

# Measuring the impact of third sector infrastructure organisations

## *A report to the NCVO Funding Commission*

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### **Introduction: the role of local infrastructure organisations**

Local infrastructure organisations (LIOs) take many shapes and forms but they generally exist to serve a common purpose - to ensure that local third sector organisations get the advice, support and representation they need to improve the circumstances of the people and communities they work with. LIOs do this in a number of ways:

- they **identify and fill the gaps in existing provision** by monitoring the services provided by the third sector in its local area, and working with new and existing groups to address unmet needs in their communities.
- they **raise standards** by providing access to information, advice and support to local groups and organisations in order that they have the knowledge, skills and resources they need to support the local community.
- they **enable communication and collaboration** by encouraging local groups and organisations to share resources and to work collaboratively, and establish forums for networking where they can share good practice and form partnerships through which new activity can be developed.
- they **provide a voice** through which the diverse views of local groups and organisations can be represented to local public sector bodies. They also enable two-way communication and consultation so that the local sector can be consulted on and contribute to policy developments and decision-making.
- they **promote strategic involvement** in local policy making and planning, ensuring that the sector is represented and involved in local decision making bodies, and actively work with representatives to ensure they keep on top of key local issues.

(adapted from [www.navca.org.uk](http://www.navca.org.uk))

Despite these purported benefits the measurement of the impact and effectiveness of local infrastructure remains a contested area.

Against this background this paper aims to provide the commission with an overview of existing evidence and approaches to measuring the effectiveness of local infrastructure, followed by a discussion of why this has not produced a coherent evidence base and recommendations about how this could be improved in the future.

## Existing evidence regarding the effectiveness of local infrastructure

Perhaps the most extensive review of the benefits of third sector infrastructure was the rapid evidence assessment undertaken by Rob Macmillan for the Infrastructure National Partnership.<sup>1</sup> The study found the evidence base somewhat fragmented and disparate, typically derived from single project or programme evaluations rather than a more comprehensive study of infrastructure as whole. This limited the potential to bring evidence together in a cumulative sense to make an assessment of the overall or aggregate impact of infrastructure. Nevertheless, the study was able to draw out some coherent evidence regarding the benefits of infrastructure interventions. These were clustered around two broad concepts:

1. *Change within individual third sector organisations:* this included examples where infrastructure provided a source of expert advice; built capacity to access further financial resources (i.e. through funding advice and support); offered space for reflection and thinking; increased confidence in key areas of organisational development; and enabled learning to be cascaded through the organisation. It also included examples of unintended and less tangible effects, in areas such as external credibility through improvements in perceptions regarding professionalism.
2. *Change beyond and between individual third sector organisations:* this included examples of infrastructure supporting community involvement and participation and providing the sector with a voice and representation at various administrative levels (i.e. local, sub-regional and regional). Of particular importance here was the role co-ordinating networks and consortia of third sector organisations in relation to particular structures (such as Local Strategic Partnerships).

Macmillan's study concluded by identifying three sets of implications:

- *For the sector:* in terms of doing more to demonstrate the effectiveness of infrastructure interventions
- *For policy makers:* in terms of doing more understand its basis for investing in infrastructure, and its requirements in terms of evidence.
- *For research:* to consider how the evidence base for infrastructure can be developed to provide a more coherent and cohesive picture of the benefits.

CRESR's evaluation of Yorkshire Forward's South Yorkshire Social Infrastructure Programme (SYSIP)<sup>2</sup> made a more recent contribution to the evidence base regarding the benefits of infrastructure. The programme had a strong focus on the role of infrastructure organisations (both at local authority district and neighbourhood levels) in supporting and stimulating the wider sector. The evaluation included thirteen case study organisations interviewed in-depth about their experience of SYSIP infrastructure interventions - all were overwhelmingly positive in their assessment of the support they had accessed. This was perhaps not a surprising conclusion. Those organisations 'touched by' or able to access support from

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<sup>1</sup> Macmillan, Rob (2006), **A Rapid Evidence Assessment of the Benefits of Voluntary and Community Sector Infrastructure** (London: NCVO) is available from [www.changeup.org.uk/nationalprojects/INP.asp](http://www.changeup.org.uk/nationalprojects/INP.asp)

<sup>2</sup> Between 2006 and 2009 Yorkshire Forward invested £35 million in the South Yorkshire Social Infrastructure Programme (SYSIP). A significant proportion of SYSIP expenditure provided funding for core infrastructure services in each of the four South Yorkshire districts. The evaluation is to be published in Summer 2010.

infrastructure agencies tend to be relatively positive, whilst those outside the loop tend to be more critical.

The evaluation could not provide a conclusive and authoritative judgement about whether the case study organisations were *actually* stronger, more sustainable and resilient, and if so by how much. This would have required a longer term assessment than was possible here. It is also noteworthy that interventions by infrastructure are relatively light-touch (for example advice on governance) or provide a necessary service which would cost considerably more to provide in house or under contract to the private sector (for example, community accountancy, payroll and HR functions).

However, our respondents clearly thought they were stronger and more sustainable so these perspectives might form a provisional proxy for the impact of support services funded through SYSIP.

SYSIP beneficiaries' confidence about the future prospects for their organisations and the work they do appeared to have been enhanced by the interventions they received. This occurred through a variety of different means, but primarily across three inter-related dimensions. It involved organisations:

- developing more appropriate and better structures, systems, policies and procedures to support their work
- adopting a more strategic, planned, professional, forward-looking and networked outlook
- becoming more aware, knowledgeable and skilled about their 'operating environment', that is, the changing funding and policy context in which they work.

In combination these impacts provided good reasons to expect the case study organisations to be more sustainable. Together the SYSIP interventions were thought by case study interviewees to have placed their organisations on a stronger footing, with an improved profile and reputation, and able to access and secure resources to continue and enhance their activities.

### **Weaknesses in the existing evidence base**

There are a wide variety of ways in which local infrastructure organisations measure the effectiveness of their activity. But this plethora of approaches, in combination with poorly conceived methods, has led to an evidence base which is fragmented and insufficiently robust. In this section we briefly consider some of the main approaches currently being used before discussing some of the key weaknesses in the evidence base.

#### *Approaches to measuring effectiveness*

Most local infrastructure organisations monitor their outputs: this might include the number of organisations supported through a particular project or the number people attending training sessions. These data usually form the basis of reports to funders and is sometimes included in the Annual Report to the Charity Commission. It provides an indication of what the organisation has done but does not enable an assessment about whether this has made a difference.

More recently there has been a move towards the measurement of outcomes. Generic tools such as the CES Planning Triangle (see [www.ces-vol.org.uk/index.cfm?pg=124](http://www.ces-vol.org.uk/index.cfm?pg=124)) and infrastructure specific tools such as PERFORM (see [http://cogs.uk.net/index.php?page=Strategic Planning](http://cogs.uk.net/index.php?page=Strategic%20Planning)) and the NAVCA Performance Standards (see [www.navca.org.uk/services/quality/](http://www.navca.org.uk/services/quality/)) have enabled a number of infrastructure organisations to develop performance frameworks through which outcomes can be measured and monitored. In addition, the introduction of the NAVCA Quality Award has provided a form of endorsement for infrastructure bodies that can demonstrate progress towards outcomes for their beneficiary.

### *Weak data undermine coherence and comparability*

A large proportion of local infrastructure organisations carry out surveys of their beneficiaries. These are often linked to outcomes and performance indicators designed to provide evidence of impact or effectiveness of infrastructure interventions. These surveys ought to provide a basis for comparison and aggregation but much of the data collected about the effectiveness of local infrastructure interventions is inherently weak, particularly for the purposes of benchmarking or aggregating data across or between areas. This is primarily for three reasons:

- Small sample sizes and low response rates mean that findings lack statistical robustness, particularly when comparing change over time
- An inconsistent approach to performance indicators and questionnaire design means that findings cannot be compared between studies
- They are usually cross-sectional (i.e. a snapshot of a particular point in time), so change over time or distance travelled cannot be measured.

Our ongoing work for the South Yorkshire ChangeUp Consortium provides a good example of the challenges associated with collecting data regarding infrastructure interventions from a range of organisations. We were commissioned to develop a simple generic data collection framework through which the reach of infrastructure interventions across the Consortium could be mapped and understood. However, many organisations did not hold sufficient data on their interventions to be included in the framework and where data was collected it was often unsystematic or confused (i.e. multiple and conflicting entries for the same organisation), creating numerous problems for data collation and analysis.

## Improving the evidence base

So far we have described the main approaches to measuring the effectiveness of local infrastructure and highlighted some of the weaknesses with the existing evidence base. In this section we discuss how the evidence base might be improved through exploration of nationally available data sets, understanding the reach of local infrastructure, and the utility of economic and social impact tools and methods.

### *The potential of national data sets*

Macmillan (2006) highlighted that there has been no systematic study of the role, position and benefits of the range of local infrastructure interventions. He also highlights a series of more challenging evaluative questions and issues including:

- How sustainable are the effects/consequences of infrastructure interventions?
- What is the distance travelled by infrastructure beneficiaries?
- To what extent are/should infrastructure interventions be targeted at specific beneficiary groups?
- What is the impact of infrastructure interventions, including issues of deadweight, displacement and attribution?
- Do infrastructure interventions represent value for money, including issues of overall cost, cost efficiency and cost effectiveness?

To understand these questions in detail would require a large well-resourced long term study but in lieu of this we believe there is potential to exploit existing national data sets to improve understanding considerably.

### National Survey of Third Sector Organisations (NSTSO)

The NSTSO is the only national third sector data set that is representative at a local authority level<sup>3</sup>. In addition to headline and contextual data for National Performance Indicator 7 (NI7)<sup>4</sup> the survey also provides a data about the experiences of third sector organisations at a local level. This includes a series of questions regarding *satisfaction with* and *access to* infrastructure support which can be compared according to area to provide an indication of how third sector organisations' experiences vary by locality. We undertook a descriptive analysis of NSTSO data as part of an ongoing study for South Yorkshire ChangeUp Consortium which yielded some interesting results.

a) *Access to infrastructure*: around a quarter of registered third sector organisations in South Yorkshire received support from local infrastructure providers (an estimated 777

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<sup>3</sup> Of the 104,391 organisations invited to take part in the survey 48,939 responded - a return of 47 percent.

<sup>4</sup> National Indicator 7- 'an environment for a thriving third sector' - is one of the 188 indicators which cover the priority outcomes for which Local Authorities and their strategic partners are responsible for delivering between 2008-11.

organisations). Although the figure was slightly higher in Sheffield (28 per cent) and Rotherham (27 per cent) than Doncaster (24 per cent) and Barnsley (23 per cent) in all four districts it was higher than the overall national figure (18 per cent).

b) *Satisfaction with infrastructure*: overall satisfaction with available infrastructure services fluctuated across South Yorkshire. In Sheffield (10 pts) and Doncaster (7 pts) net satisfaction was comparably high compared to Rotherham (1 pt), Barnsley (neutral) and the national picture (5 pts). This indicates that in Sheffield and Doncaster there were many more third sector organisations satisfied with the infrastructure support available than were dissatisfied, but in Rotherham and Barnsley the proportion of satisfied and dissatisfied organisations was more or less equivalent.

In many ways the South Yorkshire NSTSO analysis raised as many questions as it answered. Why, for example, does access to and satisfaction with infrastructure vary so considerably by locality and are there particular local contextual factors that influence these results? To some extent these issues can be unpicked through a more detailed analysis of the NSTSO dataset, but this would only really provide a starting point for understanding infrastructure effectiveness at a local level. Further in depth research would probably be required.

### Analysing Charity Accounts

Charity account data provides an alternative source of data on third sector organisations. It is increasingly used as a research dataset: by the NCVO in their Almanac series; to provide a sampling frame and contextual detail for the NSTSO; and as part of the Northern Rock Foundation Third Sector Trends Study. As a data source charity accounts have a number of advantages. In particular they offer a basis to gather data which is:

- measured using a consistent unit (money)
- prepared on a reasonably systematic basis, with limited scope for interpretation
- guaranteed by audit or independent examination
- available in a form through which a time series can be established.

In recent years CRESR, drawing on a strand of research from the US non-profit sector, has pioneered the use of financial ratios which draw on charity account data to provide an estimate of financial vulnerability within third sector organisations. In terms of the effectiveness of local infrastructure we believe that this approach could be used in two distinct ways:

- a) Understanding the financial characteristics and resilience of local infrastructure organisations: how financially resilient are local infrastructure organisations? Are they more or less resilient than other types of third sector organisations? Does resilience vary according to geographic location and if so, are there any organisational characteristics associated with resilience?
- b) Understanding the financial characteristics and resilience of organisations in receipt of local infrastructure interventions: how financially resilient are the beneficiaries of local infrastructure interventions? Are they more or less resilient than organisations

that did not receive support, and does this resilience change (improve) over time? Does resilience of beneficiaries vary according to geographic location, or are there any organisational characteristics associated with resilience?

In theory both datasets described here could be brought together as part of a more wide ranging analysis. They could for example, be used to explore whether satisfaction with infrastructure is higher in the areas where local infrastructure is more resilient. They could also be used to consider whether there is a relationship between access to infrastructure by third sector organisations and increased financial resilience.

A note of caution: both datasets are limited in that they do not include the small 'under the radar' organisations that make-up up to 65 per cent of the third sector. Any findings can therefore only provide an accurate reflection of a particular part of the third sector and may not be indicative of the sector as a whole.

### *Understanding reach*

The reach of infrastructure services is also an important consideration. For example, are certain types of third sector organisation more likely to access infrastructure support, and are there organisations in need of support that are currently unable to access it? CRESR's evaluation of SYSIP provided some interesting insights into the reach of infrastructure interventions.

We used charity account data to compare the organisational characteristics of a sample of third sector organisations that benefited from SYSIP interventions and a sample of third sector organisation based in South Yorkshire, drawn from the wider population of charities that did not receive support through SYSIP.

The analysis identified a number of statistically significant differences between SYSIP beneficiaries and the wider population of charities in South Yorkshire to provide an indication of the types of organisation, according to their charitable purpose, beneficiaries, method of operation, income size and financial health that were most likely to have benefited from a SYSIP infrastructure intervention:

- **Purpose** - organisations working in *economic/community development/employment* were most likely to have benefited, followed by those working to *relieve poverty* and those working in *education/training*.
- **Beneficiaries** - organisations working with *people with a disability/special needs* and *people of a particular ethnic group or racial origin* were most likely to have benefited from a SYSIP intervention.
- **Method of operation** - organisations that provided *advocacy/advice/information* were most likely to have benefited from a SYSIP intervention, followed by those providing *services (e.g. care/ counselling)* and those acting as an *umbrella or resource body*.
- **Income size** - SYSIP beneficiary organisations were most likely to have *medium incomes* i.e. between £100k and £1 million.

- **Financial performance** - SYSIP beneficiaries were most likely to have experienced a *small decrease* in income between 2003/04 and 2005/06 and have only a *small operating surplus*.

### *Impact tools/methods*

Most of what has been discussed so far has focused on the effectiveness of infrastructure for the third sector organisations in direct receipt of support interventions. This is of central importance but for a wider understanding of the impact of these interventions a broader approach is required. Impact tools and methods offer considerable potential in this regard but their use in third sector research and evaluation is in its infancy. Here we highlight two methods used by CRESR in recent studies and discuss their utility in improving the understanding of infrastructure impacts.

### Social Return on Investment (SROI)

There has been considerable debate around the potential for social return on investment in providing a consistent approach to impact measurement, which is of use to funders, commissioning bodies and organisations. As developed in the United Kingdom by the New Economics Foundation and then the SROI-Network for the Office of the Third Sector, its focus has been on providing a *monetarised* figure for the *value of benefits* received by each of the *substantive stakeholders* in an organisation. Stakeholders include amongst others funders, employees, trustees, service users and volunteers.

To date SROI has largely been applied to a limited number of case study front line service user organisations, that is, not to infrastructure. In common with the impact framework outlined below for measuring Gross Value Added, SROI works through a consistent series of stages:

- identifying and providing an output measure for each benefit
- making adjustments for deadweight, displacement and persistence, and
- making an adjustment for double counting

What it does in addition to impact measurement tools is to place a monetary value on the aggregate of the net benefits received by stakeholders. This is not a measure of actual financial worth of benefits; but typically what monetary value any stakeholder would place on a benefit. For example, what is the equivalent monetary *value* of receiving support from a team of volunteers working in a hospice to its patients? This may be in terms of improved quality of life or additional life expectancy. Of all the stages of SROI the methodology for valuing a benefit is the one which needs to be treated with most caution.

In terms of infrastructure organisations, applying SROI is far from straightforward:

- immediate benefits are largely experienced by other organisations (and not service users)
- it can be difficult (near impossible) to attribute benefits experienced by end users to the infrastructure body



- it is difficult for organisations to value social returns; but more straightforward to estimate economic and financial benefits.

There may however be some merit in applying SROI to the work infrastructure does in supporting volunteering: either direct support to volunteers or supporting the work of volunteer involving organisations. In this case there appear at least three substantive benefits: to the volunteers themselves, to communities, areas or individuals benefiting from the time of volunteers, and as appropriate to volunteer involving organisations.

### Impacts of Infrastructure on GVA and Jobs

The above mentioned SYSIP evaluation was required to evidence the economic contribution of infrastructure and to comply with the requirements of the Department for Business, Innovation and Skills - the lead government department for RDAs - and its Impact Evaluation Framework. This required working from a narrow series of output targets to derive measures of impact expressed in terms of Gross Value Added (a regional measure of Gross Domestic Product). The outputs included:

- numbers of jobs created and safeguarded
- numbers of people assisted to find employment
- number of organisations improving performance
- number of new organisations created
- number of people assisted in their skills development
- number of volunteers supported

For each of these it was possible to provide benchmark estimates of GVA. This included making assessments for deadweight (extend to which benefit would have occurred anyway), displacement (the extent to which the support leads to a lost benefit elsewhere), and the persistence of the benefit (for example, how long a long volunteer opportunity lasts). For improvements in organisational performance, an estimate was made of additional income to the organisations supported, but an adjustment made for the source of this income (local or non-local). It was assumed that local income would have been spent in the area regardless of the intervention. In terms of additional benefits from volunteers, a proxy measure was applied to value volunteer time (using the local median wage).

Overall the SYSIP evaluation could provide an order of magnitude of the additional Gross Value Added from the interventions, and that this ranged from £8.3 million to £13.4 million against Yorkshire Forward expenditure of £24 million.

However, the evaluation highlighted that whilst GVA provides a useful starting point for the valuation of economic benefits from infrastructure it is a partial assessment in at least three respects:

- i. even for business-benefit type evaluations (e.g. impact of support on SMEs), it fails to assess outcomes which might include skills uplifts or the movement of people close to work (i.e. it does not measure progress towards employment). This is of critical importance given the focus of voluntary and

community sector organisations which work with those furthest from the labour market.

- ii. the approach does not consider exchequer savings from interventions which support voluntary and community sector organisations. The focus on GVA again leads to a partial view
- iii. finally, the approach does not value the wider benefits of voluntary and community sector activities (for instance, improvements in quality in life, community cohesion or social capital), although it offers the potential to quantify these where they impact on the economy. However, it would largely be tenuous activity to attribute change quantitatively in any of these indicators to programmes such as SYSIP or other infrastructure funding.

## Conclusion

### *Further Challenges to Demonstrating and Measuring Impact*

Nationally the debate about demonstrating the impact of capacity building and infrastructure continues. Many infrastructure organisations face pressure, from funders, members and users, to identify and quantify the difference their support and services make in relation to the resources invested. Developing a consistent, convincing and useable methodology continues to be a ‘work in progress’<sup>5</sup>.

Many infrastructure organisations would not be able to support a full evaluation of their services. Even here a number of case study organisations were interviewed at length about the impact of the support services they had accessed, and yet finding convincing evidence of it was not always straightforward.

In the SYSIP evaluation, we have well-founded perceptions of the difference made by support interventions from those closest to it, but we have noted that a more rounded consideration requires a test of time. In addition, support interventions, the organisational settings in which they occur, and the changes that may result are hugely complex. A wide range of factors, decisions, behaviours and actions come together in the notion of ‘impact’. Isolating the contribution made by a specific intervention is unlikely to be easy.

But also within the interviews for the SYSIP evaluation study it is worth reflecting on three further ‘leakages’ from a rounded demonstration of impact, which put some limits around how knowledgeable interviewees were. We came across examples of all three in the interviews. These are:

1. *faltering memory* – because support interventions by infrastructure agencies may have been some time ago, it was not always clear to our interviewees what support had been accessed, how it was received and regarded at the time, and whether and what changes it led to.
2. *partial knowledge* – because support interventions typically occur at an organisational level, some people within supported organisations may only have partial knowledge of the context in which support needs were identified, support

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<sup>5</sup> See, for example, Cupitt with Mihailidou (2009) and the current work of NCVO’s Big Lottery Funded ‘Value of Infrastructure’ Programme <http://www.strategy-impact.org.uk/page.asp?id=1548>

sought and accessed, and the difference it made. This could be because people move on within voluntary and community organisations and new people will not know all of the background, or because people have only been partially involved in the support, particularly in respect of larger and more complex organisations.

3. *unclear contribution* – because the contribution of a particular support provider or person is unclear, unpublicised, or obscure<sup>6</sup>, a full attributable picture of the difference made is not always available to interviewees.

For infrastructure support organisations, funders of infrastructure and evaluators, these leakages beg a range of questions about when to ask about impact, who to ask, and what to ask them.

### *Targeting infrastructure investment*

Of course, not all support and capacity building interventions are the same. We have noted that SYSIP-funded support has been focused on different issues, organised and provided in different ways and involved different methods. Some are more intense and long term (e.g. support provided on a 'one-to-one' basis), whilst others might be more extensive and fleeting (e.g. support provided on a 'one to many' basis).

It is arguable that more intense forms of support are likely to yield transformational effects, compared to less intense support. However, the link may not be a conclusive one. But insofar as it is true, it suggests a familiar 'trade off' for infrastructure organisations, and opens a policy debate about whether investment in core infrastructure support should prioritise depth (increasing the prospects for transformation, but amongst fewer organisations) or breadth and reach (increasing access to support for a wider set of organisations, but limiting transformative potential). A debate about appropriate targeting of capacity building support is likely to intensify in the next few years given the prospect of public expenditure constraint.

### **Key Messages for the NCVO Funding Commission**

Funding of local infrastructure has come under considerable pressure with local funding partners (typically local authorities) seeking greater clarity in what infrastructure delivers. This has led to some high profile examples of merger, collaboration and 'takeover' (see for example cases from County Durham, Cumbria and Leicestershire). These pressures are only likely to continue and infrastructure organisations will need an evidence base from which to make decisions around targeting and rationalisation of services. This paper has argued that such an evidence base is largely lacking at present.

From this paper we can draw the following key messages for the NCVO Funding Commission:

1. **Building an Evidence Base of Local Effectiveness:** there appear considerable opportunities for national and local infrastructure bodies to make better use of existing datasets, notably the NSTSO and Charity Account data: together they could provide infrastructure bodies with a better understanding of reach, the perceptions

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<sup>6</sup> Support was suggested by one provider to be '*like wallpaper*' in the sense of being part of the background and therefore taken for granted.

of infrastructure and financial vulnerability. At a local level there have been some considerable advances over the last 10 years in the research undertaken into infrastructure. However, there is merit in standardising approaches to data collection to allow for comparability or even benchmarking, and in increasing the quality of methods used. An example here would be instead of undertaking annual cross-sectional surveys of local organisations (often with low response rates with poor sample frames), to focus resources on surveying a panel of third sector organisations each year. Additional work to complement this should be undertaken with non-users of infrastructure and 'below the radar' organisations.

- 2. Culture Change by Funders.** Funders persist in making funding 'output driven', and indeed sometimes under the auspices of being an 'outcomes funder'. This is for entirely understandable reasons: outputs are readily measured and can be tied to financial accountability. However, there appears some scope for these approaches to be reappraised for funders to be clearer around the outcomes they seek their funding to be used to achieve. We recognise that such an approach is contentious as it may be seen as a constraint on voluntary action. However, such a shift is more straightforward in an environment where there is a higher quality and transparent evidence base.
- 3. Culture Change by Infrastructure Organisations.** The sector is now awash with performance management tools, outcomes and impact measurement tools, and quality standards. These have been welcome developments and when used appropriately have aided the development of infrastructure organisations. The challenge is not so much with the choice of effectiveness measurement tool, but rather embedding their use in the everyday work of any organisation - and for the benefits of these approaches to be seen. For instance, effectiveness should be seen within a wider organisational context. An approach which has gained some credibility in the field is the "outcomes star", especially for front line organisations working with vulnerable groups.