New Philanthropy Capital

December 2005

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Funding success

NPC's approach to analysing charities

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Ultimately, we analyse charities because we make the assumption that some are better than others at delivering results.

Why we analyse

New Philanthropy Capital (NPC) is a charity that advises donors and funders on how to give more effectively. Our aim is to increase the quantity and quality of resources available to the charitable sector.

In order to achieve this aim, we research and analyse charities within specific fields, to identify those achieving excellent results. We then highlight these effective charities to donors. Through research reports, research summaries and charity recommendation reports, we bring impressive results to the attention of potential donors.

Our focus on effective giving means that we need a method for assessing the effectiveness of charities. This is far from straightforward – there are both theoretical and practical barriers to measuring the results of charitable work. We therefore take a flexible approach to analysis, gathering and incorporating as much data on results as is available. We also ensure that our analysis takes place within the context of in-depth research into the relevant social issues.

Good charities achieving (or with the potential to achieve) impressive results deserve funding. Such funding can help to deliver further results in the future. This is a premise of NPC's research. It is not the reality at present for too many charities – funding is not generally connected to results. This paper explores the lack of connection between funding and results, and suggests ways in which donors can move towards a market for charitable funding based on results.

Our approach to philanthropy is analytical. We do not suggest, however, that this tells the whole story of charitable giving. Donors give because of their passion and commitment to make a difference. Our research and analysis are provided to complement, not replace, donors' existing motivations for giving.

Ultimately, we analyse charities because we make the assumption that some are better than others at delivering results. With more than 180,000 charities in the UK, there is huge variation in the social returns available. NPC helps donors to select effective charities to support, maximising the effect of their giving.

What we analyse

NPC analyses charities to identify those producing excellent results for the people they help. It is easy to see the value of these results – a child who makes a phone call to a helpline and is better able to cope with bullying; a cancer sufferer able to spend their last days at home thanks to nursing care from a charity; a prisoner able to maintain links with his children through a charity's visitors' centre.

While we intuitively see the value of these results, measuring them is more difficult. We might accept that they all represent an improvement in well-being, but we face challenges in measuring that improvement. Because it is hard to measure well-being, other measures are often used. Our analytical framework is flexible enough to incorporate whichever measures of results are most appropriate – from improvements in well-being to cost savings to the public sector. Our approach also challenges popular myths about measuring charities, the most prevalent of which is that administrative cost is a useful measure of a charity's efficiency.

This paper lays out exactly what we consider when analysing a charity's results. These results do not just occur at the level of the individual helped by a charity. Our framework also takes into account an individual's environment (their family, the community they live in, the services available to them, and broader society) within which results occur. It provides a context for thinking about long-term systemic change, which generally only occurs by achieving results at all these levels.

How we analyse

As well as analysing results, we also explore a charity's risks and organisational capacity. We need to explore these two dimensions to give us confidence that results are not threatened by unknown risks, and that the organisation has the capacity to deliver results in future.

This paper describes NPC's research and analysis processes in some detail, in the interests of transparency both to donors and charities. It also introduces the concept of a balanced portfolio – a group of charity recommendations that together address the needs identified by an NPC research report – both short- and long-term, tackling symptoms and causes, meeting individual needs and lobbying for change.

NPC's analytical framework is far from complete. Over time it will be refined and improved. But it is now comprehensive enough to underpin our approach to researching and analysing charities. As a foundation of NPC's work, we hope that it will help charitable donors to ensure that they are funding success.

Introduction

The purpose of this report

New Philanthropy Capital (NPC) is a charity that promotes effective giving by carrying out research and advising donors. This includes recommending effective charities. This report describes NPC's methodology for analysing charities. It serves several purposes, both within NPC, and for donors and charities:

To provide a manual and toolkit for NPC analysts, including:

- frameworks for analysis (results, risks and capacity frameworks)
- guidelines for analysis within research reports and charity recommendations
- frameworks for data capture and ongoing analysis within/across sectors.

To communicate to donors the basis of NPC's analysis:

- articulating the value of measurement and analysis
- providing guidelines to help think about selecting charities to support.

To communicate to charities the basis of NPC's analysis:

- informing charities about NPC's approach in preparation for a meeting with NPC
- providing guidelines to help think about articulating and measuring results, risks and capacities.

While this report is intended to serve several purposes, it is important to outline some of the things it is *not* intended to be.

This report is not:

- a tool for comparative ranking of charities
- a tool for performance management or outcome measurement by charities
- a global reporting standard for charities
- a guide to analysing charity financials
- a tool for making completely objective measurements of a charity – rather it brings consistency and logic to NPC's subjective judgements.

Structure

This report begins by considering why we need to analyse charities. It lays out the funding and measurement issues inherent in the charitable sector today as well as a vision for the future of the sector.

The second section discusses what to measure in order to focus analysis on results. It also lays out one of the core elements of NPC's philosophy of charitable funding – a balanced portfolio of charities.

The final section describes NPC's processes of research and analysis. It briefly sets out the high-level research process and then focuses on the framework we use to analyse charities.

The appendices to this report contain further detail on NPC's methodology, and useful resources related to charity analysis and measurement. These include:

- NPC's Charity Analysis Tool (ChAT)
- a glossary of terms
- a summary table of existing outcomes measurement and performance management tools and approaches
- NPC's charity charter
- NPC's donor charter
- NPC's expert charter.

Section 1: Why we analyse

'An investment in knowledge always pays the best interest.'

Benjamin Franklin

Funding a charity without an understanding of the results of its work is like a parent choosing a school for their child without finding out its academic results. It is still possible to make the choice that will best achieve your goals, but it leaves the result to chance rather than evidence-based judgement. There are more than 180,000 registered charities in the UK, generating a total annual income of over £37 billion.[1] The charitable sector is complex and fragmented, and it is difficult to reach useful insights about the results of charitable work without detailed analysis. It is notoriously difficult to measure and articulate results, because very few charities do so in a meaningful way, and because funders have historically not focused on understanding the results of charitable work.

NPC believes that the aim of charitable giving is to benefit society, meaning individuals, families and communities. Given this aim, we work hard to identify charities that produce excellent results, and to encourage donors to fund them effectively. While our research and analysis both focus on charities, they are always underpinned by the principle of maximising benefits for the people they serve. In the language of the charitable sector, this means that NPC focuses on outcomes. We analyse so that we can identify and recommend effective charities, on the assumption that some charities are more effective than others.

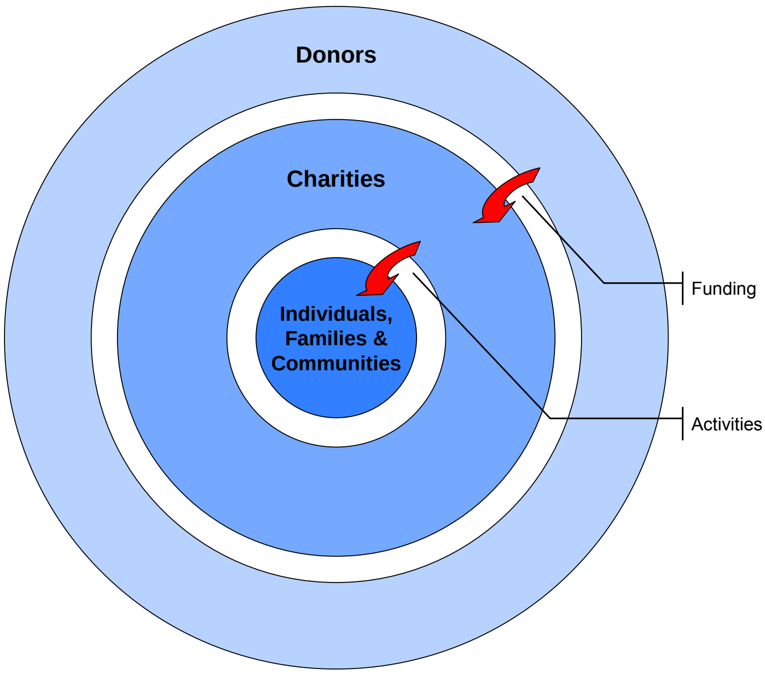
Outcomes can be equated with results – changes brought about by a charity's work that lead to:

- the successful resolution of a problem (ie, long-term change); or
- the treatment or amelioration of its symptoms (ie, short-term change).

We use the term results throughout this report, to minimise the confusion that can arise around the charitable sector's language of outputs, outcomes and impacts. While these terms are useful for precise differentiations between types of results (and are therefore defined in Appendix 2), they tend to obscure rather than illuminate our discussion here.

Although we try to avoid jargon by sticking to the term results, it is worthwhile briefly clearing up one potential source of confusion – between outcomes and outputs. Outcomes are results; outputs are the products of a charity's work. To illustrate this distinction, consider the work of a charity that helps people in long-term unemployment back to work through training courses. The charity's outputs are the training courses themselves, while its outcomes are the increased skills and confidence of the people it trains, and ultimately the decrease in unemployment as it helps these people into new jobs.

Figure 1: The people affected by charities are the focus of NPC's work



Current situation

Funding issues

We believe that for the motivated, passionate donor, information can help to ensure that the effect of their giving is maximised.

Resource allocation in the charitable sector is rarely connected to results. Although there are differences between approaches to giving by the public sector, individuals and grant-making trusts, resources are typically not linked to results in any of these cases.

The public sector is the largest funder of the charitable sector (37% of total charitable income), in the form of both grants (19%) and contracts for the delivery of public services (18%).[2] Grant-based public funding is based on complex and diverse guidelines and application forms.[3] Contract-based public funding continues to grow as a portion of the charitable sector's income. While contracts are often linked to performance measures, these tend to focus on outputs rather than outcomes. Even when contract funding refers to outcomes, it often fails to define measures, and so is reduced to outputs, which are easily measurable but much less informative.

For example, councils often award contracts for 'meals on wheels' to the provider offering the lowest-cost tender. This approach results in services designed to minimise cost, not to maximise results. Today, many meals on wheels services are based on the weekly delivery of frozen meals (the most efficient option – high outputs). Weekly deliveries replace the daily visits by volunteers, personal contact and the opportunity to build up trust offered by charities like WRVS (formerly the Women's Royal Voluntary Service) (the most effective option – good outcomes).[4] The latter represents the most effective outcome because personal contact combats isolation and builds a platform from which to understand and help tackle other problems that housebound people may face.

Public funding is also often associated with burdensome reporting requirements. One survey found that charities spend up to 40% of their time reporting to their public funders.[5] A single charity may deal with multiple public funders whose application and reporting requirements create a considerable drain on resources. This burden is explored in NPC's forthcoming report, *Depending on charity*.

A further problem associated with public sector funding is the target culture that has arisen from an increasing focus on measuring outputs. This culture has several negative effects that need to be addressed. People may be afraid of measurement in general, and of measuring the wrong things in particular. They may also be resistant to reductive attempts to put a financial value on elements of emotional well-being.

Giving by individuals accounts for the second largest portion of charitable income (36%).[2] It is often driven by a personal connection with a cause, geography or individual charity, or by the identification of a strong brand within a particular area of work. A recent survey showed that 84% of people are more likely to trust a charity if they have heard of it.[6]

The general lack of information available to the individual donor on the results of a charity's work leads to giving on the basis either of personal preference, or of personally conducted research. Where information is sought, the individual is far more likely to settle on a household brand than on a smaller, lesser-known charity, as the former can produce and market information where the latter cannot.[2] Table 1 illustrates that only five of the top ten fundraising charities have changed over the last twenty years, despite a great increase in the sector's scale.

By way of example, an individual interested in funding older people's charities is likely to identify the well-known brand names. They might then conduct some research via the charities' websites and annual reports, which would give a flavour of the organisations' different priorities, their services, and their financial health. This research would be less likely to tell the individual at a meaningful level the results that these charities achieve. It would be more likely to give the individual an understanding of the scale of the 'need', or social problem, in question. Large charities tend to focus their marketing and fundraising efforts on the need, rather than how they address it.

There is a growing movement towards measuring and reporting the results of charities' work, but this has yet to become commonplace. Some larger charities now produce 'impact reports' or similar documents that convey some of the results of their work. For smaller charities, this is often not feasible. Charities such as Action on Elder Abuse, the Retired and Senior Volunteer Programme, and the Older People's Advocacy Alliance (all NPC recommendations in our report *Grey matters*) would be unlikely to surface in the donor's research. This is not to suggest that large charities are less effective than small ones; just that they are able to attract individual funding more readily.

NPC's focus on identifying effective charities by gathering information on their results is not intended to replace existing donors' numerous and diverse motivations for giving. However, we believe that for the motivated, passionate donor, information can help to ensure that the effect of their giving is maximised. For the pragmatic philanthropist, knowing the results of a charity's work may be critical in motivating them to give, as well as defining the scale of their giving.

Table 1: The top 10 fundraising charities by voluntary income

Rank	Organisation	1977/8 Voluntary Income £m	Organisation	2002/3 Voluntary Income £m
1	Imperial Cancer Research*	6.6	Cancer Research UK	184.4
2	Oxfam	6.0	National Trust	160.6
3	RNLI	6.0	Oxfam	131.1
4	Dr. Barnardo's**	6.0	British Heart Foundation	112.0
5	Cancer Research Campaign*	5.4	RNLI	95.6
6	Save the Children Fund	5.2	Salvation Army	91.5
7	Help the Aged	5.2	NSPCC	79.5
8	National Trust	5.1	Comic Relief	73.7
9	Spastics Society***	5.0	Macmillan Cancer Relief	71.1
10	RNIB	4.7	RSPCA	68.2

Source: Charities Aid Foundation (2004) *Charity Trends*[7]
* Merged as Cancer Research UK 2001/02. ** Now known as Barnardo's. *** Now known as Scope.

The charitable sector is characterised by donors holding much of the power over resources in their relationships with charities. This is despite the fact that donors rely on charities to achieve their charitable goals.

Giving by grant-making trusts and foundations accounts for approximately 7% of charitable income. It is typically based on satisfying the requirements of an application process. This process is usually driven by a set of guidelines or preferences laid out by the founder(s) of the trust or foundation.[8] As these processes are unique to each grant-maker, it is the norm for a charity to spend a significant amount of time (and money) complying with the multiple requirements of all these funders.[9] Not only do charities have to deal with multiple application processes, they must also satisfy multiple requirements for reporting and evaluation.[10] Sometimes, reporting frameworks do not fit the information needs of the charity itself, so they become a burden rather than a learning tool.[11]

For example, Friends United Network and Epic Arts are two charities that have a large number of grant funders and high associated application and reporting costs. The former has 23 funders providing its £215,000 income; the latter has eight funders providing £35,000 of its £94,000 income.

While there have been attempts in the past among grant-makers to work towards the standardisation of application forms, they have been derailed by the wide variations in focus and criteria between different grant-makers. Attempts at standardising evaluation and reporting formats have similarly not moved beyond a handful of foundations.

The grant application process is further complicated by the fact that most grant-makers do not fund charities for more than three years.[9] A charity that has satisfied the application requirements and been funded in 2002-2005 has no guarantee that it will continue to be funded in 2006. This threatens sustainability, organisational development and staff retention, as it becomes impossible to plan for the longer-term in these conditions.

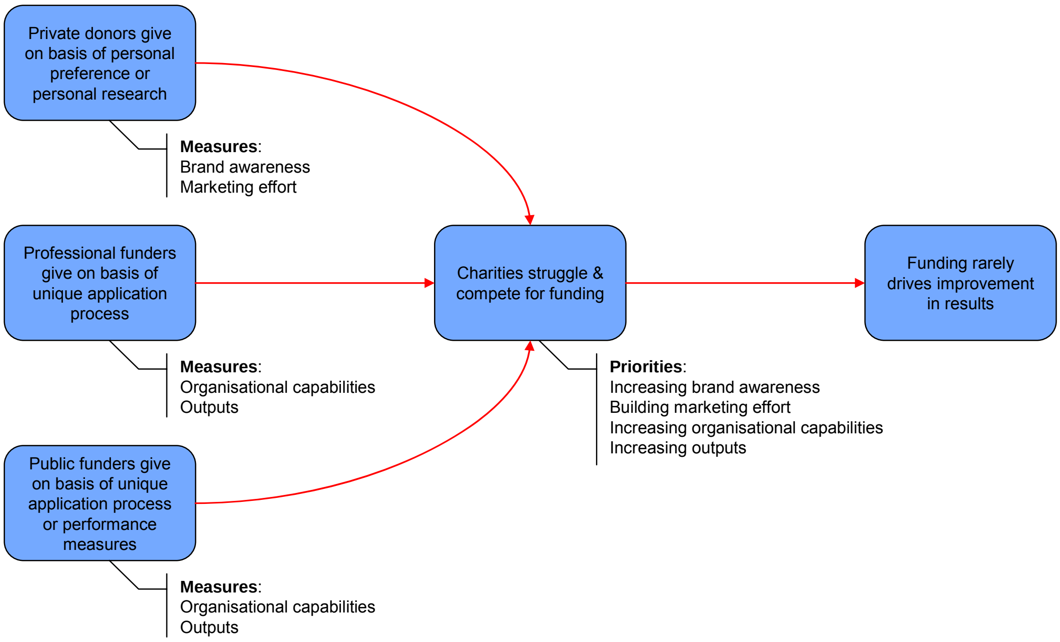
Although a grant application process or evaluation may make reference to outcomes, it is more likely to be built around organisational capabilities and outputs. These are important factors in the delivery of good results, but are not sufficient to guarantee them.

The charitable sector, therefore, is characterised by donors holding much of the power over resources in their relationships with charities. This is despite the fact that donors rely on charities to achieve their charitable goals. Public funders hold power in their application processes and performance frameworks – systems that charities cannot influence to reflect or reward the success they actually achieve. Individuals hold power in the choice of which charities they fund – a choice that charities currently cannot influence unless they have significant marketing power. Grant-makers hold power in their unique application processes and evaluation frameworks – together creating a fragmented system that charities cannot influence or force towards standardisation.

The charitable sector's situation stands in stark contrast with that of the commercial sector. There, information on companies' results is prepared in a standardised form for all investors. This results in a greater degree of transparency and a much more even balance of power. Furthermore, commercial investors are held responsible for the returns they achieve, whereas charitable donors generally are not.

Interestingly, the lack of connection between funding and results is not the first problem that most directors and trustees of charities would cite in relation to funding. The greatest issue

Figure 2: Funders often dictate the terms of relationships with charities



As charities struggle to secure funding through processes which give little recognition to the results they produce, they run the risk of focusing on the needs of their funders rather than the needs of the people they serve.

facing them is the level of under-funding of the sector, and the constant struggle they face to secure sufficient funding from year to year. Levels of reserves have been falling across the sector, with smaller charities in particular spending more than their total income.[2] NPC's experience of interviewing charities provides us with strong evidence that funding insecurity and grant applications are at the forefront of almost every charity manager's mind.

The power of donors and funders, the level of under-funding and the lack of connection between funding and results combine to threaten the charitable sector's ability to deliver benefits to the people it serves. As charities struggle to secure funding through processes that give little recognition to the results they produce, they run the risk of focusing on the needs of their funders rather than the needs of the people they serve. In reality, charities should satisfy both the needs of the people they serve and of their funders. These goals can be combined if there is a focus on delivering results – results that are transparent to both groups of stakeholders.

Because funding is not generally allocated on the basis of successful results, the ongoing effort to attract funding does not generally drive a charity to improve its results (see Figure 2). If funding were linked to results, funders could justifiably claim a major role in motivating charities to focus on delivering greater benefits to the people they serve.

Measurement issues

There are various problems inhibiting efforts to focus charitable giving on results. The first of these is simply the lack of incentive for charities to measure and report on their results. We have explored this in the context of funders, but regulatory requirements also neglect results. Reporting standards (such as the Statement of Recommended Practice (SORP) that governs annual reporting) have not historically required charities to record their results or outcomes.*

For those charities that do want to measure and report on their results, there are a number of more practical barriers:

Perceived cost and effort – this can be prohibitive if a full performance measurement framework is to be developed and incorporated into a charity's work. For example, the charity Relate recently spent two years and more than £100,000 developing its own approach to measuring results. Even with this amount of time and money, the project has yet to be fully completed, with only a pilot carried out to date.

Lack of knowledge – outcome measurement is still a relatively young field in the UK charitable sector, and knowledge is scarce. Smaller charities are unlikely to have significant knowledge or experience of the area internally, and can face costly fees to bring in external expertise.

* The new SORP does require this for charities with an income of more than £100,000.

> 'I know that we ought to be thinking of new solutions, and trying to understand our service better. I simply don't have the time to do that properly.'
>
> Charity manager, in The Grantmaking Tango[9]

Lack of standardised tools and techniques – although several frameworks have been developed for measuring and reporting outcomes and results, there is no broad consensus on which tools to use, and no global standards have yet been reached. This leads to confusion when considering which tools might be most relevant.

Staff reluctance – while measuring results may seem to be a sensible and productive undertaking, staff may perceive it as a threat. This may be due to a system being imposed without staff or user involvement, the perception that the aim is to stamp out poor performing projects or staff, or simply the reality of already over-stretched staff who do not have the capacity to take on the additional work of measurement.

Complexity of attribution – many attempts to understand the results of charitable work fail because of the problem of attribution of results. There are often many organisations and individuals involved in creating a single result, and it can appear impossible to determine how to attribute results to those different agents. This complexity can deter charities from setting out to measure results at all.

Organisational complexity – large charities generally manage large numbers of projects, as well as often making large numbers of grants themselves to smaller organisations. It can be difficult for a large charity to construct a framework that will adequately capture the results of all its projects, and even harder to include the results of its grant-making.

Smaller charities are much less likely than their larger counterparts to have the resources to overcome these barriers. This creates a gap in resources, sometimes referred to as a 'sustainability chasm'.[12] Smaller charities face the greatest challenges in demonstrating their value to funders, despite having the greatest need to do so. As large charities continue to grow in size relative to smaller charities,[1] there is a danger that this resource gap will become impossible to span, and that the future of smaller charities will be threatened.

One of the reasons cited by donors for declining to seek information about a charity's results is that they do not want resources directed away from charitable activities.[13] Funders should recognise that measurement brings with it costs, in terms of both money and time. If they are interested in directing their funding towards excellent results, funders should also accept that resources have to be dedicated to measurement. The additional benefits through learning and improvement of results justify the additional costs incurred.

Donors and funders can play an important steering role here. Indeed, much of the progress towards measurement in the charitable sector has been, and continues to be, led by donors. Donors can both accept requests for results measurement or performance management to be included in funding applications, and they can also suggest to charities that it is worth incorporating into their plans.

Overcoming barriers

As noted earlier, there is a growing movement towards measuring the results of charities' work. While there is still a long way to go before this becomes the norm for all charities, there are important points to draw from the progress to date, which can help to overcome some of the barriers to measurement.

Cost and time need not be prohibitive. It is possible for charities to develop a simple performance measurement approach that does not require lengthy and costly design and implementation. This might start with identifying what represents success for the charity, and thinking of a few simple ways to record success. For example, a charity may call each service user six months after initial contact to track their employment status, or introduce a simple form for users to complete. It is also important to recognise that a small charity may not require a comprehensive framework for performance measurement – the simple approach may well be sufficient.

Lack of knowledge and standardised tools is the focus of several initiatives within the charitable sector. The Quality Standards Task Group[14] (1997-2004) and the Performance Improvement (PI) Hub[15] (established 2005) are partnerships aiming to provide education, training and tools in this area. Charities Evaluation Services and the New Economics Foundation are particularly active within this area, and joint lead partners in the PI Hub.

An overview of some of the major outcome measurement and performance management initiatives and tools is provided in Appendix 3. This may be a useful resource for charities thinking about this area.

Staff reluctance may be tackled by demonstrating the value of performance measurement to everyday work, and by providing additional resources for this endeavour. The Big Lottery Fund is an example of a funder that is increasingly committed to measuring results, and to funding on the basis of results.

Attribution is a difficult issue to tackle. The issue can only be fully addressed by developing a picture of the roles that each organisation plays in generating a result. However, this picture does not have to be fully developed for measurement to be useful. It is enough to know *that* other entities are involved, rather than exactly *how much* they contribute to the results.

Organisational complexity can be dealt with by approaching measurement incrementally. Measuring a few projects' results can tell us enough to provide an insight into the whole charity, even though we will only create a complete picture by measuring all its projects.

As a final note, it is worth mentioning that charities generally do measure performance, albeit implicitly, through communication with the people they work with and observation of changes in their circumstances. They may not systematically track and document their findings, but this data often exists in some form, locked within the staff's own knowledge. It is therefore important to draw out this knowledge. This is central to NPC's approach to understanding a charity's results.

Summary

The UK's charitable sector is large, growing and, in many cases, producing excellent results. The financial support of the public sector, individuals and grant-makers is invaluable. However, today's funding environment has negative impacts on charities, and by implication, for the people they serve. Resources are not necessarily directed towards the charities that can achieve the best results for their beneficiaries. Strong brands dominate individual giving; the largest and best publicised charities tend to remain dominant. While it is possible that the biggest and best-known charities are also best at delivering results, this is not necessarily the case, and there is certainly not enough visibility of results to allow this to be tested.

The short-term nature of grant funding, combined with lengthy, complex and unique application processes, leads to the majority of small and medium-sized charities existing in a merry-go-round of grant applications. Where funding is linked to performance measures, these are generally based on the funder's requirements, and result in the charity being burdened by measurement exercises that often are not useful to the charity itself.

There have been encouraging developments in measuring and articulating charities' results, but the perceived barriers still prohibit many charities from doing these things. The lack of a standard technique or reporting framework also hinders a more widespread focus on results. Small charities in particular face significant barriers to development as they compete for funding on the basis of resources and outputs, rather than on their results.

Funders have an important role to play in leading the ongoing education and awareness-raising of charities on measurement. They have a significant opportunity to change the direction of the charitable sector by devolving power (in terms of reporting requirements) to the charities they fund. They can also focus on beneficiaries by predicating their giving on results – outcomes rather than outputs.

A charity articulating and demonstrating its results through its own outcome measurement process...would not only communicate its effectiveness to funders, but would also lead to internal development and learning.

Future vision

NPC's mission is to increase the quantity and quality of resources available to the charitable sector. This has three strands. First, we aim to improve the allocation of resources in the sector by helping to direct funding towards charities producing excellent results. Second, we aim to increase the quantity of funding available to the charitable sector by demonstrating and articulating the results of its work, driving increased support by donors and funders. Third, we aim to increase the quality of funding by encouraging effective relationships between funders and charities, maximising the capacity of charities to deliver great results by improving the terms of funding.

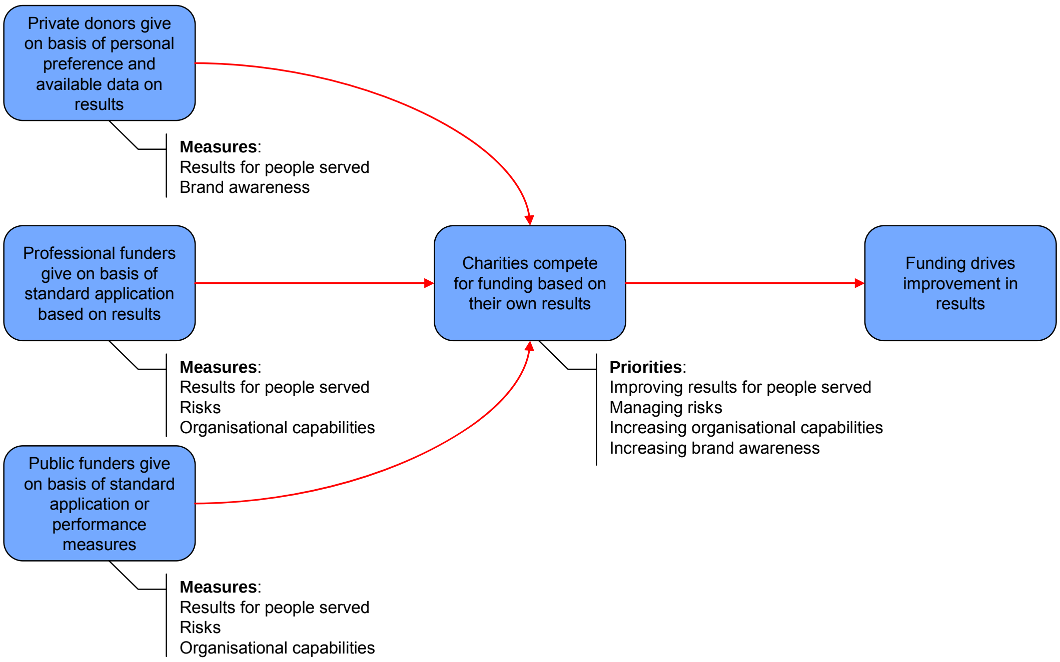
The measurement of results is important in all three areas. In the first and second, it is necessary to identify and articulate a charity's results in order to choose whether to fund it on the basis of its effectiveness. This is the primary purpose of NPC's charity analysis. In the third, it is important to measure results in order for funders to ensure that their grants and donations achieve their intended goals.

In an ideal world, both ends would be served by the same means – a charity articulating and demonstrating its results through its own explicit outcome measurement process. This would not only communicate its effectiveness to funders (and to NPC), but would also lead to internal development and learning as charities came to understand the specific results of their different activities.

As well as communicating results to funders, outcome measurement can be an important element of efforts to increase transparency to, and involvement of, stakeholders. Results can be measured with, and communicated to, the people served by a charity, and to the local community. These can become an integral element of a charity's interaction with its stakeholders and the wider world. In addition, if charities were to compete for funding on the basis of their own articulated results, the consequences could be significant. This would encourage improvements in results to the mutual gain of both funders and beneficiaries. NPC's vision for the future of funding in the charitable sector is illustrated in Figure 3.

The charitable sector today is much closer to the picture sketched in Figure 2 than that depicted in Figure 3. The charities that NPC encounters typically do not have their own outcome measurement processes, and if they do, it is usually because their funders have required it, not because they use it to learn and improve their own activities.[16] They are often unable to articulate clearly the results (as opposed to the products) of their work, and generally do not seek funding on the basis of these results.

Figure 3: Charities should have more control over the terms of funding relationships



Good charities achieving (or with the potential to achieve) impressive results deserve funding. … This is a premise of NPC's research. It is not the reality at present for too many charities.

Outcome measurement is increasingly becoming important for funders. There is some way to go, however, before charities accept it as a useful foundation for improving organisational effectiveness, rather than as an unwelcome diversion from their charitable activities. In the words of a member of Grantmakers for Effective Organizations:

'I've certainly seen outcomes measurement as a distraction. Folks panic instead of viewing it as a management tool.' [17]

Good charities achieving (or with the potential to achieve) impressive results deserve funding. Such funding can help to deliver further results in the future. This is a premise of NPC's research. It is not the reality at present for too many charities.

Our vision is a world in which charities can document their work, articulate their successes and improve their access to funding on this basis. This applies to both private and public funding. Our analytical framework is designed to gain an understanding of what charities achieve so that we can recommend them to funders. In each of our research projects, these recommendations form part of a balanced portfolio* of charities tackling various aspects of a social problem.

A world in which charities producing good results get better access to funding is a step forward. It is a move towards a charitable funding market, akin to commercial capital markets, where companies producing high returns find it easier to raise finance. NPC would welcome the development of such a market. This does not reflect an ideological adherence to markets; markets are imperfect at the best of times. However, it does reflect a desire that charities receive the support they need to continue and extend the work they do to help people. This is the essence of a market mechanism – money flows to where 'returns' are highest. Social returns from charities should be no different. This enticing goal requires information and transparency. NPC's charity analysis framework is a contribution to this end. It can help funders of all types and charities as well.

One need not subscribe to the idea of a market to believe that information and analysis are both crucial to inform decisions on allocating funding. As Beatrice Webb, the famed socialist and founder of the Fabian Society, wrote:

'In the rough and tumble of day-to-day public administration and private enterprise we cannot stand and wait for an authoritative social science: politicians, philanthropists and the plain citizen alike have, here and now, to act or refrain from acting according to any clues that may be available.' [18]

Beatrice Webb was no fan of the market, but she recognised the importance of analysis in informing the allocation of funding and effort. It is in this spirit that NPC carries out analysis using the framework outlined in this report.

We hope our framework helps charities by encouraging funding on the basis of performance, as well as suggesting some first steps with which to approach the measurement of performance. In so doing, the tool should contribute towards higher social returns across the charitable sector.

* The next section explores this concept in detail.

Section 2: What we analyse

NPC's ultimate interest is in a measure of well-being or 'happiness'. Charities exist to improve well-being.

What to measure

One of the reasons for charities' inability to clearly articulate their results is the difficulty of determining what to measure. NPC's ultimate interest is in a measure of well-being or happiness.* Charities exist to improve well-being and this is the legitimate focus of attention when considering their work. In the words of the author Nick Hornby, speaking at an NPC event:

'It's not true that money can't buy happiness. It can, that's the good news; the bad news is, it's someone else's happiness – the happiness of everyone involved in these incredible charities – parents, children, carers, everybody. But that happiness is contagious.'

Recent progress in neuroscience is providing fascinating insights into the basis for happiness in the human brain. Some people believe this provides a platform for a more determined focus on happiness when designing public policy.[19]

Measuring happiness is a very remote prospect for charities. Instead, the realistic option is to measure proxies for happiness. It will always be tempting to use outputs instead of such proxies. For example, if a charity provides training courses about healthy living for older people, it is easier to measure the number of people who receive courses (an output) than the number whose health improves because of the training (a result). This would be a mistake. If we are to move to a world in which charities are rewarded for their successes (both existing and anticipated) and more money flows as a result, an emphasis on results is necessary.

Proxies for the impact of charities on happiness can sometimes be straightforward to devise. However, they are frequently binary in nature – has happiness increased or not – and provide little information about the quality of the experience. A child who makes a phone call to a helpline and is better able to cope with bullying; a pensioner helped out of poverty by benefits advice; a cancer sufferer able to spend their last days at home thanks to nursing care from a charity; a prisoner able to maintain links with his children through a visitors' centre run by a charity. Each of these cases represents an improvement in happiness or well-being. Each can be measured. However, none of these can easily be turned into a measure of the scale of impact – 'depth' in the language of NPC's analytical framework.

Articulating and recording these results can provide a richer understanding of the achievements of charities. The shortcomings in terms of assessing the scale of impact are real, however, and make comparisons between charities difficult.

The commercial world does not have these problems. It has a clear basis for comparisons across extremely diverse products. Every good or service provided by a company has a price and every company has profits (or losses) that can be compared. This allows analysts to compare on a single scale, the 'value' of an iPod, say, with an anti-retroviral drug provided to someone with AIDS. Such a comparison is morally repugnant to some, but the market and price system is amoral.

Prices do not equate with real value, though. The true worth of the iPod and the anti-retroviral drug are very different from the price or contribution to profits of each. Economists increasingly use measures of 'willingness to pay' to establish the true value of products to consumers. Some charitable or public services are also going down this path. In the UK, both the British Library[20] and the BBC[21] recently commissioned research to measure their value to their users and to society as a whole. But this requires resources that are rarely available to charities.

A growing number of charities are looking to financial measures of their results – specifically the link between their results and savings for the taxpayer. For example, Relate's work on outcomes aimed to demonstrate to their public funders the savings their relationship support could deliver. Together with the University of Bath, Relate developed a 'savings to the nation' index and calculated that government spend of £2m on Relate's services resulted in savings of £2bn in the first year.† This approach has its attractions and is a tempting path to go down. As government funding of charities increases, it makes sense for charities to package their work in a way that is understood and appreciated by the public sector. Many charities are engaged in activities that produce cost savings for the taxpayer.

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* We use the term happiness here in its broadest possible sense, to reflect the well-being resulting from a range of factors. These include physical, financial, social and emotional dimensions.

† This was based on an average saving of £16,800 per person who received relationship support. Costs such as housing and health were included in the calculation.

Donors often consider measures of administrative or fundraising spend when selecting charities to fund. These measures tell us nothing about results.

All the examples given in this section can result in less pressure on the public purse. All except one, that is. The pensioner who receives benefits advice and is lifted out of poverty as a result costs more public funds. It is possible that the alleviation of poverty will result in savings elsewhere, but there is no guaranteed link in this case. In the other cases, there is no guarantee, but there is a clear and direct link. Yet, the work of the charity helping the pensioner is, in qualitative terms, as important as that of other charities that do produce cost savings. This is also true of charitable work that assists people in securing non-financial (but costly) government support such as extra educational provision through statements of special educational needs, or social service support for families with disabled children. The lesson here is that money saved is a poor summary of charitable value. That is not to say it cannot be powerful in many circumstances, just that it has limitations.

Currently, too many charities, donors and funders use inadequate proxies for happiness. It is common practice for charities to cite customer satisfaction measures when asked about their results. While customer satisfaction measures provide helpful information on how charities deliver their services, it tells us little about the changes achieved by the service, or the lasting impact the service has on happiness.

Donors, on the other hand, often consider measures of administrative or fundraising spend when selecting which charities to fund. These measures tell us nothing about results. While they may demonstrate an organisation's relative operational efficiency at certain levels, extremely low levels of administrative and fundraising spend can be detrimental to the organisation (see box below). Another consideration for some funders is the proportion of funding a charity receives from public sources. Again, while this may provide an indication of whether private funding is appropriate given government responsibilities in a certain area, it neglects a consideration of results for the user. It also ignores the very real uncertainty and confusion around the dividing line between public and private roles in many areas.

In summary, there is no universal standard of well-being that can be used to assess the results of charities' work. Proxies will always be necessary. This increases the importance of the process of analysing charities to assess their achievements. NPC uses a structured process of research and analysis to encourage donors to fund those charities that it identifies as producing particularly positive results. As part of this process, we aim to help charities to articulate the results of their work. This is not an attempt to impose NPC's perspective or framework onto charities, but simply to help clearly articulate what might only be implicitly or informally captured.

A note on administrative and fundraising costs

Many donors and funders look to measures of administrative efficiency (such as administrative cost) when deciding which charities to fund. NPC does not do this for two reasons:

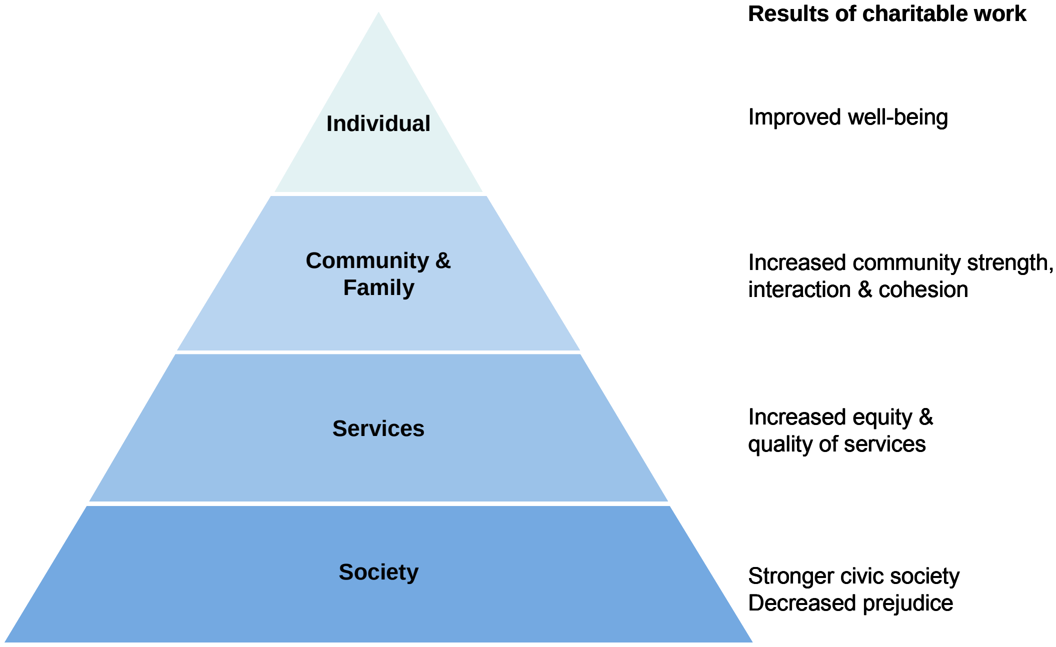
Firstly, **administrative cost is not a predictor of results**. In fact, higher levels of administrative spend may lead to improved results. For example, a charity offering legal advice to disabled people and their families currently employs solicitors who each serve approximately 400 clients per annum (by phone, email or in person). In order to grow, this charity could either raise funds to employ another solicitor (at £50,000 per annum) or an administrative assistant (at £30,000 per annum). The administrative assistance would increase administrative cost, but by booking appointments, following up and filing notes, it would also free up the time of the existing solicitors to serve more clients and deliver more results.

Secondly, **comparisons on the basis of administrative costs are flawed**. Despite guidelines regulating the reporting of administrative costs, there is wide variation between the methods used, and therefore between the costs reported. For example, one charity might report the salary of an administrative assistant as an administrative cost, while another might report it as a cost within the delivery of its charitable activities. In effect, reported ratios of administrative spend are so arbitrary as to be misleading without a detailed investigation of the underlying cost elements.

Fundraising costs raise similar issues. These costs tell us nothing about results, and comparisons between them can be misleading. Fundraising costs vary widely between charities of different sizes, between those working in different areas of social welfare and between those using different fundraising mechanisms.

These problems mean that it is dangerous to use reported administrative or fundraising costs as the basis of any judgement of effectiveness. While NPC considers financial indicators during the analysis of a charity's operational efficiency, this is always within the broader context of the charity's results.

Figure 4: Results occur at different levels in society



A balanced portfolio

NPC's vision of the charitable sector is one that puts the people helped by charities at the centre of the picture. In order to move towards this vision, we prioritise the achievement of positive results for these people in every aspect of the charitable sector, including approaches to funding. Our analytical framework gives results a primacy above all other factors.

While individuals are at the centre of the vision, they are affected by the environment in which they live – an environment which must also be considered in our vision. This can be broken down into three levels – the local community (including the individual's family), the services available to them, and society in the UK itself. NPC's approach is, therefore, based on a framework of results at four levels, as outlined in Figure 4.

Far-reaching change for a whole section of the population is only likely to be brought about by the achievement of results at all levels, from the individual to the societal.

A charity may focus on achieving results at one particular level in this triangle, but far-reaching and lasting change for a whole section of the population (such as older people or disabled children) is only likely to be brought about by the achievement of results at all levels, from the individual to the societal level.

For example, a piece of communication equipment for a disabled child will increase their quality of life. However, even if one is concerned only with children themselves, support for families also has a direct and positive impact on children. Similarly, the lives of disabled children and their families are impacted by the various policies governing the services available to them as well as by the professionals they interact with. Ultimately, the lives of disabled children and their families are affected daily by how they are perceived by and interact with society.

In order to encourage progress towards lasting change, it is vital for resources (funding) to be allocated across a balanced portfolio of activities (and results) at all four of the levels outlined above. However, the required distribution between levels may vary between different fields.

NPC does not believe that every charity should work at all four levels. It is often sensible for a smaller charity to focus its efforts on achieving results at one level. However, because fundamental change can generally only occur with results at all levels, a charity can maximise its long-term impact by working across the range, or by collaborating with others to do so. In particular, work with individuals or communities often informs the work done at a service and societal level.

The concept of a balanced portfolio should apply to the sector (or field) as a whole, which is represented by a number of charities focusing on different levels of an individual's environment. This is not to say that an individual donor's funding should necessarily follow the balanced portfolio approach. There is nothing wrong with focusing funding on a particular level (eg, charities working directly with individuals) or indeed on a particular charity. However, we believe that donors with the capacity to do so can benefit from thinking in terms of a balanced portfolio.

For example, the charitable sector combating poverty among older people comprises a broad range of approaches and charities. For a charity working with individuals to provide benefit advice and checks, a successful result may be an increase in the average level of benefits being claimed by its clients. For a charity working at the community level to provide support and empower local residents, a successful result may be a greater involvement of older people in local decision-making. Positive results at each level contribute to the achievement of the overall result: a decrease in the extent and effects of poverty among older people.

As can be seen in this example, all the activities are important in the overall effort to combat poverty. Coordination among funders is necessary to ensure that all activities receive sufficient resources.

The current situation in the UK charitable sector, as outlined in the first section of this paper, stands in stark contrast to the concept of a balanced portfolio. Private donors and professional funders tend not to coordinate their approaches to funding charitable work in any particular field, and charities find themselves competing with others to secure funding. This competition is often between charities whose activities are actually complementary and fit within a balanced portfolio. In other words, competition can work against a balanced portfolio of results.

NPC sees its role as analysing the results of charities' work within this framework, and helping to ensure that resources are allocated as effectively as possible to achieve the range of results that lead to lasting and far-reaching change. To this end, we make every attempt to highlight opportunities for coordination of funding between donors, whether individuals or professional funding bodies.

We make every attempt to highlight opportunities for coordination of funding between donors, whether individuals or professional funding bodies.

Results as a menu, not an exclusive choice

A simple answer to the question 'what is the best form of charitable intervention?' pre-supposes that different interventions tackle exactly the same problem and produce the same results. That is rarely the case.

People who seek a simple solution to the question often draw analogies with investing. In deciding between investing in, say, Microsoft and Cisco, investors are choosing between operating systems and networking hardware. (This is a simplified caricature but it suffices for our purposes.) Surely, one can choose charities in the same way as picking the best companies to invest in.

However, deciding between investing in Microsoft and Cisco is not a decision about whether operating systems are 'better' than networking hardware, or vice versa. Any investor recognises that each is important and has a necessary role within the economy. Instead, the decision is about only the relative attractiveness of each company at current share prices. One might be willing to sell Cisco shares to buy shares in Microsoft, say. However, this would not stop Cisco from working effectively – at least not for the immediate future – as their revenues come from sales not from investors. In contrast, not renewing a grant to a charity as one directs money elsewhere would stop the work of that charity, unless it could plug the gap from elsewhere.

The idea of a balanced portfolio has analogies with the world of investing. However, it is important to appreciate the added complexities of analysing charities in this context. Even within a given level of society – individual, community etc – it may be difficult to decide which charitable intervention to support. In the absence of a single measure of success (share price or return) funders need to consider multiple factors.

We can see this by exploring the field of domestic violence.* It is increasingly accepted that 'direct advocacy' (one-to-one support for the victim until the problem is resolved) is both effective and also inexpensive as a means of tackling domestic violence. Direct advocacy is appealing in several respects, including providing early protection to the woman, increasing the rate of prosecutions of perpetrators and allowing the woman to stay in the home. It represents a form of early intervention.

It is tempting to take a further step and to say that direct advocacy is better than other forms of intervening at an individual level – such as supporting women's refuges. This leads to problems though. The attractions of direct advocacy certainly make it worthy of support from funders. It provides benefits at the first two levels of the triangle, and because it is relatively inexpensive, more women and children can be reached for the same sum of money. However, the logical next step that funders should not support refuges is flawed. Just because refuges are not the cheapest way of helping women to escape domestic violence does not mean they are unnecessary.

Refuges frequently provide a range of other services. These include counselling for women and children (who outnumber women in refuges and are often themselves victims of abuse); support with education and play for children (who frequently have been uprooted from their schools and friends); outreach to help women who cannot leave their homes etc. If funders do not provide support for women's refuges, then the vital services these refuges frequently provide will be lost.

An absolute statement in support of direct advocacy should not be turned into a relative

* See NPC's report, *Charity begins at home*

Society – which includes funders of charities – should increasingly think about interventions that tackle problems early on, including addressing causes.

statement condemning other ways of intervening to stop domestic violence. Each of these services is needed as part of a comprehensive approach to tackling domestic violence. One can extend the logic further to argue for, say, helplines as well.

The same reasoning can be applied to any area of charitable activity. For example, older people may need grab rails fitted in their homes and simple help with domestic tasks so that they can avoid falls that lead to hospital admissions. Yet support is also needed when a pensioner is discharged from hospital after a fall and returns home. Charities perform both these functions. The first activity is preferable in that it represents early (and, probably, more cost effective) intervention, by preventing problems from emerging. Society – which includes funders of charities – should increasingly think about interventions that tackle problems early on, including addressing causes. However, the second intervention, which addresses a problem after it has emerged, will remain important for the foreseeable future.

Assessing the work of charities is invariably more complex than a one-dimensional measure conveys. NPC analysts calculate measures of the cost of 'success', where this is possible. Such measures are interesting and the least expensive activity producing a given success is especially attractive. The most cost-effective activity may come to dominate over time, but without a wholesale scaling up of this work, other, more expensive work is also important.

Similar reasoning applies when comparing activities in different layers of the triangle (see Figure 4). For example, disabled children are frequently lonely and isolated. This is partly because of the poor services provided for these children – inclusion is frequently more rhetoric than reality.[*]

A number of activities are required to address the needs of disabled children. Two such activities are support to help the children foster and sustain friendships, and pressure on local authorities to provide more services tailored to the needs of disabled children. One of these activities might provide a far more cost-effective 'success', yet both activities are needed. Unless services are altered, disabled children will remain isolated. However, until services are altered, disabled children need help building friendships.

Even supposing perfect information on the well-being resulting from each activity, there is a vital role for both. Over time, lobbying for better services should prove more fruitful. In a similar fashion, the development of direct advocacy services should be accelerated in domestic violence and the provision of preventative home help needs greater emphasis. However, it would be naïve to assume large shifts can be implemented easily and funding diverted wholesale from other activities. It does mean, though, that these activities deserve relatively more support to encourage effective tackling of social problems.

Overall, it means that funding is needed across the range of activities – both within a given layer of the triangle and across layers. In thinking about any social problem, a funder needs to think about several dimensions of success and recognise that all are important.

For large institutional funders, this is relatively straightforward, though it requires a detailed understanding of the issues and funding options, which we believe is aided by NPC's research reports. For smaller funders such as individuals, creating a balanced portfolio is more challenging. NPC's research highlights the options, providing valuable information on targeting funding. In this, the measures and costs of success are just one ingredient. With time, NPC will have a pool of donors complementing each others' activities. Together, these may result in a balanced portfolio, even if individuals choose to focus only in one area.

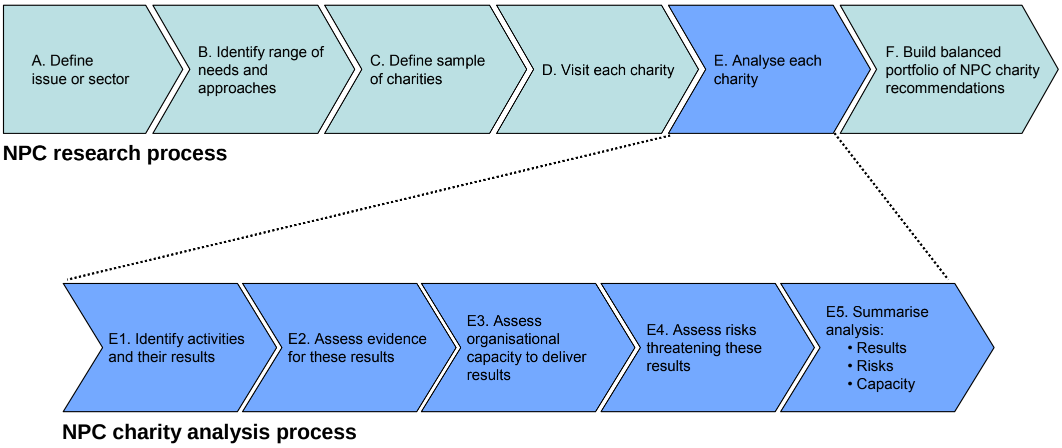
The role of analysis and research within NPC is in part to understand and explain these complexities and subtleties to funders so that money can be better targeted to achieve the goals they seek. Sometimes, this may mean directing funding to traditionally less popular areas, such as lobbying or supporting the development of services. In effect, this involves pushing funding down the triangle (see Figure 4) to achieve a greater balance across the whole range.

The intrinsic complexities themselves will frequently be obscured in presenting simple messages, but they form a vital part of our work. Concerning a single charity recommendation, this work is like the bulk of the iceberg – hidden beneath the surface but an essential part of the infrastructure supporting what is on display.

[*] See NPC's report, *Ordinary lives*.

Section 3: How we analyse

Figure 5: NPC's research and analysis processes



NPC analyses charities in order to identify those that produce excellent results, and to build a balanced portfolio of recommendations that collectively attempt to address all the needs identified within a research report. Our analytical approach is summarised in Figure 5.

NPC analyses charities in order to identify those that produce excellent results.

By following the research process for every area we cover, and the charity analysis process for each charity we consider, we are able to form a results-based analysis.

NPC's research process

A. Define issue or sector

NPC analyses charities within the context of broader research projects that focus on a specific issue (eg, truancy and exclusion, domestic violence, cancer), sector (eg, older people, disabled children, prisoners) or intervention (eg, community organisations). The first step in NPC's research process is, therefore, the definition of the project's scope.

Prior to starting a project, an issue or sector is drawn from NPC's research programme – a list of future projects that aim to cover the majority of areas of human welfare in the UK. The programme is broadly divided into health, education and community. Within each of these areas, we have identified a range of issues, sectors and sub-sectors to research. Projects are prioritised based on a combination of donor interest in a subject and NPC's need to cover the ground in a balanced fashion (ie, a balance of health and disability, education and community projects).

B. Identify range of needs and approaches

The initial stage of an NPC research project involves desk research and meetings with experts in the field. This phase of the research process establishes the key issues and needs, how the government has approached them, and the main areas of charitable activity in the field. Our research methodology consists of:

- a literature review of books, journal articles, reports, policy documents and other published materials
- key informant interviews with experts such as academics, policy-makers, grant-makers and charity representatives.

The charities interviewed at this stage tend to be the major household names and umbrella organisations relevant to the subject area. At each interview we ask for suggestions of other people to interview.

Once we understand the key issues, we are in a position to establish the range of approaches available to tackle the identified need(s). We can then also articulate the distinctive role that the charitable sector plays, in relation to that the role played by the public sector (or private sector).

Identifying the range of issues and needs, and the relevant charitable approaches addressing them, is an important precursor to analysing specific charities. In part this is because, by identifying the full range of issues and approaches, we are able to further define the scope of the project. For example, at this stage, NPC's project on truancy and exclusion did not include after-school clubs, some sub-groups of children (eg, children in care) and organisations focusing on specific issues

NPC is pragmatic in its sampling of charities and will often use a combination of approaches to give us the best possible chance of finding excellent charities.

(such as poverty or drug abuse). Similarly the research on disabled children excluded transition to adulthood and the majority of condition-specific organisations. Subjects excluded at this stage are noted and in many cases added to our programme for further research at a later date.

As well as helping to refine the scope, initial research also helps to define the main approaches so that the sampling process can take place (see below). It also identifies many of the results of these approaches through published research papers. This research can then be used as a foundation for discussing the results of the activities of specific charities, during the charity visit and analysis phase.

C. Define sample of charities

There are large numbers of charities operating in all of the areas in which NPC carries out research. We cannot feasibly visit or include them all in our research. For practical purposes, we target our charity visits in a number of ways. We do this by focusing on organisations that work:

- in a particular **geographical** area – a case study approach to gain an understanding of as many relevant organisations as possible working in a particular location (eg, our disabled children research considered national charities as well those operating in two local areas: Tower Hamlets and Liverpool);
- with a particular **demographic** group – for example, a particular age group, or a group with identifiably greatest needs such as those of low socio-economic status (eg, our research on older people focused on those who were poor, isolated and socially excluded);
- on or around a particular theme or **issue** – for example, if the research identifies particular themes, we will aim to find a certain number of charities tackling each issue or theme (eg, in mental health we identified charities tackling issues of employment, discrimination, housing, social exclusion and public policy);
- with a particular **approach** – different charities may use different methods to tackle the same issue and we may aim to find a few charities using each approach (eg, our research on domestic violence identified traditional refuge charities as well as those that supported victims and perpetrators in different ways);
- in a way widely recognised as **best practice** – there may be organisations well-known for their operating model or how they execute it, and we will usually include them in our research (eg, the truancy and exclusion analysts identified best-practice mentoring and emotional support organisations).

Using one or more of these approaches, analysts identify between 20 and 60 organisations to visit and analyse in more detail. Charities are identified through:

- key informant interviews
- published research and written materials
- NPC's charity database, containing all charities with which we have had previous contact
- internet searches
- databases of UK charity data (eg, Caritas and Guidestar UK).

The number of charities visited will depend on the subject matter, the sampling approach and the range of charitable activities in the area. NPC is pragmatic in its sampling of charities and will often use a combination of approaches to give us the best possible chance of finding excellent charities, meeting the needs identified during our research. Even though we are restricted in the number of organisations we visit, the research carried out means that, for each project, analysts can identify other effective organisations for funding if required, or as they emerge.

We do not use a random sampling approach for two reasons. Firstly, data is simply not available from which to create our 'universe' to sample from. Secondly, we actively seek to find excellent organisations meeting a particular need that has been identified through our research.

D. Visit charities

Once a charity has been included in NPC's sample, we arrange a visit and begin to gather background information. Specifically, our analysts:

- **Gather pre-interview data** to establish history, key financial data (annual reports and accounts) and range of activities;
- **Visit the charity** to meet relevant senior managers (usually director and/or operational managers). This is the key data-gathering step, with the structured interview following the outline of NPC's charity analysis tool (ChAT);
- **Follow up** with calls and email correspondence to finalise all data needed to complete the analysis.

A note on beneficiaries and trustees

NPC **analysts do not generally speak directly to beneficiaries** as part of the charity visit, because we conduct secondary, rather than primary, research. Instead, we gather as much feedback from the charity's service users as possible through other sources, such as client satisfaction surveys, research reports and evaluations.

Our charity **visits do not currently include speaking to trustees**, as their availability is often much lower than that of the charity staff we do meet. However, NPC may in future include telephone interviews with trustees as part of the research process.

The charity analysis process results in a snapshot of each charity at that point in time. We therefore update our charity recommendations at least annually.

E. Analyse each charity

NPC's analytical process for each charity consists of five stages, which are described in detail in the next section. These five stages are:

1. Identify activities and their results
2. Assess evidence for these results
3. Assess organisational capacity to deliver results
4. Assess risks threatening these results
5. Summarise results

The charity analysis process results in a snapshot of each charity at that point in time. We therefore update our charity recommendations at least annually, by asking the charity to tell us about major changes in its circumstances, risks and results every year.

F. Build balanced portfolio of NPC charity recommendations

Once all sampled charities have been analysed, we are able to make a selection of NPC charity recommendations. Our portfolio is designed to give potential donors a flavour of some of the many effective organisations working in this field.

A charity will be selected as an NPC recommendation if it:

- achieves (or has the potential to achieve) excellent results
- manages risks that threaten those results
- possesses the organisational capacity to continue to deliver results
- fits into NPC's balanced portfolio for the sector/field in question.

NPC's concept of a balanced portfolio is based on balance across a number of dimensions. These include: level of society at which the charities operate (working with individuals, communities, services or society as a whole); geographical spread; and size. Additionally, we seek some balance across the two key dimensions of our analytical framework – results and risks. These are broken down in Table 2, along with the rationale for seeking balance in terms of each factor.

NPC analysts present between five and 15 two-page charity recommendations to an internal 'Investment Committee', which includes the Head of Research, other members of the research team, and members of our donor relations team. This committee agrees which charities to recommend to donors. The Investment Committee's aim is to produce a balanced portfolio of recommendations, all of which have been validated in enough detail for NPC to support them fully and publicly. The rationale behind a balanced portfolio is laid out in detail in Section 2.

Charity recommendations are two-page summaries of a charity, presenting an overview of the issue(s) it is tackling, the activities it uses to achieve results, the results it achieves, and the reasons why it has been selected as an NPC recommendation. A range of charity recommendations are available to download from www.philanthropycapital.org.

Table 2: Factors balanced in an NPC portfolio

Dimension	Balance factor	Why do we need balance?
Results	Depth	Drives balance between more and less intensive approaches – all are necessary to meet a range of needs
	Breadth	Drives balance between local, regional and national work and between work at individual, community, services and society level – all are necessary
	Change	Drives balance between work focusing on symptoms and causes – both are necessary to meet needs and achieve lasting change
Risks	Overall risk	Allows for variation in appetite for risk among funders and drives balance between innovation and existing services

NPC's analytical process

E1. Identify activities and their results

Each of a charity's major activities is identified and recorded, along with details characterising the charity, including:

- **Area of focus** (ie, health, education, community, multiple sectors)
- **Stage of intervention** (ie, preventative, early intervention, reactive)
- **Level of society** (ie, individual, community, services, society, or a combination of these). See also Figure 4.

For each activity, the results of the work are recorded and described. These will ideally be articulated by the charity being analysed, but may also be outlined by the NPC analyst in conjunction with the charity. These results may be actual (for existing activities), or may be predicted (for new or unproven activities).

The results are categorised in further detail:

- **Depth** – how significant are the results for each person affected? (eg, the depth of a life-saving medical intervention is greater than that of an information leaflet)
- **Breadth** – how many people does the activity reach? (eg, the breadth of a national publicity and awareness campaign is greater than that of a local community project)
- **Change** – does the activity fundamentally change or set out to change the issue being addressed, or treat the symptoms? (eg, a project campaigning for a change in the minimum wage to a living wage is likely to result in more fundamental change than one that provides benefit-checking services to ensure that people gain their full benefit entitlements).

It should be noted that the data captured in this step does not form the basis of value judgements (eg, we are not saying that activities with high breadth are necessarily better than those with low breadth). Rather, we are classifying and segmenting data so that we can analyse it, and so that we can form balanced portfolios of NPC recommendations, as described in the previous section.

At this stage, data is also captured (where possible) on the costs and outputs of each activity. This may include unit costs of each activity, cost per successful result, financial return and savings to the taxpayer.

Results … will ideally be articulated by the charity being analysed, but may also be outlined by the NPC analyst in conjunction with the charity.

What do we mean by results?

Results are the changes brought about by the activity of a charity. This is best illustrated with examples taken from our research:

- Charities providing home nursing services result in a greater proportion of people dying at home, where they prefer to die.
- Charities teaching young people conflict resolution skills result in individuals gaining in self-esteem and becoming calmer and more respectful.
- Community organisations' activities result in individuals becoming less socially excluded and can enhance regeneration of deprived areas.
- Charities supporting prisoners in securing housing and employment on release from prison result in reduced re-offending.
- Charities providing information and support to people diagnosed with cancer result in increased patient understanding and confidence.
- Charities advising parents on special educational needs result in more children receiving statements of special educational needs, and thus more government support.
- Charities facilitating inclusive arts workshops result in increased self-confidence and quality of life for disabled children, as well as increased disability awareness for non-disabled children.
- Charities supporting schools in tackling exclusion result in fewer exclusions.
- Charities finding and supporting foster placements for AIDS orphans result in the safe care of these children.
- Charities providing legal advice and support for victims of domestic violence result in increased convictions and safety for the women and children involved.
- Charities encouraging volunteering by older people in deprived areas result in better health and reduced isolation for those people, as well as benefits for the people served by the volunteers' projects.

Different levels of evidence are expected at different stages of development … a young charity is unlikely to have evidence of its results until it has been working for a period of time.

Table 3: Levels of evidence for results

Rank	Type of evidence
1	Data produced by charity's own outcome measurement system/framework
2	Systematic, external or internal evaluation of the activity that funding is likely to support and grow
3	Internally collected feedback or anecdotal evidence (eg, client feedback, external praise or awards)
	Rigorous research based on other organisations carrying out the same activities (not simply knowledge of other organisations' results)
	Evidence of ongoing demand and popularity (user satisfaction is not evidence of results, but may be an indicator thereof)
4	Evidence from overseas research or organisations that this type of activity is effective
5	Internal evidence that the organisation is effective at similar, related activities that make it natural for it to extend its work into this activity
6	A logical model, articulated by the charity, showing that this activity should achieve results, based on a reasoned analysis of the problem (differentiating between an articulated theory of change and mere hypothesis, and between untested (innovative) and tested (established) models)
7	A logical model, developed by NPC, showing that this activity should achieve results

E2. Assess evidence for these results

NPC faces a great challenge in assessing charitable effectiveness in an environment where evidence of results is rarely readily available. This challenge is addressed through a framework that allows for evidence of a number of kinds, and an approach that encourages charities to articulate results that they may implicitly know, but have difficulty describing and recording.

Table 3 shows the seven levels of evidence that NPC analysts seek to support their analysis of results. These are listed in descending order of confidence conferred.

Different levels of evidence are expected at different stages of organisational development. For example, a young charity is unlikely to have evidence of its results until it has been working for a period of time. A mature charity, by contrast, should have developed an evidence base over time.

Different levels of evidence are also expected for short- and long-term activities. The results of long-term work (eg, Amnesty International campaigning for human rights) cannot be known immediately, although progress can be measured towards long-term goals. The same difficulties are associated with results that may be attributable to a number of different organisations' work.

As discussed in Section 1, the most complete and useful evidence of results is only likely to be available if a charity has already developed and fully implemented its own performance management system. This would give clear, relevant data showing the changes resulting from an activity – produced by ongoing measurement of indicators to represent exactly those changes. Given the current general lack of measurement of results in the charitable sector, the evidence used by NPC will typically come from other sources.

E3. Assess organisational capacity to deliver results

Although NPC focuses on the results that a charity delivers, it is also necessary to consider the capacity of the organisation to deliver results, for two reasons:

- No charity can sustainably deliver results without the organisational infrastructure, or capacity, to underpin them. A charity may deliver outstanding results for a limited period based on the passion, commitment and excellence of its staff, but these results will not be sustainable in the longer term (although excellence and passion are clearly fundamental to long-term success).[12]
- A young organisation may not yet have had time to deliver results. Looking at organisational capacities gives NPC some predictive ability to infer future results.

Capacity frameworks are well established tools for 'taking the temperature'[22] of an organisation, and are widely used in the commercial, public and charitable sectors. NPC's framework builds on the strengths of several existing tools[*] with adaptations to meet the needs of our own analytical process.

We segment organisational capacity into three key areas: strategy, operations and finances. These are then broken down into detailed capabilities. These capabilities are described

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[*] In particular Venture Philanthropy Partners/McKinsey's *Capacity Assessment Grid*, Grantmakers for Effective Organizations' *Due Diligence Tool* and Greater Kansas City Community Foundation's *DonorEdge*™

We do not expect a young charity to have the same organisational capacities as a mature organisation.

by characteristics that NPC looks for to represent strength in each of the areas, as well as potential indicators (or types of evidence or data sources) for these characteristics (see Appendix 1 for full details). The following list shows the three areas of organisational capacity and the detailed factors within them that we consider. This list will evolve over time as we learn from its use, and become more able to prioritise the most important data.

Strategy:

- Need
- Vision, mission and purpose
- Model of how change is effected
- Collaboration on strategy
- Avoiding duplication
- Demand and popularity
- Growth potential
- Replicability
- Philosophy (eg, empowerment vs. dependence)

Operations:

- Governance model and skills
- Leadership
- Succession planning
- Attracting and retaining staff
- Use of volunteers
- Management of programme, projects and activities
- Flexibility and user-centricity
- Responsiveness
- User involvement
- Monitoring results
- Performance management
- Learning and sharing knowledge
- Collaboration
- External profile
- Systems (IT and process)

Finances:

- Reserves (taking into account provision for pensions liabilities)
- Percentage of income from public funding
- Percentage of income from contracts
- Number of funding sources
- Use of full cost recovery techniques
- Difficulty of fundraising
- Operational efficiency (including fundraising cost and unit cost)

The complete list of factors is not applicable in all cases. Many of these will not apply to start-ups or developing charities. We do not expect a young charity to have the same organisational capacities as a mature organisation. For example, demand may not yet have fully developed, and many of the processes and systems associated with capacity will not yet be in place. Furthermore, some factors will not apply to particular types of charitable work. For example, it will be inappropriate to use volunteers in a charity that only employs trained professionals.

As well as outlining the factors that NPC considers during analysis of a charity, it is also worth restating one factor that we do not focus on. Administrative spend or cost ratio is commonly used in public discussions of how to select which charities to fund. It is generally used as an indicator of efficiency. As discussed in Section 1, administrative cost ratios are not necessarily related to results, and can be very misleading. Furthermore, their measurement and comparison is often flawed as charities report costs in different ways.

E4. Assess risks threatening results

Once results and capacity have been analysed, we are in a position to review the risks that threaten a charity's ability to deliver results. These are broken down into six categories:

- **Risk management** – does the charity manage risks proactively?
- **Strategy and concept** – is the concept well-proven or based on a strong logical model?
- **Management** – is there strong leadership and direction, clarity of vision and structure?
- **Financial** – is the financial position strong, with good plans in place for the future?
- **Operational** – are the relevant capacities and systems in place to deliver results?
- **External** – does the charity actively identify and manage external factors where possible?

Risk is undoubtedly an important factor to consider when thinking about funding a charity. However, it is not something that should be avoided at all costs – some risk is inevitable in any funding decision. NPC recognises that different funders have different appetites for risk, and that different charities will present different levels of risk based on their age, their ambition and the type of work they are involved in. Therefore, we offer a portfolio of funding recommendations across the spectrum of risk.

An important point to note is that the relationship between risk and return is not necessarily the same as that seen in the

Risk is not something that should be avoided at all costs – some risk is inevitable in any funding decision … different funders have different appetites for risk.

commercial sector (ie, high risk = high return, low risk = low return) because a functioning market does not exist in the charitable sector. In other words, if there is not a free flow of information on return and risk along with a market's ability to set a price based on this information, a relationship will not necessarily exist between the two. It is perfectly possible for high-return, low-risk funding options to exist in the absence of a market, just as it is for low-return, high-risk options. This means that low-risk charities with the potential to produce great results may not be attracting the funding they deserve, because donors are not actively seeking out charities on the basis of results.

While it is vital that we capture and assess the level of risk associated with funding a charity, we do not make a value judgement about this level of risk. The key consideration in our analysis is whether risks are actively managed – mitigated, if possible, and monitored if not.

E5. Summarise results

Once a charity has been analysed, a summary is produced within the Charity Analysis Tool (ChAT). This is an overview of NPC's judgement of a charity, its results, risks and funding need. We summarise the most impressive elements of a charity's results and capacity. We also summarise what we (and the charity) have identified as the greatest challenges – risks and capacity weaknesses.

As well as summarising the results of a charity's individual activities, we also consider the results of the charity as a whole at this stage. This entails exploring the organisation's wider impact on the groups of individuals, communities, services and sections of society with which it works. This summary of results is used in selecting charity recommendations, described in the previous section.

It is important to note that we do not recommend every charity we visit for funding. This is not usually because an organisation is ineffective, but rather because we feel that other organisations are more of a priority for funding, and our capacity to direct funding is limited. Practical constraints prevent NPC from producing recommendations for all the charities we visit, or visiting all the charities working in a particular field. There will be many worthy charities that are not listed in NPC's portfolio of charity recommendations.

Case study: Mental Health Media (MHM)

Negative public attitudes towards people experiencing mental distress inhibit recovery from mental health problems. Mental Health Media aims to reduce discrimination by promoting the diversity, visibility and credibility of people who experience mental distress. It gives people the means to change attitudes themselves, by running training programmes to help them launch their own campaigns. It also works with the media to improve the perception of mental health issues and people with mental health distress. MHM's activities effect change for the people who receive training (increased confidence and skills) and for the general public (better informed and less prejudiced about mental health).

Analysis of MHM's **results** shows that it produces long-term change by tackling prejudice and changing perceptions. It represents a medium **risk**, with challenges around measuring long-term results and financing growth. It has strong **capacity**, with a performance management framework in development, a collaborative working style and an excellent media profile.

Dimension	NPC assessment	Reasoning
Results		
Breadth	Medium	Focused work (training) and broader work (media)
Depth	Medium	Training achieves significant changes for individuals
Change	High	Tackles prejudices and attitudes through media work
Evidence	External evaluation	Evaluation by Sainsbury Centre for Mental Health
	Ongoing demand	Training sessions oversubscribed by factor of two
	Participant feedback	Participants talk of 'profound effect' of training
Risks		
Concept	Medium	Training well proven; results of media less certain
Management	Low	Well-established management; strong experience of field
Financial	Medium	Good financial health but large funding need for growth
Operational	Low	Good infrastructure; collaborative approach
Capacity		
Performance management	Medium	Developing outcome measurement framework
Collaboration	High	Works actively with media and primary care trusts
External profile	High	Strong profile with broadcasters and in mental health field
Operational efficiency	Medium	Training gives participants tools to tackle problems; media work helps broadcasters improve attitudes/programmes

Conclusions

Analysing charities is complicated by a number of factors, each of which might deter someone from the endeavour. Analysis is necessarily subjective and different people might reach different conclusions. There is no accepted scale against which to measure charities (and those that are put forward are frequently unhelpful). The absence of a clear scale makes comparisons difficult, particularly between charities in different fields. There is an absence of comprehensive data sources from which to draw samples of charities to analyse.

Each of these factors makes analysis difficult, but difficult tasks can still be worthwhile. NPC's framework has been designed with full acknowledgement of the problems. It is based on the premise that knowledge and analysis increase understanding. Our charity analysis tool (ChAT) frames a set of logical questions about the work of a charity in order to reach a conclusion about its effectiveness. Answers to these questions depend on the data available and the judgement of the analysts. Either might be deficient in some respect, but the quest for knowledge can help to understand and articulate the results of charities.

Information is power. Coupled with the knowledge of social problems provided by NPC's research reports into areas such as palliative care or truancy and exclusion, the analysis tool can produce powerful information for a donor about where to target their funding. In future, we will increasingly see charities producing this analysis themselves. Armed with this information, donations will be more effectively targeted. Better information might also unlock more money by highlighting social problems and explaining what can be done to address them. Uninformed donors are more likely to make bad decisions or to keep their wallets or purses in their pockets.

In this sense, donors need to be better served if the charitable marketplace is to develop and grow. Such growth is important. The scale of unmet need for the services of charities is immense. Colossal injustices remain to be fought and tackled.

For charities too, the tool (and the resources highlighted in Appendix 3) can help management in their quest to understand more and learn about their organisation. It can be a useful first step towards measuring results and thinking about performance measurement. First steps can be valuable, because some information is better than none.

The scale of the challenge of fully embracing performance measurement should not deter charities from beginning a journey towards that end.

A more sophisticated dialogue is needed between charities and donors; one which stresses achievements and the returns from giving. This dialogue should not shrink from complexities, but neither must it rejoice in them. The charitable sector needs to articulate information succinctly and clearly to engage effectively with donors. NPC's charity analysis tool is a step towards this end. NPC's charity recommendations go a step further in describing an organisation that deserves funding in fewer than 1,200 words. This format is designed for the busy donor with limited time to spend. Such summarising is important. In a complex world, calling on donors to be thoughtful about their donations raises the costs (in time or money) of giving. Without clear and simple information, some might be deterred from giving at all.

Recommendations are made on a firm understanding of the underlying social problem, alternative charitable interventions and assessment of individual charities. Yet these recommendations necessarily involve judgements by NPC analysts. These judgements are scrutinised by other analysts and by our Investment Committee, but the element of subjectivity cannot be removed. Developing and improving the framework further over time, as well as learning from our experiences are integral to NPC's research processes. Sharing our framework through this publication provides the means to invite comment from others on our approach. Our intention is to continue improving this, based on feedback and our own learning. The work of charities is too important to stop the clock and cease learning.

NPC's platform for dialogues with donors is our charity analysis tool. It represents the foundation of our research approach and charity recommendations. The tool will be developed and improved as our knowledge grows, but it is a tool we urgently need to apply now to help advise donors. The tool is not 'right' in any objective sense. It simply offers the basis for a more sophisticated understanding of what charities achieve than is currently available. By means of increased and better funding, this simple goal offers the future promise of better lives for those who are helped by charities.

Appendices

Appendix 1: Charity analysis tool (ChAT)

NPC's charity analysis tool (ChAT) comprises three main sections – results, risks and capacity. The key elements of each are laid out in this section.

Results

Field	Question answered
Activity name	How is the activity known within the charity and sector?
Description	What does the activity entail? What happens? Who carries out the work and with whom?
Stage of intervention	Is the activity *preventative* (takes place to prevent something happening); an *early intervention* (takes place to deal with the effects of an event/situation before it escalates); or *reactive* (takes place in response to an event/situation)? Alternatively, is the activity a blend of these categories?
Level of society	Does the activity produce results at the level of the *individual*, their *community*, the *services* available to them or the wider *society* in which they live? (See Figure 4) Alternatively, does the activity produce results at a number of these levels?
Focus area	Is the activity primarily focused within the field of *health*, *education* or *community* charitable work? Alternatively, is it a blend of these categories?
Outcome	What are the results that occur as a consequence of this activity? What happens immediately? What are the longer-term results?
Depth	What is the intensity of the results for those affected?
Breadth	How many people are (potentially) affected by the results?
Change	How profound and lasting are the results? Do they tackle the causes of the problem being addressed rather than treating or managing the symptoms?
Primary level of evidence*	What evidence do we have that these results occur?
Secondary level of evidence*	What other evidence do we have that these results occur?
Evidence notes	What features of this evidence can we record? Who produced the evidence, and how?
What could be done to measure?	Is there anything that could be done to improve the evidence we have through future research/work?
Cost per user	Can a figure be calculated for the cost of this activity per user or beneficiary? If so, what is the figure?
Output notes	What are the outputs of this activity? What indicators can we record for these outputs? (ie, numbers of people worked with, volumes of activities, volumes of products.)

* See Table 3 for full listing of levels of evidence.

Risks

Factor	Characteristics to look for	Potential hard indicators/data sources	Potential soft indicators/data sources
Risk management*	Proactively manages risks to mitigate and control.	Has and regularly updates risk register or risk analysis (required for organisations with more than £250,000 turnover).	Analyst's feel for awareness of and engagement with risk management practices.
Strategy and concept	Concept well-proven or based on strong logical model. Evidence suggests high likelihood of success.	Defined at end of analysis of charity.	Analyst's overall judgement at end of analysis of charity.
Management	Strong management and direction. Imposes structure and devotes sufficient time to development.	Defined at end of analysis of charity.	Analyst's overall judgement at end of analysis of charity.
Financial	Strong financial position. Funding secured on medium- or long-term basis.	Average length of funding period. Number of different funding sources.	Analyst's overall judgement at end of analysis of charity.
Operational	Charity clearly has capability to deliver results.	Defined at end of analysis of charity.	Analyst's overall judgement at end of analysis of charity.
External	Charity exerts strong control over success of programme.	Defined at end of analysis of charity.	Analyst's overall judgement at end of analysis of charity.

* Guidance on risk management can be found at the Charity Commission website: www.charitycommission.gov.uk/investigations/charrisk.asp

Capacity

Factor	Characteristics to look for	Potential hard indicators/data sources	Potential soft indicators/data sources
Strategy			
Need	Directly addresses needs prioritised by NPC.	NPC research report. Local data. Regular assessment of current needs.	Analyst's perception based on visit to local area and charity.
Vision, mission and purpose	Clearly articulated strategy integrated into activities.	Has written strategy document/business plan.	Analyst's perception based on interview.
Model of how change is effected (Theory of change)*	Clear articulation of how activities will lead to achieving strategy and over what timescale.	Articulates milestones and interim steps along journey of change. Has developed logical model or theory of change.	Analyst's understanding from interview – does the charity know how its work aims to achieve goals and when it will achieve them?
Collaboration on strategy	Strategy created with significant input from other charities and organisations, including beneficiaries.	Strategy documents Stakeholder input sessions including other charities and organisations.	Analyst's perception of degree of collaboration vs. centralised power of director.
Avoiding duplication	Monitors external landscape and actively avoids duplication.	Knowledge of 'competitive landscape'.	Analyst's view/research on number of competitors.
Demand and popularity	Shows evidence of demand beyond current capacity.	Waiting lists. Growing membership.	Analyst's perception based on users' views and evidence of demand.
Growth potential†	Could expand to serve larger local population, or to serve regional area.	Measure of potential for growth (eg, from catchment population minus people currently served).	Analyst's judgement of organisation's appetite for, and capacity for, growth.
Replicability	Could be replicated in other locations. Simple or compelling model suitable for replication.	Evidence of establishment of other branches, franchises, copies of this model.	Analyst's judgement of ease of starting up model and clear business case for replication elsewhere.
Philosophy (eg, empowerment vs. dependence)	Activities actively promote independence and empowerment.	Average length of contact with client. Pathways of ex-users.	Analyst's perception – does it lead to increased independence and empowerment?

Further resources are available for charities wanting to explore these factors:

* Theory of change:	Theory of Change Online	www.innonet.org
† Growth:	Community Action Network	www.can-online.org.uk
	Pilotlight	www.pilotlight.org.uk

Factor	Characteristics to look for	Potential hard indicators/ data sources	Potential soft indicators/data sources
Operations			
Governance model and skills‡	Trustees have relevant mix of skills to achieve strategy.	Degree of trustee involvement. Skills audit. Meets at least quarterly. Trustee attendance levels (average %).	Director's/staff's view of board. Trustee availability for visit. Evidence of trustee involvement in activities beyond trustee meetings.
Leadership	Director/leader highly passionate, visionary and able to clearly articulate organisation's direction.	Background of director. Experience of senior staff.	Analyst's perception – how does the director come across during interview and NPC contact?
Succession planning	Organisation plans for loss of key staff. Good documentation and ability to replace.	Written succession plan. Evidence of delegation among senior staff.	Analyst perception, aided by meeting other staff as well as director – impossible to judge if only director is seen.
Attracting and retaining staff	No problems with recruitment/retention. Adequate staff numbers to deliver services.	Staff turnover. Values/culture surveys.	Hard to judge unless evidence seen of turnover. Staff perceptions.
Use of volunteers	Volunteers integral and highly valued in several areas of activity.	Number of volunteers. Volunteer process in place (recruitment, induction, management).	Presence of volunteers during visit.
Programme/ project management	Clear inter-relationship between projects/activities. Strong cross-team communication and management of activities.	Programme planning documents or other evidence. Projects clearly fit into vision, mission and theory of change.	Analyst's judgement of how well activities fit together within whole of charity and its strategy.
Flexibility and user-centricity	Highly flexible – changes activities/services based on needs of each individual client/user.	Flexible service model (tailored to individual) vs. fixed (one size fits all).	Analyst's perception based on talking to director and users.
Responsiveness	Highly responsive to changing needs and proactive in interactions with external environment/actors.	How often services have changed. Responsiveness to NPC's enquiries.	Analyst's perception based on fit between current activities and best practice, current needs.
User involvement	High level of user involvement in operations and delivery.	Users' involvement in work (design and delivery) vs. consultation. User representation on board. Number of employees who are/were users.	Any evidence of user involvement seen in visit, interview, documents.
Monitoring outputs	Established monitoring scheme, with outputs integrated into management of projects/activities	Evaluations (internal/external). Measurement plan. Key Performance Indicators – range of outputs monitored; quality of output reporting.	Does charity measure for funders or use for internal learning and improvement?
Monitoring results (outcomes) §	Established monitoring scheme, with results integrated into planning and operations. Users involved in measurement.	Evaluations (internal/external). Measurement plan. Key Performance Indicators – range of outcomes monitored; quality of outcome reporting.	Does charity measure for funders or use for internal learning and improvement?
Performance management§	Measures progress towards all aspirations – at all levels. Sets explicit goals.	Provides performance measurement data to NPC. Has begun or implemented performance measurement.	Analyst's feel for level of awareness and take-up of performance measurement and management techniques.
Learning and sharing knowledge	Is instrumental in development of knowledge and learning in the field. Challenges existing assumptions and drives progress.	External publications and collaborations. Internal training.	Analyst's research into field – is the charity a leader or major contributor?
Collaboration	Collaborates widely in, and sometimes beyond, its field.	External mentions by experts/academics/etc. Reference by local charities/agencies.	Analyst's perception based on contact with experts and based on perceived appetite for collaboration seen during interview.
External profile	Experts view as leader – example of best practice and excellence, achieving powerful outcomes	External mentions by experts/academics/etc. Reference by local charities/agencies and members where applicable (umbrella organisations)	Analyst's perception based on contact with experts
Systems (IT and process)	Systems in place that fit with purpose and scale of organisation. Likely to have IT strategy and planning.	Has IT/systems plan. Has operations manager or equivalent.	Evidence of use of appropriate IT and systems during contact with NPC

Factor	Characteristics to look for	Potential hard indicators/data sources	Potential soft indicators/data sources
Finances			
Unrestricted reserves**	Between three and 12 months' reserves (although varies with sector).	Ratio current net assets to monthly expenditure (assets exclude endowment funds, restricted and designated funds and operational fixed assets), (calculated both including and excluding pensions liabilities).	Analyst's understanding of need for unusual level of reserves.
% public funding	To be determined in each case (by type of charity and projects).	Ratio of income from public grants/contracts to total income.	How heavily reliant is charity on small numbers of public grants?
% contract funding	To be determined in each case (by type of charity and projects).	Ratio of income from contracts for service delivery to total income.	How much of income is sustainably provided by contracts?
Number of funding sources	Diversified funding streams.	Number of funding sources.	N/A
Use of full cost recovery techniques††	Fully applies full cost recovery (FCR).	Evidence of use of full cost recovery approach.	Awareness of FCR approach and/or use of FCR tools – analyst can provide detail during visit.
Difficulty of fundraising	Highest level of difficulty – suggests need for increased awareness of charity's work.	May be more macro - from sector research. May be from % time spent by director fundraising.	Analyst's judgement of difficulty of fundraising in sector as a whole, plus difficulty of charity accessing funding.
Operational efficiency	Efficient use of resources.	Overall analysis of accounts.	Analyst's judgement of overall efficiency based on accounts and benchmarking against other charities working in field.
Operational efficiency: fundraising	Up to 25-35% considered quite normal (although can justifiably be much higher).	Ratio fundraising cost to contributed income. Number of fundraising staff. Staff time spent on fundraising.	Director's focus on fundraising – how much time is spent in ongoing struggle to survive?
Operational efficiency: unit cost	Cost per intervention. Cost per successful intervention.	Total expenditure of charity divided by number of users. May be built up as average of unit cost for each activity.	Analyst judgement/analysis of ratio success to total users.

Further resources are available for charities wanting to explore these factors:

* Theory of change:	Theory of Change Online	www.innonet.org
† Growth:	Community Action Network	www.can-online.org.uk
	Pilotlight	www.pilotlight.org.uk
‡ Governance:	acevo	www.acevo.org.uk
§ Performance/outcomes measurement/management		See Appendix 3
** Reserves	Charity Commission	www.charitycommission.gov.uk
†† Full cost recovery	New Philanthropy Capital	www.philanthropycapital.org

Data is also captured during NPC charity analysis on:

- history, organisational stage of development and organisational structure
- local community, population and context
- key financials
- potential funding options

Appendix 2: Glossary

Some of the key concepts underpinning NPC's analysis framework are briefly defined below:

Inputs – the resources and conditions required to carry out an activity. These might include staff, volunteers, clients, funds, materials and data. Inputs are measured by input indicators, such as number of volunteers, cost of recruitment and staff time.

Activities – the means of achieving results. These might include providing direct services, running campaigns, organising groups and undertaking research.

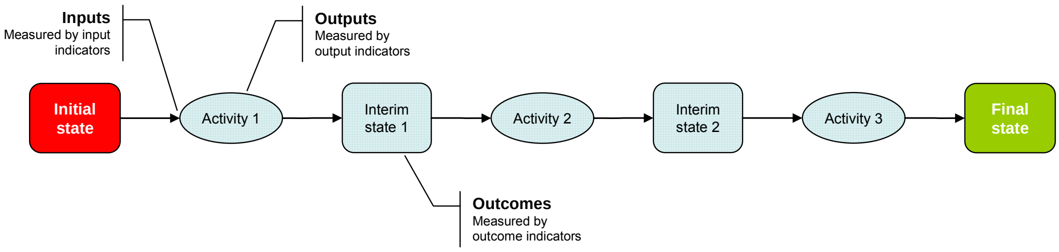
Outputs – the products of an activity. These might include training courses, meetings, documents, decisions and services. Outputs are measured by output indicators, such as number of training courses delivered, number of helpline calls answered and number of clients reached.

Outcomes – the results of an activity; the *raison d'être* of charities. These might include increased awareness of services, increased self-confidence, improved skills, decreased crime, improved educational attainment and (most generally) improved quality of life. They are measured by outcome indicators, such as the proportion of people indicating awareness of a service, reported incidence of crime and self-reported quality of life. We refer to outcomes as 'results' throughout this paper.

Impacts – in the terminology of the charitable sector, impacts are the long-term results (or outcomes) of activities. There is often confusion between the terms outcome and impact; for the purposes of this report, the term 'results' is used where possible to replace both.

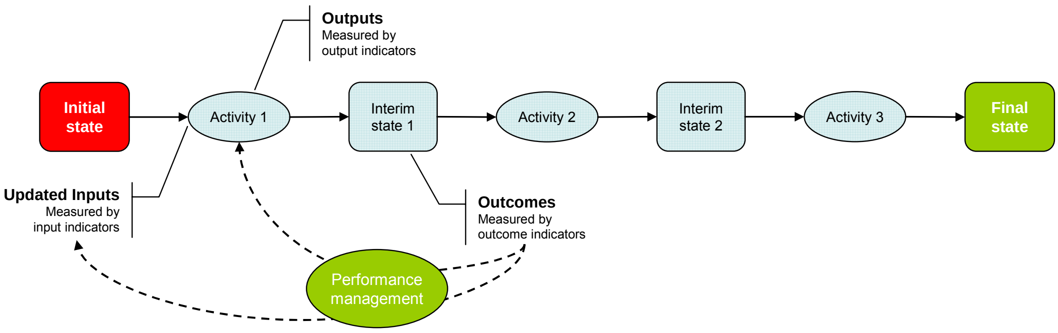
Theory of change – a logical model of how an organisation affects its external (and sometimes internal) environment. It is a fundamental building block of any analysis of a charity's work.

Theories of change show the main activities or projects that constitute a charity's work, and map out the sequence and effects (or outcomes) of each. They describe chains of events that each result in specific changes, and together lead to the achievement of an overall goal.



The diagram above shows a generic theory of change, in which three activities lead from an initial state to a final state, via two interim states. It can be particularly useful to think about the activities and results of a charity's work in this way when it aims to achieve long-term goals and far-reaching change. In such cases, many interim states can be involved before a final state (or goal) is reached.

Performance management – the use of measured outcome indicators to learn about the successes and failures of an activity. This results in inputs and activities being revised to reflect what has been learned, and to improve the results of the activity.



Appendix 3: Resources for outcome measurement/performance management

National initiatives

Performance Improvement Hub
www.performance-improvement.org.uk

The Performance Improvement Hub is one of the six national centres of expertise being developed as part of the government's ten-year ChangeUp strategy, which aims to build the capacity of the charitable sector. The Performance Improvement Hub focuses on raising the level of skills in performance management and improvement through learning and knowledge sharing, training, guidance and shaping policy. It is still in the early stages of establishing itself, but aims to bring together much of the thinking on performance management that has already taken place.

The major partners are the Black Training and Enterprise Group, the British Association of Settlements and Social Action Centres, Charities Evaluation Services, the National Association of Councils for Voluntary Services, the National Council for Voluntary Organisations and the New Economics Foundation.

National Outcomes Dissemination Programme
www.ces-vol.org.uk

Charities Evaluation Services runs a training programme to build the charitable sector's ability to monitor outcomes. A total of 75 outcomes champions have been trained throughout the nine English regions to date; these champions then offer two-day training courses to voluntary and community organisations. A total of 450 organisations have been trained within this scheme.

Available tools[23]

Tool	Summary	Further info
Achieving Better Community Development (ABCD)*	Developed by the Scottish Community Development Centre, ABCD evaluates and monitors the impact of community development interventions and can be adapted to different forms of community development. Prescriptive measures are not given: organisations are encouraged to think about what community development means to them so that funders, policy-makers, managers, practitioners, volunteers or community members are clear about their goals and how to achieve them. All stakeholders should participate so that the community is part of the process.	www.scdc.org.uk/abcd_index.htm
Co-operatives[UK] Key Social and Cooperative Performance Indicators*	Co-operatives[UK] developed these indicators with the help of the National Centre for Business & Sustainability. There are ten quantitative indicators based on the core values of cooperatives that aim to capture social and environmental performance. They can be used relatively easily and help make organisations comparable. Primarily aimed at cooperatives, they may still be of use to organisations of any size that aspire to cooperative values and principles.	www.cooperatives-uk.coop
Development Trusts Association (DTA) Healthcheck*	Healthcheck is a non-prescriptive guide to good practice for development trusts and other community and social enterprises. It can be used 'off the shelf' to assess progress against development trust values and is intended to increase accountability to the DTA, which requires its members to achieve a certain level of attainment. It can be especially useful for development trusts and community enterprises that have just started up.	www.dta.org.uk
DonorEdge[SM]	DonorEdge[SM] is a tool developed by the Greater Kansas City Community Foundation (GKCCF) to provide better information to donors on non-profit organisations in the Greater Kansas City area. Each DonorEdge[SM] organisation profile contains information in three broad categories: management and governance, financial soundness and programme performance. The guidebook (available through the Help link) contains numerous indicators for each category with explanations of each one.	www.donoredge.org

Tool	Summary	Further info
Due Diligence Tool	Developed by La Piana Associates for Grantmakers for Effective Organizations (GEO), this tool lays out a general framework for due diligence of charities by grant-makers. It aims to help investors and funders gain a clearer understanding of the level of risk grants carry and what they can do to support organisations. There is a basic framework for reviewing proposals and an in-depth examination process for the organisation and project. The assessment questions are divided into seven topic areas (history and track record; governance and executive leadership; vision and strategy; project planning outcomes and evaluation; human resources; external communications and relationships; and financial health). Guidance is given on proposal and document review, conversation with applicants and applying due diligence findings.	www.geofunders.org
Eco-mapping*	Eco-mapping was developed as part of the International Network for Environmental Management (INEM) initiative. It is a simple tool to map and help manage the environmental impact of organisations, and can provide the base for wider environmental management systems. An organisation maps its site to prioritise environmental problems and issues to act upon. The *Eco-map Brochure* includes questions to ask when conducting the review and useful information such as how to calculate the pollution generated by an organisation's vehicles.	www.ecomapping.org
Global Reporting Initiative (GRI) Guidelines*	GRI Sustainability Reporting Guidelines use indicators to measure the economic, environmental and social performance of organisations. GRI is used internationally as a generally accepted reporting framework and is applicable to organisations of all sizes and types operating in any sector. It therefore provides a method for increased comparability.	www.globalreporting.org
Keystone capabilities profiler	Keystone, drawing on the work of many organisations and partners, has developed a tool to help organisations assess and profile their strengths and weaknesses in relation to four core capabilities: learning, strategy, collaboration and operational excellence. The profiler is intended for mid-sized civil society organisations as a starting point to reflect on their organisational capabilities. The profiler scores the capabilities and the resulting scores offer a way of capturing and comparing different perspectives on the organisation's capabilities – both over time and among similar organisations.	www.keystonereporting.org/tools
Learning NGO Questionnaire	Developed by Bruce Britton for the International NGO Training and Research Centre (INTRAC), this diagnostic tool enables organisations to assess their current capacity for organisational learning.	www.intrac.org
Local Multiplier 3 (LM3)*	New Economics Foundation (nef) developed this tool with support from the Countryside Agency. *The Money Trail,* a how-to guide, can be downloaded for free from the nef website. LM3 uses a form of economic analysis to record the impact of organisations. It captures economic impact and is most effective for organisations seeking to understand and show their effect on local economic regeneration. There are three steps in the measuring process and the 'multiplier' is an economics concept aiming to see how money entering an economy has a *multiplied* impact on that economy due to the way people spend and re-spend money.	www.neweconomics.org Additional documents can be found on: www.pluggingtheleaks.org
Look Back Move Forward (LBMF)*	Look Back Move Forward (LBMF) was developed by New Economics Foundation (nef) and the Shell Better Britain Campaign. LBMF helps to evaluate projects and pinpoint where improvement is needed. The tool guides a two-hour self-facilitated workshop, focusing on an interactive poster that can be used by organisations or projects of any size. The finished poster provides a visual record of all views on the project; findings can be turned into a report. An evaluation form aims to improve the tool as more groups use it.	www.neweconomics.org/gen/newways_lookback.aspx
Mango Financial Management Health Check	Management Accounting for Non-Governmental Organisations (Mango's) Financial Management Health Check is a simple tool that allows organisations to gauge their financial management capabilities. It can be used by anyone, including board members, and senior and junior staff.	www.mango.org.uk
McKinsey Capacity Assessment Grid	This tool was developed by McKinsey & Company as part of research commissioned in 2001 by Venture Philanthropy Partners. The results of the research are published in *Effective Capacity Building in Nonprofit Organizations*. The grid assesses seven broad areas of organisational capacity (aspirations; strategy; organisational skills; human resources; systems and infrastructure; organisational structure; and culture) and identifies areas needing improvement. The categories have specific indicators, using a four-level rating scale with detailed activity descriptions.	www.venturepp.org

Tool	Summary	Further info
Point K	A free online toolkit for non-profit organisations to help with planning, evaluation and action. The toolkit allows an organisation to develop a detailed outcome measurement and performance management framework. It comprises Organizational Assessment Tool (OAT), Logic Model Builder (LMB) and Evaluation Plan Builder (EPB). Forthcoming tools include Evaluation Survey Builder (ESB) and Theory of Change Online (with partners ActKnowledge and the Aspen Roundtable on Community Initiatives).	www.innonet.org
Practical Quality Assurance System for Small Organisations (PQASSO)*	PQASSO was launched in 1997 by Charities Evaluation Services. It charts progress and highlights areas needing improvement. There are 12 quality standards (planning; governance; management; user-centred service; staff and volunteers; training and development; managing money; managing resources; managing activities; networking and partnership; monitoring and evaluation; and results) each with three levels of achievement. Each level offers guidance on what is required to run a healthy, efficient and effective organisation, highlighting areas for improvement and demonstrating progress when levels are achieved. Designed as a practical tool and available as CD-Rom it is simple to use for projects or whole organisations.	www.ces-vol.org.uk
Prove It!*	New Economics Foundation (nef) developed Prove It! in partnership with Groundwork UK and Barclays plc to help measure the impact community regeneration projects have on the quality of life of local people. The tool is still in its infancy and the handbook, *Prove It! Measuring the effect of neighbourhood renewal on local people* can be downloaded from the nef website. Guidance and templates help evaluate project impact and present findings. Three elements are involved: a survey questionnaire, storyboard exercise and a poster evaluation exercise for use at the end of a project.	www.neweconomics.org/gen/newways_proveit.aspx
Social Accounting*	Development of the overall social accounting framework was led by nef together with the two main organisations in social accounting: Social Audit Network (SAN) and AccountAbility. This tool can assess both internal performance and external impact on people, communities and the environment. It enables an ongoing, regular monitoring process for examining performance and for accountability to stakeholders. Organisations of all types and sizes can undertake the process, but the most recent SAN Manual is particularly geared towards social enterprises, social economy organisations, and grant-funded voluntary and community sector organisations.	www.accountability.org.uk www.socialauditnetwork.org.uk
Social Enterprise Balanced Scorecard*	Social Enterprise London has made significant changes to the balanced scorecard work of Kaplan and Norton to produce a tool specifically for the UK Social Enterprise sector. Any organisation can use the tool, which involves creating a visual strategy map of social, environmental and economic objectives and business sustainability. The map allows organisations to represent their most important goals on one page to aid communication. Objectives, responsibilities, measures of success, performance targets and relevant time frames are set in each area.	www.sel.org.uk
Social Firms UK Performance Dashboard*	Developed by Social Firms UK as part of the Social Enterprise Partnership Quality & Impact Project – the software is free for Social Firms members. The tool builds upon the principles of the Balanced Scorecard in a simplified format, and gives pre-prepared perspectives, objectives and measures. Social Firms, and other types and sizes of Social Enterprise may use it and can edit the objectives within the software to meet their own needs. It is designed to be practical, realistic and user-friendly, and is underpinned by the three core social firm values: enterprise, employment and empowerment.	www.socialfirms.co.uk
Social Return on Investment (SROI)*	SROI is a form of economic analysis, used to capture the economic value of social benefits, and an SROI ratio is a discounted monetised measure of the social value that has been created, compared to the investment required to achieve that impact. It is hoped that the concept of social return could allow grants and loans to be seen as investments in an organisation, rather than as subsidies, to give a clear message that every pound invested in an organisation is linked to £x in social return.	www.neweconomics.org

* More information on these tools can be found at nef's www.proveandimprove.org

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Appendix 4: NPC's charity charter

New Philanthropy Capital (NPC) is a charity that advises all types of donors on how to give more effectively. Our aim is to increase the quantity and quality of resources available to the charitable sector. We do this through a combination of published research and tailored advice. Our research identifies charities, large or small, that are achieving excellent results. Our advice for donors guides them on how to ensure their money has high impact. In all of this, we focus on the long-term benefits for the people served by the charities.

For more information on NPC please visit our website at www.philanthropycapital.org.

NPC research

NPC carries out independent research and analysis on where and how funds and resources can be targeted most effectively. Our research reports are written to inform and influence funders and, in particular, to generate new philanthropy. We disseminate our reports to grant-making trusts, businesses, corporate foundations and wealthy individuals.

The objective of NPC **research reports** is to analyse the role, effectiveness and needs of charities involved in each area, with the aim of a making clear recommendations for donors based on results. Our research is evidence-based, drawing on visits to charities and dialogues with practitioners. We also draw on published material and interviews with academics, policy-makers, grant-makers and other experts. The research is framed around the following questions:

- What is the social need or problem being addressed?
- Why should a donor invest in this area?
- How can a donor invest in this area?
- What are the results of investing in this area?
- Which charities are achieving effective results in this area?

To complement the research reports, we compile a number of **charity recommendations**. These provide potential funders with an overview of some of the effective charities we visited during our research.

Additionally, NPC undertakes **thematic research** into issues pertinent to the voluntary sector generally. Our work here has included full cost recovery – where we have developed a template for use by charities – and a project examining the risks borne by charities in government contracts.

NPC charity visits

NPC visits a wide range of charities when undertaking research. We visit between 20-70 organisations for each research report. We are aware that there will be hundreds of charitable organisations undertaking worthy work that we are unable to visit. However, we aim to visit charities that reflect the diversity of charitable activity in any given field. For example, we visit charities that range in size, geographic scope and activity – from service delivery to advocacy.

The key purpose of our visits is to inform our research and to identify organisations as potential recipients of any funds we influence. We have developed a framework for analysing charities that guides our visits (the framework can be downloaded from our website). Specifically, we aim to gain an understanding of the following areas:

- Activities, the results of each activity, and any evidence of these results
- Organisational capacity to achieve these results, specifically details about:
    - Strategy (need, vision, strategic plan etc)
    - Operations (governance, leadership, user involvement, staff, systems etc)
    - Finances (reserves, funding sources, unit costs etc)
- The risks faced in achieving the desired results
- Funding needs.

When visiting charities, NPC likes to meet with a member of management (for example, the director) and if possible, staff of front-line projects. If appropriate, chatting with beneficiaries and volunteers is also useful. Our initial visit with a charity should not take more than two hours. After the initial visit, we hope that charities will be willing to respond to any additional questions if necessary.

To make the visits as effective as possible, prior to our visit, we ask that charities send us the following items, if available:

- An overview of the organisation's objectives, activities and results
- Latest set of full financial accounts
- A copy of the latest annual report/review
- Copies of any evaluations
- A strategic/business plan
- A risk register or risk management plan
- An organogram

All charities visited receive the published report and are acknowledged in it.

Recommending charities

In selecting charities to recommend to donors we consider all the elements in the charity analysis framework and make a judgement based on these. Our sample portfolio is designed to give potential funders a flavour of some of the many effective organisations working in this field.

NPC analysts present between 5-15 two-page charity recommendations to an internal 'Investment Committee', which includes the head of research, other members of the research team, and members of our donor relations team. This committee agrees which charities to recommend to donors. If approved, NPC shares a draft of the recommendation with the charity in question to check for factual inaccuracies. We ask charities to review the two-page recommendation annually to update the information.

What happens if NPC recommends a charity?

NPC's marketing and donor relations teams actively seek potential funders to share the charity recommendations with. We hope that most recommendations will be funded, but we cannot guarantee that this will be the case. The process of finding funders is often lengthy and we cannot predict what will interest them most. It is important to stress that *the decision to fund particular charities and projects will always rest with the donor or funder* and not with NPC.

NPC does not want to disrupt your existing fundraising activities and relationships with funders and donors. NPC's efforts should be seen to complement and not replace your fundraising efforts.

What happens if NPC does not recommend a charity?

Practical constraints prevent NPC from producing recommendations for all the charities we visit. There will be many worthy charities that are not listed in NPC's portfolio of charity recommendations. However, each set of recommendations is regularly assessed and periodically updated as situations change. For example, as the number of NPC clients increase, the portfolio will need to be expanded and NPC will write additional charity recommendations. New organisations and projects will also be considered as part of the updating.

All charities visited during the research process will be acknowledged in the resulting research report, regardless of whether they have become NPC recommendations or not. We will also contact all the charities that were visited but not included in our portfolio of recommendations to follow up on our meeting.

Appendix 5: NPC's donor charter

New Philanthropy Capital (NPC) is a charity that advises all types of donors on how to give more effectively. Our aim is to increase the quantity and quality of resources available to the charitable sector. We do this through a combination of published research and tailored advice. Our research identifies charities, large or small, that are achieving excellent results. Our advice for donors guides them on how to ensure their money has high impact. In all of this, we focus on the long-term benefits for the people served by the charities.

For more information on NPC please visit our website at www.philanthropycapital.org.

NPC donor services

NPC uses its research and experience to help donors ensure they have high impact and a rewarding experience. We do this in three ways:

- **Developing tailored strategies:** We can help answer questions such as: What do you want to achieve through your giving? Which causes, geographical areas or types of charities do you want to support? What type of funding are you looking to provide (long-term or one-off, local or national etc)?
- **Selecting which charities to support:** Getting independent, expert analysis can help donors be confident that their donations will have maximum effect. NPC helps you understand how your money will be used, highlights the work of large and small charities and enables you to build the relationship you want with charities.
- **Reporting on performance:** We report back to you how your funding has been used in order to assess its impact.

NPC good giving principles

NPC believes that donors should care about the measurement of charities' results, because they should aim to fund charities that achieve excellent results. Donors can think about measurement of results in terms of:

- The **results** of each of the charity's activities
- The **risks** threatening the achievement of these results
- The organisational **capacity** to sustain the delivery of these results.

More detail on each of these factors can be found in our report *Funding success* (freely downloadable from our website). Additionally, donors may have a preference for funding organisations in certain geographical areas, delivering particular services or at a certain life stage. The funding need of the organisation should also be considered.

NPC suggests the following general principles when thinking about *how* to give to charities:

- **Pro-active selection of charities based on results:** Donors should support charities that are achieving excellent results for the people they serve, rather than charities that have the most effective and professional fundraising teams or the lowest administrative costs (all organisations need administrative costs in order to be effective; low admin costs may in fact be a sign of an inefficient organisation).
- **'Light touch' engagement with charities:** In most instances, we recommend that donors minimise the demands on the time and resources of the charities they fund. In practice, this means not imposing arduous reporting requirements and limiting visits and contact with charities. A range of different levels of engagement may be appropriate, depending on the objectives of the donor.[24]
- **Funding organisations, not projects:** As a donor, it is tempting to stipulate that a grant can only be used for a particular project, because this makes it much easier to see the direct charitable impact of the donation. However, we believe that this practice can limit the impact of the donation. Firstly, it may cause charities to propose projects that meet the donor's objectives, but which stray from their core mission. Secondly, if circumstances change, then charities are unable to respond. We believe that the charities we recommend can and should be trusted to make decisions in the best interests of the people they serve. In general, we recommend that donors fund organisations, not projects. Practically, this means giving unrestricted funding.

- **'Just right' donations – not too big, not too small:** Judging the right size for a donation to a charity is an art, not a science. If a donation is too big, there is a risk that rapid growth will create significant organisational problems, particularly when the donation runs out. At the other end of the scale, if a donor makes a small donation and requires a charity to go through application and reporting processes then the administrative burden may outweigh the benefit of the donation. Of course, small donations with no strings attached are always welcomed by charities. Our researchers work with charities to understand their financial needs, and recommend a suitable size for a donation. In general, we work on the assumption that contributing more than a third of an organisation's annual income may create problems. However, if a charity is looking to grow significantly and it has a robust strategy for growth, a larger grant may be entirely appropriate.
- **Multi-year support:** We recommend that donors should provide multi-year support for charities, rather than giving them a lump sum in a single year. Choosing the right length for a grant depends on the specific case – as a guide, grant-making trusts often give three-year grants. Multi-year support gives charity leaders the opportunity to make long-term plans to improve their organisations and build projects that will create and sustain improvements in the lives of the people they serve. It also allows donors to build longer-term relationships with the charities, if they wish.
- **Funding measurement:** Because of the widespread lack of funding for measurement and performance management, we believe that donors should consider allowing a proportion of their giving to be dedicated to building this capacity among charities selected for support.

Appendix 6: NPC's expert charter

New Philanthropy Capital (NPC) is a charity that advises all types of donors on how to give more effectively. Our aim is to increase the quantity and quality of resources available to the charitable sector. We do this through a combination of published research and tailored advice. Our research identifies charities, large or small, that are achieving excellent results. Our advice for donors guides them on how to ensure their money has high impact. In all of this, we focus on the long-term benefits for the people served by the charities. For more information on NPC please visit our website at www.philanthropycapital.org.

NPC research

NPC carries out independent research and analysis on where and how funds and resources can be targeted most effectively. Our research reports are written to inform and influence funders and, in particular, to generate new philanthropy. We disseminate our reports to grant-making trusts, businesses, corporate foundations and wealthy individuals.

The objective of NPC **research reports** is to analyse the role, effectiveness and needs of charities involved in each area, with the aim of a making clear recommendations for donors based on results. Our research is evidence-based, drawing on visits to charities and dialogues with practitioners. We also draw on published material and **interviews with academics, policy-makers, grant-makers and other experts**. The research is framed around the following questions:

- What is the social need or problem being addressed?
- Why/how should a donor invest in this area?
- What are the results of investing in this area?
- Which charities are achieving effective results in this area?

To complement the research reports, we compile a number of **charity recommendations**. These provide potential funders with an overview of some of the effective charities we visited during our research.

The role of experts

NPC aims to draw on as wide a range as possible of existing research, knowledge and experience during each research project. This effort has two key dimensions: a literature review of published reports and documents; and a series of interviews with experts in the field. These experts may be:

- academics
- professionals
- policy-makers
- grant-makers
- charity representatives.

Our interviews with experts tend to focus on establishing a picture of the sector being investigated, in terms of its key issues, initiatives, and challenges. We aim to build our understanding of which approaches are achieving the most impressive results, to form the context of our research into individual charities. We also seek information on best practices and particularly effective charities working in the area, and recommendations of other experts to speak to.

All experts interviewed as part of NPC's research will be acknowledged in the final report and receive a copy of it. They may also be asked during the research process to act as consultative readers of a draft of the report, and to provide further input later in the research project.

What questions might we ask experts?

Some of the questions we might ask include:

- How do you define the social issue being researched?
- Are there any groups which you see as particularly vulnerable?
- What the key initiatives / changes for government to implement?
- What do you see as the role of the charitable sector?
- Which approaches/interventions have the greatest impact?
- Can you give examples of best practice charities and projects?

Acknowledgements

We are very grateful to the following individuals – and their organisations – for their input into this report and/or for providing us with valuable input after taking the time and care to read the consultation version of this report:

Andrew Ross	The Children's Trust
Cheryl Turner	Relate
David Brown	Charles Hayward Foundation
David Carrington	Independent consultant
Jean Ellis	Charities Evaluation Service
Karl Wilding	National Council of Voluntary Organisations
Peter Wheeler	New Philanthropy Capital trustee
Richard Gutch	Futurebuilders
Richard Murray & Lisa Sanfillipo	New Economics Foundation
Sue Rudkin	Pilotlight
Sarah Mistry	Big Lottery Fund

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