Banking on outcomes for the Third Sector: Useful? Possible? Feasible?

This report was commissioned by the Performance Hub, which works to help third sector organisations (TSOs)* achieve more.

(*charities, voluntary organisations, community groups and social enterprises)

The Performance Hub's vision is of high performing TSOs having a positive impact upon the lives of millions.

The Performance Hub's overall aim is for improved third sector performance, and performance to be an integral part of the third sector's agenda.

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‘Whether they’re collected in “indicator banks”, “indicator libraries” or “indicator menus”, standard indicators can provide useful ideas for people thinking about the ways in which they want to record progress against their outputs, outcomes and processes.

Indicator banks can make the business of setting indicators quicker, easier, and cheaper.

If a number of organisations use the same indicators, it can give them the opportunity to benchmark their work and it may also give them the opportunity to show (collectively) how they contribute to social change.

There can be drawbacks, however. Will a standard indicator be specific enough for your user group and its unique needs? Will reliance on standard indicators reduce the time spent reflecting on aims and objectives? Will staff feel motivated to use these indicators?

And so when nef proposed to investigate the possibility, feasibility and utility of common indicators, the Hub saw this as an important opportunity.’

Tim Wilson, Performance Hub

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Executive Summary

Third Sector Organisations (charities, voluntary organisations, community groups and social enterprises) are in the business of meeting needs, strengthening communities and making the world better, safer, and more sustainable. They are as different as the people and communities they serve. They range from large national organisations of thousands to the local two person or volunteer-led projects. They have one essential thing in common: they exist to create positive change.

Proving positive change in the Third Sector

Making changes- or outcomes- happen is the main focus of Third Sector Organisations (TSOs). Yet most TSOs, both large and small, are unclear about how to demonstrate or measure the change they create- their *outcomes*. There are many reasons for this. **nef**'s research has shown that organisations find measuring their impact too difficult, too expensive, feel that they don't have the right skills, or feel that they need to focus on delivering, rather than demonstrating. The people working 'on the frontline' know that their work has an impact, and, several organisations have already put time into creating common ways of understanding the outcomes of their work. So how is it that these are rarely translated into ways of explaining and understanding effectiveness that reach across the sector? Why is measuring seen as so difficult for a sector where the most important goal is to ensure that positive change happens?

Between the devil and the deep blue sea?

When it comes to proving the value of their work, TSOs find themselves caught between the conflicting demands of funders. Statutory funders require evidence of fixed outputs while non-statutory funders (NSFs) ask for proof of outcomes, but provide few guidelines. This sends conflicting messages to TSOs about what exactly they can and should be measuring.

The UK government is increasingly looking to the Third Sector to deliver public services, and to do so both efficiently and effectively. At the same time, the Gershon Review of Efficiency is driving cost savings within every Local Authority in the UK. This overarching government target means that little attention has been placed on 'effectiveness' as a way to understand the additional value that TSOs bring.

Organisations that are better able to identify and prove their outcomes in terms of cost saved or units delivered can have an edge in the commissioning process, reinforcing the mistaken idea that 'better' means 'cheaper'. **nef**'s research indicates that the current process puts both the commissioners of services and TSOs in a straightjacket. TSOs are asked to provide data on outputs as the amount of service delivered or number of people served, but there is little opportunity or ability to demonstrate the effectiveness of organisations' work in delivering positive changes in people's lives, meaning that the commissioners of services are unable to include this in their decision making process.

On the other hand, **nef**'s research found that independent funders want to focus on outcomes, but do so in a way that prevents the development of common standards across the sector. Most TSOs are clear about the outcomes they set out to achieve, but leaving each organisation to work out how to measure these outcomes for themselves can be unhelpful. It can lead to the constant reinvention of the wheel, or the simple failure to collect robust evidence to prove claims about outcomes. Often, case studies, which may or may not represent the service fully, are used as a proxy for meaningful measurement.

Based on this research**, nef** concludes that developing shared indicators for Third Sector outcomes could enhance the effectiveness of both funders and the TSOs they support.

Is a bank of common indicators for TSOs outcomes possible? Useful? Feasible?

Our exploratory research involved 36 interviews and a seminar, with a total of 42 organisations participating over the course of 8 weeks. This included TSOs of all sizes and types, as well as statutory and independent (non-statutory) funders. We addressed the following three questions.

1. Would it be possible to develop shared outcomes and indicators for the third sector that could be measured?
2. Would it be useful to develop an indicators bank?
3. Would it be feasible to develop an indicators bank?

1. Possible

It is possible to share indicators across 'unique' organisations

Many of the TSOs we interviewed see themselves as sharing common ground with other organisations on the outcomes they set out to achieve. In fact, many are already networking, discussing and sharing information on outcomes, outcome indicators and evaluation.

Third Sector Organisations of some types are already sharing common outcomes.

Organisations are creating resources like the Homeless Outcomes Star and are using suites of measures from Supporting People and Every Child Matters. Work by the US-based Urban Institute also shows that it is possible for organisations that are part of a similar sector, or share an organisational type to share common outcomes. An outcomes indicator bank could help to spread this type of clarity across the third sector.

Non-statutory funders see the value of an outcomes focus

Many independent funders already have a commitment to 'outcomes funding', although there is not yet a consistent definition of what this means.

Statutory funders use detailed output measuring processes

Certain statutory funders currently set very detailed output indicators which are not focussed on longer-term outcomes; others, particularly those commissioning social care, felt they would be able to tailor their processes to make use of shared outcome indicators.

2. Useful

Our research reveals several ways in which a bank of common outcomes, and ways to measure them, would be useful.

Sharing understanding about measuring more 'difficult' types of outcomes

Many TSOs are already measuring outcomes, beyond the requirements of their funders. There is, however, currently very little shared understanding across the sector about what measuring outcomes means in practice. Softer outcomes (changes in attitudes or soft skills), elements of social change and understanding the added value an organisation creates are often seen as too difficult to begin to approach. Improving outcomes measurement, through a bank of common outcome indicators, and clear guidance to accompany it would fill this knowledge gap.

Making outcomes measurement less resource intensive

Measuring outcomes is important to TSOs, many of whom invest scarce resources into understanding their impact. Most feel that their efforts fall short of what they would like to achieve. Measuring outcomes is seen to compete (for time and resources) with delivering core services. Two ways to make the process easier would be:

1. To ensure each individual organisation has the resources to understand and measure outcomes.
2. To simplify the process and make it easier to understand, decreasing the investment needed to measure outcomes for each individual organisation.

A shared outcome indicators bank could simplify the process of measuring outcomes significantly. At present, many initiatives show 'how' to measure outcomes, but not 'what' to measure.

Enabling funders to understand the effectiveness of their grants or contracts

A shared resource could help funders develop a reporting framework that meets their unique needs but prevents the confusion created by a completely bespoke approach. It would help TSOs to manage multiple requirements more effectively.

Perceived drawbacks

The TSO and funder groups interviewed thought there could be drawbacks to a resource of this nature. The indicators may not be relevant or useful outside their own local or sectoral context, or the resource may not be flexible enough to adjust to the changing needs of the sector. The cross-organisational comparison it could allow may lead to potentially undesired consequences such as league tables. With a standard set of indicators to choose from, the essential process of consulting with, and understanding what is important to, an organisation's stakeholders might be omitted. It could also be trying to do too much for too many, or creating additional bureaucracy.

3. Feasible

A diverse group of TSOs and funders could support and benefit from a shared indicator bank. We asked participants to respond to the idea. Half responded positively (17 of 35), almost the same again were undecided (16 of 35), and two responded negatively. There was little consistency in the reasons given, but one theme that came through was that organisations felt that they had unique standpoints, potentially making a shared resource less useful. Clearly, further exploration is needed.

What would TSOs want from an outcome indicator bank?

The development of a shared outcomes indicator bank would ideally include generic outcomes and indicators as well as content material and guidelines that put outcomes measurement into context. It would promote organisational learning and improvement, and give examples of best practice.

Shared goals and development, links to existing resources and financial support are essential.

Collaboration between TSOs and their funders will be critical in developing a useful resource that can meet multiple needs. Practices and support currently available would need to be complemented by, not supplanted by, commonly shared outcome indicators showing 'what' to measure to demonstrate important outcomes.

In addition to buy-in and collaboration, funding, whether from government, a consortium of non-statutory funders, umbrella organisations, or elsewhere would be vital.

Ownership of the resource and its overall objectives could usefully be held within the national infrastructure, or an independent body, to ensure that any future work maintains the values and direction it started with. It would be beneficial if a group of funders and the TSOs they support got together and cooperated to create this framework.

Conclusion

An indicator bank could bring a number of benefits to the third sector, addressing some of the challenges faced by TSOs as they strive to prove and improve. In addition to offering valuable knowledge to individual organisations, a shared outcomes indicators bank has the potential to help the third sector as a whole to prove its value, and for funders of all types to more fully understand the changes they enable for people and communities. Before such a project could be realised, further exploration is required to engage with perceived drawbacks, identify the types of indicators currently being shared and investigate why there is both support and resistance within the sector.

Structure of the report

The aim of this research is to understand if and how common ways of measuring and demonstrating outcomes, called *common outcome indicators*, might help third sector organisations to measure what matters to them, and contribute to both demonstrating impact and to organisational development (the *proving* and *improving* agendas).

Chapter 1 discusses the proving and improving agendas, reviews current policy on the third sector, outlines the research process, and defines some of the terms referred to in this report.

Chapter 2 looks at whether a collection of shared outcome indicators, brought together as a ‘bank’, might be possible. It investigates the role of outcomes across the sample group and whether the TSOs actively share outcomes and indicators both within and across organisations.

Chapter 3 asks about the usefulness of collecting outcome indicators in an indicator bank and the ability of shared indicators to respond to certain needs of the sample group. It assesses the perceived benefits and drawbacks of a shared indicator bank in light of this.

Chapter 4 examines existing resources similar to indicator banks and investigates the feasibility this approach. This includes an assessment of demand for such a resource across the interviewees. Suggested options are appraised.

1.0 Introduction

1.1 Proving and improving third sector performance

Organisations in the 'third sector', including charities, voluntary organisations, social enterprises, community organisations and other mission-driven, value-led organisations, exist to improve life for people, communities, local economies, and the environment. These organisations are referred to as third sector organisations (TSOs).

The concept of 'performance improvement' for TSOs is about strengthening the capacity of organisations to increase more effectively and efficiently the benefits and positive outcomes for their service users, clients and stakeholders. In this diverse sector, which alternates between competitiveness and collaboration, sharing good practice for measuring outcomes can reduce duplication. A collaborative approach to outcomes enables organisations to learn from one another, allowing them to better *prove their value and to improve their performance.*

Measuring outcomes enables organisations to demonstrate to others that the changes or benefits that an organisation seeks to create are happening. Demonstrating to stakeholders (including beneficiaries, funders, purchasers/contractors and other supporters) that they adhere to their mission, vision and values builds trust in an organisation. This process of *proving* shows that the organisation's services are effective.

Equally importantly, measuring outcomes can feed into internal strategic planning, enabling organisations to reshape activities according to what is working and what is not. It can also feed into their 'unique selling points' as third sector organisations are moving increasingly towards earning more of their income from trade. Understanding the effects of a service or activity in a systematic way can encourage the sharing of learning within an organisation, and enable staff and managers to understand how better to plan for the future. This is very much a part of performance *improvement*.

Third sector support and infrastructure organisations of all types play a role in providing outcome measurement support to third sector organisations. National umbrella bodies, such as the National Council for Voluntary Organisations (NCVO), and capacity building organisations in this area, such as Charities Evaluation Services (CES), as well as local councils for voluntary service (CVS), rural community councils (RCCs), community anchors, and social enterprise development/support agencies all play an important role in helping organisations to prove and improve. The purpose of this research is to explore one approach to strengthening these infrastructure organisations' ability to do this.

1.2 Investment, efficiency and service delivery in the third sector

'All major trusts have woken up to the fact that their obsession with outputs has distorted practice and meant that they cannot say what they have achieved.'[1]

Since the 1980s, both independent and statutory funders have expressed an increased interest in measuring outcomes. The following aspects of the UK policy context are drivers for increasing the skills of TSOs in measuring outcomes and providing resources that enable them to demonstrate their outcomes clearly, consistently, and compellingly.

Public service delivery

Government has become increasingly focused on strengthening the role of TSOs in delivering public services. *Think Smart, Think Voluntary Sector,* a 2004 report from the Active Communities Unit, cites several drivers for engaging TSOs in service delivery.[2]

Third sector organisations are seen as having more independence and freedom than the public sector from institutional pressures, complex structures and rules. Their independence and charitable (as opposed to profit) motive is cited as driving enthusiasm, commitment, and flexibility/responsiveness to customer need.

The report, however, states that 'public sector procurers [are often] too risk averse and worried that VCOs lack the resources, organisation, and business skills to deliver'.

It also suggests that instead of burdening TSOs with onerous reporting requirements relating to processes or frequent contract review meetings, which can be both expensive and ineffective, reporting should be proportionate to the size and complexity of the service. If contracts are too tightly controlled then the flexibility that is one of the benefits of working with the sector can be lost.

The subject of this research, the feasibility of a collection of shared indicators across different organisations, may offer one way to overcome some of the difficulties experienced by procurers in specifying service outcomes. It could also ease the burden of determining how to prove outcomes, value or added value from scratch for each contract, and in pursuing and demonstrating value for money in contracts they tender.

In recent years, government agendas such as *Supporting People*[3] and *Every Child Matters*[4], have become increasingly outcome focused (for example the Every Child Matters Framework consists of five, high-level outcomes), rather than solely emphasising the provision of a service. It will be important for TSOs to both demonstrate their outcomes in ways that government can acknowledge, and in ways that do not supplant organisational priorities and mission in favour of externally imposed targets.

Government investment in a robust third sector

The Office of the Third Sector (OTS) invests in enabling the third sector to be robust and effective in all its activities. The government funded Capacitybuilders (£80m) to manage the 10–year ChangeUp investment strategy to strengthen the support and assistance available to TSOs.

The national ChangeUp hubs are partnerships of third sector organisations aiming to improve quality, efficiency, coherence, and strategic development. The Hubs provide a gateway through which organisations can access a wide range of support and development services. The Performance Hub is funded by Capacitybuilders. Work is managed by a lead partnership of Charities Evaluation Services and NCVO, in collaboration with a group of 11 other organisations.

The Performance Hub seeks to improve third sector performance. Its four specific aims are

1. To increase the awareness amongst TSOs of the benefits of focusing on performance and to improve their ability to use performance tools and approaches.
2. To increase and improve the performance support offered to frontline organisations by local, sub-regional, regional and national infrastructure of all types.
3. To develop a more relevant, more effective and more accessible knowledge base about third sector performance.
4. To strengthen the two-way relationship between funders and TSOs on performance issues.

The Home Office Active Communities Unit, and subsequently OTS, has also provided strategic core funding support to Charities Evaluation Services since 2002 to build the capacity of the third sector with regard to outcomes monitoring.

The third sector and value for money at a local level

National level drives towards efficiency (as expressed in the Gershon Review of Efficiency) and annual cost savings targets at the local authority level run in parallel to these efforts to build the capacity of TSOs and to bring them more fully into the delivery of public services.

This may mean that unless effectiveness is emphasised, narrower definitions of efficiency and value for money will favour larger organisations, or perhaps less effective organisations, in contracting services at the local level. Focusing on outcomes can help to achieve value for money more broadly.

Clearly, there are multiple organisational-level and policy-level drivers for helping TSOs to make their outcomes and effectiveness clearer. This research explores one method of doing so.

1.3 About the research process

The following questions guided the research in the investigation of the research question:

- is an outcome indicator bank technically possible to develop?
- is it useful to the third sector and their funders?
- is it a feasible programme of work in the current third sector context? [5]

1. *What are the current practices in the use of indicators to measure outcomes?*

   Interviews began with a question about the organisation's current practices in measuring outcomes. TSOs explored what they are being asked to measure and evaluate by their funders, what they were currently measuring in terms of the impact of their organisations, and the extent to which they currently feel able to use clear indicators in this process.

2. *What are the issues faced by TSOs and funders in measuring outcomes?*

   This looked primarily at what the organisations were able to capture about the effects of their work, and what outcomes they would like to be able to capture.

3. *Can indicators of outcomes be held in common?*

   This question sought to understand whether organisations believe they are creating outcomes that are shared by or similar to other organisations.

4. *What benefits could be gained by accessing a shared indicators bank?*

   The challenge for this research is that questions about the value of an indicators bank were hypothetical. Respondents were not given any explicit description or definition of what one might look like, but were rather left to describe how a bank of shared indicators might work or look for them, and what use value they might get from it.

5. *Who would want or need an indicators bank?*

   Is there a demand from certain types of organisations and funders? If so which organisations feel the strongest need or perceived benefit of sharing outcome indicators?

1.4 Methodology and sample

Our research combined literature reviews, structured telephone interviews and a seminar-style focus group.[6] 42 separate organisations from the third sector, statutory and non-statutory funders were consulted over a period of eight weeks in the spring/summer of 2007.[7]

The interviews

Structured telephone interviews with 36 organisations lasted between 30 and 60 minutes each. Respondents included 18 charities and social enterprises, 9 statutory funders and 8 non-statutory funders. We attempted to ensure an appropriate range of interviewees to establish a multi-perspective and rich understanding of the issues involved. Sector, location and organisation size were accounted for to ensure the research covered the widest range of organisations possible. Coverage included organisations from across all English regions, both urban and rural and across key outcome objectives.

The seminar

A half-day seminar was held on 27 June 2007 in London. The objective of the seminar was to continue engagement with participant organisations, to open up discussions, to raise critical questions, and to gauge support for the potential development of an indicator bank.[8]

1.5 The boundaries of the research

Our research was exploratory, undertaken within a short timescale with limited resources. While the interviews and seminar give a strong flavour for the responses of organisations throughout the sector, some issues would be well served by additional exploration.

As our research was qualitative in nature, we emphasised what the participants expressed, whilst taking account of the levels of consensus and disparity in opinion with as much accuracy as possible.

The effects on the results of this research may include self-selection. For example, organisations that responded may have been biased toward the idea of measuring outcomes or particular issues therein, and this may over-represent the relevance of the issues. Care has been taken throughout the research process to ensure that all respondents had the opportunity to express their views, through interview, in the seminar, and in response to draft versions of this paper.

1.6 Defining the terms

Effectiveness: delivering a better service (getting a better return for the same amount of expense, time or effort).

Efficiency: delivering the same level of service for less cost, time or effort.

Improving: a continuous process of learning and growth both to support an organisation's social mission and to sustain/grow the business. It is also about actively pursuing ways to get better, for example at delivering goods and services, running efficiently and creating value for employees or partners.

Indicator: A way of knowing that a change or outcome has occurred.

Indicator bank: for the purposes of this research, an indicator bank has not been defined. In part this is due to the fact that we wanted organisations in our sample group to explore the idea of what an indicator bank might look like, and the needs that it might respond to. The indicator bank, in the interviews and seminar, was taken to mean a resource which allowed organisations to look up indicators according to the types of outcomes they were interested in.

Outcome: the changes, benefits, learning or other effects that result from what the project or organisation makes, offers or provides. These are changes that result from an organisation's activity – for people, communities, the economy or aspects of the natural or built environment. They come either wholly or in part as a direct result of the organisation's actions. Outcomes are sometimes planned and therefore may be set out in an organisation's objectives.

Outcome indicator: a specific way of measuring or demonstrating that a particular outcome has occurred. Outcome indicators help an organisation to assess the changes that take place as a result of its project and show progress towards the intended or unintended effects.

Output: an activity or intervention usually results in something demonstrable or quantifiable. Outputs are usually finite – either items created, such as a report or units of carbon dioxide produced by a manufacturing process, or numbers of people who have received a skills training. While outputs are often the first step in creating the longer-term change an organisation is looking for, they are not themselves that change.

Output indicator: a measurable quantity that shows that the project or activity has successfully taken place and that the pre-conditions are in place to achieve the organisations outcomes/objectives.

Proving: is about demonstrating that change is actually taking place, that the organisation is living up to its mission and that it can explain these changes and effects to a range of people that have a stake in what happens. It can also be about demonstrating to these people that the organisation or its activities lives up to or achieves expected standards or measuring to what extent they do.

Value for money (VFM): a term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it. Achieving VFM is also often described in terms of the three Es - economy, efficiency and effectiveness.

2.0 Is it possible?

The *possibility* of developing an indicator bank was first investigated in order to understand how one might fit within the needs and practices of the third sector.

To do this, we reviewed the current practice of the sample group in their use of outcomes and outcome indicators in measurement and evaluation and the role of outcomes for TSOs, as well as the current practices and role of outcomes measurement in funding organisations practice.

2.1 Current measurement practice and the role of outcomes and outcome indicators for TSOs

Our research gauged the possibility of developing a collection of common indicators by investigating whether TSOs already share outcomes and indicators. We also identified two ways in which indicators are being shared currently: through informal exchanges of information and discussion; and through sources of outcome information.

- Exchange of indicators between TSOs in the sample group currently occurs via informal discussions as well as formal networks.

According to the interviews, indicators were shared internally in 13 of the 18 TSOs, that is, across various projects and functions within a single organisation. Over half of the organisations interviewed focus on multiple outcomes and had various projects being delivered simultaneously, indicating that organisational objectives were important in the delivery of various internal aspects of work.

Indicators are also shared between 9 of 18 organisations, with just two organisations not engaging in any sharing of indicators either between projects or functions, or with other organisations.

Table 1: Sharing indicators

TSOs who shared indicators internally across projects and functions	TSO sharing indicators externally with other organisation	TSO who didn't share indicators
13/18 (72%)	9/18 (50%)	2/18 (11%)

Over half of the TSOs and funding organisations interviewed spoke of the informal exchange of information and advice relating to the measurement and evaluation of outcomes.

Externally, this often happens through one-to-one conversations, but is also occurring in established TSO networks and forums. Internally, this can be a more formal approach, with over half of the TSOs organising this process at senior management levels.

> *'We make use of shared indicators from small benchmarking groups set up in our sector. For service users there is value in knowing how we are performing in terms of our fellow organisations' - TSO*[9]

> *'We participate in a group of organisations which meet every few months for a day to discuss outcomes, KPIS and performance management and share information in this way' - TSO*

- TSOs in the sample group were already using outcome information from various sources

TSOs interviewed were making use, to varying extents, of statutory indicators that are either given or pointed towards in various policy documents.

TSOs delivering services to statutory funders make up the bulk of organisations using policy related information, which can be in the form of indicators or measurement guidance. However, some non-statutory funding also related to national and local level strategies, which have certain requirements for outcomes.

Several TSOs indicated that they make use of existing support or examples from the Charities Evaluation Services, from Every Child Matters[10] outcomes and the Balanced Scorecard approach, as well as outcome indicator information from Supporting People[11], to develop their service delivery in a more outcomes focused manner.

Several TSOs made frequent use of the Indicators of Multiple Deprivation (IMD)[12] and NHS databases in designing the delivery of their services. Organisations working with people with disabilities for example, spoke of shared outcomes relating to 'equal rights and quality of life'.

2.2 Current measurement practice and the role of outcomes and outcome indicators for funders

Of the interviewees who responded to funding questions (17 of 18 responses), the average income of TSOs from statutory funding was 58 per cent. This excludes the six per cent public sector grant aid.

- TSOs in the sample group received relatively high rates of statutory funding

The research showed that of the 15 TSOs receiving any statutory funding, an average of 66 per cent of income comes from the public sector. Significantly, 13 of the 15 TSOs receiving statutory funding were dependent on public funds for over 50 per cent of their income (excluding statutory grant funds). Two TSOs received only public funds.

Of the nine TSOs receiving non-statutory grants, 25 per cent of their income was accounted for through this funding stream, whilst 29 per cent of income was accounted for by organisations engaging in income generating activity.

Funding organisations gave a mixed response to the question of their requirements for output and outcome measurement. Unsurprisingly, given the context of national level targets for local authorities, specific outputs measures are very important to statutory funders.

- Statutory funders in the sample group required TSOs to report on a range of output and outcome measures

The 15 TSOs in receipt of statutory funds (other than grant aid) reported that they were often asked to measure outputs rather than outcomes, and were often given prescribed indicators, aligning with local or national policy agendas, to do so.

In general, statutory funders required more specific measurement, focusing on quantitative, short-term outputs.

> *'We are 99.9 per cent statutory funded and don't measure outcomes' – TSO*

> *'We are not asked for outcomes reports by our* [statutory] *funders'- TSO*

The exception to this was statutory grant funding, where outcomes formed a more significant part of the reporting requirements. Of the whole TSO sample however, statutory grant funding formed only 6 per cent of income.

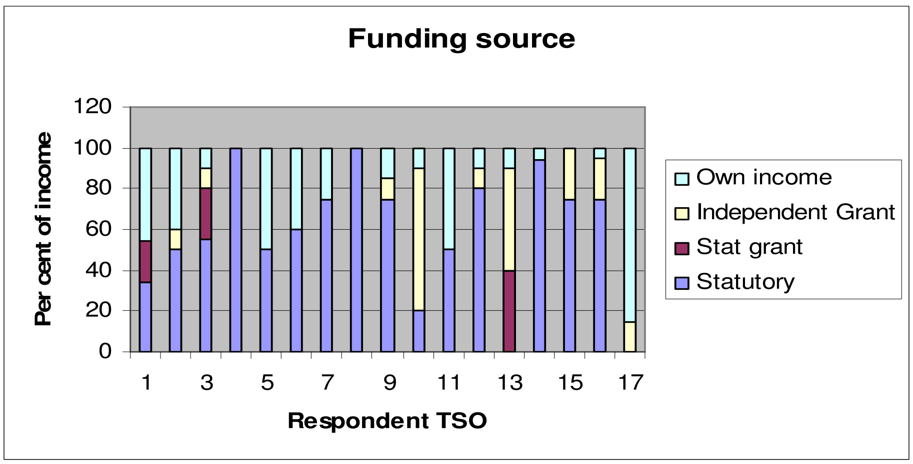

Figure 1: Sources of funding for sampled TSOs

For statutory funders (SFs), national level indicators (such as the IMD) are said to be important in guiding their funding arrangements and SFs are therefore often more prescriptive of output indicators.

Based on the response from the nine TSOs that receive funding from NSFs, they were often asked to report upon outcomes based more broadly on their own organisational aims.

- Non-statutory funders in the sample group asked TSOs to develop and report on their own outcomes

This means that if outcome evidence is required, then organisations must develop and set their own indicators and negotiate these with their funders, even where the outcomes are similar to other organisations.

> *'Our outcomes are, in the main set by us, and agreed by them' - TSO*

In non-statutory funders (NSFs) – philanthropic foundations and trusts – 'outcomes funding' is growing, and is sought by six of the seven respondent funders. In the main, NSFs who responded encouraged and relied on the grantee organisation to specify the outcomes it seeks. Often this is done through organisations selecting case studies and presenting them to their funders. Only one NSF had a focus on quantifiable outputs.

> *'We invest in these organisations because they are going to achieve the outcomes we are interested in. It's up to them to set their own outcomes and be clear about these'- NSF*

'We have a belief in the organisation- that they know their projects best and they could tell us the best way of knowing what they have achieved' – NSF

Four of the seven NSFs had detailed outcomes reporting requirements, which varied according to the size of the grant (or its level of 'risk'). These cases often included support from the NSF in the development of these reporting measures.

Two of the seven tended to 'avoid burdening their grantees with too much specificity about measurement', especially where they perceived that the outcomes were difficult to measure – usually 'softer', subjective or individual level/family changes, and outcomes that take place in the longer term, such as beyond a programme or funding cycle.

2.3 What do shared outcome indicators look like?

Existing collections of indicators and guidance for their use can offer a valuable starting point in understanding how indicators are currently being shared across different sectors or TSOs. However, a brief review of existing indicator banks has not been highly fruitful; this indicates that it may still be a fairly novel approach to measurement and evaluation within the sector.

The Urban Institute Centre on Nonprofits and Philanthropy (ICNP)

The ICNP[13] has developed a common outcomes framework to help standardise approaches to performance measurement in the 'not-for-profit' sector in the USA.

The ICNP's *Outcome Indicators Project* suggests core indicators for 14 categories of not-for-profit organisations and then expands the notion of common core indicators to a much wider variety of programmes by suggesting a common framework of outcome indicators for all not-for-profit programmes. This work is an attempt to provide guidance to not-for-profit organisations in deciding what to measure and how to measure it.

This framework provides outcomes and outcome indicators in 14 programme areas including: Adult Education and Family Literacy; Advocacy; Affordable Housing; Assisted Living; Business Assistance; Employment Training amongst others.

The London Housing Foundation Homeless Outcomes: the Outcomes Star tool

The Outcomes Star tool is used for measuring the outcomes of work with homeless people and was developed by Triangle Consulting for the London Housing Foundation.[14] Both funders and service providers use it.

The tool was originally developed for service providers to report on the effects their work was having on the lives of the people they support, along with the expected outcomes. The development of the Outcomes Star tool involved consultation with various stakeholders, and the tool was piloted by four projects before being finalised.

According to the Audit Commission March 2006, 'the Outcomes Star measurement system has generated a considerable amount of interest within the sector and we view it as an example of positive practice in relation to tracking individual development and progress against multiple vulnerabilities.'

2.4 Banking on outcomes: is it possible?

Implications for TSOs

A key finding of our research shows that half of the TSOs in the sample group were already members of external networks and groups which focus on outcomes, indicators and evaluation across organisations. These practices indicate the existence of shared and common indicators, significantly within sectors, but also potentially across sectors.

Over half of TSOs also had informal or formal internal discussions with colleagues about outcomes measurement, focusing on outcomes for different projects and functional activities within their organisation. This indicates the desire of organisations delivering multiple functions to measure their collective impact, based on the values and objectives of the organisation.

A common outcome indicators framework/bank could assist TSOs to share more effectively and systematically.

Implications for statutory funders

High levels of statutory funding in the sample group biases two-thirds of TSOs towards measuring things that a) are not outcomes in a meaningful sense and b) may skew what is measured towards governmental, rather than organisational, agendas.

TSOs in the sample group were also making use of seemingly limited sources of existing information to inform the measurement of outcomes within their organisations. Where several organisations spoke of a similar resource, such as the IMD or other policy driven sources, this indicated an aspect of commonality between their activities and the presence of shared indicators.

If government perceives and agrees common outcomes for its agendas, then TSOs could develop common outcomes for their own agendas, broadly or by sector, so as to avoid mission drift. However, our research suggested that certain funders, such as the London Development Agency for example, set very detailed output indicators. They may currently be restricted in how they would use an outcome indicators bank, but also may be challenged by the presence of these outcome indicators in future strategy development.

In contrast, many of the statutory funders commissioning social care felt that they would be able to tailor their commissioning process to make use of shared outcome indicators. In particular, they appreciated that in the case of so-called 'soft' indicators (e.g. distance travelled measures), the providers themselves often had a more sophisticated understanding of the progress of service users than the commissioners.

Participants told us that using resources like the Outcomes Star would help to make reporting to funders clearer and less biased.

Implications for non-statutory funders

Although NSFs gave TSOs the flexibility to operate on their own terms, where NSFs reinforce the idea that all outcomes are unique to an organisation, TSOs may be under the false impression that all their outcomes must be measured in completely bespoke ways, leading to the reinvention of the wheel.

This could mean that some of the support that NSFs gave to their grantees was being wasted, because the ways of measuring key outcomes, which could be useful to other TSOs, were not being shared. Based on feedback from respondents, a common outcome indicators framework/bank could assist TSOs to do this sharing more effectively and strategically.

2.5 Conclusions and recommendations

- Existing outcomes resources highlight some examples of sharing indicators within the sector. The development and functionality of existing tools supports the findings of our research, particularly around the collaborative and organisational learning aspects.
- TSOs need to maintain or develop their outcomes focus in order to ensure a balance between their own agenda and the government's changing political agendas.
- It would be important to have a TSO driven outcome framework to avoid mission drift or co-option by statutory requirements. It could be beneficial if a group of funders and the TSOs they support got together and cooperated to create this framework.
- Statutory funders could use a shared indicator bank to inform their commissioning process, measuring effectiveness rather than limiting assessment to efficiency by outputs.
- Non-statutory funders can better support TSOs in understanding their effectiveness. To assist TSOs to improve, the use of commonly recognisable indicators is one way of avoiding reinventing the wheel.
- Sharing ways of measuring outcomes requires awareness and buy-in from a range of organisations in order to be useful. Guidance on shared indicators needs to link with support organisation's mechanisms and processes, and needs to be both understood – and used – by TSOs. This will enable TSOs to support one another as in a peer mentoring or benchmarking group relationship.

3.0 Is it useful?

We investigated the usefulness of shared indicators collected in a bank in such a way as to keep an open discussion about what an indicator bank might look like to the sample group, the needs that shared indicators might meet, and levels of demand according to what might best suit the current practices of TSOs and their funders.

3.1 The importance of measuring outcomes

It was clear that the measurement of outcomes was of great importance to the sample group of TSOs.

- TSOs in the sample group were currently developing and evaluating their own outcomes

Fifteen of the 18 responding TSOs were deciding outcome indicators internally, often at senior management level. A further 15 TSOs saw the development of outcomes as a core activity within their organisation, with the services they provide feeding into the overall objectives of their organisation.

> *‘This is about not just doing what the funder wants, but to have our own measures aimed at helping homeless and vulnerable people to find decent homes, build supportive relationships and lead fulfilling lives. – TSO*
>
> *‘We need to know whether we are doing the right things - and whether we are doing them right’ – TSO*
>
> *‘We have an evaluation and risk management team to work on the issues of monitoring outcomes’ – TSO*

3.2 Key issues of measurement for the sample group

Over half of the sample TSO group and the funder groups discussed difficulties with measurement of outcomes, with the role of shared indicators centred upon the following key issues:

- A lack of a common reporting framework for funders

Eleven of the overall 18 respondent TSOs said that their funders had different reporting requirements, resulting in multiple reports, sometimes consisting of similar output and outcome information, but at times requiring different information.

> ‘*There’s no common reporting regime, you are often repeating what you say in a slightly different way and different format’ – TSO*

- A lack of a common language and understanding of outcomes in the sample group

TSOs and funders indicated that there is a general lack of understanding or common language of what outcomes and their indicators actually are, both within their own organisations and across the sector as a whole.

> *'We have 300 staff and 1500 volunteers and I can count on my hands the number of people who really understand outcomes. If we had a common way of doing that my job would be a lot easier and so would many of our jobs' – TSO*

> *'There is a danger of people leaping to the endpoint and building something new before we've developed the language' – NSF*

> *'We need to have a clear methodology about how people formulate outcomes. The eye opener is that the outcome versus output conundrum has not been resolved within the commissioning sector and local authority level' – SF*

> *'It would be useful to give those charities a lot of understanding about what it is they want to measure for themselves. They have to report to the charity commission who say you need to measure these things but won't give you any idea how to do it. For some charities it is very difficult to measure anything other than numbers' – TSO*

- There was often a deficit of funding to support outcomes measurement and staff within the sample group

TSOs found that finance for the measurement of outcomes for organisational improvement is often limited to what the funder is asking for. TSOs did not receive funding for the measurement of outcomes when they were not required by the funder. TSOs receiving statutory funds fell into this category.

Over half of TSOs decided outcomes measures at senior management level, however less than half had specialised staff or consultants to assist with or undertake this area of work.

> *'The systems and processes that are needed* [to measure outcomes] *don't exist and the infrastructure and money to set them up is not available'. – TSO*

> 'We *are moving towards outcomes measures, but at the moment it is second fiddle to winning contracts or getting funding to deliver the service' – TSO*

> '*Sometimes measuring things gets in the way of doing a decent job' –TSO*

> *'Sometimes we don't have the systems in place… and we don't have a dedicated member of staff to do all this' – TSO*

> *'Costs of developing systems can be a drawback… outcome measurement can be expensive' –TSO*

> *'We are constantly fighting a battle not only to retain staff but those with the right skills. – TSO*

- The interviewees saw few established or recognised outcomes measures for 'soft' or qualitative outcomes, broader social change or attribution of the organisation's share of the outcomes across the sample group and their stakeholders

More than half of the sample TSO group and funder groups indicated difficulty with capturing or measuring certain types of outcomes, including:

- Longer-term outcomes, outcomes that occur for those other than the primary beneficiary, and unanticipated outcomes.

‘We are not good at capturing longer-term impact. So we do our period of funding for 5 years, and we want to know what happened afterwards but can only look at a small sample’. – NSF

‘There are always …unexpected outcomes from TSOs which we can’t measure’ – NSF

- Measuring ‘soft’ outcomes and broader social change

  ‘*We are unable to catch the in-betweens, for example the woman who got a job after six years unemployed - her son is doing better in school, the other has now gone back to school, and her husband has gone back to work. The additional family stability has not been captured’ – SF*

  “We are not purely a service delivery organisation; we are a social change enterprise, so we can’t achieve our mission by only providing services.” – TSO

- Understanding the organisation’s share of the outcomes

  Organisations wished to understand their outcomes with respect to others but found this difficult. For some, the knowledge that others contributed to the outcomes (multi-causality or measuring ‘additionality’) prevented them from attempting to understand their share of those outcomes.

  ‘We have funded people to do work around policy and you expect that it will have an impact but attribution is difficult to prove’. – NSF

  ‘We are *interested, ultimately, in the experience of individual disabled people. If we were in a position where we were able to prove the combined effect of the work we have done it would be fantastic’ – TSO*

3.3 Perceived benefits and drawbacks of an indicator bank to the sample group

Comments from TSOs and funders were captured to highlight a point of view across the sample groups – those that were shared by more than half of the respondent organisations for each benefit or drawback were considered.

♦ There is a set of benefits that was perceived by the sample TSO and funder groups

- A set of common indicators made available to TSOs and funders would lead to reduced time and resource requirements in the outcomes measurement process.

  ‘It could reduce time and resources needed’ –TSO

  ‘Plainly, reduced time and effort spent developing their own indicators’ - NSF

- Common indicators might lead to greater consensus around ways of measuring and reduced ‘reinvention’ of outcomes measures.

  ‘There is not enough sharing and too much reinvention of the wheel going on’ – TSO

- A shared language could enable complementary activity to occur between TSOs and funders

  ‘It would create a shared language and funders could know if they were complementing each other’ – NSF

- The availability of a shared indicators bank might stimulate smaller organisations to measure outcomes to positive effect.

'It could stimulate smaller organisations to think about what they are doing, triggering innovation and creativity' – NSF

- Shared indicators might facilitate the comparison of organisational impact within and across sectors[15].

  'Shared indicators would allow us to compare impact with other organisations with common interests' - TSO

- There is a set of drawbacks that was perceived by the sample TSO and funder groups

- A shared indicators bank would not guarantee that the measurement of those indicators would be applied consistently by TSOs or funders

  'Consistent application will be difficult to account for, particularly across sectors' – TSO

- The presence of a shared indicators bank in itself would not guarantee that the indicators provided would be widely accepted by TSOs or funders. The process of developing and bringing together measures would have to be inclusive.

  'For this to work it would have to be accepted across the board, if it was not accepted widely then it would just be another set of indicators' – TSO

- There is no guarantee that indicators would be relevant or useful outside their own local or sectoral context, or that an indicators bank would be able to adjust according to the changing needs of the third sector.

  'Indicators would not match local contexts' – TSO

  'Indicators can be static and our lives change over time so they need to respond to changes' – SF

- As mentioned previously, organisational comparison may lead to potentially undesired consequences such as league tables, or to additional layers of bureaucracy being created.

  'The danger would be if you started to move toward a league table scenario' – NSF

  'The risk can be managed by careful construction - not of a single scale table - but of several different leagues - one for each paradigm. If there were to be enough paradigms (and hence discrete leagues), the result might be useful. If not, an exercise that is meant to enhance understanding could easily trivialise important issues' – TSO

  'There is a risk of an indicator bank turning into an expensive straightjacket…' - TSO

- With the vast number of outcomes acted upon by the third sector, there is a possibility of a shared indicator bank trying to do too much for too many.

  '[a danger might be] *…that the Indicators Bank tries to become all things for everyone and becomes so unfocused it doesn't meet any specific need' – SF*

- Finally, a potential pitfall may be that a shared bank of indicators, if not used properly, could cut out the essential process of consulting with, and understanding what is important to, the organisation's stakeholders.

3.4 Banking on outcomes: is it useful?

Given complex multiple reporting requirements and the limits of funding for outcomes measures, measuring outcomes was seen as time consuming and costly for TSOs in the sample group. This is a cost that a TSO must bear itself where funding does not allocate adequate additional resources to this area of work.

Evidence implies that what is not resourced does not get pursued/done. In the absence of funding to pay for intensive work, the work itself needs to be made less intensive.

There appears to be little common understanding in the sector about what measuring outcomes actually means. This is reflected in the apparent deficit of measurement skills in the sample group. This lack of skills or a common understanding implies a knowledge gap in the sample group, and means that soft outcomes, elements of social change, and additionality, are seen as harder to measure.

The underlying factors implied by TSOs giving rise to these issues relate to the absence of a sector wide agreement of various aspects of outcomes measurement and the general lack of finance for individual organisations to deal with outcomes measurement.

This research has shown that the support and information currently available about *how* to measure outcomes may not be enough. Further information about *what* to measure can provide useful guidance if TSOs are to evidence the outcomes and impacts they create.

An indicator bank could work to generate a shared understanding of the outcomes measurement process by facilitating cooperation and complementary activities across organisations.

By making the outcomes measurement process faster and less resource intensive, and by increasing the range of organisations engaging with outcomes measurement, an indicator bank could also reduce the need for additional funding and contribute to the alleviation of the skills deficit in the sector. It may also serve to promote a culture of measuring outcomes and responding to evaluation.

Furthermore, an indicator bank could increase the availability of recognised outcomes measures by exposing shared indicators across the sector, and reducing the need for individual organisations to reproduce indicators.

Some of the perceived drawbacks might be accounted for through the design and function of an indicator bank. There are some wider implications, such as the potential creation of league tables and loss of the consultative process which feeds into organisational objectives, which will need to be discussed further, and decisions taken as to what action is required to mitigate them.

By ensuring that an indicator bank is flexible and targeted to specific needs and contexts, as well as being collaboratively developed, some of these drawbacks might be reduced.

3.5 Conclusions and recommendations

- Infrastructure organisations, such as the Performance Hub, should generate information about the outcomes that TSOs, despite their differences, have in common. This will respond to the perceived difficulty across the sample group of the practice of outcome measurement.
- Currently available support would be complemented by, not supplanted by, commonly shared outcome indicators showing what to measure to demonstrate important outcomes.
- Where organisations are experiencing a range of barriers to outcomes measurement, increasing funding to individual organisations to measure outcomes (as is implied by the finding that there is a lack of funding for outcomes in the sector) might not help. What may be of more use is a

strategic approach, including investigation into and collection of shared indicators to make the measurement process less resource intensive.

- The options in the project design going forward range from assuming drawbacks would be addressed in a collaboratively designed resource, to taking a completely different approach to the needs of the sector. A full risk analysis is advised for any ongoing work, bringing these and other issues into consideration and further debate within the third sector.
- Seminar participants indicated that an indicator bank must be a capacity building, collaboratively developed, and user-led resource rather than a top-down imposition. It must integrate with current practice and build upon and complement the support already in place.

4.0 Is it feasible?

This question looks at the demand for an indicator bank, or the extent to which it is likely to be used by the sample group at this point in time. The requirements of the TSOs and funders in the sample group have been taken into consideration in the development of a broad model for an indicator bank, with cost comparators and existing resources being used to develop and appraise indicator bank options.

4.1 What TSOs want from an indicator bank

If a bank of common indicators were introduced, responses to interviews and the seminar point toward the demand for it to fit into the current practices of the third sector, begin to break down barriers to TSO improvement, and complement existing support to take the sector forward as a whole. This could allow better outcomes-based evidence of value for money in contracting and could enable funders to support outcomes created for people and communities.

Seminar participants discussed a system focusing on organisational learning and improvement, rather than as a bureaucratic tool, or additional layer of reporting requirements placed on the third sector by its funders.

Participants saw an indicator bank as a potential resource to demonstrate and give examples of outcomes measurement best practice. A resource of this type would be a source of learning and a shared way of working, and would act as a source of inspiration for TSOs to engage with outcomes. A sectoral approach was found to be important for TSOs, as was the use of a social, economic and environmental classification in order to cover the wide range of TSOs that may make use of an indicator bank.

Participant organisations also wanted to see a collaboratively developed resource, particularly one which takes into account the recipient of the services or the activities of the organisations. In our research, that included a mix of TSOs, statutory and non-statutory funders. Defining this group accurately will require further investigation.

As all organisations have different approaches to the development of outcomes and ways of measuring them, the resource must ensure that it works in conjunction with current best practice.

4.2 Who would want or need an indicator bank?

In total, 17 of the 35 interviewees supported the idea of an indicator bank, two were against the idea, and 16 were undecided.

Most of the TSOs and NSFs were undecided and could not state that they were unequivocally for or against the idea. In part this was due to the lack of detail about what exactly an indicator bank might be at this stage of the research.

Different organisations felt differently about whether an outcomes indicator bank would be of use, and how. There did not appear to be a single underlying reason for either positive or undecided responses. The organisations varied in size, area of delivery and location. This raises a further area for investigation for any research going forward. Further exploration and piloting would be needed.

For one organisation, and a point that was alluded to by several others, their 'unique' standpoint or area of delivery reduced the value of shared indicators.

> *'Our internally developed systems fit our own needs, and we don't feel that it would be all that useful to our organisation' – TSO*

This raises two important questions: Are TSOs outcomes unique? Or is it how they put them together as an organisation that is unique?

Table 2: Organisational support for an indicator bank

Organisation type	For	Undecided	Against
Third sector organisations	7/18 (39%)	10/18 (55%)	1/18 (6%)
Non-statutory funders	3/8 (36%)	4/8 (50%)	1/8 (14%)
Statutory funders	7/9 (77%)	2/9 (23%)	0/9 (0%)
Total	17/35 (49%)	16/35 (46%)	2/35 (5%)

- Some TSOs indicated they would use an indicator bank

Seven of the 18 organisations were positive about the idea of a shared indicator bank.

> '[An Indicators Bank]*… is an opportunity to develop our reporting and will improve use of social accounting, and will make those figure more meaningful' - TSO*

- Statutory funders were generally supportive of a shared Indicators Bank

Seven of the nine statutory funders were in support of a shared indicators bank.

> *'We would be open to including anything in the [commissioned] service specification that gives an organisation a clear idea of what we are expecting from them' - SF*
>
> *'Absolutely – this is what would be needed to evidence value for money' - SF*
>
> *We would definitely* [use it]*, and link it to sustainable strategies' - SF*

- Non-statutory funders were less sure, but some also expressed support for indicator banks

Half the NSFs were unsure, whilst three of eight were supportive of an indicator bank and one was against the idea.

> *A 'common indicator bank could help charities to report on a selection of indicators... It would create scope for much greater clarity and simplicity, make things more efficient and cheaper' – NSF*
>
> *We would want to snoop around and see how other people are trying to measure things and what has been identified as best practice' - NSF*

We would use a shared indicators bank, but would not dictate their use' - NSF

'We would probably pick and choose the ones that fitted our programmes best' - NSF

There were concerns that '*if TSOs don't have indicators they can offer to funders, it becomes very easy for funders to impose their own indicators' – NSF*

4.3 Possible options for an outcome indicator bank

The seminar participants discussed options for the development of an indicator bank, including the context for shared indicators and how an indicator bank would be presented.

Figure 2 is a conceptual model of an indicators bank developed by the research team based on key features discussed by the seminar participants, to put the basic principles of an indicator bank into perspective.

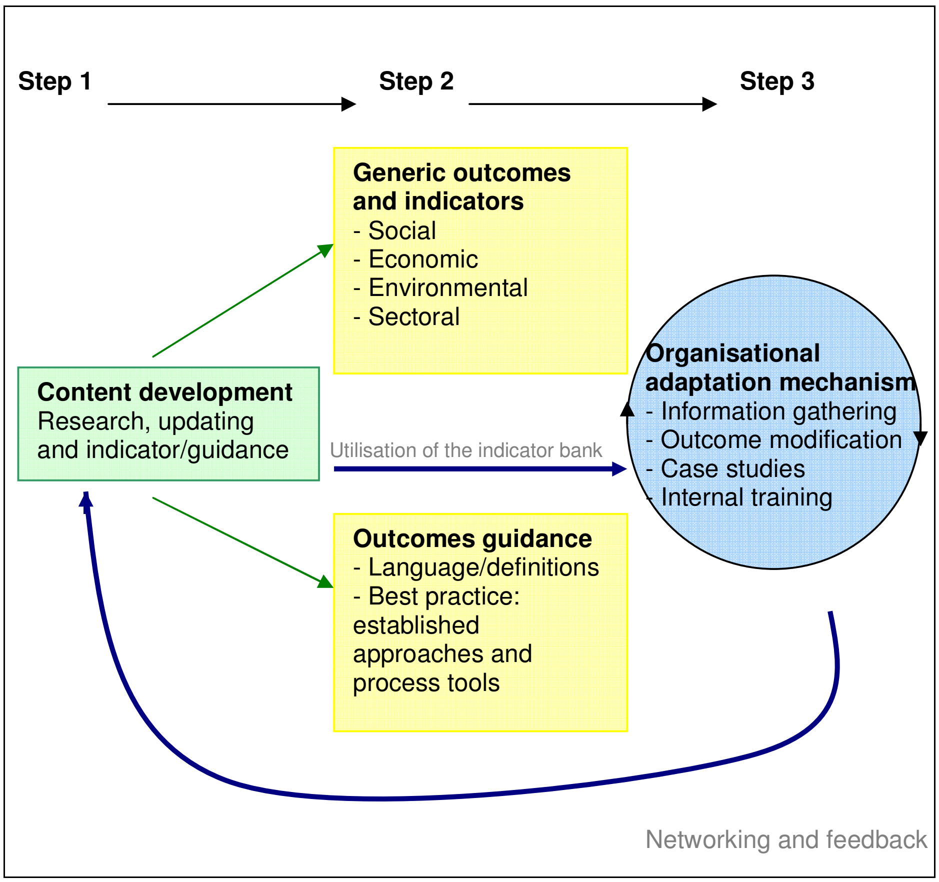

Figure 2: Conceptual model of the function of an indicator bank

Step 1: The model shows an initial research and collaboration phase to drive content generation, feeding into the bank of generic outcomes and indicators, as well as outcomes guidance notes[16] and established approaches. This element has flexibility and collaboration at its core and is made sustainable through feedback from the organisational learning process.

Step 2: Presentation of content – the outcomes indicators, and outcomes guidance information – is produced from the first step. This element is the core function of the indicator bank and provides the material information for TSOs and funders.

Step 3: The adaptation mechanism refers to the ability of an organisation to tailor generic outcomes and indicators to local needs. This requires the ongoing engagement of organisations with the indicator bank, but also within and between organisations. Hence the importance of networking and information exchange at this stage.

4.4 A web-based or paper-based indicator bank?

Respondents discussed two formats that an indicator bank may take, either web-based or paper-based. Both these options were thought to allow for various aspects of the key requirements to be incorporated as the basis for the content, and functionality would be driven by common needs across the TSOs that would use it.

The comparator for the web-based option is the *Sustainable Procurement Cupboard*[17] – an online resource for best practice in public sector procurement. Development, content generation and coordination covered similar aspects of work as the requirements for the indicator bank.

The comparator for the paper based option is the *Prove and Improve Toolkit*[18] – which has a paper-based manual version aimed at providing social enterprise and other mission-driven organisations with ways to prove and improve their quality and impact.

Table 3: A detailed breakdown of possible work related to the development of the two options. Expected costs, resources and timescales have been estimated using relevant comparators by the research team.

Area of work	Activities and resources required	Costs and timescales
Step 1: common to both options		
1. The development of generic outcomes and indicators, and content material that puts outcomes measurement in context	a. Collection of currently shared, common outcomes in collaboration with the target audience b. Compiling sectoral outcomes and indicators based on current practice c. Adaptation of guidance or 'outcomes literacy' materials from specialist sources and experienced TSOs and funders	The cost of collaboration and research could range from £25K upwards
2. Collaboration with the target audience (primarily TSOs and funders) to build support and to market the resource	a. Collaboration should begin from the initial planning stages and could include regional seminars for developing what an indicators bank / resource would look like. Also serve as marketing sessions. b. Publication of marketing materials might also help to raise awareness and support for the use of the resource by the target audience	The cost of collaboration and research could range from £25K upwards
Step 2: a web based user interface		
1. Activities involved in the development of a website, based on the outcomes of the collaboration with the target audience, will include a number of important practical and technical steps	a. Choose a website name / address and host b. Include a static 'generic outcomes and indicators' section c. Include a static 'outcomes literacy' section d. Include an explanatory note on adapting outcomes and indicators to local contexts e. Include an interactive information sharing function to allow users to upload and download outcomes and indicators that have been tailored to the local context f. Include a case study upload and download function to show the use of outcomes and their indicators in a live situation g. Include an interactive networking function to ensure that contact details (such as email addresses or organisation names) can be added to promote sharing of information and learning h. Include a real time discussion page or notice board	The estimated cost of the technical website development would be between £20-50K
2. Resources required include:	a. A researcher to develop content b. A web developer to programme the website and its functionality c. A coordinator to engage the target groups and to market (incentivise use) and manage the overall process, piloting the website and troubleshooting (on an ongoing basis) d. A home base organisation	Expectation of time required for development of an online resource - Engaging target audience: 6 months - Content development: 3 months - Website development: 3 months - Total estimated project period: 12 months

Step 2: a paper based manual		
1. The publication of a paper based resource will include a number of important steps and include:	a. A ‘generic outcomes and indicators’ section b. An ‘outcomes literacy’ section c. An explanatory note on adapting outcomes and indicators to local contexts d. Include a case study section to show the use of outcomes and their indicators in live situations e. A section for contact details (such as email addresses or organisation names) to promote sharing of information and learning f. A calculation of partial or full cost recovery from users (i.e. folders are paid for)	Total project cost estimation (excluding cost recovery option): £40-100K Total project cost estimation (including cost recovery option): £30-90K
2. Resources required to undertake the development of a paper based resource include:	a. A researcher to develop content b. An editor and printer - to edit and publish the material c. A coordinator to engage the target groups and to market (incentivise use) and manage the overall process	Expectation of time required for development of a paper based resource - Engaging target audience: 6 months - Content development: 4 months - Publication development: 2 months - Total estimated project period: 12 months
Step 3: common to both options		
1. Organisational adaptation mechanism	a. This step is dependent on the ability of the user TSO to engage with outcomes measurement, and of the response of the sector to the implications of this work. Adaptation of generic outcome indicators may rely on information exchange, the use and collection of case studies and of training and capacity building	This element is post-implementation and organisation specific, and therefore costs are internal to the organisation. Direct costs are thus not included in the development of this resource.

4.5 Comparing a paper-based and web-based indicator bank

We compared the following features of the two options to show the differences and similarities (benefits or disadvantages) between the two approaches.

Table 4: Comparison of web-based versus paper-based alternatives

Function/content	Web-based	Paper-based
Contains generic outcomes and indicators information	Yes	Yes
Contains outcomes literacy information	Yes	Yes
Includes an explanatory brief on adapting outcomes and indicators	Yes	Yes
Has the ability to share existing information and indicator adaptations with other users interactively	Yes	No
Includes a case study upload and download function	Yes	No
Includes an interactive networking function	Yes	No
Includes a real time discussion area	Yes	No
Includes a cost recovery option (charge for use)	Possible	Yes
Is easily portable	No	Yes
Does not require ongoing maintenance costs and hosting responsibility	No	Yes
Is not heavily reliant on technology	No	Yes

4.6 Banking on outcomes: is it feasible?

Our research indicated that an outcome indicator bank would be feasible. There was a diverse group of TSOs and funders that support and could benefit from a shared indicator bank. However, there was scepticism primarily amongst the larger NSFs interviewed.

The seminar, however, yielded a stronger positive response from participating organisations than the interviews, which points towards the relevance of shared language and common understandings of what benefits shared, common indicators might bring to the sector.

These findings do not point to a shared outcomes indicator bank as the only solution. There are other alternatives that could well complement an indicators bank in order to best meet the various needs of this diverse sector.

The following recommendations, which reflect participants' sentiments, should be taken forward:

1. To engage with perceived drawbacks of an indicator bank.
2. To undertake more in-depth research to identify what indicators are currently being shared and by whom.
3. To engage with the wider third sector to gauge demand more fully.
4. To investigate underlying reasons why some organisation support an indicator bank, while others don't.

An indicator bank could create a resource that would bring a number of benefits to the third sector. According to respondents, it might ease some of the current issues being faced within the sector in both proving and improving, thus enabling organisations to develop internally. In addition, it might assist the third sector as a whole to begin to forge a language of outcomes measurement for itself. However, it is important that the drawbacks outlined above are explored fully.

4.7 Conclusions and recommendations

For national level infrastructure

The findings of our exploratory research imply that the development and use of a common outcome indicators bank could be one useful way to improve the effectiveness of TSOs.

- Organisations like the Performance Hub, and its parent organisation, Capacitybuilders, could take up this idea and further develop it by expanding the feasibility study, or by moving to commission the development work directly.
- Our research suggests that any bank of outcome indicators should be linked strongly to existing initiatives to measure outcomes, including planning and strategy training courses, and other process-oriented capacity building provided by national level support organisations.
- By providing both the process for measuring outcomes, and guidance as to effective ways of working that have been used by other organisations, national level support organisations could make the process of demonstrating effectiveness easier, and contribute usefully to the provision of infrastructure support at the regional and local levels.
- Ownership of the resource and its overall objectives could be held within the national infrastructure, potentially leading a consortium including the philanthropic and public sectors, in order to ensure that any work going forward maintains the values and the direction from which this work has originated.

For local and regional level infrastructure

- The findings suggest that local CVS, social enterprise support agencies and other infrastructure providers across the UK could play a role in both building a common bank of indicators, and ensuring the flexible use of the resource in practice – with the effect of strengthening the effectiveness of the organisations they support. This may help to level the playing field for smaller organisations, which often create positive outcomes but don't have the resources to start from scratch to prove these outcomes to others.

Local level and regional level infrastructure organisations could help TSOs to prove and improve in the following ways:

- Collate good practice and learning about how organisations in their areas are clarifying and demonstrating their outcomes, and seek commonalities and differences as an important part of informing a common or nationally applicable resource.

- Use commonly articulated outcomes and outcome indicators based on good practice as part of strategic planning or business planning assistance they provide to TSOs.
- Ensure the ongoing development of knowledge and good practice from their area informs the work of other organisations throughout the country.
- Ensure that all organisations, including the smaller or less-well resourced have access to the good practice outcomes information that is available currently, mainly to their larger and better-funded colleagues.

For umbrella organisations

Umbrella organisations would have an opportunity to look across multiple organisations that although independent, share similar outcomes, goals or missions.

These organisations could:

- Ensure that good practice in measuring outcomes is surfaced from among their members and shared across sectors.
- Contribute to a national dialogue about demonstrating the effectiveness of third sector organisations.
- Participate in the development and use of a common outcome indicators bank to facilitate learning from other umbrella organisations.

For statutory funders

- The key challenge for statutory funders would be the level of flexibility they have in adapting outcome indicators from a shared indicator bank. Most often, targets set by national or local government drive what is measured. There is, however, considerable variation across statutory funders in this area.
- Recent national policy developments also appear to offer favourable signals for a shared indicator bank. Commissioners are increasingly being encouraged to commission for outcomes rather than outputs. A national 'outcome framework' has been developed for the multi-million pound Supporting People programme which leaves considerable room for the creation of outcome indicators. A similar framework is currently in development for Health and Social Care.[19]
- More generally, the shift towards pooling local public service budgets in Local Area Agreements and the new Comprehensive Area Agreement all point towards statutory funders being given greater autonomy to determine their own outcomes and indicators in partnership with providers, users and communities.
- A shared outcome indicator bank could well complement and facilitate this 'place shaping' policy agenda, especially helping TSOs that span more than one area.

One note of caution is that many statutory funders are facing considerable budget pressures and demands for savings from the Gershon Efficiency Review. The current financial environment is widely expected to become tighter following the Comprehensive Spending Review of 2007, scheduled for the autumn.

This may lead some commissioners and procurement officers to adopt a more risk-averse approach to commissioning and maintain as much control as possible over service specifications. There are examples of statutory funders shifting from grant-aid to an increasing reliance on service level agreements.[20]

If it can be carefully marketed and managed, a shared indicators bank could be a means of helping commissioners under financial pressure to adopt outcome indicators developed by a broader base of stakeholders.

For non-statutory funders

Our research suggests that independent, NSFs like trusts and foundations often allow a high degree of flexibility in specifying, and then demonstrating outcomes with the organisations they fund.

While organisations are not asked to do the nearly impossible job of robustly demonstrating every outcome, this flexibility can also mean that TSOs are not supported in being more precise with the changes they are seeking, knowing when they are being created, and putting evidence gathering into practice to inform ongoing decision making.

Non-statutory funders can have a uniquely influential role in helping TSOs to prove and improve their effectiveness. In this, funders may develop their own capacity, moving away from anecdotal to more robust evidence, and developing a clearer understanding about how their funding can have the greatest possible effect.

Independent, non-statutory funders can help TSOs:

- To be clearer about their outcomes.
- To share good practice in developing evidence of outcomes and effectiveness.
- To ensure that TSOs have the resources to build their capacity to understand, measure and demonstrate outcomes.

Harnessing the resources, stature and voices of independent funders may help to drive government commissioning and procurement towards outcomes, rather than less useful output targets, and could help TSOs to increase their ability to remain mission-driven, rather than output-driven when they blend funding from multiple sources. As NSFs were the organisation type least inclined to respond positively to the need for an indicator bank, this would require further discussion with these funders.

5.0 Conclusions

Third sector organisations exist to create positive outcomes for people and communities. Measuring or demonstrating outcomes has become increasingly important for ‘proving’ their value as TSOs engage in public service delivery or compete for funding. Knowing that their most important outcomes are happening help organisations take quantum leaps in ‘improving’, by focusing them squarely on their reason for being.

Our research found that:

Third sector organisations are already sharing indicators or ‘ways of knowing’ that their outcomes are happening. However, this is most often both patchy and informal. In addition, TSOs are unable to demonstrate their most important outcomes without incurring unfunded costs or duplicating work that has already been done elsewhere.

Creating simple, effective, and clear ways of measuring outcomes is not difficult. It does require time, attention, and specific guidance that is flexible enough to meet a host of different needs.

A bank or collection of indicators that enables third sector organisations of different types to share learning about measuring what matters can help to address the main reasons why TSOs often don’t measure what matters most to them. Sharing knowledge and cultivating the sector’s skill in ‘what to measure’ makes this process less difficult and less resource intensive.

In this exploratory research, the idea of an indicator bank was met with mixed reactions. This exposes a deep trepidation in the sector about moving from the easier to measure outputs required by statutory funders to the case-study/ site visit approach adopted by many philanthropic funders. Building skill, increasing capacity, and helping managers, decision makers and the beneficiaries of services to understand the real value of the third sector organisations they work with is a clear priority.

The idea explored in this paper, of a shared bank of outcome indicators will only help to meet these needs if:

- Third sector leaders and managers are aware of it, and work collaboratively to understand and report on their outcomes as part of their ongoing practice and management.
- It is flexible enough to provide guidance, but not to create a straightjacket.
- It is easy to use and access.
- It helps to measure what matters at a number of different levels: communities, families, local economies and is related to local or national statistics or indicators.

- The contents - the outcome indicators - are recognised by funders of all types.
- Support is available via the various sources of infrastructure across the UK.

For a mature, vital third sector, focusing on outcomes is essential. This research has shown that a common understanding about ‘ways of knowing’ that change is happening has an important role to play. A bank of common indicators is worthy of further exploration at all levels.

Appendix 1: Participants and acknowledgments

We would like to thank the following organisations for the valuable contributions they made in the evidencing and discussion of this research.

Organisations interviewed

Third Sector

Advice UK
Age Concern
Amble Development Trust
Brook Manchester
Community Health International
Community Links
ECT Group
Council for Voluntary Service Blackpool
Homeless Link
MERU
Novas Group
Refugee Council
Rushmoor Healthy Living
SCACCS
Scope
Shelter
Thames Reach
Unique Social Enterprise

Non-statutory funders

The Big Lottery Fund
City Bridge Trust
City Parochial Foundation
Esmee Fairbairn Foundation
Paul Hamlyn Foundation
Tubney Charitable Trust

Statutory funders

London Borough of Camden

Essex County Council
Hampshire County Council
London Borough of Islington
Portsmouth City Council
London Development Agency
Leaside Regeneration Ltd

Organisations that attended the seminar

Performance Hub
nef (the new economics foundation)

Third sector
Scope
T-Pas
ACEVO
Charities Evaluation Services
The Environment Trust
Thames Reach
Social Enterprise London

Non-statutory funders
National Association of Community Family Trusts
The Big Lottery Fund
Community Links
City Parochial
The Association of Charity Officers
The Nationwide Foundation
City Bridge Trust
Paul Hamlyn Foundation
Church Urban Fund

Statutory funders
Heritage Lottery Fund
Portsmouth City Council
London Borough of Camden
London Borough of Islington

Other contributing organisations
Triangle Consulting

The research team would like to thank the following people for their substantive contributions to this work:

Eric Appleby, Chair, Performance Hub, Martin Brookes, New Philanthropy Capital, Sioned Churchill, City Parochial, Irmani Darlington, Homeless Link, Jake Eliot, NCVO/Performance Hub, Jean Ellis, CES, Eilís Lawlor, **nef**, Colin Nee, CES, Richard Piper, NCVO/ Performance Hub, Chilli Reid, Advice UK, Tim Wilson, CES/ Performance Hub.

Appendix 2: Interview questions

1.1 Who funds the activities you do or the services you provide? Please try to estimate using a percentage figure for each of the categories:

a. Statutory funder – name and type of relationship:
b. Non-competitive Procurement/contract
c. Competitively tendered contracts
d. Service level agreement
e. Grant aid

1.2 Does one or some of your funders ask you to set and monitor project outcomes that will contribute towards their own programme aims or stated outcomes? Which ones?

If yes do all your funders ask for similar information?

If no, please tell us which funder and what they request to be measured

1.3 What are the benefits / drawbacks of these requirements?

2.1 Does your organisation create outcomes (for people, communities, the local area) that you cannot express using the reporting requirement specified by your funders?

2.2 How do you select indicators to demonstrate or measure progress towards these other outcomes at present?

a. Who within your organization decides which indicators will be used and how do they make this decision?
b. Is that process difficult in any way?
c. If so, what problems do you have?

2.3 Is the process of selecting and using indicators challenging in terms of resources and staff time?

2.4 Would you describe this as a 'core' or priority activity for your organization?

If not, what other activities would you prioritize over this?

2.5 Have you referred to any sets of indicators available from:

Other organizations, websites, outcomes indicator systems, national bodies

Have you used those indicators?

If yes, how useful were they?

If no, why not?

2.6 Who or what have you used to get support in demonstrating outcomes/ impacts?

a. Social accounting – please specify whom/what:
b. CES Planning Triangle
c. ‘Distance travelled’ or ‘soft’ outcomes tools
d. Umbrella organizations’ tools
e. Your own

3.1 Do you already share outcome indicators, metrics or measures between projects within your organisation?

3.2 Do you share these ways of measuring with other organisations? Why did you make the decision to share and what have the results been?

3.3 Are there any organisations that you collaborate with, where you think it would helpful to share the same outcome indicators? If yes, why?

4.1 What would be the advantages of using a shared indicators bank for your organization?

4.2 What would be the disadvantages or concerns of using a shared indicators bank?

Appendix 3: Seminar agenda

09.30 – 10.00	**Breakfast and refreshments**
10.00 – 10.10	Welcome and introduction Chair: Eric Appleby, Performance Hub
10.10 – 10.20	Context of the research: the Third Sector Performance Hub Tim Wilson, Performance Hub/ Charities Evaluation Services
10.20 – 10.35	Interim findings of the research /emerging themes Lisa Sanfilippo, **nef**
10.35 – 11.05	Panel Discussion 1: TSO perspectives: common outcomes, common indicators? • Max Weaver, Community Links • James Watson, Scope • Matt Stevenson-Dodd, Unique Social Enterprise/ CIC
11.05 – 11.35	Panel Discussion 2: Funding and Measuring Outcomes • Sarah Mistry, the Big Lottery Fund • Martin Brookes, New Philanthropy Capital
11.35 – 11.50	Discussion: Implications of an Indicators Bank for TSOs and funders
11.50 – 12.30	Discussion: What would a common indicators bank look like? Facilitated by Lisa Sanfilippo
12.30 – 12.50	Next steps, Closing remarks and feedback Chair- Eric Appleby, Performance Hub
12.50 – 13.30	**Lunch**

Appendix 4: Organisations, authors and researchers

The Performance Hub

The Performance Hub works to help third sector organisations (charities, voluntary organisations, community groups and social enterprises) to achieve more. The Performance Hub is one of six national hubs of expertise devoted to helping the sector. The other hubs specialise in:

- Finance
- Governance
- Information, communications and technology (ICT)
- Volunteering
- Workforce

The Performance Hub is a partnership. Charities Evaluation Services (CES) is the accountable body. CES and the National Council for Voluntary Organisations (NCVO) are the lead partners. Hub staff are based at CES, NCVO and the National Association for Voluntary and Community Action(NAVCA). The Hub is funded by the Home Office through the ChangeUp programme and by Capacity Builders.

nef (the new economics foundation)

nef (the new economics foundation) is an independent think-and-do tank that inspires and demonstrates real economic well-being. We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environment and social issues. We work in partnership and put people and the planet first.

nef has explored several approaches to the quality and impact of third sector organisations in the past. Its work on 'proving and improving: a quality and impact toolkit for social enterprise' drew upon research in the voluntary and community sector, as well as the social enterprise and private sectors to examine a range of tools being used by organisations across sectors. In 'proving and improving' **nef** began the investigation of common indicators by mapping approaches to social, environmental, and economic outcome indicators.

nef has worked in collaboration with several third sector funders, offering us valuable insight into grant-making processes, and the struggles that occur in attempting to measure, demonstrate, or document outcomes across many different types of funded organisations. One example **nef** has worked to pilot of social and economic outcome measures with organisations like the Heritage Lottery Fund and the Social Enterprise East Midland's Social Enterprise Development Fund.

In addition, **nef** is the lead research and development partner in Camden Borough Council's HMT-funded Invest to Save Programme. **nef** is developing a model for documenting social outcomes/impact that can be applied to public service commissioning with Camden Council.

This report was written by Lisa Sanfilippo and Tim Chambers, with additional research from Josh Ryan-Collins and Martin Cooper.

Co-author: Lisa Sanfilippo

Lisa Sanfilippo is the Head of **nef**'s Measurement and Evaluation team. She undertakes original research and manages a team of researchers. Lisa joined **nef** in 2003 to lead the Social Enterprise Partnership Quality & Impact Project for which she wrote *Proving and Improving*: *a quality and impact toolkit for social enterprise* (2005) accessible via www.proveandimprove.org

In 2006, Lisa co-developed the Camden Borough Council's Invest to Save Budget Programme funded by HM Treasury to demonstrate the benefits that can accrue to the Council via procurement from the third sector in both efficiency and effectiveness. Her current work on the Measuring What Matters Programme focuses upon measurement techniques to promote more holistic government decision-making and resource allocation- using the social return on investment (SROI) and well-being frameworks.

Lisa is a director of the Social Enterprise Coalition, a member of the third sector CapacityBuilders Performance Hub Partners' Group, a former director of the Social Enterprise Partnership (GB) Ltd. (2004–2006) and is a Fellow of the RSA. She holds a BSc in Sociology from Brown University in the USA and an MSc in Social Policy & Planning from London School of Economics.

Co-author and researcher: Tim Chambers

Tim Chambers is a researcher on **nef'**s Connected Economies team, where he explores the potential within local and regional economies to deliver social and economic well-being. This involves investigating innovative approaches and developing new understanding to inform regeneration practice and policy in the UK, and in international development.

Tim's background is in development planning. He has local experience in economic regeneration, enterprise and employment and skills, and has worked in South Africa, Zimbabwe, Sierra Leone and Ghana on collaborative planning and community driven development.

Tim is an active member of the Institution of Economic Development (IED) and an associate member of the Association of Project Management, and has written several articles for the IED Journal. He has a BA in Urban Geography from the University of Cape Town, South Africa and an MSc in Development and Planning from University College of London.

Researcher: Josh Ryan Collins

Josh Ryan Collins is a researcher in the Connected Economies team at **nef.** One of Josh's key projects working with Camden Borough Council is to develop a new process that will help procurers and providers of local public services, including social enterprises, to better understand the social, environmental and economic impact of their decisions and the way that they work. This builds upon **nef**'s tools for local economic renewal, including *LM3*, SROI and *Plugging the Leaks*.[21]

Josh joined **nef** from Local Futures, where he carried out research on the local and regional 'knowledge economy' in the UK and the role of the public sector in regenerating local economies. His work has featured in *Regeneration and Renewal* and *New Start*. Josh previously worked as a strategic analyst at the Central Office of Information in the Cabinet Office where he developed communication strategies for a wide range of government departments and agencies. He holds a BA in Sociology and an MA in Industrial Relations, both from the University of Warwick.

Consultant Researcher: Martin Cooper

Martin Cooper is a freelance consultant who frequently works with the Measurement and Evaluation Team at **nef**. Martin recently co-researched and co-authored the 10-year evaluation of The School for Social Entrepreneurs (SSE). Prior to that, Martin researched and wrote the 'Tools' book of *Proving and Improving: a quality and impact toolkit for social enterprise* (2005) and oversaw the toolkit's development into an interactive website.

Before beginning work with **nef**, Martin worked with fair trade organisations People Tree and Reading International Solidarity Centre whilst founding a social business selling fair trade T-shirts. He has worked on Corporate Social Responsibility at AccountAbility and The Smart Company, provided events support at Social Firms South East and worked as a voluntary teacher in Kenya. He holds a BA in Geography from Queen Mary, University of London and an MSc in Geography from the University of South Florida.

Endnotes

[1] Carrington, D. (2002) 'The Investor Approach: a way forward for the Community Fund?' accessed from www.davidcarrington.net

[2]Active Communities Unit (2004) *Think smart…think voluntary sector*! Good Practice Guidance on Procurement of Services from the Voluntary and Community Sector. Pp. 6-8.

[3] www.spkweb.org.uk

[4] www.everychildmatters.gov.uk

[5] The interview questions are listed in Appendix 2

[6] Any quotations used in this paper have been taken directly from the research interviews.

[7] A participant list is shown in Appendix 1

[8] A participant list can be found in Appendix 1, and a copy of the agenda proceedings in Appendix 3.

[9] Identity of organisations have been protected on request of the participants

[10] www.everychildmatters.gov.uk

[11] www.spkweb.org.uk

[12] www.neighbourhood.gov.uk

[13] www.urban.org/center/cnp/Projects/outcomeindicators.cfm

[14] www.homelessoutcomes.org.uk

[15] The seminar participants discussed both positive and negative aspects of this perception. Experience in other areas of evaluation have led to league tables bringing a negative dynamic into a sector, whilst positive dynamics have been achieved elsewhere.

[16] For example, the Big Lottery Fund's *Your Project and its Outcomes* and the CES *Planning Triangle*, among other resources.

[17] www.procurementcupboard.org

[18] www.proveandimprove.org

[19] http://www.info.doh.gov.uk/consult/commismetrics.nsf

[20] Audit Commission (2007). Hearts and Minds: Commissioning from the Voluntary Sector, p. 52.

[21] The tools mentioned include **LM3**: Sacks, J. The Money Trail: Measuring your impact on the local economy using LM3 (2002). **SROI:** Measuring Real Value: a DIY guide to Social Return on Investment (2007) and SROI: Valuing What Matters (2002)**. Plugging the Leaks**: www.pluggingtheleaks.org.