

## **Funding for voluntary sector infrastructure: a case study analysis**

MORGAN, Gareth G <<http://orcid.org/0000-0002-4429-4835>> and TAYLOR, Marilyn

Available from Sheffield Hallam University Research Archive (SHURA) at:  
<http://shura.shu.ac.uk/5589/>

---

This document is the author deposited version. You are advised to consult the publisher's version if you wish to cite from it.

### **Published version**

MORGAN, Gareth G and TAYLOR, Marilyn (2005). Funding for voluntary sector infrastructure: a case study analysis. ISTR Working Papers, IV, 1-11.

---

### **Copyright and re-use policy**

See <http://shura.shu.ac.uk/information.html>

# **Funding for Voluntary Sector Infrastructure: A case study analysis**

International Society for Third Sector Research  
Conference – Toronto, Canada – July 2004

**Gareth G Morgan** (Sheffield Hallam University, UK)  
& **Marilyn Taylor** (University of the West of England, Bristol, UK)

Incorporating minor changes January 2005 for  
**ISTR Working Papers Publication**

*Address for correspondence:*

Dr Gareth G Morgan  
Centre for Voluntary Sector Research  
Sheffield Hallam University  
Stoddart Building  
City Campus  
Sheffield S1 1WB UK  
Tel: + 44 114 225 5231  
E-mail: [gareth.morgan@shu.ac.uk](mailto:gareth.morgan@shu.ac.uk)

## **Funding for Voluntary Sector Infrastructure: A case study analysis**

**Gareth G Morgan & Marilyn Taylor**

### **SUMMARY**

This paper outlines the policy context for grant-making to voluntary sector infrastructure organisations, and describes a qualitative research programme undertaken in the UK in which a detailed study of 20 such grants were investigated from multiple perspectives in terms of their perceived impact after the projects had finished. The grants were selected on tightly determined stratification criteria, from a large pool of grants for voluntary sector infrastructure work made by the Community Fund (one of the distributors of funds to “good causes” from the UK National Lottery).

Particular emphasis was placed in the study on assessing the impact on other voluntary and community organisations likely to benefit from the support given to infrastructure organisations. The paper concludes that in general terms, grant-making for voluntary sector infrastructure is an effective way of supporting the voluntary and community sector more generally, although there are important lessons both for funders and for grant-recipients to improve the effectiveness of grant-making in this field.

## 1. INTRODUCTION

In recent years, the United Kingdom has seen a massive debate on the role of voluntary sector infrastructure organisations (VSIOs) – that is, voluntary organisations whose principal function is concerned with providing support to *other* voluntary organisations – rather than in direct service provision to the ultimate beneficiaries of voluntary action. Such support may be by means of help and advice, by provision of services, or by representing the voluntary and community sector in the policy making process (Taylor & Warburton 2003). Similar debates have been identified in other countries: e.g. in Australia where the term "peak bodies" is preferred to "VSIOs" (Melville 2003). In the United States there have been extensive calls for grant-making foundations to recognise the significance of funding work with infrastructure organisations (Gibson & McCambridge 2004).

The debate in the UK has focused on the issues of how voluntary sector infrastructure should be organised (national, regional, local, specialist/general) and, in particular, on how VSIOs should be funded. Two major reports by the UK Government (Home Office 2003) and by the National Council for Voluntary Organisations (NCVO 2003) are the latest contribution to this debate. The UK Home Office is in the process of formulating a strategy for voluntary sector infrastructure, which may well lead to the Government investing substantial sums in particular kinds of infrastructure support. The UK Treasury also has a major interest in how far voluntary organisations can provide public services, and recognises that VSIOs have a role to play in equipping voluntary organisations for service delivery roles (HM Treasury 2002).

But the fundamental question, in considering effectiveness of any model for the provision of voluntary sector infrastructure is: to what extent does funding for VSIOs deliver tangible benefits, and, in particular, are those benefits actually experienced by the bottom level voluntary and community organisations that are entitled to look to VSIOs for support?

Although the current policy debate in the UK is focussing on state support for VSIO roles, it is helpful to address the funding issues from the standpoint of non-statutory funders seeking to provide some measure of additionality in voluntary sector infrastructure.

## 2. CONTEXT: THE ROLE OF VSIOs

The research did not take a prescriptive view in relation to the definition of a VSIO, and the case studies included organisations with a wide range of aims and objectives. The research team defined a VSIO as:

"A voluntary organisation whose work is mainly concerned with supporting and/or representing other voluntary organisations, or is concerned with the development of the voluntary sector in general, or a specific part of it."

VSIOs can be national, regional, or local. They can be further classified as general-purpose VSIOs, for example Councils for Voluntary Service which support a very wide range of organisations in a particular locality, and special-purpose VSIOs, which are

often national parent charities supporting a specific kind of service undertaken by independent local voluntary organisations.

In general terms the operational definition of a VSIO conformed to that adopted by the NCVO (2002) in assuming that infrastructure organisations might have the following roles in relation to the voluntary and community sector:

- providing a voice
- development
- promoting best practice and giving advice
- interface with other agencies
- co-ordination and networking

and, secondly, that in order to fulfil these roles VSIOs tend to perform one or more of the following functions:

- support/capacity building
- networking/events
- advice/information
- policy
- research
- services
- training
- campaigning/advocacy.

### **3. METHODOLOGY – THE COMMUNITY FUND PROGRAMME**

In the years 1997-2001, the Community Fund (one of the bodies responsible for distributing the proceeds of the UK National Lottery) identified "voluntary sector infrastructure" and "support of volunteering" as key areas for grant-making (Community Fund 2002). In that period the Community Fund made hundreds of grants to VSIOs for specific projects, the amounts ranging from a few thousand pounds to several hundred thousand pounds.

A team from Sheffield Hallam University and the University of Brighton was commissioned by the Community Fund to undertake a year long study looking at the impact of these grants. The research team comprised the authors of this paper together with a colleague from each of the two institutions, giving a team of four, all of whom conducted selected case studies as described below.

The study sits within the theme of impact assessment evaluations which are widely used for analysis of grant making to voluntary organisations (e.g. Lloyds TSB Foundation for England & Wales 2001). However, it sought to take a distinctive approach based on (a) rigorous sampling criteria from a large pool of grants, and (b) a detailed qualitative assessment of individual grants, using multiple data sources, to the extent that each VSIO receiving a grant was the subject of a small-scale ethnographic study. The study also sought to examine the impact on organisations supported by the VSIOs: it was not simply looking at the VSIOs themselves.

Although the study was commissioned by the Community Fund, care was taken to select completed projects (so that there would be no question of participants feeling that future grant instalments would be affected by their answers), and a confidentiality agreement was established so that only the research section of the Community Fund would know which organisations were being approached, with no details being communicated to the Community Fund's grant-making teams. The final report (Northmore et al 2003) took care to avoid identifying individual organisations which has participated.

### *3.1 Selection of Study Sample*

Starting from the population of the entire list of relevant Community Fund grants to VSIOs in the period concerned, the research team identified a stratified sample of 20 grants, which were selected for detailed qualitative investigation.

The stratified sample first allocated all the grants to regions, and included examples of local or regional projects in eight of the twelve UK regions (the nine regions of England, plus Scotland, Wales, Northern Ireland), plus some England-wide and some UK-wide projects.

The stratification then took account of factors such as urban/rural, national/local, large and small projects, general purpose VSIOs and VSIOs working in specific fields (e.g. health), predominantly white-led and predominantly BME-led organisations, and revenue-based and capital-based grants, seeking to balance these both within regions and between the regions. Where there was a range of projects meeting all the criteria, the final selection was random.

From an initial list, 20 first choice organisations were contacted and invited to take part, with a further 20 allocated to reserve lists within each category to be approached if necessary. Only three organisations declined to take part initially, although subsequent practical problems in other cases (e.g. changes of staff) led the team to use a further four cases from the reserve list.

The sample included VSIOs concerned with the following activities/areas:

- health and social care
- Black and minority ethnic communities
- rural issues
- volunteering
- general voluntary sector support
- housing/regeneration
- education/training

The VSIOs varied in size, from small organisations with one or two paid staff, to large organisations with substantial staff numbers and operating country or region-wide networks. Similarly, the grants which these organisations received varied greatly, from just over £27,000 to over £500,000.

The grants were all for specific "projects" – the Community Fund's principle at the time being to fund projects rather than organisations; in terms of UK charity accounting requirements (Charity Commission 2000; Morgan 2002) they therefore needed to be

accounted for as "restricted funds" in the VSIO's accounts under the principles of fund accounting. However, two of the projects were start-up grants for new organisations, and so were, in effect, unrestricted grants to the organisation as a whole.

For the majority of the organisations, the Community Fund was the 'first choice' of grant maker for the particular project concerned. In most cases, the Community Fund had provided the vast majority of the funding for the project, although for a few of the larger projects, there were substantial other funders in addition to the Community Fund.

### *3.2 Data Collection*

For each of the case study VSIOs, arrangements were made for one of researchers to visit the organisation, with the visit generally spread over two days. In all but three cases the research team visited the premises of the organisation which had received the grant. (In two of these cases, the interviews were conducted by telephone. In the final case, an organisation which had agreed to take part was unable at a very late stage to offer anyone for interview and this case was therefore studied purely from written sources.)

During each visit, the researcher conducted a series of semi-structured interviews with a range of different stakeholders in the organisation, and – importantly – including interviews with representatives of the beneficiary organisations supported by the VSIO. A common semi-structured interview schedule was used by all four researchers. The interviews with the VSIO itself generally included:

- the Chief Officer
- a Trustee (Board member)
- an individual involved in preparation of the bid
- an individual involved in implementing the activity or resource for which funding was sought.

In addition, for each case study, arrangements were made to contact representatives of a range of voluntary and community organisations which the VSIO sought to support through the project (referred to as "beneficiary organisations"). Different methods were used for this: in some cases a group of representatives of beneficiary organisations were brought together at the VSIO for a focus group, in other cases, a range of such representatives were contacted for telephone interviews, and in a few cases, face to face interviews were arranged with a small number of individual beneficiary organisations.

The research team was dependent on the VSIO itself to facilitate this contact (so it was possible for the VSIO to put forward representatives whose views were favourable – they tended to put forward those who had made good use of a service). But it became clear at an early stage that there was little point in talking to individuals from beneficiary organisations who had little knowledge or awareness of the project being studied. In any case many of the projects were seeking to offer reasonably intense support to a limited number of beneficiary organisations, rather than spreading support very thinly to a huge number. However, the interviews with the beneficiaries were all undertaken without anyone present from the VSIO itself, and with a measure of probing within the semi-structured format, good data was obtained, including critical comments in a number of cases.

Documentary and observational research was also undertaken with each case study organisation by studying in particular: the organisation's Annual Report and Accounts (which was requested in every case) and any specific reports or materials which the VSIO indicated had been produced by the project (in some cases these were substantial). All of the organisations were big enough to have premises, and the visit (in 17 of the 20 cases) enabled extensive observation of the physical environment and external aspects of organisational culture.

The studies were limited to some extent by the time interval between the original bid and the present study: in only a few cases was it possible to speak to the prime instigator of the bid, and because the study was looking at completed projects, the key project implementer's post had finished and the person concerned had moved on (though several such individuals still agreed to speak to the researchers). Several organisations had had a change of chief executive at some point in the process, and in the beneficiary organisations (which tended to be smaller, more fluid groups) there were many changes of personnel. This is a problem of all retrospective studies. However, the importance of the study was to examine the final and longer term impact of the projects and if by the time of this study there was little awareness of what a project had achieved, that in itself was a valuable finding. In any case, the use of documentary and other sources provided additional research data to supplement the personal knowledge of interviewees.

### 3.3 Data Analysis

These data from each case study collected by the researchers were all reviewed in the light of information held by the Community Fund in their own files regarding the original grant application and its assessment.

Analysis of the data took an inductive approach, with themes and categories emerging from the data. Initially, two specific grants were investigated, one by each sub-team. Preliminary analysis of these case studies was used to develop tentative themes. Each case study was then written up using a pro-forma based on the interview schedule and the results of the preliminary analysis. Case studies were shared with all members of the research team as they were completed. A content analysis of these reports (supplemented, where appropriate, by further references to the original sources) was then the principle method used to extract the overall findings of the study.

The research team met towards the end of the fieldwork phase to discuss the themes which had emerged from the final content analysis of the fieldwork. From this, agreement was reached on the overall themes which would form the basis of this analysis. The team then grouped categories under those themes. This formed the basis of the final report.

## 4. FINDINGS: KEY THEMES

The findings (which are reported more fully in Northmore et al 2003) yielded a rich collection of data on the effectiveness of VSIOs and their use of project funding. The insights from the various interviews and other data sources were assessed primarily in relation to the question: "*What makes a good VSIO grant?*".

From this, the following issues emerged.



#### 4.1 *Key factors for success*

The key factors which VSIOs identified as important to the success of these grants fell into two groups: those relating to the Community Fund as a funder and those relating to the project or grant recipient. Factors relating to the funder which were perceived to promote success were:

- grants could be for 100% of project costs with no 'match' funding requirement;
- an application process that was comprehensive and challenging but where criteria were clear;
- a willingness on the part of the Fund to take risks in awarding grants, for example where the need was not fully proven;
- monitoring that was 'light touch';
- flexibility in dealing with changing circumstances and needs in relation to projects;
- a sympathetic understanding of the problems that could arise in the life of a grant.

Factors relating to the projects themselves which emerged as contributing to success included:

- the importance of key individuals as 'champions' for projects, especially at trustee level;
- a commitment to working with marginalised groups;
- an awareness of and ability to capitalise on wider developments or trends within the sector – where this was the case a project could typically achieve much greater impact than was otherwise the case (although it was very hard to predict such situations at the time of grant application).

#### 4.2 *Factors inhibiting success*

Problems that VSIOs identified which they felt inhibited their success in relation to the funder included:

- limited face to face contact with Community Fund staff;
- lack of continuity due to turnover of grants officers;
- monitoring arrangements that were too focused on easily measurable targets and financial monitoring.

Other key factors inhibiting success in relation to the projects and grant recipients included:

- the absence of formal evaluation procedures;
- the lack of a planned exit strategy (which frequently meant that project did not finish "cleanly" or did not accomplish all of its goals – for example due to a key member of staff leaving early, knowing that the funding for his/her post was on fixed term);

- poor financial management in terms of managing restricted funds (this is essential in order to ensure that the grant is spent on the purposes intended and that overhead costs were properly allocated: however a number of the VSIOs had no proper system of fund accounting, leaving it purely to their accountants at year end – or even where some kind of fund accounting was used, grant recipients had frequently failed to consider the full overheads of undertaking specific project work);
- insufficient linkage between the project and the rest of the VSIO's work (typically projects created to attract funding, but which had limited relationship to the core work of the VSIO concerned).

## 5. ANALYSIS

The research highlights some of the dilemmas involved with grants in this field. There is a difficult balance to be struck between the sometimes contradictory needs of VSIOs and the wider voluntary sector looking to VSIOs for support.

Moreover, flexibility, where needs and circumstances can change over the life of a grant, has to be balanced by evaluation procedures that focus more rigorously on outcomes. Risk-taking by the funder has to be balanced by the need to ensure sustainability. An appropriately 'light touch' approach to monitoring has to be balanced by the need for funder support in developing a business-planning approach and effective exit strategies.

However, two themes emerged particularly strongly which are of general relevance to funders seeking to support the development of voluntary sector infrastructure. The first was the need to tailor expectations to the particular circumstances of the voluntary sector in a particular locality or field of interest. Funders need to be aware that, where infrastructure is poorly developed, it will take time for leaders and key players within that field/locality to develop the skills and confidence that is required to make the best use of the training, information, workshops and other development opportunities that VSIOs can offer. Often this means working intensively with individuals before services offered to groups will be taken up. Secondly, while there was a need for VSIOs to take a more systematic approach to evaluation, it was also clear that measuring the added value that an infrastructure organisation can offer is not a straightforward exercise.

Many of the issues in funding VSIOs are common to all kinds of grant making to voluntary organisations in terms of assessing the capacity of the organisation to deliver a project they are proposing which, at the time of the application, exists only as an idea. Given that these were mostly grants for a three year period, during which almost all organisations would experience some changes of staff and/or trustees and it is important to consider how an organisation would deal with this – but such issues are not necessarily different for VSIO grants as compared to other grants.

However, it is vital that all grants in this field consider the impact on beneficiary organisations. Although all the VSIOs supported this principle, it was not always obvious throughout: for example, where a VSIO has been awarded grants for improvements to its own premises, it was not always easy for them to explain in what way this had enabled them to provide improved services on beneficiary organisations. The impact on beneficiary organisations was especially hard to assess in relation to those projects primarily concerned with the strategic or representational role of the VSIO, rather than those directly providing some kind of service to beneficiaries. But in some cases the

strategic projects were delivering benefits in terms of a great recognition for the voluntary sector more generally in a particular community or region, which would clearly have very significant long term benefits for individual voluntary organisations, even though it might be hard for them to see such results in terms of the outcome of a particular project.

## 6. CONCLUSIONS

In summary, the principal conclusions of the study in terms of the broad impact of VSIO grants were:

- that support to VSIOs is almost always an effective way of supporting voluntary organisations more generally;
- support to VSIOs is frequently effective in levering in substantial further funding for the third sector (in some cases by as much as a factor of ten);
- funding for specific projects raises a number of practical issues in terms of identifying the activities and outcomes (and there is a wide disparity in the understanding and application of fund-accounting principles);
- as with other voluntary sector work, the relationship between trustees and those responsible for service delivery is a key factor in project effectiveness (cf Harris & Rochester 1996);
- funding for voluntary sector infrastructure can be achieved either through general purpose VSIOs or special purpose VSIOs working with particular types of organisations – both types of grants can be effective, but the specialist VSIOs supporting a number of organisations doing similar work can sometimes be particularly effective in terms of impact on beneficiary organisations, although the general purpose VSIOs are generally better placed to undertake strategic and representational work on behalf of the voluntary sector;
- in most cases, the ultimate beneficiary organisations value the support provided to the VSIOs and do *not* in general feel it would be better to miss out the VSIO and support them directly – there was a wide recognition of the unique services that VSIOs provide.

## ACKNOWLEDGEMENTS

The authors wish to thank the Community Fund for supporting the fieldwork described in this study. They also wish to acknowledge the support of their colleagues Simon Northmore and Sarah Pearson in the fieldwork and analysis. However, they wish to stress that all opinions in this paper are the authors' own and do not represent the view of the Community Fund.

## REFERENCES

Charity Commission, 2000. *Statement of Recommended Practice on Accounting and Reporting by Charities* (Charity Commission: London).

Community Fund (2002), *Strategic Plan 02-07* (Community Fund: London).

Gibson, Cynthia & McCambridge, Ruth, 2004. *Why Every Foundation Should Fund Infrastructure* (The Nonprofit Quarterly - Infrastructure 2004 special issue).

Harris, M & Rochester, C 1996 *Managing relationships with governing bodies* in Osborne, SP (ed) *Managing in the Voluntary Sector* (International Thomson Business Press: London)

HM Treasury (2002), *The Role of the Voluntary and Community Sector in Service Delivery: A Cross-Cutting Review* (Stationery Office: London).

Home Office, 2003 *Voluntary and Community Sector Infrastructure: A Consultation Document* (Active Community Unit, Home Office: London)

Lloyds TSB Foundation for England and Wales (2001), *First Steps in Impact Assessment* (Lloyds TSB Foundation: London).

NCVO 2002 *Consultation Briefing on the review of voluntary and community sector infrastructure* (National Council for Voluntary Organisations: London)

NCVO 2003 *Voluntary and Community Sector Infrastructure: A model for the future* (National Council for Voluntary Organisations: London)

Melville, R 2003 *Changing Roles of Community-Sector Peak Bodies in a Neo-Liberal Policy Environment in Australia* (Research Monograph, Institute of Social Change and Critical Inquiry, University of Wollongong, Australia).

Morgan, GG 2002 *The Charity Treasurer's Handbook: An Introduction to Voluntary Sector Finance and Accounting* (Directory of Social Change: London)

Northmore, S; Pearson, S; Morgan, GG & Taylor, M 2003 *An Evaluation of the Community Fund's Grant-Making to Voluntary Sector Infrastructure Organisations* (Community Fund: London - available at <http://www.community-fund.org.uk/about-us/our-publications/national/cf-research/voluntary-sector-infrastructure-organisations.html>).

Taylor, M & Warburton, D 2003 *Legitimacy and the Role of UK Third Sector Organizations in the Policy Process* (Voluntas 14(3) Sept 2003, 321-338).