraising, and identified gaps in our knowledge that we are now working towards developing.'*

As with local advisors, respondents were asked to rate the success of the business partner role within their LSF project out of ten. The average score of 6.6 is lower than the average score of 8.8 that grant holders rated their local advisor in the second snapshot survey. Within this there was notable variation between the highest and lowest scores provided (the standard deviation, which provides a measure of how many points of variation there was, was 2.4).

The scores, while lower than those attributed to the local advisors, are still at the higher end of the spectrum and therefore it was possible to identify several important positive factors surrounding grant holders' relationships to their business partners. A possible indicator of this was that several organisations reported seeing the relationship with their business partner as long-term, aiming to extend beyond the life of the project to become an on-going relationship, suggesting an appreciation of the value of the partnership:

*'These partnerships have the potential to bring long-term support and engagement and access to new networks and contacts.'*

Similarly, some organisations reported that more permanent relationships had already begun to develop, including the business advisor becoming a trustee of the charity in two cases, and in another becoming a member of paid staff. It is possible this could be because some impacts of the relationship could take time to develop, as several organisations reported, that it could take a long time to recruit the business partner, or that some organisations changed their business partner and developed new relationships.

The success of the business partner role, and therefore the difference they could make, can be connected to what they were doing and how they were working with the grant holder in some cases. Where business partners were offering specific forms of support the average score for the success of the relationship was slightly higher than for more general, less focused support. Regular meetings and attending events were also linked to the highest scores for success of the relationship whilst a third (33%) were placing their staff as volunteers with the grant holder, suggesting that grant holders were gaining particular value from face-to-face forms of support.

One of the case studies reported enjoying a particularly positive relationship with their business advisor, which included two members of staff from a local air conditioning installation company. There were several possible factors which helped to explain the success of the partnership, including that it was seen as to be mutually beneficial. The company felt that the opportunity fitted well with their aims for corporate social responsibility, noting that *'[our] approach to community investment is leaving legacy, complementing services in the community, which was a perfect match of ethos'*, while the grant holder benefitted from an independent, critical view as well as technical skills such as web design and maintenance. There also appears to have been a maturity of relationship, with an open and honest discussion at the beginning and throughout. The CEO was open to listening and prepared to change, able to take on board sometimes difficult ideas (*'it sometimes got heated but we found a solution together'*) while the business' two staff members were comfortable offering the challenge (*'we have been quite challenging, pushed them quite hard, but they embraced it'*). This relationship also appeared to be supported with sufficient time: the business' staff were described as very 'hands-on', and were happy and able to meet service users and volunteers as part of the work. This is something that was further helped by all individuals involved being local and able to meet regularly.

#### (d) Peer learning opportunities

Grant holders spoke positively about the opportunities within the LSF programme and the evaluation for networking and sharing learning with other grant holders. Organisations participating in the evaluation's peer visits, for example, described a wide variety of learning they had gained, reporting positively on the experience and the benefits:

*'The visit was a great opportunity for us to share learning and discuss some of the issues faced. We have started to find some solutions to support the development of both our organisations.'*

*'I've realised that we can learn a lot from other organisations by visits. I learnt about income generation, and how they managed work on several sites. I wouldn't have done this without LSF.'*

While these had been overwhelmingly positive, some grant holders noted that they would have preferred to have undertaken the peer visits earlier in their projects to make more of the learning, rather than towards the end of the projects.

The focus of the peer visits was on sharing learning and many organisations reported wanting to continue this after LSF, as they saw value in discussing issues further, beyond the life of the LSF project. In other instances, the visits appeared to have helped create an understanding of the wider value of sharing learning, with several organisations saying they

wanted to seek further opportunities to discuss and share throughout the sector or develop more partnership working.

This was also reflected in the strong uptake in opportunities for sharing learning, as seen in the end-of-project monitoring forms. Nearly all of the organisations in our sample of 80 had shared the learning from their LSF projects in some way, and only three said they had not, which they reported was because they had not had time or had not had the chance to do so. For those that had, the most common way they had done so was throughout their existing organisational networks, which were wider than LSF contacts; this included existing local and regional voluntary sector networks, sector/topic-specific networks, and establishing new networks and forums. Organisation G noted that they were now being asked to speak at local networking events, saying that *'we wouldn't have had the invitations previously. We're seen as more successful because of our raised profile'*. Many organisations said, however, that they were keen to undertake more sharing of learning in the future and frequently saw this as an on-going part of their work:

*'We are committed, as part of our journey, to continue to spread our learning to as many people as possible.'*

#### (e) The Online Diagnostic Tool (ODT)

The ODT was a key part of the application process and project development for grant holders. Just over half (51%) of grant holders responding to the first Snapshot Survey relatively shortly after having completed the ODT for the first time found the overall ODT process and results very useful ('don't knows' have been removed<sup>15</sup>). In particular, grant holders found the process of thinking through the questions posed by the ODT (69%) and informing the development of their application (66%) very useful. This was also observed within the case studies, Organisation G feeling that the tool was especially useful in identifying the need for the project and giving it direction, highlighting the areas that needed improvement which subsequently went on to form the basis of their original application to LSF. Grant holders, however, found the ODT less useful at telling them things that they didn't already know (27% found this element not very useful or not at all useful).

Grant holders were also positive about the overall accuracy of the results with 32% seeing them as very accurate and 63% seeing them as quite accurate ('don't knows' have been removed). The ODT was seen as especially accurate in terms of identifying areas that require development (45% felt this was very accurate), with grant holders also noting that it was helpful in prioritising different areas of the organisation, as a measure of sustainability, as a reflective process, and providing a challenge to the organisation or a different perspective.

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<sup>15</sup> Dependent on the particular question in the survey, 'don't knows' accounted for 1-2 respondents (0.6%-1.2% of total respondents).

Case studies also described positives of having completed the ODT, focusing on how it had helped them prioritise areas for development or appreciate the strengths and weaknesses of their organisation in a new light. Organisation H, for example, noted that it had helped them *'really get to grips'* with the needs of their organisation and the areas that needed focusing on; they also felt that completing a before and after score helped them understand more about where and how they had made progress. Similarly, CTLA described how the ODT *'gave us the chance to go 'back to basics' and actually work on the policy and procedures which should have changed over the last 15 years because of the climate but hadn't because of the lack of resources.'* By looking at some of these issues that had previously been seen as a 'nice to have', the organisation experienced a shift from an internal focus on what they delivered to what the community wanted and needed.

Encouragingly, 90% of grant holders would recommend the ODT to other organisations to use (only three per cent said they would not).

#### 4.2.2 Grant holders

##### (a) Commitment to working with change

Perhaps the most frequently mentioned and important factor that could help facilitate positive change was the extent of the grant holder's commitment to change (a corresponding resistance to change will be discussed in section 4.3.2).

All projects within LSF, to some degree or another, involved change and a considerable area of learning for many organisations appeared to be the need to value and embrace change as part of a journey towards greater organisational sustainability. Learning identified in the end-of-project monitoring forms included simply that change is often uncomfortable and challenging, that it is inevitable, and that people should not be afraid of it:

*'You only get out what you put in and there has to be a commitment throughout the organisation. Be prepared to be challenged and be prepared to work through change. Do not be afraid of change as with it comes opportunities.'*

There appeared to be recognition, however, that some people will be unsettled by change and organisations also discussed practical learning which included how to encourage ownership of change amongst staff, how to better manage change within an organisation, and how to manage resistance to change:

*'To involve as many staff as possible in the process of change so all are on board and can share the excitement.'*

Understanding that learning was an important part of the process was also discussed by organisations. This could often be focused on learning to have a degree of humility, with

organisations describing the value of recognising weaknesses, acknowledging limitations to their knowledge and asking for help, being open to be challenged, and recognising that making – and learning from – mistakes was an important part of the process:

*'We had a tendency to do too much ourselves and were reluctant to ask for help; we now approach the next 10 years of the charity's development with a different mindset.'*

One of Teamwork Trust's trustees, for example, noted how the organisation's staff had risen to the challenge presented by LSF, that they had been receptive to minor criticisms in order to improve the organisation:

*'This whole process revealed the dedication of the people and their ability to take on board and utilise advice that is given.'*

Even if organisations were open to change and had carefully considered their strategic direction, for some grant holders an important outcome was that they had decided not to change but to continue with their current approach. This was nonetheless an open-minded approach to *not* changing rather than an uninformed continuation of practise without having considered the wider options, and illustrates that for some organisations that the journey towards organisational sustainability can be as much about continuing an existing path as taking a new one.

#### (b) Staff and leadership

The staff of the organisation was the top ranked statement from a list of six factors that respondents to the fourth Snapshot Survey could choose from in helping to explain their increase in sustainability (81 respondents, 93%).

Points around the importance of staffing were also connected to the earlier enabler of freeing up staff time (see section 4.2.1), with respondents often describing the centrality of senior staff who played a particularly important role in the LSF projects and the outcomes they saw. LSF was felt by many grant holders to have allowed senior leaders to engage strategically, to effectively lead the organisation, and to think about its future development. It was also felt to provide senior staff with a broader and deeper range of skills, again allowing them to perform their roles more effectively and think about the future of the organisation, as well as adding momentum to a change process and giving leaders 'permission' to adapt, providing a catalyst for change.

#### (c) Flexibility and proactivity

An important element of change is flexibility, with numerous grant holders describing how this had helped the success of their projects. Organisations described how they had learnt

about the importance of being flexible and adapting their work on an on-going basis, noting that unexpected things would often happen and a change in course was often required. This also included learning that this frequently needed to be done quickly and proactively.

Subsequently several grant holders reported in their end-of-project monitoring forms that they had changed their business partner over the funded period and developed new relationships. This tended to be a positive move for those involved, with such organisations describing a considerably more positive relationship than with their initial partner:

*‘This has worked out much better as we have found a partner with more specific skills to the ones we needed in the development of both financial and operational sustainability.’*

### 4.3 Inhibiting factors

This section will outline a range of factors that grant holders felt limited or inhibited the positive changes and outcomes they experienced and described, as outlined in section 3.3, split according to whether they are associated with the LSF programme, the grant holder organisation itself, or the external environment.

#### 4.3.1 Programme factors

##### (a) Short funding period

The most commonly mentioned factor experienced by grant holders was the 12-month funding period, namely in that a longer period would allowed for greater change, with 18-36 months typically suggested. Importantly, on the whole grant holders were not asking for more money but rather that having had more time with the same amount of funding and the same project objectives would have worked better. Furthermore, this potentially indicates how many grant holders interpreted the change processes involved as a journey towards sustainability, rather than an end point that could be fully achieved.

Being able to achieve more over a longer period appeared to be especially true of those organisations working on more significant change processes. The consultant working with Access2 Business, for example, who was advising them on developing a viable and self-sustainability social enterprise, felt that 18 months to two years would have been more reasonable to allow such changes to be made effectively. The organisation had subsequently decided to fund the ongoing costs themselves until a time at which they estimated the activities would become profitable. While this may illustrate an individual organisation’s belief in their project’s value and the need to sustain it, not all organisations may necessarily have access to core funding to make this feasible. This was also true of cultural, softer changes. Home Start Manchester noted that while the ‘mechanics’ of the change they had implemented had been relatively straightforward, the time required to win

'hearts and minds' on new ways of working and delivering services needed to be longer. Experiences of other grant holders included:

*'The main point which became clear to us is that sustainability is not something which can be achieved in a 12-month period. It is something which takes a considerably longer period to achieve, and in some ways I feel that we are only just getting started on the long journey which we are on to ensure that we will always be here as a strong, viable, and sustainable organisation.'*

*'Getting this project completed in a year was a real struggle. It takes much more time for change to happen and for the organisation to understand the impact of the changes we have made as a result of the funding.'*

*'A longer-term period would have been more sustainable and ensured a longer-term impact.'*

For some organisations the shorter timescale had other negative effects. Organisation A, for example, felt that it meant that it was especially challenging to involve service users in the process and staff members felt that they had not been consulted in the way they had hoped for, something they felt was at odds with their organisation's approach as 'empowering'. This may help to explain the fact that engaging with beneficiaries was not seen as one of the most frequently observed outcomes for grant holders (see section 3.3), but can also be connected to other challenges experienced that could be compounded by limited time (e.g. challenges of recruiting business advisors, as described in section 4.3.1).

In the context of change potentially taking longer, grant holders said they had learnt about the need to be persistent and not give up, and to have patience as much change could be gradual. Organisations also frequently noted that they had learnt that all change cannot happen at the same time and realistic expectations were important, specifically in terms of what activities they could achieve and deliver within the time or resources available:

*'On reflection, we were overly ambitious in attempting to develop a more diversified income stream in parallel with significant infrastructure development.'*

Other projects discussed the value of pacing their work and the importance of being kind to themselves in terms of what had been achieved.

#### (b) Late delivery of funding

Most projects experienced delays in funding being awarded to their organisation. Sixty per cent of organisations told us that they started their projects before they had received the first payment (as reported in Snapshot Survey One). Reasons given for starting ahead of

receipt of funding by some of the case study organisations were that they had made plans that they wanted to stick to, and that they had made arrangements to work with advisors that would have been difficult to change. Numerous grant holders described the negative impact this had on their organisation and their project, which created a more challenging environment at the start than was ideal:

*'There was a problem releasing the money at the beginning which created a lot of uncertainty and delayed things at a crucial time for us.'*

This issue was potentially compounded by the short funding period (there being a limited time in which to absorb delays) and the fact that LSF was specifically targeted at smaller organisations, which evidence tells us tend to experience greater instability and volatility in their income than larger organisations<sup>16</sup>.

Late delivery of funds created difficulties related to different aspects of project implementation and organisational functioning, including workload planning (e.g. LSF running into timescales for other projects), financial planning (e.g. not being able to pay advisors), recruitment difficulties (e.g. having to delay recruitment until receipt of funds and potentially losing good candidates) and sometimes undermining relationships with staff, volunteers, advisors and business partners who were expecting the LSF work to begin:

*'Delays in payment have meant that our start date clashed with the start dates of two new projects and this has led to further delays. Every delay has significant impacts and knock-on effects for other areas of work and capacity.'*

The effects of this varied across grant holders. Some were in a position to temporarily absorb costs or resources from elsewhere but others, as in the case of Organisation H, were not able to employ their local advisor until the first project payment was made, thereby delaying the project's start date by several months. Recruitment of project staff within the organisation could also be a problem:

*'Delays in payment of the funding, meant that we had a significant challenge in recruiting and employing [a Manager] to take the LSF project forward. Whilst we had interviewed for the post and identified the most appropriate candidate we were unable to give them a formal job offer as we had not received notification that funds had been received.'*

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<sup>16</sup> [Navigating Change: an analysis of financial trends for small and medium-sized charities](#), NCVO (2016)

### (c) Challenges with the business partner relationship

While section 4.2.1 described the vital importance of external input in the LSF projects and its facilitating role in helping to achieve positive change for many, grant holders often experienced challenges with their relationship with the business partner. This tended to be described as a missed opportunity and is perhaps more accurately explained as something that had *not* been a facilitator, rather than something that *had* been an active inhibitor (i.e. it was not actively damaging but equally had not led to positive changes):

*'[It is] purely an advisory role and does not significantly impact on the outcome of the project.'*

*'These modest expectations have been met and neither side is disappointed that the results of our cooperation are not earth shattering.'*

*'...they are an observer, attending meetings with little constructive and robust input, direction or feedback.'*

As has already been established grant holders perceived the success of their business partner role to be less than that of their local advisor (6.6 compared to 8.8 out of ten, as reported in Snapshot Survey Two). It is, however, important to note that there was considerable variation in the scores for business partners (and considerably more so than the range of scores for local advisors): the difference between highest and lowest scores was 2.4.

In terms of factors that might help explain this, lack of time was mentioned by more than a third of respondents (36%) to Snapshot Survey Three as the most significant challenge they faced with their business partner, which could limit how they were able to work together:

*'Our Business Advisors are passionate and really want to help and contribute to our project but they simply don't have the capacity and naturally the demands of their business must take priority.'*

Securing sufficient time with their business partner was also reported as the most common issue by projects in their six-monthly monitoring reports, having been noted as a challenge by 30 grant holders (in our sample of 80 forms) with a further nine saying they weren't able to engage their business partner or that their business partner had pulled out of the project.

The impact of lack of time was reflected in the success scores that grant holders gave in Snapshot Survey Three. The average score for those that rated lack of time that the business partner could offer as 'very challenging' was 5.3 compared to 8.1 for those that found it 'not at all challenging'.

Lack of time could be because they had the pressures of the business partner's day job and their work with the charity not being of sufficient priority, but could also be, as one grant holder noted, that the business partner's organisation was undergoing a restructure. In some instances, it also appeared to be linked to a lack of clarity about the commitments involved at the start of the relationship (it was not necessarily clear whether this was due to programme design or grant holders and business partners not having clear conversations at the start), which were not, therefore, delivered to the expectations of the grant holder:

*'It has been challenging in actually getting them to fulfil the commitments agreed.'*

Lack of capacity could also be an issue for the grant holder, with some noting that working with a business advisor could take a significant amount of time, which in some cases was more than the organisation was able to or wanted to give; in one instance this was because the grant holder was focused on short-term survival.

Some grant holders noted that their business partners, whilst committed and enthusiastic, did not necessarily have a good understanding of the voluntary sector, their organisation, or their clients, and impact was therefore limited:

*'It has taken time for our corporate partners to understand the cultural differences between running a charity and running a commercial business, particularly the challenge of operating with a very small staffing team.'*

The 12-month funding period and the limited time grant holders had to recruit a business partner at the start of the project created problems in some cases and could contribute to a poor match being made:

*'Finding a business partner was difficult. We accepted the first business partner that agreed to work with us, due to the time constraints of the application. In hindsight, this was a mistake and we should have been more discerning.'*

Equally, a challenge could be created when the business partner left their organisation and could not necessarily easily be replaced despite attempts by the grant holder:

*'We have issue with one business partner – our contact left the organisation and then the replacement contact also left the organisation. We now have agreed to work together and move forward at the 11th month of the project.'*

This was often connected to those organisations that had a single point of contact within the business and therefore a potential over-reliance on one person. Indeed, having a single

point of contact could be connected to a less successful relationship: those grant holders who rated the relationship with their business partner as too reliant on individual relationships as 'very challenging' in Snapshot Survey Three had a 'success' score of 5.4 compared to 7.7 for those that found it 'not at all challenging'. Arguments were, however, also made about the disadvantages of having multiple people in a business as part of the relationship, which could result in challenges associated with lack of prioritisation between the different individuals.

#### 4.3.2 Organisational factors

##### (a) Resistance to change and lack of engagement

Recognition of the need to change has already been described as a facilitator of outcomes (see section 4.3.1), and the reverse also appeared evident from the perspective of grant holders; resistance to change throughout the organisation could act to limit positive outcomes. This was something that could affect staff at all levels throughout the organisation but seemed to more commonly affect senior leadership and trustees:

*'The main challenge has been to galvanise the SMT around the opportunity and to take shared and collective ownership of the project.'*

Resistance was identified as a barrier in a notable minority of end-of-project forms (in 16 of 80 analysed). While more general resistance was noted, such as the challenge of securing 'buy-in' from staff and trustees, it was most common for it to be connected at some level to the involvement of consultants (most frequently associated with a negative perception of higher fees and whether it was the best use of funds) and business partners (typically concerning different working cultures):

*'The single most important challenge was the staff accepting the introduction of the consultants to review, provide training and enable [us] to become contract ready.'*

They often described limited engagement with, or concerns from, trustees about advisors or the advisor process, including the perceived value of a 'consultant', level of experience of individuals, and value for money. Challenges caused by a 'clash of cultures' between different sectors (typically between business and charity) and lack of mutual understanding also contributed to resistance to change which had negative impacts on relationships and work with business partners.

Home Start Greater Manchester also noted that this could often be associated with culture change and could be linked more closely to specific elements of projects rather than the whole project, stating that the most difficult changes were those that required people to change their approach and to trust others. Some grant holders, especially senior staff within

these organisations, did, however, note that while challenging and potentially damaging, such resistance to change was not necessarily surprising in projects which were often involving notable changes to ways of working within organisations:

*'From the changes already taken forward there are some signs of change resistance which was always to be expected. Moving the organisation from an unstructured collegiate style to a more structured style with clear accountabilities was always going to take time.'*

Similarly, the CEO of Home Start Greater Manchester recognised that a certain degree of resistance was likely always to occur and that being realistic that some people will not *'travel with you'* was an important part of leading an organisation through a change process, and a crucial element was often being able to work with such resistance.

#### (b) Lack of staff capacity

While one of the primary facilitating factors of LSF has been the increase of capacity it provided within grant holder organisation (see section 4.2.1), in some instances grant holders noted that they had experienced some problems with capacity which acted to limit the outcomes they saw. Sometimes this could be because grant holders continued to feel the pressure of existing commitments outside of the project:

*'None of us have the luxury of spare time and we have had to run this scheme alongside the normal day to day demands of the operational aspects of the work. We recognise how worthwhile it is and have given it priority, but the result has been many additional hours worked above our normal week.'*

In other instances, the increased capacity generated by the project could have the effect of creating a greater workload which grant holders could sometimes struggle with:

*'Increased managerial capacity has generated new opportunities but increased workload. This has created additional time pressures on management. Focusing management resources on developing the organisation and working towards the quality marks has necessitated less time than anticipated being available for development of social enterprises.'*

This could also be the result of under-estimating the amount of work that would be involved in the project and not therefore having allocated or resourced sufficient staff time or projects becoming expanding as they developed:

*‘Once we really got into the project, it became apparent how much more work there is to do if we want to get it right and more capacity needs building in than we originally thought which has been challenging.’*

Other challenges associated with lack of capacity were described in the six-monthly monitoring reports (cited in 32 of the 80 we analysed), included:

- Conflicting priorities with other areas of work;
- Management time required reducing management capacity in other areas;
- Organisational ‘crises’ including loss of staff diverting staff time away from LSF;
- Securing trustees time to work on the project was challenging;
- Recruiting business partners and working with them was more time consuming than expected, particularly where partnerships failed and new ones had to be established;
- More staff time focused on recruiting and supporting volunteers than expected;
- Recruitment and co-ordination of business partners and local advisors being resource intensive.

#### 4.3.3 External factors

LSF projects clearly did not exist in isolation from what was happening in the rest of the grant holder’s organisation or its wider operating environment. As such, grant holders described how factors outside of their project, both internal and external to their organisation, could have a limiting effect on the progress they saw.

It was most common for grant holders to describe the continuing challenging external environment in which they operated as a limiting factor. In some instances, this concerned increasing need amongst beneficiary groups; respondents to Snapshot Survey 4 most frequently identified ‘rise in demand for your services’ (58 organisations, 67%) as having limited the impact of their LSF projects (picked from a pre-determined list of four factors). In the case of Home Start Manchester, for example, the organisation was experiencing a rise in demand for its services which they attributed to the local authority focusing their services on the families most at risk and with the most complex needs, which was leading to increasing service demands from more complex cases.

In other instances, the challenge was more closely associated with wider uncertainty and volatility. This was frequently funding related, including contracts being terminated or grant funding being under threat or decreasing over time. In the case studies this included funding cuts to particular service areas from the local authority, such as social services in the case of Age UK Dacorum, with that organisation and others noticing an increasing push towards the commissioning of services, particularly from local authorities. Other case studies, similarly described a trend of decreasing availability of grant income and increasing competition (often from considerably larger organisations), something that could often happen rapidly,

with Organisation E noting that while grant funding for their work supporting young people at risk through drama had been decreasing steadily over the past decade, there had been a sharp fall from the local authority since 2014/15. Other challenges were also identified including the changing political climate, the uncertainty brought on by Brexit, and a general sense of volatility:

*'The main challenge that has impacted our attempts at longer-term planning is the level of uncertainty in the wider context within which we work. The changes in public sector staffing, policy and practice, cuts to front-line services, and the raising of intervention thresholds have all hindered our efforts to make a proper assessment of our 'marketplace'.*

Challenges that were external to a grant holder's project but still within the organisation could also act to have a limiting effect on outcomes. This could include the unplanned and unexpected impact of staff restructures, staffing changes, IT problems, events external to the organisation, and in one instance, the impact of an unsuccessful merger, all of which created new challenges for the work of the organisation and the project. In some instances, however, respondents noted that the receipt of LSF funding had made them more able to cope with these challenges:

*'There were some things out of our control such as some key staff leaving, and a change in staff with our key partner, both of which slowed the progress of our work, but the impact would have been far worse had we not had the LSF funding.'*

Similarly, Organisation G's chief executive noted that the scale of the impact that from unexpected sick leave by herself and Senior Operating Officer was much less than she had expected, as the behaviour changes and improvements to the board that had already been brought about by the LSF project meant that other people, including trustees, stepped in very successfully to fill the gaps temporarily.

Want to know more?

Further detailed analysis of the topics discussed in this chapter is available in the following bulletins which have been produced during the evaluation:

- [Journeying Together case studies](#).
- [Learning from Success case studies](#).
- [Bulletin – End-of-project monitoring reports](#) – *an analysis of outcomes and learning from the perspective of grant holders.*
- [Bulletin – Six-monthly monitoring reports](#) – *an examination of a sample of 80 forms focusing on emergent outcomes and challenges experienced.*
- Bulletin – Snapshot Surveys [1](#), [2](#) and [4](#) – *analysis focusing on the ODT, the business partner relationship, and outcomes.*

## 5. Conclusion and implications

### 5.1 Introduction

This chapter draws together some concluding themes to share the learning about the difference that LSF made to the grant holders and what factors can facilitate those outcomes. While these themes primarily seek to answer our original evaluation aims and objectives concerning LSF specifically, they aim to be of relevance to the wider sector as well. Drawing on the evidence and insight from this evaluation as well as wider knowledge of sustainability within the VCSE sector, it also outlines a series of implications for grantmakers and policymakers, organisations seeking support, infrastructure bodies, and researchers.

This chapter will primarily respond to the following evaluation objectives:

- *Aim 3: To add to the evidence base about what works in building stronger, more sustainable organisations, and to support the Fund to identify, nurture and spread best practice beyond the programme.*
- *Objective 9: To draw together and share learning about what works for VCSE organisations and for future programmes aimed at building capabilities.*

### 5.2 Concluding themes

#### 5.2.1 Sustainability is a journey, not an end point

LSF has contributed to a wide range of positive outcomes for many grant holders, some of which have fundamentally changed the organisations whilst others have greatly strengthened the foundations on which they operate or improved how they connect to their beneficiaries. In other cases it has allowed organisations to explore new business models and take a step back – LSF crucially gave organisations the time and space to do this<sup>17</sup> – to think strategically about their mission and how they delivered it. The vast majority of grant holders reported that their organisational sustainability had improved over the course of their LSF projects, and organisations frequently noted how they felt more prepared for the future than they did before<sup>18</sup>.

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<sup>17</sup> This has been observed in other evaluations of capacity-building initiatives: Woodward, Kinsella and South's (2013) evaluation of the Health and Social Care Volunteering Fund identified that funded projects noted that having the time and space to stand back was important, while Rocket Science's (2014) evaluation of the 'Supporting Change and Impact Fund' identified value in grant holders having 'breathing space'.

<sup>18</sup> Other evaluations of funder-plus and capacity-building support which has a focus on organisational sustainability at some level: Curtis, for example, identifies 'organisational transformation, income increases, a raised profile, a changed offer, and moving to new premises' as impacts of the Big Assist Programme (2015, p.4) while Woodward, Kinsella and South (2013) list changing organisational structures, diversifying income, strategic planning, and Board involvement.

Grant holders also, however, frequently noted that the depth and breadth of change they were seeking to make was not something that could be changed overnight, or in fact, over 12 months. The majority of grant holders noted that becoming more sustainable takes a significant amount of time<sup>19</sup>. The most common complaint about LSF was its limitation to 12 months; grant holders tended to feel the outcomes and change they saw could be considerably greater if the funding period (and importantly *not* the funding amount) was increased. Many other grant holders reported that they were starting to see outcomes emerge and that their work was only beginning to come to fruition by the end of the funded period. Furthermore, some had decided to continue the work begun by their LSF project, either maintaining relationships established during the project or continuing to self-fund elements of the project so that further outcomes could be seen. It should be noted, however, that LSF was designed to provide funding over a limited timeframe to help organisations *start* to move towards greater sustainability.

Grant holders frequently described a journey towards sustainability, seeing it as path they were taking rather than an end point to reach. Sustainability was not seen as an absolute position, but organisations were nonetheless becoming more sustainable as a result of this work. The LSF programme recognised this pathway and the way it was managed encouraged organisations to continue on this path rather than be chastised for not having reached a particular target, something that was recognised and appreciated by grant holders. There were elements of the way the programme was designed, however, that could be seen to interpret sustainability as an end point. The ODT, for example, awarded grant holders with a percentage score for their overall sustainability, potentially suggesting that they could reach 100% sustainability, a goal that was in fact neither possible nor desirable.

While sustainability is central to LSF and indeed this evaluation, the term resilience may better describe the changes that grant holders were experiencing (i.e. being able to effectively work with change, rather than implying an ultimate goal of being 100% sustainable). Moreover, the term resilience may more aptly describe a journey towards improving an organisation's ability to work with change.

### 5.2.2 Understanding organisational life-stage is critical for interventions

LSF funded a wide range of organisations with a similar level of diversity to their projects. As seen in the typologies discussed at the beginning of this report they were also at different stages of their organisational lives and wrestling with different challenges around organisational sustainability. Some were, for example, further along in their journey towards

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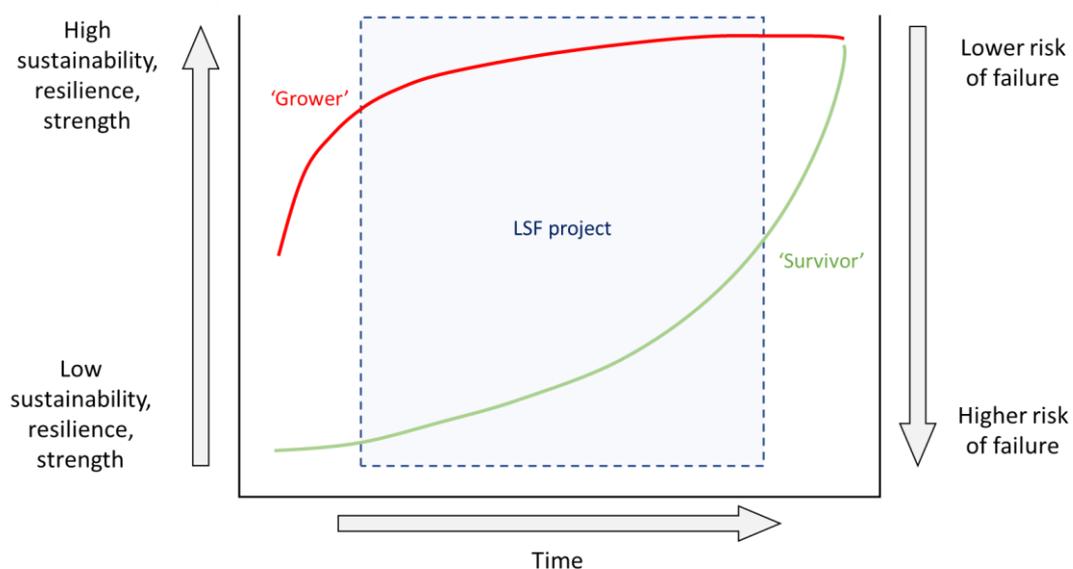
<sup>19</sup> Other evaluations of capacity and capability-building support similarly found that changes may not be seen quickly and changes in an organisation's sustainability are likely to take longer than a period such as 12-months (see, for example, NCVI Institute for Volunteering Research's (2015) evaluation of the Big Assist programme and Rocket Science (2014) evaluation of the Supporting Change and Impact Fund).

sustainability than others. This meant that a wide range of needs were being addressed through the grant holders' LSF projects, something the programme actively encouraged.

The evidence from the evaluation showed that some grant holders appeared to benefit to a greater degree than others. Organisations we classified as 'growers' in our typology (i.e. those who had greater stability in their income) witnessed smaller increases in their overall ODT sustainability scores over their projects than those organisations classified as 'fighting for survival' or in the 'squeezed middle'. Due to the lower starting point of the latter two groups, especially the 'survivors', they could have a greater distance to travel and therefore more to gain than those organisations who were further along in their sustainability journey. This raises questions about what interventions such as LSF set out to achieve and whether they are seeking to benefit particular types of organisations more than others. That LSF funded groups classified as 'fighting for survival' demonstrates The Fund and OCS accepted a degree of risk; it is reasonable to conclude that organisations in this group could be more likely to fail as organisations than their more stable cousins, the 'growers'. It appears that this appetite, or having a broad approach to the range of organisations and life stages of organisations funded, paid off in terms of the gains that were observed throughout the life of the projects. It was not, however, the intention of LSF to fund organisations that OCS and The Fund considered to be at immediate risk of closure, and the ODT was designed to filter out such organisations from the process.

This is illustrated in the following diagram, which seeks to demonstrate the possible difference between organisations at two different stages of their journey towards greater sustainability and how their pathway and distance-travelled – but also the risk involved – can vary dependent on their starting point, showing two possible trajectories.

**Figure 5. Organisational life stage and interventions to support improvements in sustainability.**



### 5.2.3 Trust is empowering for grant holders

LSF was designed and managed in a way in which gave grant holders considerable freedom to plan and operate their projects in their own way. Within certain boundaries and funding criteria, grant holders identified the areas they wanted to concentrate on, set their own aims and objectives, and choose their local advisor and business partner. They were also afforded flexibility throughout the project to make changes as it developed, and monitoring and reporting was seen to be light-touch in nature by the vast majority of grant holders.

Underpinning this approach was an implicit assumption from The Fund and OCS that it was grant holders themselves who were best placed to understand the problem(s) to be addressed, giving them a large degree of freedom to lead their projects as they choose (although while recognising this, central to the design of LSF was the involvement of external experts to help organisations to plan and deliver their projects – see section 5.2.5). Grant holders frequently described this approach in very positive terms and crucially noted how it had given them a strong sense of ownership over their projects and a feeling of empowerment in how they were tackling their challenges and aiming to increase their sustainability, something that could arguably lead to more effective projects.

### 5.2.4 Focusing internally is highly valuable

Large numbers of grant holders focused their projects on improving their internal systems, processes and functioning, including their governance. This was reflected again by the large numbers who we classified as ‘internal’ or ‘closed’ in their approach, rather than ‘external’ or ‘open’. Neither of these descriptions should be seen negatively, as the numerous positive outcomes described by grant holders that were associated with improvements in processes and systems appeared to have greatly strengthened their organisations and gone a long way to helping them take some important first steps in their journey towards achieving greater sustainable.

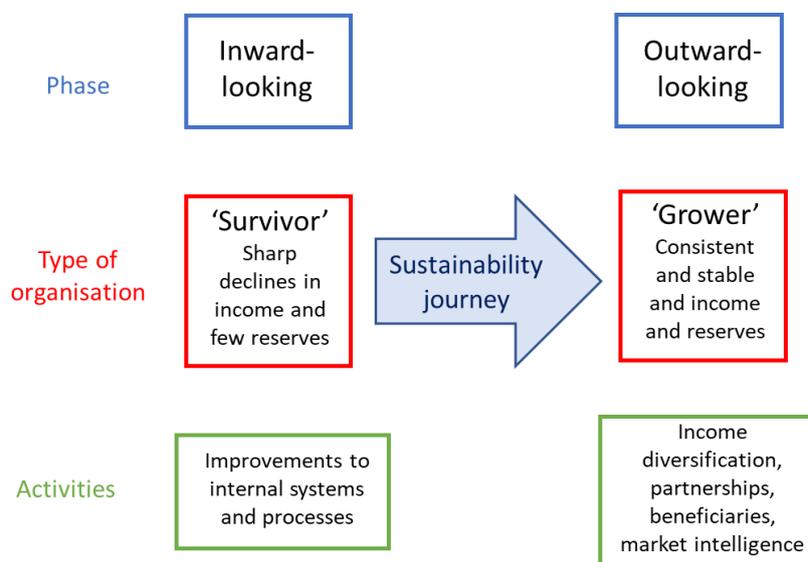
This potentially links back to the idea of a journey towards sustainability or greater resilience. The evidence gathered has suggested that for some organisations, an effective pathway for grant holders may well be to first address internal weaknesses (a ‘closed’, inward-looking phase) and then move on to the external challenges (an ‘open’, outward-looking phase) (see figure 5). Conversely it is possible that focusing externally before the internal processes are sufficiently strong could be damaging or at least less effective. Diversifying income streams too rapidly and broadly, for example, may put additional pressures on organisations if they lack expertise in certain forms of income generation and its management, or may not simply be appropriate for all organisations<sup>20</sup>. This does,

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<sup>20</sup> See the LSF output [‘An Evidence Review of Organisational Sustainability’](#) also NCVO’s [‘Financial Sustainability Review’](#) which notes that approaches involved charged-for services and fees will not necessarily suit – nor lead to greater sustainability – for all organisations and that can be a risk of undermining the charitable objectives in some cases.

however, partially depend on the individual challenges that an organisation is experiencing, connecting to the stage of their life or their journey to sustainability at which an intervention is most useful (see sections 5.2.1 and 5.2.2).

**Figure 6. A possible pathway towards sustainability from organisations in an inward-looking phase to those in an outward-looking phase**



This appears to indicate that grant holders had a somewhat measured approach to improving organisational sustainability, and indeed, a possible and partial rejection of the dominant paradigm that becoming sustainable is first and foremost about more diverse forms of income. Grant holders seemed to recognise that this was not simply about becoming bigger<sup>21</sup>, something they may also have developed an understanding of as they progressed through their projects (this could account for the larger number of grant holders that had income-related project aims but that experienced a wider variety of outcomes by the end of their projects). While many projects experienced positive outcomes around income, that few focused solely on increasing income in a narrow sense was encouraging. The vast majority seemed to have recognised that improvements in sustainability were embedded throughout the whole organisation and changes with internal systems were just as vital, if not more so, than higher-profile, externally-focused approaches.

Encouragingly, it also shows a widespread understanding of the importance of strong leadership within organisations, both within senior staff and throughout the board of trustees. In response to sector events such as the fundraising crisis and major events such as

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<sup>21</sup> Indeed, there is some suggestion that an over-reliance on diversified income can risk having negative effects on an organisation's sustainability if that organisations lacks the skills and experience to manage new and diversified sources of funding (see Hopgood and Cairns, 2016; IVAR, 2013).

the demise of Kids Company, there has been increasing focus in the voluntary sector on the vital importance of having strong and fit-for-purpose governance within organisations<sup>22</sup>. This is something that appears to have been reflected both in the focus of many grant holder projects but also in the positive outcomes that have been seen here.

#### 5.2.5 External input makes a critical difference

Grant holders tended to feel that external input added considerably to their projects and could often be fundamental to success. Having an independent and objective external voice brought a fresh perspective and could challenge set ways of thinking, introduced new skills and knowledge, and provided pressure to ensure milestones were met. It seemed to work most effectively when the external input took the form of a critical friend to the CEO or had a mentoring role, responding to the fact that leaders of VCSE organisations can frequently be isolated and may lack the opportunity to discuss ideas openly with others. Crucially, however, grant holders reported that the effectiveness of any external input (and indeed the wider project) was often dependent on the CEO (as well as trustees) being open and embracing change, and just as importantly having a degree of humility and recognising that they did not know all of the answers. Furthermore, there is an indication that support that was more targeted and focused was more successful than general support<sup>23</sup>.

While the external input in LSF was on the whole highly effective, its success was not universal or guaranteed. There was a notable difference between the input and effect of the local advisors, which were received very positively on the whole, and the part played by business partners, to which grant holders reported far more variability in experience and satisfaction, with some feeling they had very limited or no impact on their projects. Grant holders had limited time in which to identify a business partner, somewhat vague guidance on what should be involved, and frequently lacked networks in which to find a suitable partner, which could all contribute to a poor match and further problems. This is, however, an argument for carefully thinking through the role of external advisors and partners rather than not doing it as there was clear value to this element of the programme<sup>24</sup>.

#### 5.2.6 The external environment remains important

A motivation behind LSF's focus on small and medium-sized organisation was a wider recognition from OCS that these organisations frequently experience more instability in their funding than do their larger cousins<sup>25</sup>, thereby requiring additional support to increase

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<sup>22</sup> See, for example, <https://www.charitygovernancecode.org/en>.

<sup>23</sup> This is also noted in wider research: IVAR (2010 and 2012) noting that organisations tend to prefer capacity-building support that is more intense, face-to-face, direct support.

<sup>24</sup> Wider research has identified a similar range of factors which can help maximise the chances of external consultants being able to make a positive difference including: being open to new things, being proactive, interested and enthusiastic, having a good match, and having sufficient time to engage (see Ellis and Gregory, 2009; Kara, 2013; Kennedy and Sharp, 2015; Leviton et al, 2006; Millesen and Bies, 2007).

<sup>25</sup> [Navigating Change: an analysis of financial trends for small and medium-sized charities](#), NCVO (2016)

their sustainability. During the evaluation it rapidly became evident that grant holders were continuing to exist in a very challenging environment which was having material effects on their LSF projects and their attempts to become more sustainable. Increases in demand for the services of their organisations or a decrease in external funding, for example, could have a negative or limiting impact on their project's progress. Indeed, wider evidence shows that the income of smaller organisations (i.e. those with an annual income of under £1,000,000) has consistently decreased since 2008/09 while organisations with an annual income of over £10,000,000 have seen overall increases<sup>16</sup>, indicating a toughening of the external environment in recent years.

A key aim of LSF was for organisations to become stronger, more sustainable and more resilient in their work; in effect, more able to respond to these unexpected pressures and challenges. Grant holders often described these factors as having limited the progress they had been able to make with their projects, but at the same time noted that because of what they had done with the project to date, they were in fact more able to respond effectively to something than they would have been before.

The part played by the external environment is also a reminder that while many grant holders felt the positive outcomes they saw were connected to their involvement in LSF, we should be cautious with regard to attribution. The projects funded were often diverse, complex and embedded throughout the organisation. Any change in the sustainability – or resilience – of such organisations will be affected by a multitude of factors, of which a project such as LSF remains one, albeit a notable one. This does not negate, however, the vital part played by the organisation itself; strong leadership, appreciation of the need to change, and having an appropriate understanding of the breadth of sustainability were all important facilitating factors.

This also highlights the importance of the environment in which the organisation exists. Some sub-sectors or areas of delivery may be more amenable to developing sources of income other than government grants. Certain topic areas or geographical locations<sup>26</sup> may have greater opportunities for commissioning or contract delivery, while particular organisations may find the activities they deliver being far more easily converted in to charged-for services than others. While this is not a route for all organisations, without recognition of this diversity of experience and field of operation throughout the VCSE sector – something that LSF appeared to appreciate – there is a risk that some organisations may find themselves in a preferential operating environment and that certain parts of the sector could become disproportionately more sustainable than others (at least in terms of opportunities for developing earned income).

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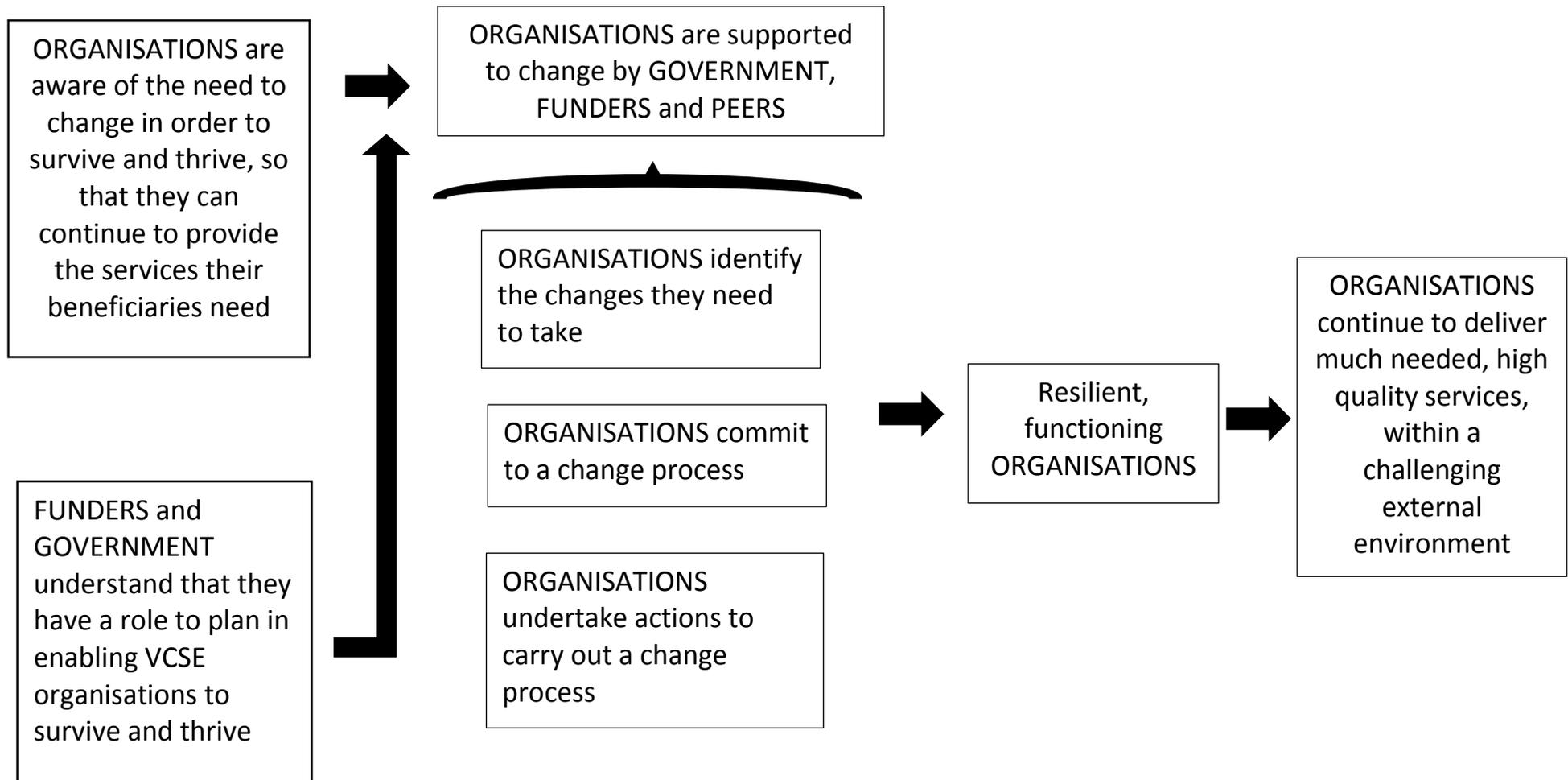
<sup>26</sup> It is possible that greater devolution of government may present opportunities for organisations within the voluntary sector; see, for example, [https://www.ncvo.org.uk/images/documents/about\\_us/media-centre/Local-needs-local-voices.pdf](https://www.ncvo.org.uk/images/documents/about_us/media-centre/Local-needs-local-voices.pdf).

### 5.3 Revised Theory of Change

After the completion of our data collection we returned to the original Theory of Change we developed (see figure 2) to test it with staff from The Fund and OCS. This was a valuable exercise for understanding how the programme worked in practice and to draw out learning for future policy-making and programme design. The revised Theory of Change, outlining how LSF happened in practice, is included on the following page in figure 7, while supporting information is included in Appendix C.

**Figure 7. Revised Theory of Change for LSF – a future approach to support to facilitate resilient organisations (an overview)**

This diagram provides a high-level Theory of Change for the future vision for LSF, showing the outline processes and outcomes. A version which seeks to break this down and show what is involved in more detail is available in Appendix C, as is a series of tables which list what actually took place and the related assumptions. While the process illustrated below seeks to describe LSF as a whole, due to the considerable variety of grant holder organisations and projects, the individual experience of funded organisations may inevitably vary from what is described here.



## 5.4 Implications

### 5.4.1 Funders and policy-makers

#### *a) Recognise that organisational sustainability is more than just getting more money*

Adopting a broad understanding of what constitutes organisational sustainability and/or resilience can help organisations benefit to a greater extent. Specifically, it is worth remembering that the path towards achieving greater sustainability involves more than simply securing higher levels of funding. Furthermore, through facilitating support with approaches such as external advice and guidance as well as peer networking, funders should remember they are in a strong position to provide more than money, and some of these non-monetary contributions (while they involve a resource) can make a highly significant difference. Funders would also do well to recognise that the sustainability of purpose is potentially as important as the sustainability of an organisation (i.e. its mechanics), and that a powerful way of viewing this is to start with the needs of the beneficiaries and how they may be best served, which may not always be through an existing organisation.

#### *b) Recognise that change takes time*

Programmes and interventions supporting improvements in sustainability should have as long a timescale as is feasible. Important and meaningful change can take place within a 12-month period – as illustrated by the numerous positive outcomes experienced by LSF grant holders – but such changes can potentially be deeper, more significant, and potentially more sustainable with a longer time period. This is not an argument for increasing the amount of funding, but to simply provide a longer period over which to spend that same amount of money; this can help create greater value for money for funding programmes as change is more likely to be seen and to be lasting, and can also create wider, more meaningful opportunities for volunteer and service user involvement. Equally there is real value in building in longer-term impact assessment work within commissioned evaluations, which may otherwise struggle to gather data on impact.

It is also important to ensure that any payments of funds, especially initial payments, are made promptly to grant recipients so that they can start work on time and avoid having to draw costs from core budgets to cover temporary shortfalls<sup>27</sup>. This is especially true of any fund or intervention designed to support improvements in the sustainability of organisations, and any that are targeted specifically at smaller organisations who may already be in a more financially vulnerable position than larger organisations.

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<sup>27</sup> In their 2016 report on small and medium enterprises, the NAO noted that ‘SMEs are less likely to have the financial capacity to absorb delays in payment and may struggle to manage their cash flow’ (<https://www.nao.org.uk/wp-content/uploads/2016/03/Governments-spending-with-small-and-medium-sizes-enterprises.pdf>).

*c) Be clear of intended outcomes of the programme, which organisations are the focus, and your appetite for risk*

When funding to develop their organisational sustainability, their life stage or the stage of their journey towards sustainability should be carefully considered. Organisations with a more vulnerable position may have more to gain, but equally may be more likely to fail than organisations who are in a more stable position, but potentially have less distance to travel. Funders should decide how they want to balance risk against the depth and breadth of outcomes they wish to see, and should be as transparent as possible about this<sup>28</sup>.

A further important element of risk management on behalf of the funder is to place trust (in the context of appropriate boundaries) in the grant holder, something that can frequently have positive outcomes such as developing ownership over projects and activities.

*d) Support organisations to strengthen their leadership and governance*

Strong leadership is a critical element of sustainable and resilient organisations, and grant recipients should be supported to prioritise and develop this. This concerns the governance of organisations but also the development of senior leaders. Perhaps the most valuable intervention that funders can make is sufficient budget to allow the leader to take a step back from the day-to-day challenges and work of the organisation and to concentrate on bigger, strategic issues about the work and mission of the organisation. Buying out the time of CEOs seems particularly relevant to smaller organisations, where such individuals can otherwise often find themselves performing a very wide variety of tasks.

As part of this support, it is valuable to recognise the isolation that many CEOs may feel and build in opportunities for mentoring and critical friends through external input and support, although if done, sufficient guidance and time should be built in. Equally, opportunities for peer learning, even quite simple, can be highly cost-effective as well as genuinely meaningful for those involved, having been extensively valued within the LSF programme.

*e) Use diagnostics to support organisational development*

Diagnostic tools can make an important contribution to interventions supporting the growth of sustainability. Perhaps their greatest strength is in helping organisations identify strengths and weaknesses and therefore prioritise areas of work. They are possibly less valuable as a method of shortlisting applicants, as there remains the possibility of being able to complete a tool with the answers required to create higher scores, unless such as tool is

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<sup>28</sup> Wider research reaffirms the importance of considering this challenge: Cornforth (cited in Ellis and Gregory, 2009) notes that 'capacity building was more likely to be effective if the client organisation was not in the midst of a major project or crisis' (p.38) while Woodward, Kinsella and South (2013) and Reid and Gibb (2004) acknowledge that support can either be aimed at stable organisations (who may be able to devote more time) or those struggling (who may be greater need but be able to devote less time). Similarly, Leviton et al (2006) state that support is most effective when it's timed to meet the stage of an organisation's development.

sufficiently sophisticated. If diagnostics are being used, however, a collaborative approach to its completion should be encouraged and organisations completing it together in meetings and taking on board a diversity of views potentially have the most to gain.

#### 5.4.2 Organisations seeking support

##### *a) Accept that the journey towards sustainability requires change*

While some organisations gained a new appreciation of the value of their existing work or original mission, for the vast majority of grant holders their journey towards improved sustainability involved some degree of change, which could often be highly significant. For organisations receiving support in whatever form to gain as much as they can, it is important to accept that change is necessary and will likely be uncomfortable. This requires strong and engaging leadership (from both senior management and trustees) which seeks to secure buy-in from staff and volunteers at all levels, but also recognises when some people may not be able to go on the journey of change with the organisation. It also remains vital to keep sight of the organisation's mission, it being easy to drift away from the original reason the organisation was set up. Finally, it is worth being sufficiently ambitious about the change required, but also to be realistic and grounded about what can be achieved with the resources and timeframe.

##### *b) Get the internal processes and systems right first*

All organisations are at different stages of their journey towards greater sustainability. Some will benefit from having an external focus, targeting partnerships and the development of tradable services but for many it will be far more effective to focus on internal processes and systems. Organisations in this position should be confident in their choice to focus on ensuring the foundations of their organisation are improved and they can move forwards from a solid footing, rather than being pressurised in to immediately expanding externally when they may not be ready to (or, for example, where there may not be sufficient demand from an external 'market' for charged services). It is likely that such an approach will help maximise the chances of change being more impactful and sustainable in the longer-term.

##### *c) Work with diagnostics as living documents*

Online diagnostics have a variety of functions and some organisations are likely to find them more useful than others. The greatest benefit from them can potentially come when organisations – and funders – develop and work with them as living tools that inform the on-going strategy and work of an organisation. Such tools can only give an indication of organisational sustainability at a snapshot in time so their value becomes more notable if they are revisited and the results fed in to wider strategic thinking within the organisation.

#### 5.4.3 Infrastructure bodies

##### *a) Support the continued development of diagnostic tools*

Diagnostic tools can provide an important and useful way for organisations to understand the areas they need to focus their attention on, providing data for a new strategic focus. Furthermore, they can be a useful way to understand the progress made over a period of time, helping to demonstrate their journey towards becoming more sustainable and resilient. Those organisations with a sector-wide support role should help increase access to these tools and make them widely available. Duplication of effort between tools should be avoided but the unique distinctiveness of individual organisations and the challenges they face should also be acknowledged and taken on board in their design.

##### *b) Promote and encourage opportunities for peer learning*

The value of simply being able to speak to colleagues in other organisations should not be underestimated and is a highly cost-effective means of support that can be encouraged as a part of interventions associated with sustainability support or as a standalone area of support. Those organisations with an umbrella function operating over large parts of or all of the voluntary sector are well-placed to facilitate and potentially fund such opportunities through conferences, online networks, or face-to-face peer visits.

#### 5.4.4 Researchers / evaluators

##### *a) Prioritise longer-term impact assessment*

Change in organisational sustainability will inevitably be slow and emergent outcomes are likely to be seen more frequently than impacts. When evaluating interventions seeking to build the sustainability and resilience of organisations, there is considerable value to designing methodologies to encompass as long a period as possible to maximise the chances of understanding more about longer-term impact. This is, however, clearly something that is restricted by the budget available so there is value in engaging funders of evaluations and impact assessments in dialogue prior to commissioning and on an on-going basis to enable them to appreciate the value of longer-term tracking and exploration.

##### *b) Do not overclaim outcomes as impact*

As a result of the limitations shorter evaluation timescales can impose, evaluators should be careful not to conflate outcomes (especially those that are emergent) with impact<sup>29</sup> or causation with correlation. This is perhaps less of an issue of evaluator knowledge and expertise, but more about being confident to push back to commissioners of research and evaluations to be clear about the limitations of what can be said and how ensuring that claims are not over-stated will add to the credibility of the data rather than diminish it.

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<sup>29</sup> Impact is considered to be changes and effects that are broader and longer-term than outcomes (see <http://inspiringimpact.org/jargonbuster/> as well as section 1.5 of this report).

*c) Build in peer learning and networking to evaluation work*

This is once again dependent on the budgets and timescales available for evaluations and impact assessments, but there is considerable value in developing learning strands or elements of evaluations which seek to bring together research participants to share ideas and learning amongst themselves. This is partially about prioritising real-time learning within evaluations and seeking feedback on emergent findings but also about bringing people together to discuss their own challenges and experiences.

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## Appendix A: Evaluation methodology

We employed a variety of different qualitative and quantitative methods for the evaluation, which are described below in detail, including any limitations of that particular methodology.

### A1. Snapshot surveys

We sent out four short surveys throughout the evaluation period to all grant holders. Each survey had a slightly different focus:

- Survey 1 (Sep 2016): experience of project start-up, the biggest challenges they had faced to date, and their reflections on using the Online Diagnostic Tool (66% response rate, 174 respondents);
- Survey 2 (Dec 2016 – Jan 2017): perceptions of organisational sustainability and their experiences of their local advisor (49% response rate, 129 respondents);
- Survey 3 (Mar 2017) experiences of their business partners (41% response rate, 105 respondents);
- Survey 4 (Jul 2017): perceptions of emergent outcomes of their projects as well as factors which could help to explain these changes (34% response rate, 87 respondents).

### A2. Analysis of data collected by the Big Lottery Fund

#### Analysis of grant holder monitoring forms

All grant holders were required to submit monitoring forms to The Fund after six months of their project (halfway through) and after 12 months (project completion). Unless grant holders had specified otherwise, the completed forms were made available to NCVO for analysis.

#### a) Six-monthly monitoring forms

We analysed a sample of mid-year reports, which had been submitted by grant holders in December 2016. A sample of 80 projects were identified and their reports analysed, representing a cross section of different sized organisations (based on turnover) across the regions. The mid-year reports asked specifically about key successes and challenges with business partners, local advisors and volunteers and as such this bulletin focuses particularly on these areas, however grant holders also reported other challenges which are discussed here.

#### b) End-of-project monitoring forms

We analysed a sample of grant holders' end of project monitoring reports which had been submitted to The Fund to examine the self-reported outcomes and learning from projects

after they had come to an end. A sample of 80 projects were identified and their reports analysed. This was the same sample used in the analysis of the mid-year reports, but we substituted some organisations because either they had specified that they did not want their forms to be shared with NCVO or they had not returned their forms to The Fund by the end of July 2017. In many cases projects discussed emerging outcomes that are works in progress or are aspirations for the future, and frequently they outlined outputs as well as or instead of outcomes. Nonetheless these have been reported on because they provide a valuable insight into the emergent difference that funding made to organisations and their sustainability.

#### Analysis of Online Diagnostic Tool scores

We analysed the Online Diagnostic Tool (ODT) scores for grant holders, with specific focus on how scores had changed over the course of LSF projects and what characteristics were associated with changing scores. To do this we compared the score that grant holders got when they completed the ODT during the application stage in 2015, before their projects began (the 'pre' score) with the score they got after they had completed their projects (the 'post' score). This represented a period of at least 12 months, but up to 15 in some cases. As well as an overall score representing the holistic level of sustainability an organisation has, the ODT also produces five 'sub-scores' which focus on some distinct organisational areas, these being: Sustainability, Market & Opportunities, Strategy & Planning, Track record & Capability and Quality & Impact.

In July 2017 a bug was discovered in the program underlying the tool; in the score calculations one question had been over-represented, resulting in the calculated scores being higher than they should have been (the bug was fixed by Creative Co-op on 27th July 2017). The direct impact was on two indicators: *Indicator 4, Financial Systems delivering, where the score for that indicator was overstated by up to 18 percentage points and Indicator 1, Cost base control, where the score for that indicator was overstated by up to four percentage points.* These indicators fed into three different scores, the Sustainability, Strategy & Planning and Track Record & Capability scores, all of which were overstated by three to four percentage points.

The overall diagnostic score was overstated by up to two percentage points. The error occurred consistently for the ODT scores for LSF grant holders who used the tool before they received funding and after the end of their 12-month projects, so the comparison between the 'before' and 'after' is still valid. Given this, and given the fact that the impact on the amount the overall diagnostic score was overstated is relatively small, we agreed with The Fund to continue using the uncorrected scores for the analyses in this bulletin, the previous bulletin on the 'before' scores, and the evaluation overall. To ensure consistency a small number of organisations (five) were excluded from the final analysis because their

later scores had been calculated on the basis of the corrected program after July 27<sup>th</sup> meaning the 'before' and 'after' scores would not have been comparable.

#### Analysis of application forms

We analysed all grant holder application to develop a detailed sub-group analysis of different types of grant holders (including by income trajectory, age and project focus) and develops a set of typologies of grant holders which cut across different variables. These typologies are valuable in their own right but also assisted in the final evaluation analysis of monitoring reports and the final ODT results.

The aims of the analysis of the application data and the Online Diagnostic Tool were:

1. To understand LSF grant holders including:
  - a. Who are LSF grant holders (e.g. size, age, sector, region)?
  - b. How did organisations rate on the ODT?
  - c. What have they been funded to do?
2. To understand the relationship between different characteristics and look for useful patterns in the data (e.g. have organisations with growing income proposed different projects?)
3. To understand how grant holders have framed their LSF projects including: a. What are the problems that grant holders are facing that LSF is responding to? b. How are key concepts understood? (e.g. sustainability, staff training) c. Explore more deeply how different elements of the LSF projects have been understood and operationalised (e.g. user involvement, impact assessment);
4. To cluster organisations based on a range of different variables (e.g. activity/outcome clusters).

To meet these aims a five-stage process was pursued:

1. Development of an LSF database. The database was a MySQL relational database, containing 2.7mb of data in ten tables. All text responses from the ODT were inputted;
2. Initial scoping exercise where three researchers explored the data including each analysing five applications. The best approach given time constraints was then agreed;
3. Coding of all 253 applications to generate new variables focusing on the grant holder change plan. Quality assured through comparing coding within evaluation team;
4. Quantitative analysis of all data including the newly generated variables;
5. Qualitative analysis of 15 diverse applications drawing out emergent themes and analytical strands.

### A3. In-depth case studies

#### Journeying together case studies

The purpose of these case studies was to draw out learning through the lifetime of LSF, providing in-depth qualitative information that we could share with other grant holders to inform their own on-going project delivery, as well as contributing to the body of data that has informed the evaluation. All grant holders were invited to take part; nearly 40 expressed interest, from which eight were chosen. Through the selection process, we aimed to find a cross-section of funded organisations which included a spread of location, type of activity, organisation size and maturity.

There were three interventions with each organisation. The first was a visit, including an initial interview with the project lead and a workshop with their project team. This enabled us to build up a detailed picture of their intentions for their project's delivery and aims. The other interventions were carried out through phone interviews; the second comprised separate interviews with the project lead, the advisor(s) and where possible the business partner; the third just with the project lead. Interviews followed a semi-structured format using a topic guide which enabled us to gather information on: activities delivered; the resultant changes for the organisation, its staff and its beneficiaries; the factors which had helped and hindered their work and achievements; their views on the programme model.

The findings were written up as individual case study reports immediately after each intervention, with the content checked for accuracy by the project lead. We produced a simple over-arching analysis paper after the first intervention to draw out and present key emerging messages and lessons, which was shared with all grant holders.

#### Learning from success case studies

The purpose of these case studies was to reflect on what we could learn by reflecting on completed projects, focussing on particular themes and carrying out a 'deep dive' to draw out what factors had contributed to their success in relation to that theme. Twelve case studies were carried out, covering the following themes:

- **Leadership** - Where the LSF project has strengthened an organisation's leadership as a crucial step towards sustainability, or where the LSF funding has helped with a transformation/significant change for the better in the organisation's leadership.
- **Partnership and collaborations** - Where new ways of working together (whether planned or which emerged as a result of the project work) have made a significant impact on the organisation's progress towards sustainability, or where interesting new – perhaps unexpected – partnerships have been fruitful.

- **Business partner relationship** - Where the business partner has added a skill or resource that has been significant in helping the organisation towards sustainability, or where an unlikely relationship has worked well.
- **Governance** - Where the organisation has taken steps to strengthen its governance as a crucial step towards sustainability, either as an originally intended part of its project plan or as a result of learning from the LSF project.
- **Managing change** - Where the organisation has succeeded in managing the tensions caused by significant organisational change, making them a stronger and more cohesive organisation for the longer-term.
- **Financial sustainability** - Where the LSF project has been the key to unlocking a more positive financial situation for the organisation, perhaps through income diversification or better financial planning.
- **Stakeholder engagement** - Where the LSF project has played a significant role in changing the way an organisation engages with its stakeholders, which in turn is contributing significantly to the organisation's sustainability.
- **Service and/or product developments** - Where the LSF project has led to an organisation making significant changes to its service or product offer, which is demonstrably having a positive effect on its sustainability.
- **Internal organisational development** - Where through LSF the organisation has made significant changes to its backroom functions, e.g. financial procedures, IT facilities and software packages, admin and support roles, where these changes are having a clear positive impact on the organisation's sustainability.
- **Impact assessment** - Where the organisation has adopted new and effective methods of impact assessment that have become embedded in service development because of their LSF project.

All grant holders were invited to take part. Over 20 responded positively, with each one explaining the two themes that they felt their organisation's Fund experience best fitted. From these responses, we chose 12 organisations.

Information was gathered through semi-structured phone interviews with the project lead. The case studies were written up in two formats: a one page 'visual summary', and a longer more detailed narrative document. The visual summaries will form part of the publicly available evaluation material, while the narratives have provided valuable source material for our internal evaluation evidence base and analysis.

#### A4. Theory of Change development

As evaluators, we can contribute to the learning from this programme by presenting a clear articulation of the programme's logic model. The Theory of Change as created at the start of a programme is just that, i.e. a theory; with this evaluation, we wanted to review what actually happened, i.e. to update the Theory of Change in the light of the programme's

experience, so that the learning could be available to inform any future funders who might be seeking to develop a project or programme with similar aims.

To create the Theory of Change which sought to describe the initial hypothesis for LSF, we brought together key stakeholders from OCS and The Fund in an interactive workshop. We used the material from this workshop to create a high-level Theory of Change document. Once grant holders had completed their projects, we held a second interactive workshop with the key stakeholders to reflect on what had happened in practice and how this differed from their original hypothesis. We then produced a revised Theory of Change document, with accompanying narrative to provide supporting explanations.

#### A5. Interviews with non-successful applicants

We wanted to create some kind of comparator for the results reported by the LSF funded organisations, primarily in order to shed some light on the contribution made by LSF specifically to their situation, but also to see whether the organisations that had not been funded had been able to progress with their intentions and if so, how.

We were given a list of 33 organisations which had undertaken the ODT but not been funded, and we tried to contact each of these to arrange a short phone discussion. We talked to 15 organisations, using a structured conversational approach to cover three main topic areas: what they had hoped to achieve through LSF; whether they had achieved this in some other way, to what extent and how; and how they described their outlook going forwards. The calls varied in length from 15 to 40 minutes. The responses were analysed for common themes and apposite points of learning.

The conversations illustrated the 'price' paid by each organisation to advance their plans, compared to what they hoped the LSF would have provided, as they see it, in a single, efficient package. The conversation sought to discover whether the organisation had achieved their goals in the same way as if they had received LSF money. The interviews attempted to identify if not receiving LSF money had limited or stopped efforts to make the organisation more sustainable, or whether this was achieved but at significant cost to the organisation (e.g. diverting money from services or staff time from delivery).

#### A6. Learning activities

An important element of the evaluation was to share learning with grant holders, The Fund and The Office for Civil Society on an on-going basis, which consisted of a number of different elements. These learning activities were also the subject of an independent

evaluation by NCVO Charities Evaluation Services<sup>30</sup> to examine who effective and impactful they had been (see Appendix C for further detail).

#### Online learning network

At the start of the evaluation period, we set up an online forum which would be used as a means of communicating with the network of grant holders as well as allowing them to engage in discussion between themselves – this was hosted on Knowledge Hub ([www.khub.net](http://www.khub.net)). This network also acted as a mechanism to host evaluation outputs (see bulletins below) and for the evaluation team to post relevant articles and pieces of news external to LSF and its evaluation. All grant holders were invited to join the network, which was free to access. LSF staff from The Fund also had access to the network.

#### Evaluation bulletins

Throughout the evaluation we produced a series of short bulletins which summarised different evaluation activities and the main findings of that methodology. In each case they were sent to all grant holders and were published on the online learning network. All bulletins are now available on the [NCVO Scribd account](#), including:

1. Snapshot survey 1 (October 2016)
2. Understanding grant holders and their LSF projects (November 2016)
3. Needs analysis and thematic mapping (November 2016)
4. Journeys case study – start-up (November 2016)
5. Snapshot survey 2 (February 2017)
6. Analysis of six-monthly monitoring reports (March 2017)
7. Learn and share events (March 2017)
8. Analysis of ODT data (April 2017)
9. Snapshot survey 3 (July 2017)
10. Peer-to-peer visits (August 2017)
11. Snapshot survey 4 (August 2017)
12. Analysis of end-of-year monitoring reports (September 2017)
13. Analysis of pre- and post-ODT scores (October 2017)

#### Share and learn events

In February 2017 three learning events were held in Manchester, Birmingham and London with over 100 people attending in total. The attendees were mainly grant holders, but also included advisors, staff from The Fund and Office for Civil Society. The objectives of the events were for grant holders:

1. To learn about the latest findings from the evaluation;

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<sup>30</sup> NCVO CES is part of NCVO but was not involved in the evaluation of LSF.

2. To learn from other grant holders about the successes and challenges they have faced;
3. To have the opportunity to raise issues that are important to them and help to inform the development of LSF (and grant programmes like it) in the future.

#### Peer visits

At the end of 2016 all LSF grant holders were invited to apply to take part in peer visits with other grant holders, to exchange their experiences of LSF and the wider challenges they may be facing. Each visit lasted one day and participating organisations were given £200 towards travel and subsistence costs. Matches were made by the evaluation team at NCVO to ensure that paired organisations would gain as much as possible from the experience; organisations of a similar size, mission, and location were matched as much as possible. Thirty organisations took part in 15 visits between February and June 2017. The focus of the visits was deliberately driven by the organisations involved.

#### Webinars

We hosted two webinars to which all grant holders were invited, one approximately half way through the evaluation period in April 2017 (reporting on emergent learning) and one at the end, in December 2017 (reporting on final findings).

#### A6. Evidence review of organisational sustainability

We undertook a review of the different mechanisms and forms of support available to organisations wishing to develop their sustainability. The review sought to inform the wider debate around organisational sustainability and provide insight to those organisations wanting to enhance their sustainability. We completed a systematic search of academic literature, grey literature, funding guidance and practical guides, reviewing evidence in English from 2000 onwards. We also searched the websites of infrastructure organisations, funders, and other organisations to identify sources of support available to organisations wishing to develop their organisational sustainability, as well as to identify diagnostic tools that could be used by these organisations. Finally, we undertook three expert interviews with people involved in the field. The completed review is available on the [NCVO Scribd account](#).

## Appendix B: The Local Sustainability Fund programme

The Local Sustainability Fund (LSF) was announced in June 2015 as an Office for Civil Society (OCS) programme, delivered by Big Lottery Fund (The Fund), and aimed at building the strength, resilience and sustainability of frontline VCSE organisations that offer needed and effective services to vulnerable and/or disadvantaged people.

OCS and The Fund had developed a new model for offering support to such organisations who need to review and transform their operating models in order to sustain those important services. The model was based on a tailored model of support, with providers locally chosen and activities locally driven and an expectation of local partnership working as being at the heart of success.

Following a two-stage application process, by February 2016 around 262 VCSE organisations of between £100,000 and £1,500,000 turnover had been awarded a grant of up to £100,000 to deliver on a plan for change. The grantees had in common that they: had a track record of delivering quality services to disadvantaged or vulnerable groups; worked in an empowering way with their beneficiaries; faced some challenges in sustaining needed and effective services for disadvantaged and vulnerable people; and had been assessed as sustainable longer-term if given targeted support of the type the LSF offers.

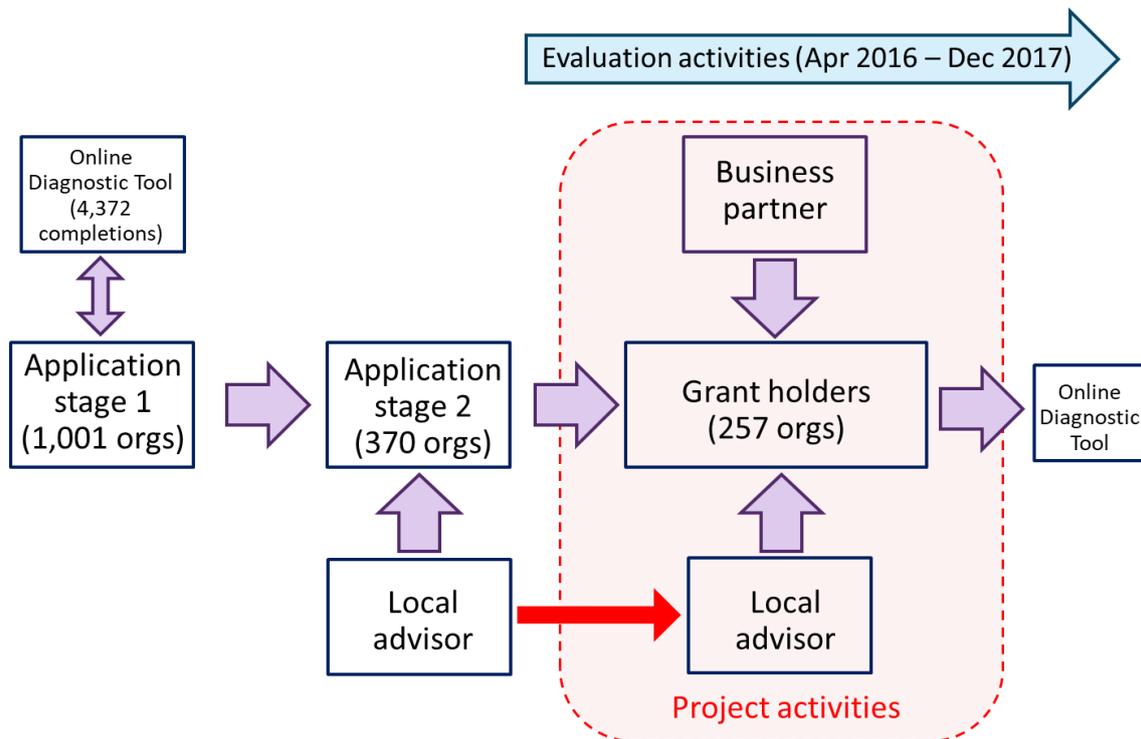
The stages of the LSF grant application were:

1. All organisations with an interest in LSF completed the Online Diagnostic Tool (4,372 organisations);
2. All organisations wishing to apply for LSF submitted a report from the Online Diagnostic Tool to be considered for funding (Stage 1 of the application – 1,001 organisations)<sup>31</sup>;
3. Organisations shortlisted by The Fund and OCS were invited to submit a full application (398 organisations);
4. Submission of a full application (Stage 2 of the application – 370 organisations);
5. Successful organisations offered funding (265 organisations);
6. Grant holders completed their 12-month projects and submitted an end-of-project report and re-took the Online Diagnostic Tool (257 organisations; three organisations declined the original offer of funding and five withdrew mid-project due to 'organisational events').

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<sup>31</sup> The report sent to OCS was auto generated by the ODT if the organisations wanted to apply for funding. The applicant received a separate report and didn't see the one sent to OCS.

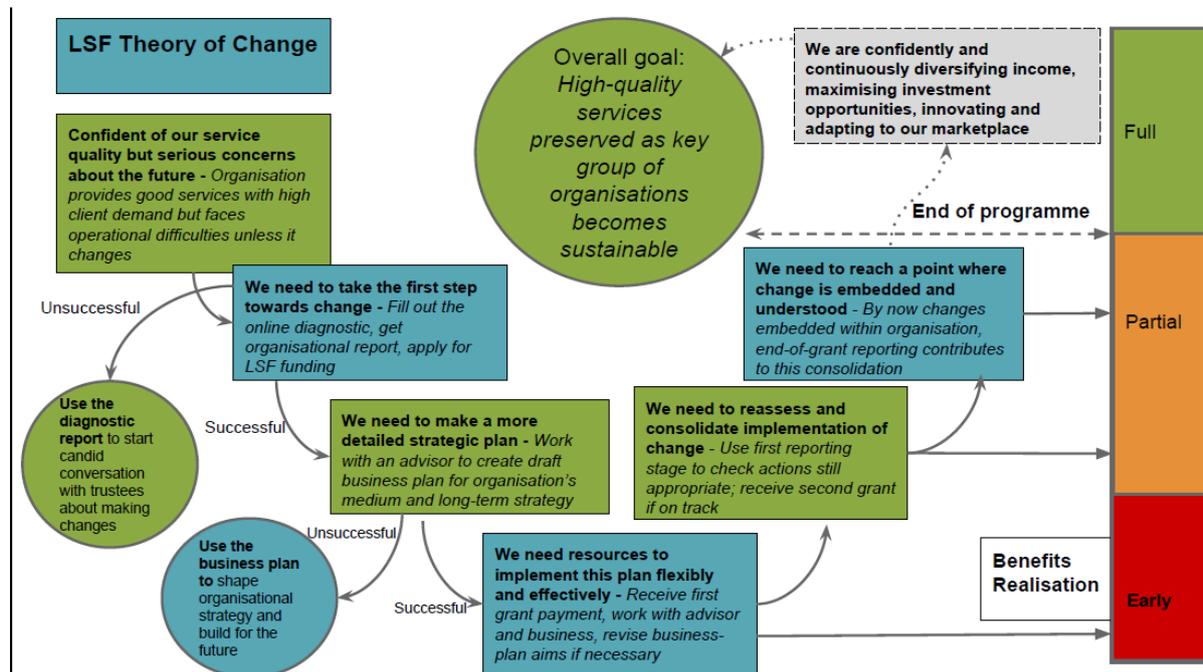
Figure A1: the LSF application and delivery process



Grants were awarded to support organisations to implement an agreed change plan linked to developing new business models or ways of working. Their activities needed to contribute to achieving three high level programme outcomes so that by the end of the programme organisations:

1. Were stronger, more sustainable and more resilient due to changes in how they work;
2. Had processes/structures in place enabling them to continually look for ways to improve how they worked, forward plan, and ensure ongoing success and relevance for beneficiaries;
3. Were able to continue to provide disadvantaged people with quality services in the future.

Figure A2. The original Theory of Change, as produced by The Fund



The core components of the LSF model for building stronger, more sustainable organisations were:

1. Completing an online diagnostic to assess organisational capabilities;
2. Developing a robust change plan (including ideas to address needs identified by the diagnostic);
3. Receiving implementation funding (LSF grant);
4. Delivering the plan with support from a locally chosen adviser/consultant and a local business;
5. Having access to peer learning opportunities (and other programme support) alongside funding.

Organisations were required to submit a plan that showed how they could achieve the programme outcomes through working in partnership with a trusted adviser and a local business on reviewing and transforming their operating model. An adviser’s role involved support, challenge and specialist advice or consultancy, whilst building or strengthening relationships with a local business / businesses was intended to ensure organisations benefited not just from advice but from a sharing of professional skills and knowledge through impactful volunteering.

The funding criteria were:

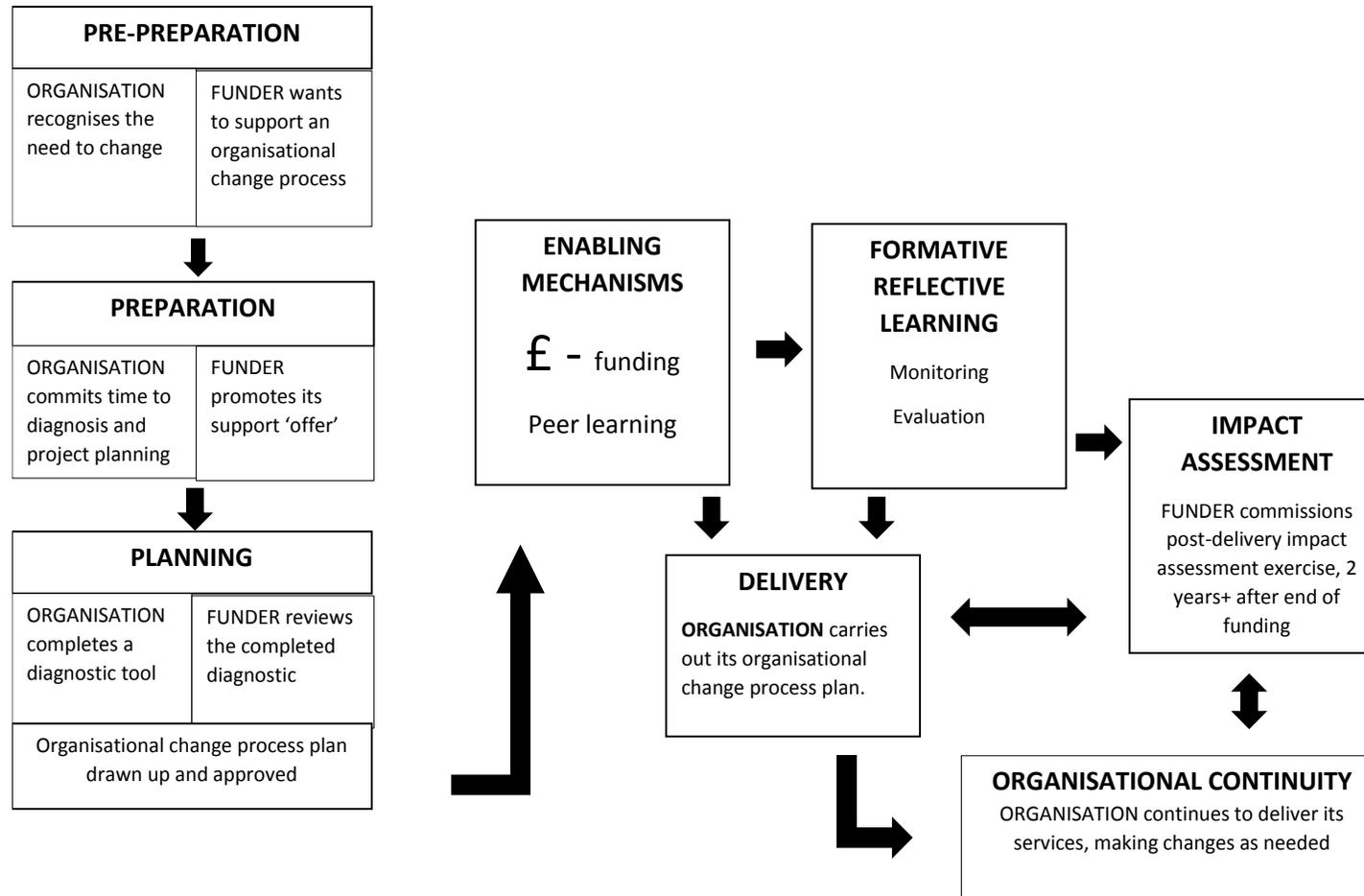
- Medium sized VCS organisations or a social enterprise;
- Have at least three unrelated people on the organisation's governing body;
- Have an annual income of between £100,000 and £1,500,000;
- Deliver frontline services;
- Work with vulnerable and disadvantaged people;
- Be based in, and operate in England (beneficiaries should be in England only);
- Be established for at least five years.

The results from the initial completion of the ODT were also used to assess applications and feed in to the selection process. Three areas were considered, that organisations should be:

1. Have a strong track record and strong prospect for the future (i.e. their past sustainability);
2. Currently be facing difficulties as a result of funding cuts and rapid change in the sector (i.e. their current health);
3. Not be at imminent risk of failure, despite the challenges they are facing (i.e. their future potential for sustainability).

## Appendix C: Additional Theory of Change information

Figure C1. A future approach to support to facilitate resilient organisations – a model in practice



**Figure C2. The Local Sustainability Fund in practice**

<b>INPUTS</b>	<b>ASSUMPTIONS</b>
<p>ORGANISATIONS are:</p> <ul style="list-style-type: none"> <li>• Putting in time to complete a diagnostic tool.</li> <li>• Working with a local advisor.</li> <li>• Working with a business partner.</li> </ul> <p>THE FUNDER is:</p> <ul style="list-style-type: none"> <li>• Setting up the Online Diagnostic Tool (ODT).</li> <li>• Promoting the Fund and its application process.</li> <li>• Assessing applications.</li> </ul>	<p>Organisations are aware that they need to change.</p> <p>Trustees and staff are willing to accept change and work towards change.</p> <p>Organisations can make the time to complete the diagnostic tool.</p> <p>The diagnostic tool is best completed by several people working together, rather than a single individual.</p>

<b>ACTIVITIES</b>	<b>ASSUMPTIONS</b>
<p>ORGANISATIONS:</p> <ul style="list-style-type: none"> <li>• Review their ODT results and use these to make a change plan for their LSF project.</li> <li>• Carry out their planned project activities.</li> <li>• Contract with a local advisor.</li> <li>• Set up a relationship with a business partner.</li> <li>• Complete the required funder reports</li> <li>• Take part in evaluation activities, including surveys, case studies, events and peer visits.</li> <li>• Manage their LSF project, including coping with the side-effects of a change process.</li> </ul> <p>THE FUNDER:</p> <ul style="list-style-type: none"> <li>• Releases funds.</li> <li>• Monitors delivery.</li> <li>• Commissions the evaluation.</li> </ul> <p>THE EVALUATOR:</p> <ul style="list-style-type: none"> <li>• Carries out the planned evaluation activities.</li> <li>• Disseminates learning.</li> <li>• Facilitates peer learning.</li> </ul>	<p>Organisations are able to identify a suitable local advisor.</p> <p>Organisations know how to commission an advisor to work for them in an effective and professional manner.</p> <p>Organisations will be able to find a suitable and willing business partner.</p> <p>A business partner’s input will benefit the organisation.</p> <p>Organisations are able to demonstrate their value to a potential business partner.</p> <p>A mutually agreed and beneficial relationship and activity plan can be agreed between the organisation and business partner.</p> <p>The business partner carries out the role as they have agreed to.</p> <p>Organisations can find the right people to backfill staff posts within the time available.</p> <p>Organisation staff, volunteers and service users will engage with and support the change process.</p> <p>The funder releases funds on time.</p>

<ul style="list-style-type: none"> <li>• Collects, analyses and reports on Fund delivery and achievements.</li> </ul> <p>THE LOCAL ADVISOR:</p> <ul style="list-style-type: none"> <li>• Carries out advisory tasks, as per the organisation's plan.</li> </ul> <p>THE BUSINESS PARTNER:</p> <ul style="list-style-type: none"> <li>• Works with the organisation to identify suitable role and tasks.</li> <li>• Delivers the tasks as agreed.</li> </ul>	<p>The evaluation's activities and findings are presented in a timely fashion and with content that enables organisations to benefit during the delivery period.</p> <p>Organisations are willing to give up time to take part in evaluation and learning activities.</p> <p>Peer learning is mutually beneficial.</p> <p>The advisor's and business partner's inputs are an effective response to the organisation's needs.</p> <p>LSF is funding a process of thinking, not a pre-defined plan.</p>
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<p style="text-align: center;"><b>EARLY OUTCOMES</b></p> <p>ORGANISATIONS have:</p> <ul style="list-style-type: none"> <li>• Stronger, better, improved governance and leadership.</li> <li>• Stronger, better, improved planning processes.</li> <li>• More clarity of purpose, articulated better and promoted better.</li> <li>• A more diversified income.</li> <li>• More and better partnerships and collaborations, and positivity towards working this way.</li> <li>• Improved staff skills, knowledge and confidence.</li> <li>• Better communication and engagement with beneficiaries.</li> <li>• Better services and better delivery of services for beneficiaries.</li> <li>• Better organisational systems, processes and infrastructure.</li> <li>• Improved organisational self-confidence and self-belief.</li> <li>• Improved their monitoring, evaluation and impact assessment practice.</li> </ul>	<p style="text-align: center;"><b>ASSUMPTIONS</b></p> <p>Each organisation is starting its change journey in a different place, so will experience a different change process and will achieve different outcomes.</p> <p>Organisational resilience takes many forms, and the combination of forms will be unique to each organisation's situation.</p> <p>The external and internal context will affect what an organisation through LSF.</p> <p>An organisation that works effectively internally will deliver better services for its beneficiaries externally.</p>
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<b>ULTIMATE OUTCOMES</b>	<b>ASSUMPTIONS</b>
<p>ORGANISATIONS are:</p> <ul style="list-style-type: none"> <li>• More resilient.</li> <li>• Better at recognising the need for change</li> <li>• Better able to manage change.</li> <li>• Responding flexibly to changing circumstances.</li> <li>• Drawing on business models that are empowering and impactful for beneficiaries.</li> <li>• Developing mindsets more orientated towards collaboration.</li> <li>• Aware of, and making use of, external support, and better driving it to meet their needs.</li> <li>• Using 'people led' approaches.</li> <li>• Developing their volunteers.</li> </ul> <p>THE SECTOR is:</p> <ul style="list-style-type: none"> <li>• Made up of stronger organisations.</li> <li>• Acting collaboratively and synergistically.</li> </ul>	<p>Resilience can take many forms, including financial, having the right mission, understanding the organisation’s role in meeting that mission, emotional competency to cope with change, technical competency to manage change.</p> <p>Collaboration between organisations can deliver better services for beneficiaries.</p> <p>Resilience is a never-ending process, rather than a specific goal.</p> <p>Resilient organisations provide better services for their beneficiaries.</p>