



INTERIM IMPACT EVALUATION
FOR
NORTHERN ROCK FOUNDATION

LEARNING SUMMARY

November 2012

The Foundation's new strategy, launched in 2011, aims to strengthen the sustainability and capability of the organisations and sectors it supports, so that they can secure their long term futures and continue to support disadvantaged groups for the years to come.

Underpinning this strategic direction is a theory of change that, by providing a combination of grant funding and practical advice, support and resources (commonly referred to as a funder plus approach) The Foundation can have a greater influence on the long term success of funded organisations than by providing funding alone. The ways in which grants are structured – for example, tapered grants, provision of core funding – have also been deliberately designed to encourage funded organisations' longer term sustainability.

The Foundation commissioned an interim impact evaluation to:

- ★ understand and describe the impact that the Foundation's funding is having on the organisations it supports, the sector and the groups it is trying to help
- ★ assess whether the 'funder plus' approach has the potential to create greater impact in terms of capability and sustainability for the organisations the Foundation works with and the disadvantaged groups it prioritises
- ★ create a baseline against which future progress can be measured
- ★ advise on adjustments to maximise impact
- ★ inform decision-making about future strategic direction
- ★ identify learning for other funders

The evaluation involved quantitative analysis of data from 59 organisations with live grants in 2011, followed by in-depth site visits with 33 of these organisations. This learning summary provides an overview of the key findings and conclusions.

1.1 The changing context

One of the major themes emerging from the evaluation is the enduring turbulence and uncertainty that third sector organisations must operate in. Whilst some organisations have been able to plan and adapt during this period of change, many are finding it incredibly difficult to do so.

It would appear that the funding landscape is forever changed, with the relative plenty of the 1990s and early 2000s gone forever. This means that more organisations are competing for finite charitable funds and for smaller pots of public money. Incremental cost savings will no longer be enough; transformation will be required. For many organisations, collaboration with former partners and/or 'competitors' will also be essential – the Foundation has already begun to broker relationships that may support this.

1.2 Engagement with the Foundation

Many of the organisations involved in the evaluation had a pre-existing relationship with The Foundation. These organisations often saw The Foundation as the funder of first resort rather than last resort, for a number of reasons:

- ★ pre-existing relationship
- ★ perception that The Foundation understands and empathises with the organisation or project and what it aims to achieve
- ★ willingness to provide core funding where many others will not
- ★ project was co-created in discussion with the Foundation

- ★ project was a natural progression from a conversation with their Programme Manager, for instance about future plans
- ★ simple, user-friendly application process

In some cases, the organisations would not have been able to find other sources of funding. However, in others the organisations had looked at other funders, but were reluctant to embark on lengthy and complex funding bids with an uncertain outcome; especially where they felt their best chance for funding was through the Foundation. Respondents often indicated that they were aware of a diverse range of funders, but focussed their efforts on applications that they thought were most likely to succeed. Those organisations seeking funding for core costs reported that it would have been very challenging to find other funders.

1.3 Sustainability and resilience

The 2011–2015 strategy aims to strengthen the sustainability of the sector. For many organisations, this stands for self-sufficiency, maintaining current services or even growing. In reality, sustainability may well mean refocusing and reducing services to a smaller core. Our findings indicate that The Foundation's new strategic direction is enabling some funded organisations to move towards becoming more sustainable and self-reliant for the longer term. In particular, those that are becoming more sustainable are developing alternative funding strategies, often combining contracts with a diversified grant base. In addition, some are able to develop income generation models.

However, a substantial number of the organisations involved in the evaluation have not yet made progress on alternative funding streams.

It is also important to note that a number of the organisations funded by the Foundation currently have few obvious routes to self-sufficiency and enterprising business models.

Given that sustainability may give an impression of growth and development, a more appropriate focus might be strengthening the **resilience** of organisations and the sector. Resilience indicates adaptability, capability to respond positively to change (internal and external) and the capacity to make proactive and flexible decisions about the future direction of the organisation. Given the uncertainty about the future, and the challenges faced by organisations and the sector, this would be a valuable characteristic for organisations to have, and one that the Foundation could help foster.

1.3.1 Barriers to sustainability

The organisations that have not yet made progress on alternative funding and improving their sustainability were being affected by the following challenges:

- ★ new structures and funding streams taking longer to come to fruition than originally predicted (eg GP commissioning), and policy shifts being embraced to different extents in different areas (eg personalisation of social care services)
- ★ other funders perceiving that they did not need funding as they had a grant from NRF
- ★ lack of clarity about future NRF funding – whilst some organisations were clear that they would not receive further funding from NRF, others had not received (or perhaps absorbed) that
- ★ continued and chaotic change in the funding and operating environments, making it extremely difficult to make strategic and operational plans
- ★ lack of statutory funding and support for certain services (eg advocacy)

1.3.2 The role of leadership

The organisations moving closer to sustainability tended to have leaders with the following characteristics:

- ★ dynamic
- ★ enterprising
- ★ proactive
- ★ managerial rigour (eg focusing on cost-effectiveness and efficiency at all times)
- ★ seizing opportunities in the changing landscape rather than being 'victims' of change
- ★ willingness to plan ahead despite uncertainty, combined with flexibility to respond to change
- ★ time to focus on strategic priorities (often supported by core funding)

1.4 Capability

A number of organisations had taken up training and development opportunities from the Foundation. These were usually rated highly for being:

- ★ timely
- ★ relevant
- ★ reliable (eg expert speakers)

The Foundation has such a level of credibility with funded organisations, that they tend to trust its training and development offering.

Those that had not accessed training and development tended to fall into one of two categories:

- ★ need the training but can't spare the time – organisations that found it impossible to release people for time away from the coalface
- ★ have the skills but no time to put them into practice – organisations that believe they already have all the necessary capabilities, but struggle more with finding the time and headspace to put these capabilities into action and move their organisations forward

In both cases, time was the barrier – whether to access training or to move the organisation forward. The former group tended to be furthest behind in progressing their organisations, whilst the latter tended to be making some progress towards sustainability but time was the limiting factor to their pace of progress.

1.5 The role of core funding

The Foundation is one of very few funders that will support core costs. Core funding is a very important component of how the Foundation supports organisations as they progress towards becoming more sustainable: it frees up senior managers' time to do the developmental work required to secure new funding streams and develop new service/funding models. Without core funding, this important developmental work would be squeezed in around the edges of day to day service delivery.

However, it is essential that the Foundation doesn't encourage a reliance on its core funding, as it cannot be provided indefinitely. Our findings indicate that tapered grants help reduce dependency on funding from the Foundation (including core funding), and send a very clear message that core funding is a temporary measure to support the end goal of sustainability.

Many organisations in receipt of non-tapered core funding reported being concerned about how they would fund these costs, in the absence of core funding from the Foundation. They believed that other funders were

heavily focused on keeping cost-per-output/outcome to a minimum and that, if they attempted full cost recovery in their funding applications, they would be rejected for being too expensive.

1.6 The funder plus approach

In addition to grant funding, the Programme Managers provide a range of additional support to organisations that appears to be making a significant positive contribution to the impact of The Foundation's funding on the organisations. The key aspects of their 'funder plus' approach are:

- ★ **critical and challenging friend** – providing constructive support to help the organisation focus on becoming more capable and sustainable; challenging assumptions and ensuring that any development ideas are thoroughly tested and well-thought through
- ★ **sharing information and intelligence** – passing on relevant policy news and keeping organisations up to date on developments in their field
- ★ **brokering networks and relationships** – putting people with shared/complementary interests in touch informally; catalysing the creation of formal networks that bring together practitioners with shared interests and encouraging them to work together
- ★ **practical advice and guidance** – offering suggestions and advice to help organisations maximise their projects' success

Our findings show that the Programme Managers have a fundamental role in strengthening the organisations funded by the Foundation, not simply in intelligent grant-making (although this too is vital) but in working collaboratively with organisations to enable them to realise their potential. They achieve this whilst also avoiding the traps of interfering and micromanaging.

1.7 Innovation

Our findings indicate that the funder plus approach also encourages innovation amongst funded organisations, with Programme Managers supporting the development and delivery of a number of projects that will transform service/delivery models and act as exemplars to other organisations in the same sector. These innovative strategic developments tend to be relatively high cost, but have the potential to lead to increased sustainability and, in some cases, long term self-sufficiency for the organisations involved.

1.8 The Foundation's influence

On average the Foundation's funding makes up 14% of respondent organisations' annual income, but tends to have a disproportionate level of influence and impact within the organisation. This tends to be because the funding often supports strategic developments and service or delivery innovations, which touch every part of the organisation.

In addition, the Foundation has a high level of influence within the third sector in the North East of England and Cumbria and nationally within the Trust & Foundation and charity sectors. It achieves its influence by:

- ★ leveraging its reputation and credibility to bring people together, surface challenging issues and broker networks to take action on these issues
- ★ building a robust and reliable evidence base on key issues within the third sector, which is widely used by a range of organisations and would not otherwise be commissioned
- ★ contributing to and often driving national debate about
 - intelligent grant-making

- funder plus approaches
- use of evidence
- learning and continuous improvement
- impact measurement

1.9 Focusing attention and resources on the region

One of the goals of the new strategic direction was to attract other funders' resources into the region. So far this does not appear to have happened to any great extent, and there is a perception that other funders avoid funding similar programmes in the region because the Foundation 'has it covered'.

However, many respondents reported that the Foundation's funding did enhance their ability to lever in funds from other sources within the region. They stated that funding from the Foundation was seen by other funders and commissioners as a 'quality mark' that gave them confidence to invest. It also enabled organisations to build their own evidence base; proving need, as well as their ability to deliver a quality service. This helped organisations to lever additional funds, and was particularly important where organisations were delivering something new or innovative.

1.10 The impact of the Foundation's new strategic direction

The Foundation's strategic direction is beginning to take effect, but not all organisations are making progress towards sustainability (or resilience) yet. Those that are making most progress will need less support from the Foundation over the next two to three years; this will allow The Foundation to focus its support on bringing forward the next 'tier' of organisations who have the potential for sustainability but are not yet making progress. These organisations face considerable challenges, in terms of being able to plan and think ahead during a prolonged period of chaotic change and releasing the time and headspace to do so. The Foundation's support to them needs to be geared up to help them overcome these challenges.

1.11 Enablers of the new strategic direction

Our findings indicate that there are a number of interventions and actions that have contributed to the early progress of the strategy.

1.11.1 Future-focused funding

The way funding has been structured has encouraged some organisations to move towards a more diverse and viable range of income streams. The main methods that have been used successfully are:

- ★ tapered grants which reduce the Foundation's contribution over time and require the organisation to find alternative income sources
- ★ funding for strategic development projects that specifically focus on transformation of business models
- ★ core funding of a key staff member's time, where there was an explicit objective of releasing them for business development, planning and developing new income streams

1.11.2 The role of funder plus

The funder plus approach appears to make a significant positive contribution. The Foundation is using all the resources at its disposal – not only the grant funding, but the considerable knowledge, networks and strategic skills of the Programme Managers and the ability to draw on funding and expertise to help build the capabilities of organisations.

Our findings show that this combination is highly valued by organisations and is more effective than grant-making alone. It maximises the impact of the Foundation's funding on both the organisations it funds and the disadvantaged groups these organisations are supporting; thereby improving the chances of these organisations having a sustainable long term future. This means the organisations will be able to continue to make an impact on the groups the Foundation is trying to help, long after their grant has ended.

The Programme Managers therefore play a fundamental role in the delivery of the Foundation's strategy, as they go significantly beyond grant-making to support organisations as they shape up for the future. Their knowledge and expertise has been built up over many years, and is a unique resource that allows the Foundation to achieve its goals through intelligent grant making and strengthening the organisations it funds.

1.11.3 Clarity re future funding position

Where organisations have had a clear message from their Programme Manager about the current grant being their last, this has focused the organisation's mind on looking for future alternatives. This has been successful where combined with the practical advice and support from their Programme Manager that characterises the funder plus approach.

Those organisations which reported a lack of understanding about the future funding position from the Foundation tended to be less motivated to look for alternative funding streams, or were not as preoccupied with creating a more sustainable future. Therefore it will be essential that they do receive clarity about the likelihood of future funding as soon as possible.

On a related note, the wider funding community also lacks an understanding of the Foundation's funding position, which may be perpetuating the idea that the Foundation 'has it covered' in the North East and Cumbria in relation to its programme areas. This can act as a barrier to organisations finding alternative funding streams. Therefore it will be important for the Foundation to clarify its funding position more widely, so that other funders can consider whether they should redeploy funds into the region.

1.12 Measuring progress

This evaluation included the creation of a baseline data set for 59 of the Foundation's key organisations. This data set is quantitative in nature and its scope is limited, due to the small amounts of consistent data collected by the Foundation from grant recipients.

One of the Foundation's strengths is its user-friendly reporting and monitoring requirements, however, a few enhancements to current reporting requirements could provide a significant improvement in the Foundation's ability to track the impact of its strategy.