Community organisations

A guide to effectiveness

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Executive summary

Community organisations work to improve their local area so that people can lead better lives. They run a variety of services to meet local needs, and are particularly good at reaching people who are isolated, disadvantaged, or might not typically seek help from a charity.

Community organisations are a vital part of our society. But they are also complex and can be difficult to understand, even for the people who work for them. They are flexible, responsive and have several different purposes, and they are not easily compared to other organisations, because of their close links with their local area.

Because of this complexity, community organisations can be particularly challenging to analyse. But they must face this challenge, because they also particularly benefit from analysis. It can help them to look at how their various activities and purposes fit together, and make sure they are as effective as possible.

A proper understanding of what makes community organisations effective can help organisations to improve their services and help funders to improve their giving. This guide shows what makes community organisations effective, looking at six elements of effectiveness: activities, results, leadership, people and resources, finances, and ambition.

Activities

As multi-purpose organisations, community organisations need to find out about local people's needs and provide the best range of activities to address these needs. They should think carefully about whether they are best placed to run each project, and make sure that their activities work together to bring people into the organisation, engage them, and help them with their problems.

Results

Because community organisations are multi-purpose and run a variety of projects, looking at results can be challenging. However, the most effective community organisations measure the impact of their whole organisation, as well as looking at what individual projects achieve. In this way, they can improve their own services and demonstrate to funders that they are more than the sum of their projects.

Leadership

The leadership teams of community organisations need to oversee a range of activities and a range of staff who have diverse backgrounds, skills and jobs. Two aspects of leadership are crucial. First, management should encourage information to flow, promoting good internal communication to make the most of the knowledge that is created by having lots of different services. Second, management should drive the organisation forward and have a wider role in the local community.

People and resources

A community organisation's staff team is a crucial and valued asset. Staff can build relationships with local people and direct them to the most helpful services, so they need to know the organisation well and have the time to develop relationships. Buildings are also an important part of a community organisation. They need to reflect the organisation by being useful, flexible and welcoming.

Finances

If a community organisation is to be independent, flexible and responsive to the needs of its local area, then it must have unrestricted funding. Good financial management is essential to coordinate and keep track of all the moving parts in a complex organisation.

Ambition

The most effective community organisations are ambitious to use their experiences to create social change. This might be through working with local groups or using their experiences to influence national practice. Like all good charities, community organisations should focus on meeting their mission rather than growing their own organisation.

Contents

Introduction

Why we analyse

Analysis can help charities and funders become better at what they do. It helps them to identify strengths and weaknesses, find out what works and what does not, and work out how to improve.

While the benefits of analysis have been well known in the private and public sectors for years, charities have not always been subject to the same scrutiny. At NPC, we have been analysing charities for years and we believe that analysis is key to charities becoming more effective.

Our approach to analysis, set out in *The little blue book*, has evolved over many years of looking at charities.[1] This report follows on from *The little blue book*, but is written specifically for community organisations. It is based on our own experience of analysing community organisations and helping them to become more effective.

What is a community organisation?

Community organisations come in all shapes and sizes, from local village halls to large, modern urban centres.[2] But they all aim to help local people, and they share some key characteristics:

- They are independent.
- They are multi-purpose.
- They involve people from different parts of their community.
- They help to develop their community.

A community can be a few streets, a village or part of a town, depending on the location and purpose of the organisation.

Many community organisations are set up to tackle poverty, but they do not all share this purpose, as even affluent areas may lack facilities for local people. As Figure 1 shows, a third of community organisations are based in England's most deprived areas, and one in ten are based in the wealthiest areas.

Community organisations can be invaluable for local people, giving them the opportunity to improve their neighbourhoods and help them thrive. To make the most of this potential, it is crucial that community organisations examine the way they are run to make sure they are as effective as possible.

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[1] New Philanthropy Capital (2010) *The little blue book*.
[2] Some larger community organisations are referred to as 'community anchors'. They are generally considered to be well-established, with an income over £1m, and they often have a role to play in helping smaller organisations in the community to develop.

Figure 1: Most community organisations in England are working in deprived areas[1]
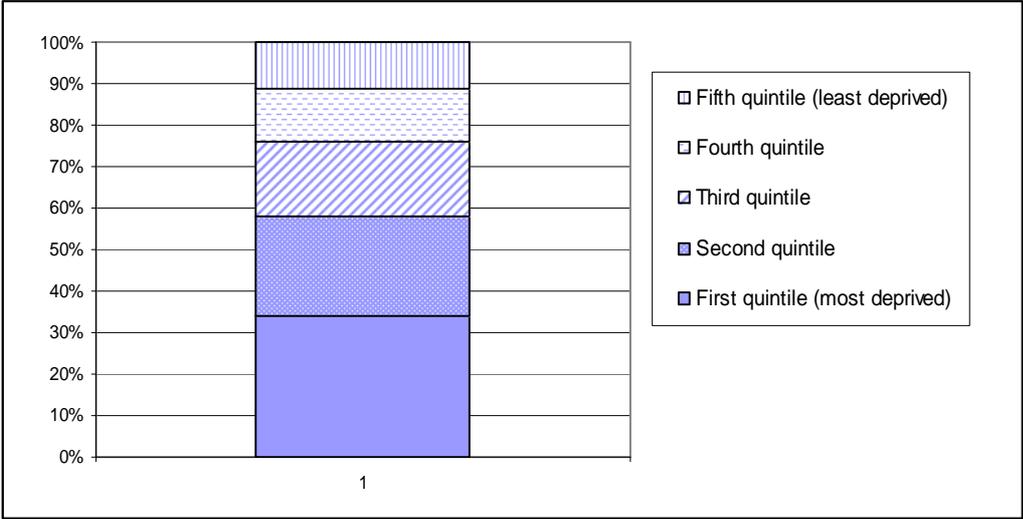
About this report

This report follow NPC's framework for charity analysis, originally set out in *The little blue book*. The first six chapters look at how community organisations can apply the six parts of the framework:

1. Activities

2. Results

3. Leadership

4. People and resources

5. Finances

6. Ambition

The final chapter looks at how community organisations and funders can use this report.

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[1] Figure 1 is based on NPC's analysis of where community organisations are found, looking at the three main umbrella groups in England (bassac, Development Trusts Association and Community Matters) and the 2007 Index of Multiple Deprivation.

1. Activities

NPC's guide to analysing charities, *The little blue book*, describes the characteristics of an effective charity. They include being focused on the greatest needs; offering a range of activities linked to mission and objectives; being able to adapt and innovate; and successfully exploiting the links between activities.

These qualities are all relevant to community organisations that want to make a difference to local people. But there are four additional characteristics that effective community organisations need:

- a multi-purpose structure;
- a focus on the greatest needs;
- prioritised activities; and
- a coherent set of activities.

A multi-purpose structure

The multi-purpose nature of community organisations is integral to what they do and helps them to respond to a whole variety of needs in their area. However, a multi-purpose approach inevitably leads to diseconomies of scale—community organisations rarely gain the same expertise in an issue that a specialist charity has.

The value of community organisations lies in their local knowledge and in the variety of activities they offer, through which they attract people who would not go to a specialist charity. In this way, they overcome the disadvantages of diseconomies of scale.

A focus on the greatest needs

Most charities operate by identifying the issue they are concerned about, then working out how best to tackle it. Community organisations are different: they know where they want to operate, but they do not always know which issue they should tackle.

Community organisations need to put a lot of effort into identifying the needs of their local area. Most identify needs through informal mechanisms—such as looking out for issues that arise in other activities. For this, staff must build strong and open relationships with the people they help, so that they feel comfortable sharing their problems. But the best community organisations also use formal mechanisms to identify needs, such as surveys. The Trinity Centre in east London gives out a questionnaire once a year to the people who use its services, to find out what they like about the centre and what other activities they would like to see.

To be really effective, organisations must look beyond the people who already use their service and be aware of the needs of the wider community. Different organisations manage this in different ways. For example, for one day a year, staff from Community Links in east London knock on doors of local residents to ask them what services they would like.

It is also important for community organisations to ensure that they are aware of what other organisations in the area are doing. Through regular dialogue with other providers, community organisations can find out which issues are being dealt with and which needs are going unmet. As part of their advocacy role, many community organisations have close links with statutory bodies that have an overview of local needs. This knowledge can help community organisations to plan their services and be as useful as possible to local people.

Prioritised activities

Deciding which activities a community organisation should provide is one of the most important decisions that its management team can make. If an organisation is precious about certain activities or wants to do everything itself, it may lead to a poor quality of service.

The management team should think carefully about when their organisation is best placed to run an activity and when it may be better provided by a specialist charity, perhaps in partnership with the community organisation. Some services, such as work with children in care or victims of domestic violence, can only be delivered by people with specialist training. Unless the community organisation is prepared to invest significantly in developing such services, they are often best delivered by a specialist provider.

The management team should ask themselves the following questions when deciding whether to offer an activity:

- Will it reach some people who would not be reached by a specialist charity?

- Does it address an unmet need?

- Does it fit with our existing services?

- Does it require a great deal of specialist knowledge that will take a lot of investment?

- Might it deter people from using the community organisation?

- Is there a risk that it will take over the community organisation?

A coherent set of activities

All community organisations offer a variety of activities—anything from numeracy classes to dance groups to domestic violence services. The activities within a single organisation will usually have developed organically, in response to need, and may appear at first glance to be quite disparate. So to be as effective as possible, management should make sure not only that the activities they provide meet local people's needs, but also that they fit together coherently.

A community organisation should be more than just the sum of its projects—activities should ideally work together to bring people into the organisation, engage them, and help them with their problems. For this to happen, a community organisation should run activities with slightly different purposes:

- services;

- hook activities;

- enabling activities;

- advocacy; and

- development activities.

Services

Services, such as literacy classes or money advice, are designed to meet local people's needs in the best way possible. Services are generally the most important activity that a community organisation delivers.

Many community organisations aim to tackle disadvantage, so their services have recurring themes, including advice, adult education and employment. Because they tackle disadvantage, they often coincide with government aims and receive statutory funding. However, this is not always the case, and many organisations have developed innovative services that fall outside

government aims. For example, Kiveton Park & Wales Community Development Trust is teaching cash-strapped families about raising money through selling things on eBay.

Hook activities

Hook activities, such as dance classes and cafés, are partly driven by local need, but also aim to bring new people into the community organisation. Ideally, hook activities should be varied and attractive to people who might otherwise not visit the centre. For example, Bryncynon Strategy in Wales offers activities such as filmmaking, bingo and cake decoration, and hosts a variety of activities run by other organisations, such as exercise groups and a credit union. All of these activities help to bring people into the centre. These different types of activities are important for community organisations to bring together different groups of people. Bringing together different groups of people is the first stage in building social capital.

It is important that organisations keep track of new people and find out if they then go on to use other services.

Enabling activities

Enabling activities, such as crèches, are not only valuable in themselves, but also allow people to take part in other activities that the centre offers. For example, Windsor Women's Centre in Belfast holds a place in its crèche free for emergency childcare for women who have come into the centre to deal with domestic violence and other problems. The childcare allows the charity to help women more easily.

Advocacy

Some community organisations use information from their services to lobby local or national government. Their view is often highly valued by statutory bodies because they are not closely tied to a particular issue. For example, if a community organisation highlights the importance of parenting services to a local authority, it may be regarded as a more independent and therefore more accurate view than if it were to come from a parenting charity. Southside, a family-orientated community organisation in Bath, is often asked by its local authority for its views on domestic violence, because of the respect the local authority has for Southside's independence and expertise.

Some organisations make advocating on behalf of the community a bigger part of their role. This is often called community organising, which involves bringing together local residents and groups and helping them to campaign. Together Creating Communities in Wales has had a number of successes in such work. For example, it has successfully campaigned for a new shelter for the homeless in Wrexham, which has reduced the number of people sleeping on the streets.

Development activities

Many community organisations aim to develop their local area's capacity, resources and potential, so some of their activities do not meet needs themselves, but help to identify needs and find ways to meet them. This might be through helping new organisations start up or by renting out subsidised space to community groups.

Supported enterprise and employment is one common development activity. Giving local people somewhere to work develops their skills and experience and supports the local economy. For example, wherever possible, the Ockment Community Centre in Devon gives contracts to small, local businesses to support the local economy.

Some community organisations devote time and effort to helping other organisations develop. For example, Exeter Community Initiatives helps to set up new groups and supports them to become independent. Community organisations like this often become an informal umbrella group for the local area.

Using the whole range of activities

Community organisations need to make sure that they use the whole range of activities—services, hook activities, enabling activities, advocacy and development activities—to provide the most benefit for local people. Without the whole range, the impact on the community is reduced (see Figure 2).

Figure 2: How community organisations use different types of activities to strengthen their local area
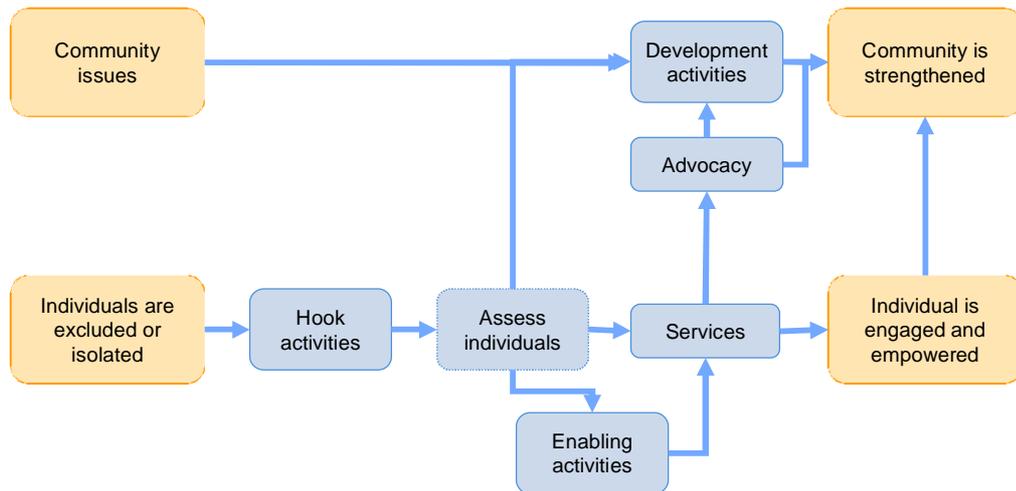
2. Results

The little blue book outlines what NPC expects to see from all effective organisations in terms of results. There should be a commitment to measuring and learning from results; high-quality evidence of results; and a culture of sharing results with other organisations. By results, we mean both the outcomes of individual programmes and the impact that the organisation makes over the long term.

We expect to see the same characteristics in effective community organisations, although we realise that impact measurement is particularly challenging here. Over the past two years, we have collaborated with the Institute for Voluntary Action Research on a national action research project about the impact of community organisations. Much of this section is based on our findings from this project.

Challenges of measuring results

Funders are increasingly demanding evidence of outcomes, and organisations such as the umbrella bodies in the Community Alliance have developed some tools to help community organisations. Many are therefore doing some type of outcomes measurement, although the quality and extent of this measurement varies considerably. Much data collection is driven by funders' requirements, although the best organisations use this data to inform service delivery and collect data to demonstrate the outcomes that matter to them.

Impact measurement is a different story. Community organisations use a variety of activities to improve their local area, so impact measurement can be a challenge, for three reasons:

- **Community organisations are more than the sum of their parts.** Because these organisations are multi-purpose, impact cannot be fully captured through individual programme evaluations. As Figure 2 illustrates, different types of activities link together to achieve impact, which makes patterns of cause and effect difficult to establish. Furthermore, community organisations have activities over and above individual programmes, such as signposting local people to other services. This work is often informal, behind-the-scenes and responsive, so measuring its impact is difficult.

- **Impact is difficult to benchmark.** Seemingly similar organisations may actually work in very different contexts, which means that success looks very different for different organisations. Wider socio-economic factors—such as a recession—may affect what can be achieved in different areas. Also, community organisations are unlikely to be the only ones working to improve local communities, so attribution is an issue.

- **Impact is not always about change.** It is sometimes about stopping things from getting worse or about simply being there—some people who live or work in the community may never take part in an activity but still value the existence of the organisation. A key question to ask is *'What would have happened if we were not here?'* This, however, is a difficult question to answer.

Facing these challenges, community organisations struggle to demonstrate their results. Most have an intuitive sense of their impact, and tell stories of the difference that they have made to the lives of particular individuals. But they have no mechanism for making sense of these stories and understanding their own strengths and weaknesses.

Finding solutions

Although there are challenges, community organisations still need to measure results. A competitive funding environment means that organisations are under increasing external pressure to demonstrate value for money. The most forward-thinking organisations are keen that this is on their own terms, measuring their impact in a way that helps them manage, learn

about and improve their work. And as community organisations understand local needs, many have the beginnings of an excellent results culture.

Our research project with IVAR found that a one-size-fits-all approach to impact measurement is not realistic for community organisations. We trialled three approaches to impact measurement:

- relationship mapping: using visual maps of organisations' relationships to uncover ways that they make a difference to communities;

- local economic analysis: understanding local money flows and how organisations can practically improve their local economic impact; and

- stakeholder appraisal: using local opportunities to ask stakeholders a series of questions about the difference the organisation makes to the community.

These approaches each had their strengths and weaknesses. Overall, we found that it is important for organisations to think carefully about their impact before selecting an approach to impact measurement. Organisations should think about what is feasible for them in their own circumstances.

For organisations starting to think about impact measurement, the relationship mapping and stakeholder appraisal approaches are useful, as visual approaches can make a difficult topic more accessible. For example, Newlands Community Association, a development trust that owns several properties in Bradford, was struggling to communicate the difference it makes to the local community, over and above subsidising community groups. Through participatory workshops with its board of trustees and local stakeholders, it now has a better understanding of its role in supporting and sustaining community infrastructure to make Newlands a better place to live.

Quantitative techniques can also tell a powerful story, particularly if funders are interested in numerical evidence. However, organisations should have a clear idea of the questions they want to answer and the message they want to communicate before embarking on these exercises.

For example, Action for Business, a social enterprise and development trust in Bradford, used the local economic analysis approach to understand how its spending contributes to local economic regeneration. As a result, the organisation has identified how its spending could be improved. It plans to address the skills gap in the local economy by hiring more staff locally, and it is introducing a 'think local first' policy with its suppliers. It also has ideas about integrating the local economic analysis process into its annual assessment of strategic objectives.

Making the most of results measurement

There have been some exciting developments recently in impact measurement for community organisations, with various organisations trialling approaches and sharing their experiences. Our research with IVAR is one example; another is the three-year evaluation project that the Bromley by Bow Centre is running. This project has three components: measuring the organisation's Social Return on Investment; building the capacity of individual activities to demonstrate their impact; and benchmarking the organisation's services against other organisations delivering similar outcomes.

Impact measurement may seem complex and abstract at times, but organisations can make it more useful and concrete if they use it to inform strategic planning. It should be seen in the context of good governance and management, and should be used to demonstrate achievements and cultivate a dialogue with funders.

At NPC, we usually encourage similar charities to share their results. However, given that community organisations often work in very different contexts, comparison may be less

appropriate here. The best charities do, however, know what other organisations in their communities are doing, which helps them to learn from others' experiences, address the issue of attribution (who causes which changes) and benchmark performance over time. This means that they will better understand their own impact and use this information to improve their activities.

3. Leadership

Good leadership is crucial to a strong organisation. As *The little blue book* explains, charities should:

- be well managed by the chief executive and senior management team;

- have good governance, with the board making sure that the charity is going in the right direction;

- have a clear vision and strategy; and

- have a clear and convincing case for setting priorities.

All of these elements are essential in community organisations. If anything, the multi-purpose nature of these organisations means that there are even more challenges for management.

Challenges for management

Community organisations are complex and present many challenges for management. Even small community organisations are more complex than single issue charities of the same size. Their leadership teams need to oversee a range of activities and a range of staff who have diverse backgrounds, skills and jobs.

Managers of community organisations are also expected to have a wider role in the local area. They often become involved in a community organisation because they are seen as a local leader, so they continue to fulfil that role. Knowing and understanding the issues that the local area faces is an important part of their role. Some community organisations believe that it is very important for their manager to come from the community, but this is only practical if there is someone available who is suitable to do the job. Running a community organisation is a complex operation, so having the right skills is more important than having prior knowledge of the community.

Two particular challenges that management teams face are around communication and driving the organisation forward.

Communication

To benefit from the knowledge that is created by having lots of different services, community organisations need good internal communication. Each project generates information about the needs of local people, and it is this information that the management needs to make sure the organisation flourishes. It is therefore crucial that management encourage information to flow around the organisation.

If services within the community organisation are going to make the most of each other by working together and cross-referring, then it is important that all the staff know what else the organisation offers. Without this knowledge, it is difficult for staff to recommend clients to other parts of the organisation. Although some of this internal communication will happen informally, it is too important to be left purely to informal mechanisms, so management will need to ensure that it happens.

Many community organisations have some activities that they have been running for a long time, which everyone in the organisation knows about, but newer activities can be less well known. Cambridge House in south London is famous for its debt advice service, so all of its staff are well aware of what it offers. When it comes to smaller, newer activities, the charity's management team works hard to make them known to all staff, so that they can recommend people to the projects that can best help them.

Driving the organisation forward

Good community organisations are not static but constantly changing as needs in the local area change. This drive should come from the leadership team, who need the time and resources to think about how the organisation can develop. It involves being part of local networks, knowing what else is happening in the area, and thinking about how to improve services.

Challenges for trustees

Trustees of community organisations are also responsible for a complex organisation. Most community organisations have a written or unwritten rule that trustees should come from the local area. This brings the benefit of local knowledge, but may make it more difficult to recruit trustees who have the required skills. As community organisations are complex—many manage buildings, set up social enterprises, compete for local authority contracts and run several types of services—they need trustees who have the skills to cope.

In our experience, trustee boards of community organisations often have quite a narrow range of skills and could benefit from a skills audit. This can be a simple process of working out what skills the board has and what skills it needs, then recruiting to fill those gaps. It may mean that some posts are not filled by local people. When the range of skills is narrow, it can help to give trustees job descriptions so that they know who is expected to do what.

The most important role on the board is the chair, who needs to bring sufficient time and commitment to the role, liaising with the rest of the board and the management team.

Trustees should ask themselves:

- What skills does the board have?

- What skills does the board need?

- How does the board gather information about the local area and the community organisation?

- How can we attract new trustees?

- What is the best structure for the board?

- How well does the chair work with the board and the management team?

The Broomhouse Centre in Edinburgh recently went through a process of changing its board so that it had more trustees with business experience. Before the review, the entire board was made up of local people who did not have all of the skills the centre needed. It did a skills audit, and then advertised for trustees with particular skills. The Broomhouse Centre now has 12 trustees, five of whom use the centre's services. Because the charity values the opinions and knowledge of its service users, it makes sure that these five are in executive roles, including chair.

4. People and resources

For an organisation to be effective, it needs to have the right people and resources, and it needs to use them well. *The little blue book* highlights that a charity's staff need to be high quality, motivated and in appropriate roles; staff and volunteers need to be managed well; other resources, such as IT and brand, need to be used well; and resources should be used to bring in support from external sources.

People

Staff

In community organisations, many staff have a specialist primary role, but they also have an important secondary role of making sure they know people's needs, knowing how they might help these people, and directing them through the organisation. For some people, this role can be especially important. Receptionists and café workers are often the first point of contact for new visitors to a community centre, so they need to welcome visitors and help to direct them to useful services. Yet these roles are often undervalued by funders.

As most community organisations want to play a role in people's lives over the long term, stability of staff is very important. As well as investing in retaining staff, the best community organisations help to build the relationships that people value by allowing staff the time to follow up with clients where appropriate.

People who use a community centre's services often become involved as volunteers and then go on to become staff or trustees. This is a sign of the loyalty that community organisations can generate. Also, as part of their development role, many community organisations want to contribute to the local economy by employing local people, particularly former service users. This is one of the ways that community organisations stay in touch with the community.

Employing people who might otherwise struggle to get a job is a laudable way for community organisations to achieve their missions. However, it does mean that they may need to invest significant resources in staff training to ensure that a high standard of service is given.

Volunteers

Community organisations are usually good at bringing in volunteers because their activities appeal to all sorts of people in the community. Having a large group of volunteers is not only a valuable resource in the delivery of services, but can also be a valuable way in which community organisations can keep in touch with the local area.

Local people

People in the community may well be valuable to community organisations, even if they do little formal work with the organisation. Certain 'community leaders', such as pub landlords and church leaders, tend to know a lot about the needs of their area. Engaging with these people can help the community organisation to tap into new knowledge and spread the word about its work.

The way that community organisations engage local people and use their ideas to inform service design is something that other organisations can look to when thinking about the government's Big Society agenda.

Resources

In recent years, the role of community assets (such as buildings) in supporting the work of community organisations has been increasingly recognised. There have been government funds and programmes dedicated to encouraging community assets, and organisations have been set up to help community charities to take on and develop assets. In response, there has been considerable demand from community organisations for support and funding to build, improve and own assets.

Property

Community organisations' buildings and land are very important—possibly more so than for any other type of charity. An unsuitable building can limit the people who come to the community organisation and limit the activities that it puts on.

The best buildings are welcoming, with an area that is attractive and easy for people to walk into, such as a reception or a café. They have a variety of rooms that are suitable for different sizes of groups, with some open rooms and some more private. These allow the organisation to put on a range of activities. In an urban area, it is particularly important to have an outdoor space. Above all, the property should reflect the organisation: welcoming and flexible.

Family Action in Rogerfield and Easterhouse (FARE) is a charity in Glasgow that was working out of unsuitable offices for several years. These offices were converted tenement flats with small rooms on several floors, which limited FARE's ability to work with people who found it hard to go up stairs, such as parents with young children and older people. Because of its building, FARE started to narrow its range of services until it was mainly working with young people.

It launched an appeal to build a new centre, which opened in 2010. Now that it has a purpose-built centre, FARE is widening its range of services and working with people of all ages and abilities.

Ownership and management of property

Having the right place to operate from is important for all community organisations, but this does not mean that they have to own and manage the space themselves. As Figure 4 shows, there is a spectrum of property ownership—some organisations rent other locations on a daily or hourly basis to deliver activities; others rent an office and space for their activities; some own and manage the property themselves.

Figure 3: Spectrum of ownership of property assets

Virtual asset   Rent   Ownership and management
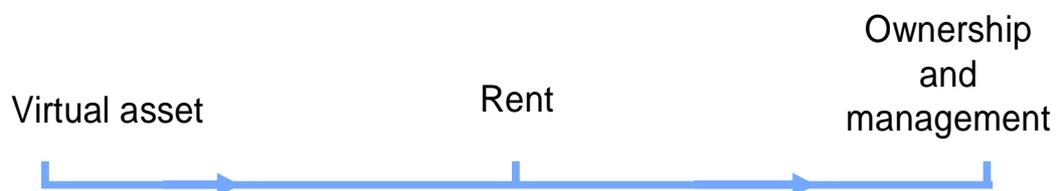
Both renting and owning property carry risks. Renting can be unstable, with the possibility of the lease not being renewed or being asked by the landlord to leave. Owning a building requires skills and knowledge of appropriate legislation, and management of use and upkeep. These are quite specialist skills and can prove a challenge for small organisations. However, there are several organisations that are dedicated to helping community organisations develop and manage their property. One such example is Coin Street Community Builders, which provides technical assistance to organisations that want to redevelop their property. OnSide North West is one of the organisations that have started doing work like this after successfully developing their own site.

5. Finances

Organisations need a sound financial base if they are to meet their mission. *The little blue book* states that an effective charity needs to have good financial management processes and make sure its financial resources are used efficiently.

Funding sources

Project funding

Restricted funding for projects has been the norm in community organisations for some time. This type of funding risks reducing the organisation to a collection of projects, particularly if management find themselves chasing funding and changing their activities to meet the requirements of funders.

If funders simply think of a community organisation as a convenient collection of projects, there will be implications for how much they will pay for its services. As we have said before, a community organisation is more than the sum of its projects. The model of making links between services and guiding people through raises costs in a way that would not happen in a specialist charity. Specialist services may also generate economies of scale that community organisations cannot generate. It is therefore important that community organisations justify any high costs that they might have by highlighting their greater impact or better user experience. This calls for a proper results system. As with all charities, community organisations should try to get full cost recovery on their work wherever possible.

Unrestricted funding

Unrestricted funding is valuable to all organisations, but is especially important in community organisations. Their key features of responsiveness and independence need to be mirrored in their funding if they are to work properly.

The ability of an organisation to respond to the needs of its community is severely limited if it has to apply for new funding whenever a new need arises. Funders' timetables mean that applications can take months to be approved, by which time the opportunity may have passed. Unrestricted funding, which can be used however the organisation wants, can be valuable in these circumstances. It can cover running costs and allow organisations to take immediate advantage of an opportunity.

Hull Community Church realised how important its unrestricted funding was when Hull was hit by floods in 2007. Most of the charity's funding was restricted, so it was of little use when people were coming to the centre looking for help to restore their lives. It would have been impossible for Hull Community Church to have sought permission from its funders to use its restricted funding for other purposes in the time frame needed. With the little unrestricted funding it had, the charity bought wheelchairs for disabled people who had lost theirs in the flood.

Normally, NPC recommends that the core costs of an organisation are met through full cost recovery of project funding. However, for community organisations, we believe that at least part of the core should be funded separately to enable community development.

Generating unrestricted funding

As more local authorities move to commissioning based on outcomes, fewer funders are giving unrestricted grants. This limits opportunities for community organisations to get the type of funding that is so necessary for their work.

Organisations are increasingly turning to trading as a way to generate unrestricted funding. However, this requires business expertise that not all community organisations have in-house. The most appropriate trading activities, which are least likely to place a strain on the organisation, are 'primary purpose' trading activities, which meet the objectives of the community organisation. One example of this would be employment services that have a contract allowing a profit.

Many community organisations have trading activities that are not primary purpose, but still help to meet objectives. For example, a café can help to make the centre welcoming, and renting out rooms to other local organisations can support the community. Here, community organisations need to think carefully about what the purpose of these activities is. If they contribute to the organisation's goals, is the organisation prepared to subsidise them? If they do not meet the organisation's objectives, then the trading needs a tight business case, with more testing of unfortunate scenarios to ensure that it does not end up costing the organisation money.

Many community organisations draw on local support to find unrestricted funding—either through local fundraising events or through schemes that ask people to donate regularly. Innovative forms of finance are becoming more common, and it is likely that there will be more innovation here in the future. A few organisations (typically older ones) have an endowment that brings in unrestricted funding.

Loans

The government and social investment funders have increasingly been trying to get community organisations to use loans to develop their assets. Many are good candidates for loans, as they tend to have some trading income and property against which a loan can be secured. Loans can be an opportunity for organisations that otherwise would not get the funds to make sure that their property is suitable for them.

However, loans also bring financial risks, so organisations should not be forced into taking one on. Community organisations that have very little business experience and poor financial management will not be suitable for loans, and they will need support over a long time before they become suitable. Organisations like Locality and Community Matters are amongst those that help community organisations improve their financial management for a loan.

Financial management

Even small community organisations are complex, so staying on top of the jigsaw of funding and costs is demanding, and not all organisations manage to do it well. As commissioning by local authorities increases, this financial management becomes even more important. Organisations need to know the unit costs of their different services and know what it will take to get full cost recovery. The umbrella bodies within the community sector have been putting a great deal of effort into helping charities improve their financial management.

6. Ambition

If an organisation is to make a lasting impact, it needs ambition: the drive to achieve long-term change with realistic, achievable targets. *The little blue book* explains that we assess effectiveness of ambition against four criteria: the potential to grow, replicate or expand; the potential to improve results; the potential to influence other organisations or have a wider impact; and the ability and willingness to change.

Solving social problems

Community organisations are often set up in response to entrenched and widespread problems, such as poverty, so they have ambitious aims. However, their activities do not always reflect this ambition, focusing on the symptoms of problems rather than tackling root causes. While this work is incredibly valuable to the people that it helps, it runs the risk of failing to create the most change possible in the community.

Many community organisations do use their work to try to create long-term change, for example, by using their experiences of delivering services to influence policy. Community organisations are also getting increasingly involved in regeneration work to fight poverty in their area.

Toynbee Hall is one good community organisation trying to create long-term change. Its slogan, *'Learning from local action, developing national solutions'*, shows how it aims to use what it learns locally to achieve change at a national level. For example, its Safe Exit project helps women to leave prostitution. This project is held up in the violence against women sector as an example of best practice, and Toynbee Hall has written guides for other organisations as a result of this work. It has also commissioned research into what other services are needed to help women leave prostitution.

Developing the community, not the organisation

All charities should be focused on meeting their mission rather than growing their own organisation. In an ideal world, charities would eradicate the need for their work and so close down. Community organisations may find that the best thing for their community is not that they grow, but that they encourage other groups to grow. Exeter Community Initiatives (ECI) is one example of an organisation with this mindset. Rather than being concerned with its own size, ECI develops activities to meet needs, grows them, and then makes them independent so that it can concentrate on meeting other needs. In this way, the community benefits from a spring of new ideas and groups, without the community organisation becoming so large that it has to invest a lot in managing the services.

Conclusion

Community organisations are complex and can be difficult to understand, even for the people who work for them. They come in all shapes and sizes and have several different purposes, running a variety of projects in response to local needs. They are not easily compared to other organisations, because of their close links with their local area, and sometimes they are not even trying to change people's situations—they may want to stop matters from getting worse or even just be there for people.

Because of this complexity, community organisations can be particularly challenging to analyse. But they must face this challenge, because they also particularly benefit from analysis. They have the potential to help neighbourhoods thrive, and analysis can help them to make the most of this potential by looking at how their various activities and purposes fit together, and making sure they are as effective as possible.

This report explores six elements of an effective community organisation: activities, results, leadership, people and resources, finances, and ambition. So effectiveness is not only about outcomes and efficiency, but also about making sure that all aspects of an organisation work well together. This is particularly pertinent for multi-purpose organisations, which run several projects and address a variety of needs.

Table 1 provides a summary of the six aspects of effectiveness for community organisations. With this grid, managers can assess their organisation's position and identify areas for improvement, and funders can look at current and potential grantees to find out how they might best provide funding.

Recommendations

Community organisations

This report provides managers of community organisations with a framework in which they can think about how to be more effective. Through analysis, they can identify strengths and weaknesses in their organisation and find practical ways to improve their activities. They can demonstrate their impact to the local community and to funders, and by doing so, increase support for their work.

Looking at a community organisation as a whole is a valuable process, and managers can use the guidance in this report to find out how their various activities can work best together, and work out how to make the most of their staff. In particular, we believe it is crucial that staff have sufficient time to develop relationships with local people and get to know about all aspects of the organisation. In this way, they can meet people's needs in the most effective way.

Funders

By understanding community organisations, funders (including grant-makers, local authorities and commissioners) can provide funding in the most appropriate way to allow them to make the most difference possible in people's lives. This might involve giving unrestricted funding, recognising that a community organisation is more than the sum of its projects. Unrestricted funding allows these organisations to be independent and responsive to local people's needs. It can cover running costs, pay for crucial posts (such as receptionists), and allow organisations to develop their services to reach the most isolated people.

Where funders want to give to specific activities, funders should think about how individual projects fit into the rest of the organisation. They should also consider the importance of land and buildings to community organisations.

Funders should encourage community organisations to reflect on their own operations by asking for realistic and useful monitoring information. Where possible, funders should pay for results measurement and organisational analysis.

Funders play a key role in encouraging analysis and thereby encouraging effectiveness. By focusing on impact and funding excellent projects in an appropriate way, they can help valuable community organisations to make a real difference in local people's lives.

Table 1: Elements of an effective community organisation

Area of analysis	What excellence looks like
Activities	• The organisation regularly and systematically identifies community needs by engaging local residents. • The management team prioritises activities. • The organisation runs a range of activities to attract a variety of people, and tracks take-up to make sure this happens. • The management team understands the purpose and type of each activity and knows whether each fulfils its purpose.
Results	• There is a commitment to measuring the impact of the whole organisation, as well as measuring outcomes of activities.
Leadership	• The management team promotes internal communication to make sure that staff know about all the organisation's activities. • The management team includes community leaders. • Trustees have the appropriate mix of skills to lead the organisation.
People and resources	• Staff have the time to develop relationships with local people. • The staff team is stable with relatively low turnover, enabling trusting, long-term relationships with local people. • The organisation invests in developing its staff. • Premises are suitable for different activities with a range of people. • Staff and volunteers have links with the community.
Finances	• The organisation has funding that allows it to be flexible, responsive and independent. • The organisation receives full cost recovery on project funding and is able to explain to funders if its costs are high. • The organisation has good financial management and knows its unit costs in all its activities.
Ambition	• The organisation uses its experience to influence local or national practice. • The trustees and management team aim to develop the community, not the organisation.

Further reading

Tools and resources

Activities

Bonds and bridges: a DTA practitioner guide to community diversity. Development Trusts Association. http://www.dta.org.uk/resources/publications/bondsandbridges

On the borderline: Development trusts tackling poverty in the UK. Development Trusts Association. http://www.dta.org.uk/resources/publications/ontheborderline

The role of community anchors in linking councillors with communities. bassac. http://www.bassac.org.uk/policy/research/inspiring-democracy

From Settlement to Community Anchor: The enduring value of Cambridge House. Leila Baker et al, IVAR. http://www.ivar.org.uk/publications/reports-and-publications/cambridge-house-case-study

Exploring the advocacy role of community anchor organisations. Mike Aiken et al, IVAR, bassac and IDeA. http://www.ivar.org.uk/publications/reports-and-publications/exploring-advocacy-role-community-anchor-organisations

This is somewhere I want to stay: The voluntary sector's contribution to place-shaping. Peter Molyneux, Joseph Rowntree Foundation. http://www.jrf.org.uk/publications/somewhere-i-want-stay-voluntary-sectors-contribution-place-shaping

Local Links: developing active networks in local communities. Susie Hay, Joseph Rowntree Foundation. http://www.jrf.org.uk/publications/local-links-developing-active-networks-local-communities

Transformers: How local areas innovate to address changing social needs. Geoff Mulgan et al, The Young Foundation. http://www.youngfoundation.org/publications/reports/transformers-how-local-areas-innovate-address-changing-social-needs-january-200

Growing the Big Society: Encouraging success in social and community enterprise in deprived communities. Ed Cox and Katie Schmuecker, IPPR. http://www.ippr.org.uk/publicationsandreports/publication.asp?id=761

What is the role of the community in neighbourhood governance? Saffron Woodcraft, The Young Foundation. http://www.youngfoundation.org/publications/reports/what-role-community-neighbourhood-governance-may-2006

Bridging community divides: The impact of grassroots bridge building activities. Margaret Harris and Patricia Young, IVAR. http://www.ivar.org.uk/publications/reports-and-publications/bridging-community-divides-impact-grassroots-bridge-building-a

Community development policy and practice across the UK: A scoping study. Scottish Community Development Centre. http://www.cdf.org.uk/web/guest/publication?id=383439

Results

Tell your story: Community Impact Mapping. Development Trusts Association.
http://www.dta.org.uk/resources/publications/tellyourstory

ABCD Handbook: A framework for evaluating community development. Alan Barr and Stuart
Hashagen, Community Development Foundation.
http://www.cdf.org.uk/web/guest/publication?id=13812

Catalysts for Community Action and Investment: A Social Return on Investment analysis of
community development work based on a common outcomes framework. nef consulting.
http://www.cdf.org.uk/web/guest/publication?id=362954

How community anchors contribute to community development. bassac.
http://www.bassac.org.uk/policy/research/anchors-and-community-development

An ever-evolving story: How community anchor organisations are making a difference.
Community Alliance. http://www.comm-
alliance.org/Communityanchors/Resources/Community+Alliance+Publications/Anchorsbook

Local wellbeing: Can we measure it? Nicola Steuer and Nic Marks, The Young Foundation.
http://www.youngfoundation.org/files/images/YF_wellbeing_measurement_web.pdf

Connected Communities: How social networks power and sustain the Big Society. Jonathan
Rowson et al, RSA. http://www.thersa.org/projects/connected-communities

Leadership

Fit for purpose: the Development Trusts Association healthcheck for community enterprise
organisations. Development Trusts Association.
http://www.dta.org.uk/resources/publications/fitforpurpose

Early Warning Guide. Development Trusts Association.
http://www.dta.org.uk/resources/publications/earlywarningguide

IVAR Findings: The Governance of Small Voluntary Organisations. IVAR.
http://www.ivar.org.uk/publications/reports-and-publications/ivar-findings-governance-small-
voluntary-organisations

People and Resources

Community ownership and management of assets. Mike Aiken et al, Joseph Rowntree
Foundation. http://www.ivar.org.uk/publications/reports-and-publications/community-ownership-
and-management-assets

Making assets work: the Quirk Review. Communities and Local Government.
http://www.communities.gov.uk/publications/communities/makingassetswork

A history of community asset ownership. Steve Wyler, Development Trusts Association.
http://www.dta.org.uk/resources/publications/historyofcomassets

Community Assets: The benefits and costs of community management and ownership.
Stephen Thake. Communities and Local Government.
http://www.communities.gov.uk/publications/communities/communityassets

Finances

Community Share and Bond Issues. Chris Hill, Development Trusts Association.
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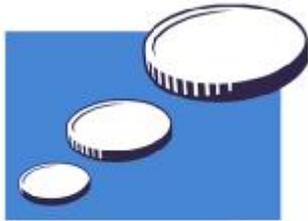
New Philanthropy Capital (NPC) is a charity consultancy and think tank dedicated to helping funders and charities to achieve a greater impact.

We provide independent research, tools and advice for funders and charities, and shape the debate about what makes charities effective.

We have an ambitious vision: to create a world in which charities and their funders are as effective as possible in improving people's lives and creating lasting change for the better.

For **charities**, this means focusing on activities that achieve a real difference, using evidence of results to improve performance, making good use of resources, and being ambitious to solve problems. This requires high-quality leadership and staff, and good financial management.

For **funders**, this means understanding what makes charities effective and supporting their endeavours to become effective. It includes using evidence of charities' results to make funding decisions and to measure their own impact.

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