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Value-for-money and the small charity

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Abstract

The purpose of this paper is to explore how small charities define and assess value-for-money (VFM) is their activities. It was found that small charities are aware of VFM but do not explicitly operationalise it and have difficulty in assessing it. While the limitations of the study centre of generalisability, the paper yields original insight into the challenges faced by small charities in defining and assessing VFM and calls for the development of an appropriate VFM framework for small charities.

Keywords

Small charities, Value-for-money, long-term outcomes, charitable resources, beneficiary needs.

Impact Statement

Charities have struggled financially in recent times, and are predicted to continue do so in the foreseeable future. In particular, small charities have less resources to support financial sustainability.

We therefore, explored the importance of value-for-money (VFM) in small charities, and how it was defined and assessed.

This research will highlight the importance of VFM to small charities and suggest strategies for managing money more effectively and efficiently, in achieving charitable objectives.

Introduction

Austerity measures imposed following the last economic recession continue to affect the UK charity sector (Tyler, 2016). Reductions in public funding have resulted in budget cuts for many non-profit organisations, and these have adversely impacted on service provision (Henderson & Lambert, 2018). More recently, the adverse impact of Covid-19 on commercial trading activities has further reduced the already stretched resources of non-profit organisations (Akingbola, 2020), with financial sustainability predicted by Rao (2021) to be an ongoing challenge in the future.

In this cost-conscious environment (Bradley & Durbin, 2013) charitable institutions have experienced increased scrutiny regarding their financial activities (Connolly et al., 2013), particularly in respect of their approaches to fundraising (Hind, 2017; Parliamentary Report, 2016). This has led to increased calls for greater transparency and accountability in the sector (McCullagh, 2016); something that charities have often not carried out satisfactorily (McConville, 2017). Yet, media focus has not just been limited to charitable fundraising (Bentley et al., 2015), with perceptions of excessive and wasteful spending also subject to critical examination (Craig, 2014). According to Bennett & Savani (2002), donors have traditionally applied the ratio of administrative and fundraising costs to the total expenditure to derive a measure of perceived value. Yet more recently, the connection between expenditure and achievement of charitable aims has been questioned (Spencer, 2014). As a consequence, this public examination of charities' financial activities has negatively impacted on stakeholders' perceptions, especially those of donors (Connolly & Hyndman, 2017). This is where Yang & Northcott (2018) feel that transparency in reporting and the availability of robust financial information regarding charities' activities becomes important in increasing trust with stakeholders. Yet, in the charitable sector, limited transparency (Connolly & Hyndman, 2013) and differences in disclosure practices (Dhanani, 2009) risk fuelling ongoing media scrutiny.

In this scenario of reduced funding through budget cuts and loss of trading revenue due to Covid-19, coupled with increased public scrutiny on spending, charities will increasingly need to justify expenditure against mission and establish robust systems for measuring and reporting the outcomes of that process in order to allay stakeholder concerns (Hope, 2015). This proposition embraces the tenets of value-for-money (VFM) which focuses on how resources are managed in order to achieve desired results (National Audit Office, no date). Therefore, it is argued here, that in this environment of financial constraint and increased media scrutiny, VFM should be of utmost importance for charities.

While VFM is typically referred to in terms of effectiveness, efficiency and economy (Bate, 1993), there is no universally accepted model or framework to deliver this. Therefore, how VFM is defined and assessed in practice is a challenge for organisations (McKevitt & Davis, 2016). In particular, how outputs are assessed against resources utilised remains a perennial issue (Wise, 1995). In addition, how VFM is viewed, developed and assessed in non-profit organisations could be similarly problematic, especially as charities are typically driven by achieving their mission, rather than measuring business performance (Cheverton, 2007).

Additionally, Nonprofit Business Advisor (2015) and Moxham (2010) highlight that in charitable organisations, few resources are typically allocated to measuring performance, while Carnochan et al. (2014) identify challenges in designing systems that satisfy funder requirements of performance measurement, all of which could inhibit the satisfactory assessment of VFM.

For small charitable organisations, this inability to assess VFM could be exacerbated by having fewer resources and specialist expertise available to them, being especially reliant upon volunteer staff than larger organisations (Smith et al., 2018). Yet, defining, interpreting, developing and assessing VFM could be fundamental to small charities continued existence, given they will potentially be more affected by the prevailing financial hardships having fewer resources to fall back on (SCVO, 2019). In addition, if small charities are unable to demonstrate VFM, this potentially exposes them to further media scrutiny which in turn could deter funders (Bennett & Savani, 2002). It could also lead to wasting limited resources or lead to an incorrect allocation of resources among competing projects, something that small charities can ill-afford to do given their limited resources.

An exploration of what VFM means to small charities and how it is assessed therefore appears to be timely, and is the focus of this work. The objective of the paper is to explore VFM in the context of small charities. There are two research questions: how do small charities define or view VFM; and how do they assess VFM?

Defining VFM

Value-for money (VFM) has traditionally been defined around the 3E's of effectiveness, efficiency and economy (Bate, 1993): Economy – connected to whether resources have been obtained at minimum cost; Effectiveness – a measure of the extent to which objectives have been achieved; and Efficiency – the quantity of output achieved with a given level of resource. It is therefore concerned with how resources are managed in order to achieve desired results (National Audit Office, no date).

Yet this approach belies an underlying ambiguity (McKevitt & Davis, 2016) and a difficulty in how to assess it in practice (Wise, 1995). While the 'E's' might be assumed to be equally balanced to achieve VFM, they might not be. In such circumstances, allocating variable weightings will result in additional complexity (McKevitt, 2015). Lapsley & Pong (2000) also note that individuals tend to struggle with embracing the strategic nature of VFM, focusing more on the operational measures associated with effectiveness, efficiency and economy. In addition, Lapsley & Pong (2000) highlight the conflict or trade-off between measures. More significantly, there is an emerging feeling that VFM should be examined in more than merely financial terms (Bhengu et al., 2006). This is increasingly important, given that intangible outcomes, such as reputation or trust, may be relevant organisational measures (McDonald et al., 2013). This is echoed by Nenycz-Thiel & Romaniuk (2012) who feel that VFM is largely perception-based, and as a consequence, Ishmail et al. (2012) advocate the inclusion of non-financial elements into the VFM equation, such as benefit to society. Here, however, Taylor & Laking (2010) use ‘capacity to benefit’ as a gauge to measure effectiveness and prioritise resource allocation, although Heald (2003) argues that estimating VFM-related benefits is difficult.

Assessing VFM

While debate on defining VFM continues, a dearth of academic material providing guidance in assessing VFM is also apparent, particularly for the charity sector. However, Colbran et al. (2019) suggests that while no accepted model of performance measurement exists in the non-profit sector, a framework based on the critical areas of service quality: finance: stakeholders: people, culture and governance and mission/purpose could be utilised. Similarly, Boateng et al. (2016) identify five broad measures for evaluating the performance of charities: financial measures, client satisfaction, management effectiveness, stakeholder involvement and benchmarking. Yet neither of these models embrace the principles of VFM, i.e. of maximising results per unit of input, but provide areas for establishing measures and a basis for comparing performance. However, Prentice (2015) advises caution in applying traditionally recognised financial ratios in the charity sector.

Manville & Broad (2013) confirm a lack of research on performance measurement systems in the charity sector. This possibly stems from the difficulties arising in measuring performance, with Moura et al. (2019) recognising the difficulty in determining appropriate performance measurement systems due to the diversity in the sector. This means a universal system remains elusive. In addition, McConville & Cordery (2018) highlight the difficulty charities have in measuring performance, particularly the long-term impacts of interventions. Moxham (2010) finds that performance measurement systems tend to be geared to monitoring and assessing the use of funds which only gives a partial picture of performance. Indeed, Glassman & Spahn (2012) highlight difficulties for non-profit organisations in producing performance information that will satisfy all stakeholders, particularly in addressing the conflict between organisational values and financial performance (Kellner et al., 2017).

A cost-benefit analysis might provide a useful starting point in an assessment, although Bhengu et al. (2016) are keen to highlight that VFM is more than just a cost-benefit analysis since it should embrace wider social factors, such as quality and equity. This is supported by Ameyaw et al. (2015) who argue that cost-benefit analysis is not the best approach to determining VFM since some benefits will be difficult to ascertain and quantify. Volden (2019) examines cost-benefit analysis in public projects and advises similarly, in that further clarity is required regarding the non-financial aspects of the calculations.

Lindholm et al. (2019) highlight the deficiencies in VFM assessments, noting particularly the elements of subjectivity and political and societal dimensions, none of which are easily measured. Lindholm et al. (2019) therefore, advocate use of life-cycle costing, since it moves the focus away from short-term cost saving, although Henjewele et al. (2011) recognise that there needs to be some flexibility in determining costs over an activity's lifecycle. Additionally, McGuiness & Bould (2006) feel that 'fitness for purpose' needs to be incorporated into the full-life costing analysis, and therefore demand an emphasis on quality, especially at the specification stage. Similarly, Kiiver & Kodym (2015) integrate quality as a key aspect in the VFM formula, since they argue that VFM is typically deemed as a measure of the price-quality ratio. Moreover, since quality (particularly in a service environment) is largely perception-based, several authors, such as Henjewele *et al*. (2012) and Arslanagic-Kalajdzic & Zabkar (2017), have focused on assessing VFM on how well clients' expectations have been achieved.

Fuelled mainly by the growth in social enterprises, recent years have seen the development of social return on investment (SROI), a tool designed to provide a financial assessment of decisions affecting environmental, social and economic outcomes (Bellucci et al., 2019). Although similar to cost-benefit analysis (Cheung et al., 2017), SROI is calculated by dividing the value of social outcomes by the value of inputs, in order to derive a ratio of social outcomes to input costs (Mook et al., 2015). While SROI seems to offer a measurement tool to facilitate decisions regarding allocation of resources (inputs) to achieve optimum outcomes, it has been subject to academic question. Avidson et al., (2013) in particular, provide an extensive critique of SROI, highlighting the challenges in attaching monetary values to perceived benefits, and also to the costing of volunteer staffing. This leaves the system subject to personal interpretation and subjectivity (Laing & Moules 2017), and as Page et al. (2009) argue, can be influenced by interest groups, which further skews any measurement.

In the health sector an increasing body of work has focused on meeting patient outcomes. Pantaleon (2019) refers to the target of achieving the best patient outcomes for the lowest cost, thereby maximising value for patients. This has seen the development of the STAR tool to provide a structure to inform decisions regarding patient interventions (see Leigh-Hunt, 2018), by linking the cost of those interventions to outcomes, described in terms of Quality

Adjusted Life Years (QALY) (see Smith, 2009). Nonetheless, derived decisions will still need to be considered in the light of political and wider environmental issues.

Moreover, given the complexity of relationships in the charity sector, especially with multi-organisation involvement, it can be difficult for an individual charity to determine how specific activities relate to specific outcomes (Pathak & Dattani 2014). Such determinations may also be influenced by the perceptions of interest groups (Page et al., 2009). Additionally, there may be multiple outcomes resulting from an individual resource allocation (Yates & Marra, 2017). The process requires appropriate information systems, expertise in assessing the resources required and judgement in predicting long-term outcomes, things not typically available to small charities (Carnochan et al., 2014).

Focus of this work

Despite the academic interest in VFM across a range of broad sectors, especially health (Cobiac et al., 2012; Turner-Stokes, 2017) and public sector (Dimitri, 2013, Marinelli & Antonious, 2019), it seems that a universal model or framework for VFM that could be embraced by the charity sector has not been examined. As the charity sector emerges from the difficulties of Covid-19 and continues to face the impact of previous economic hardships, it is likely that financial prudence will continue to be important and therefore appropriate tools and techniques to ensure financial probity such as VFM will be vital, especially to small charities who typically lack necessary skills and resources.

As an exploratory piece of work, the objective of this paper is to explore VFM in the context of small charities, with two research questions: how do small charities define, or view VFM; and how do they assess VFM? The lack of agreement regarding definition and assessment of VFM, especially in the charitable sector, suggests that this is an area appropriate for research, and so this paper opens a new research pathway by examining VFM in the charity sector. In doing so, it will help to develop and extend the body of work on VFM, offering new insight and practical application.

Research method

Since VFM is a difficult concept to define, it was felt that a more exploratory research approach (Neuman, 2014) would be appropriate. As a result, focus groups were felt to be the most appropriate research method, to allow individuals to explore challenges and issues relating to VFM, interact with other participants to share practices and thereby benefit from the discussion process (see Hennink, 2014). A further attraction for small charities to attend the focus groups, would be the networking and potential collaboration opportunities, resulting through meeting other senior leaders in the charity sector. Ten questions were prepared to elicit discussion and these were designed around the two themes emerging from the literature review of defining and measuring VFM (see appendix 1). The questions, however, were used simply to prompt participants, with flexibility to encourage discussion along the VFM theme. One of the researchers chaired the discussion groups, while the other took notes.

Research sample and Research Process

While this work is focused on small charities, there is no one universal definition of what is a ‘small charity’. For example, the Small Charities Coalition defines small charities as those with an annual income under £1m (www.charitysetup.org.uk). Yet, NCVO classify charities with income of between £100K and £1m, as ‘medium’ (www.ncvo.org.uk). While the Foundation for Social Improvement (www.thefsi.org) now adopts the same classification as the Small Charities Coalition, it did until recently define a small charity as having a turnover of less than £1.5m. Similarly, the Raise Your Hands organisation which supports small charities work with small charities of under £1.5m income. Moreover, a recent article by Third Sector referred to small charities of less than £1.5m income (Cooney, 2019). As a consequence, a small charity in this study was determined to have an income of less than £1.5m.

Online charity databases were reviewed to identify charities of the appropriate scale to invite to the focus groups. Invitations targeted small charities within a thirty mile radius of Bristol, since these deemed more likely to travel to the location of the group discussion. Religious charities, including churches, and schools were excluded from the sample. This gave a target listing of 280 charities who were invited to participate in the focus groups. The invitation was targeted at the Chief Executive Officer, since it was felt that small charities may not have a senior finance individual in post.

Ethical approval was granted by the University as a mandatory requirement for academic research using human participants. Participants were reminded at the outset that discussions will not include any political dimensions or the necessity to disclose any sensitive information and that any business discussed would not be divulged outside the room. All organisations and individuals have been kept anonymous in the focus group recordings, meeting notes and subsequent write-up.

Numbers attending the initial three focus groups were small. Consequently, in an attempt to increase the number of participants, two local charity membership network organisations were approached to send invitations to participate to their members. This resulted in two further focus groups being held. Additionally, four senior managers of charities expressed a wish to contribute to the study, but could not attend the focus groups and therefore three of these were interviewed at their premises and one by telephone. The same questions as used in the focus groups were used for these interviews (see Figure 1). While the benefit of interaction was lost, the interview did facilitate a more detailed and in-depth discussion of

VFM at the respective charity. The resultant five focus groups and four interviews meant senior leaders of thirty charities contributed to this study (see Table 1).

[Table 1 here]

The discussion groups and the interviews were written up and commonality within the responses was noted, with similar responses grouped together within the identified themes of defining VFM and measuring VFM. The findings are similarly presented below in the themes of defining VFM and measuring VFM. In order to maintain anonymity, the participants are identified by their respective focus group and participant number only (e.g. FG1, P2) or for interviewees, by their interviewee number (e.g. INT3).

Findings

Defining VFM

The initial questions focused on determining what VFM meant to the respective participants and how important it was deemed. There was some initial difficulty among participants in providing a definition of VFM, with the challenges in managing finances eventually forming part of the statements provided:

> *What's the minimum amount of direct work you can do to have the level of impact that you want to have, and do say you'll achieve.* (FG2, P2)

> *VFM is definitely not about income versus expenditure. Need to do things for the right reasons and then manage the cost base and ensure income is what it needs to be. It's an intuitive approach.* (FG1, P2)

> *VFM is not the cheapest, but is concerned with impact and outcomes* (INT3)

Among participants, it seems that there is an emphasis on getting the job done by achieving necessary outcomes with the given level of income, with VFM reconciling to that.

The service you provide is what the client wants and they get benefits from it (FG2, P1)

The nature of the sector is to get the best service given the level of money. (FG1, P3)

Perhaps it is the language or the financial emphasis of VFM that caused participants to struggle in providing a workable definition. The use of more familiar language to those in the charitable sector provided further interpretation, with several participants referring to the stewardship of resources as an important aspect of VFM:

In broad terms, we think about how well we steward resources. (FG1, P1)

However, stewardship did not seem to provide a full or rounded definition of VFM, since discussion around the stewardship of resources typically led to a focus solely on the economy element of VFM:

> *It is an on-going battle to keep overheads down but also functioning. Donors want to know their money is going to direct charitable activities and not just pay for overheads. This creates competition to get overheads down which sometimes is just not realistic. The danger with cutting overheads, is it can be detrimental to front line activities.* (FG2, P2)

Nonetheless, the impact of financial constraints were apparent, and tended to be at the forefront of participants thinking about VFM, especially when funding is connected to people's livelihoods or a potential reduction in services:

> *Everyone is switched on to improvements. While it is driven by finance, other colleagues follow suit. People working in a charity have concerns with their jobs.*

There is greater awareness between finances and activities, especially where jobs are concerned. (FG3, P2)

As a consequence, VFM was deemed important, almost on a subconscious basis, rather than an explicit and tangible statement driving charitable operations:

We subconsciously nod to VFM. We don't state it explicitly but we are always trying not to be wasteful. (FG3, P1)

We, being small, don't have anything written down, but do what we can with the small amount of money we get. Nothing is written down. (FG1, P.3)

We try to achieve what we do with such tiny amounts of money, that VFM is implicit. (INT3)

Yet the focus on the economic aspect of VFM proved to be difficult in practice for participants, balancing the desire to keep overheads down, while securing the appropriate resources to keep functioning. It was recognised that funders want to be assured that their money is going to direct charitable activities and not merely contribute to overheads, and therefore this creates internal stresses to reduce overhead costs. However, it seemed that managing and driving down costs for charities was not straightforward:

We focus on overhead costs, particularly utility costs, now switching suppliers where needed. However, it is difficult to keep up the level of focus needed. It is trying to change managers' perceptions to not just be focused on tangible costs, but also intangible costs. Individuals tend not to have the time to devote to financial aspects. (INT2)

It is difficult to achieve economies of scale. It is very individual-based. (FG4, P1)

These comments suggest that while VFM is important to charities, achieving it, particularly the economic aspects, is somewhat problematic. Any reduction in overheads could be detrimental to a charity's activities, and by reducing them, could adversely impact upon a charity's effectiveness.

There are clear tensions arising from small charities' definitions and perceived view of what is VFM. Those tensions arise from the trade-offs derived from the nature of charity work – to provide appropriate levels of care and service with limited financial resources. While not always made explicit, the importance of VFM in the charity sector is apparent, especially the concern with economic elements, where a reduction in funds could result in loss of staff resource, which in turn might impact upon service provision. However, an inability to precisely describe what VFM means to small charities could then potentially extend into an inability to measure it.

Assessing VFM

The assessment of VFM was felt by participants to be difficult, largely down to the nature of charitable organisations.

> *The whole idea of a charity doesn't lend itself to the traditional measure of Value for money* (INT1)

One of the key problems with measuring VFM, is the time taken to see the impact of charitable actions, particularly in people-oriented charities. Individuals might engage with a charity and receive a customised and labour-intensive bespoke support service. While the initial assessment might prescribe a course of action that is beneficial, and the resources expended at that point assessed, when should the subsequent measure of impact or success take place?

> *The impact on wider society is important, but how it is measured against inputs is difficult. We don't really use KPIs. We don't measure everything.* (INT2)

Assessment of long-term outcomes is seemingly perception-based, rather than being measured in quantitative terms which heightens the difficulty in measurement:

> *How do we identify the value created to the wider economy? How do we articulate value?* (FG1, P2)

> *How do you measure preventative work, such as preventing a suicide?* (FG4, P8)

> *We do keep in touch with those we've helped to see if they've gone on to set up their own business. Trying to measure that is really difficult. It is difficult to go back to someone five years later.* (FG1, P2)

For those charities providing a service to the general public, further uncertainty in assessing long-term outcomes resides with not knowing who receives the service, especially where the beneficiary is transient:

> *We know how much a meal in our drop-in service costs. However, we don't know who those having a meal are. We don't generally form that relationship and so unable to assess what value we are having on society.* (FG1, P1)

> *How do you assess where people are when they first encounter the service and then progress further down the track? We attempt to measure the resources expended, but not very well.* (FG1, P1)

The inability to assess long-term outcomes is exacerbated when an individual accesses a number of services. Additionally, outcomes can also be wide ranging and have a societal impact, which again make it difficult for the individual charity to assess their specific impact:

> *It is difficult to assess what percentage contribution we make to an individual when there are multiple agencies involved in a person's life, with each one offering a different service*. (FG1, P2)

> *People become role-models that has a ripple-effect. The impact can be bigger than we can imagine. To capture it is difficult to quantify.* (FG1, P2)

Nonetheless, the desire to support individuals without concern for the traditional measures of VFM is apparent:

> *If we turnaround one person, then yes it's been VFM as far as I'm concerned* (FG4, P8)

> *Why should we care about outcomes in terms of money? You can't put a price on people's lives* (FG4, P8)

Difficulties in measuring long-term outcomes is possibly made worse by the inability to trace individuals from first encounter through to a satisfactory completion:

> *It is difficult to measure the whole story back to the beginning to see personal impact. The systems are not available to measure long-term outcomes.* (FG4, P5)

> *We don't track people long enough to see their progress.* (FG5, P1)

While systems to assess tangible measures were lacking in small charities, a more robust system of measures and an assessment expressed in monetary terms seems to be a necessity.

> *Everything is being ratcheted down to the lowest costs. Funding bids require evidence of a quick win rather than long-term outcomes* (FG4, P1)

With financial constraints effecting the sector, and with the emphasis on the economic strand of VFM, it would be reasonable to assume that bidding for funds would be a priority for most small charities. However, during the focus groups, it emerged that a number of charities were put off from bidding for funding and therefore miss out on securing vital additional resources. It seemed that funders tend to have their own metrics which potentially conflicted with those of the individual charity, with no common framework available that linked the two together. In addition, the necessary financial measurement systems that attach to the funding are sometimes deemed too onerous and therefore deter smaller charities from making a bid.

> *We don't take funding that demands measured outputs. It would mess up our service. We would need to measure the journey of an individual which we know would be a difficult target because of the complexity of the people we are serving. At what point do you measure and take progress. If we miss the target because we have only achieved certain aspects, do we give the money back?* (FG1, P1)

> *Short-termism is driven by funders. The measures are narrow-based. VFM is only viewed in the short-term – short term money saving gains and not the long term.* (INT4)

This indicates a lack of effective measurement systems to assess VFM that satisfies the needs of a range of a charity's stakeholders. This is possibly exacerbated by the lack of financial expertise available in the sector, especially for small charities.

> *Perhaps the lack of good quality finance staff in the charitable sector means that while frugality and maximising income are stated objectives, they are rarely driven.* (INT2)

While there is an awareness of the need for measuring VFM in small charities, systems to facilitate this are lacking. This could be due to lack of expertise in establishing appropriate systems of measurement, or difficulties due to the nature of charitable work, where long-term outcomes are not able to be traced through to a satisfactory conclusion. The latter is especially difficult where service to an individual is provided by a number of different charities or agencies. Yet there is a fundamental concern for the wellbeing of individuals in the achievement of charitable aims, which may make measurement VFM of secondary importance for some organisations. However, the lack of robust internal measurement systems potentially deters small charities from bidding for funds, where systems of measurement are required by providers.

Discussion

Defining VFM

Despite the vagueness in defining VFM, charities demonstrated an awareness of its importance in decisions, driven largely by financial considerations. Yet, VFM does not take centre-stage as might be expected in the current environment of austerity and scrutiny. While this might be attributed to the lack of financial management skills or the availability of time to fully analyse financial consequences of decisions for those individuals in front line operations, the findings potentially highlight the inadequacy of the traditional 3Es model of VFM when applied to the charitable arena. Alternatively, it might be related to the inability of small charities to operationalise the conventional, textbook VFM model. In addition, it may also be linked to the language of VFM not being appropriate for the sector. Indeed, the 3E's approach was replaced with stewardship of resources by some participants during the research. However, this phrase does infer more management of assets, resources and therefore inputs, implying less emphasis on the output side of the equation, which does not help provide a consistent approach to defining VFM in practice. With small charities, it appears that there is much more reliance on intuition and personal judgement in making decisions, rather than more quantitative measurement, possibility driven by the human-context of the charitable sector.

Assessing VFM

There was evidence of charities engaging with economic aspects in assessing expense items, such as energy costs. However, the application and measurement of effectiveness and efficiency was less explicit. The inability to precisely determine value in activities, meant success was assessed in short-term outputs, but how that related to longer term outcomes was less clear. Effectiveness was therefore, largely considered in terms of achieving charitable aims, but when extended to embrace outcomes, became ill-defined.

This was predominantly as a consequence of the type of work some charities undertake, especially those involved in care. The complex nature of charitable work, the inter-relationships between numerous organisations and the flow and engagement of beneficiaries through those organisations, means precise and attributable outcomes are difficult to assess in relation to specific spend. For small charities, longer term outcomes are invariably linked to wider societal concerns such as well-being. This means an individual charity's specific contribution when viewed in this larger scenario, is difficult to determine. This is not helped by the lack of consistency in output measurement adopted by various stakeholders in the sector.

There is also a moral and ethical dimension to charitable decisions, particularly when actions can be directly related to saving human life, for example, stopping a likely suicide. This transcends financial considerations and is deemed justifiable by small charities regardless of outlay. Similarly, the desire to provide high levels of client or beneficiary service seemingly overrides cost considerations in some instances and thereby negating the opportunity to maximise efficiency, with lower-cost staff or volunteers for example, being eschewed for more qualified, and therefore more expensive, human resource performing an activity or service.

Conclusion

It has been argued in this paper that in times of financial stringency and increased media scrutiny, VFM considerations should be at the forefront of small charities' thinking. Yet, there are a number of issues facing small charities arising in the research undertaken here, that means VFM is a concept that is difficult to define and measure, and consequently is not given the prominence it should. Perhaps it means that VFM is necessarily a much looser concept when applied in small charities than it is in other organisations or sectors and is not necessarily captured by in-house routine calculative practices. This could be due to a range of possible reasons, including, lack of requisite expertise, the prohibitive cost of setting up such systems, or the difficulty associated with measuring long-term outcomes and impacts

This research highlighted small charities' inability to track beneficiaries in a wider societal scenario, through a recognised, standardised framework. This means charitable activities are often assessed by beneficiaries and funders in relation to short-term outputs, rather than long-term outcomes. There was, however, a desire amongst small charities to become more scientific in measuring those long-term outcomes and a recognition of the need to develop more robust and accurate frameworks to support this was clearly articulated during the focus groups. Participants recognised that there is a need to be able to measure the elusive 'ripple-effect' resulting from an intervention by a charity on an individual and provide an indication of the broader benefits derived from such actions. However, the desire of small charities to assess all costs and benefits is possibly tempered by the underpinning desire to help people, predominantly the beneficiaries for whom the charity exists. It was expressed during the focus groups that small charities struggle to attract financial expertise, that would potentially champion and drive forward VFM activities, and support the establishment of monitoring systems.

Implications of the findings

There are clearly a number of urgent actions needed for the charitable sector, in particular those effecting small charities. The priority remains a more accessible, standardised framework for small charities to define (in easy to comprehend and relevant terms) and assess long-term outcomes and therefore derive measures of value-for-money. How value for wider society is assessed and articulated is also key.

It could be that larger charities have more robust measurement systems in place. While there was some concern from participants in this study that larger charities dominate competitive funding, if the sector is to develop effectively such expertise should be shared and transferred from large charities to smaller ones, in a symbiotic relationship.

There is a need to view the entire beneficiary support system holistically, in order to embrace the wider societal outcomes and provide a process for assessing VFM. It is those ‘knock-on’ effects – for example, a small charity providing a meal to keep an individual out of hospital – that are difficult to trace. This suggests that funding needs to be more effectively distributed across all organisations providing vital interventions, and that would again need to be supported by effective measurement systems across the sector as a whole.

The ability to have access to financial expertise would support the development and management of information systems, necessary to provide data for assessing VFM and support small charities’ capacity to bid for funding. Perhaps a consortium approach, whereby several charities combine to share financial expertise, should be considered. There was evidence emerging in one of the focus groups that some small charities do form consortia when looking to purchase IT equipment in order to achieve economies of scale. Managing accounting expertise or personnel collectively might move this approach one step further.

It is important that the expectations of donors are managed, and donors understand the extent to which overhead costs indirectly help to support front-line activities.

Limitations of the study and potential future research

Given the small sample used in this study, there are limitations in respect of generalisability. However, as a preliminary study to assess the current charitable landscape in relation to VFM, the focus on smaller charities has clearly highlighted some key issues in the sector and therefore makes a useful contribution to work in this field. It would nonetheless, be interesting to see if larger charities have similar challenges or whether they have more robust measurement systems in place. Moreover, it would be appropriate to assess the relationship between large and small charities to see if it is, or could be, symbiotic.

It was disappointing that more charities did not get involved in this study. Perhaps the language of VFM was off-putting, since the term 'stewardship of resources' was used more extensively in the focus group discussions. Future studies in this area should possibly seek to engage with the sector using more familiar terms. Yet, as is argued at the outset of this paper, VFM should be fundamental to underpin the activities of a small charity, particularly in stringent financial times and therefore a greater need to engage with all its facets and how it impacts on charitable activities is important. This research suggests more work needs to be undertaken to provide training or support for small charities in assessing VFM, especially how to measure longer-term outcomes. Similarly, how small charities might work more effectively together in sharing resources or expertise, especially financial expertise, could lead to a more explicit embracing of VFM.

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Table 1: Classification of Participating Charities

Charity Commission Classification	**Number of Participating Charities**

General Charitable Purposes	3
Education/Training	0
The advancement of health or saving of lives	7
Disability	5
The prevention or relief of poverty	1
Overseas Aid	3
Accommodation/Housing	2
Religious Activities	0
Arts/Culture/Heritage/Science	1
Amateur Sport	0
Animals	1
Environment/Conservation/Heritage	2
Economic/Community Development/Employment	4
Armed Forces	0
Human Rights	0
Recreation	0
Other charitable purposes	1
Total	**30**

Figure 1 – Focus Group Discussion/Interview Questions

Part 1 – Defining VFM

- What does VFM mean to you and how important is it?
- What are the difficulties in defining and managing VFM?
- How do you address VFM in respect of all stakeholders' (is there conflict?)
- How is VFM reconciled to the charity's objectives?
- How do you embed VFM in operations/decision-making? (e.g. buying, resource allocation decisions etc.)
- Have you built a culture of VFM in the charity? How?

Part 2 – Measuring VFM

- How do you assess VFM? What are the challenges?
- What system of measurement do you use – e.g. KPIs, ratios, benchmarking, audit etc.?)
- Who has responsibility for assessing VFM? (e.g. accountant, everyone, buyer?)
- In what ways do you use VFM measurements to seek continuous improvements in VFM? (e.g. reducing waste, raise levels of quality, improve procurement practices, etc.