

# Sustainability

Briefing for CVAA members

Winter 2019/20



Consortium of Voluntary Adoption Agencies

# Contents

	<b>Page</b>
<b>1. <u>What is sustainability?</u></b>	3
<b>2. <u>Financial sustainability</u></b>	4
a. <u>The role of financial sustainability in the voluntary sector</u>	4
b. <u>Financial management</u>	4
c. <u>The current state of VAA financial capacity</u>	5
d. <u>Effectiveness and efficiency</u>	6
e. <u>Calculating unit costs</u>	7
f. <u>Reserves</u>	7
<b>3. <u>Using data and evidence</u></b>	10
a. <u>ASGLB data (England)</u>	10
b. <u>DfE data (England)</u>	11
c. <u>Welsh government data</u>	12
d. <u>Scottish government data</u>	12
e. <u>Department of Health (Northern Ireland) data</u>	13
f. <u>Research</u>	13
g. <u>Ofsted reports</u>	14
<b>4. <u>Strategic planning</u></b>	15
a. <u>Understanding the operating environment</u>	15
b. <u>Understanding the internal environment</u>	17
c. <u>Evaluating opportunities for collaboration or competition</u>	19
<b>5. <u>Diversification</u></b>	21
a. <u>Birth relatives and adopted adults</u>	21
b. <u>Permanence</u>	22
c. <u>Education</u>	22
d. <u>Other vulnerable people</u>	22
<b>6. <u>Summary and implications for VAAs</u></b>	23
<b>7. <u>Resource bank</u></b>	24
<b>8. <u>Bibliography and further information</u></b>	39

## 1. What is sustainability?

Simply put, sustainability is an organisation's ability to continue to operate – to sustain itself.

More broadly, sustainability is the ability to adapt to a changing social, economic and political climate in a way that ensures an organisation can achieve its purpose and serve its beneficiaries. It is responding to shifting need and managing risks to create opportunities. It is innovation that is based on a clear understanding of the purpose and the people that an organisation serves. It is remaining relevant.

As NCVO point out, 'Sustainability and the success of your non profit organisation will only be realised if you are aware of the forces and trends affecting your external environment. Long-term sustainability comes from an ability to balance two things: **the ability to anticipate likely future events and the ability to deal with realities emerging from the day to day.**'<sup>1</sup>

Sustainability is making decisions today that will ensure an organisation's existence in the long term. This doesn't mean trying to see the future – rather, it involves **establishing precise criteria and accountability for making decisions** based on a clear understanding of both the external environment and the way organisations operate and adapt.

This briefing sets out a number of questions to ask to assess the sustainability of services and agencies. CVAA can also put you in contact with other agencies which face or have overcome sustainability challenges. If this is of interest to you, please contact Sam Mercadante (Policy Manager) at [Sam.Mercadante@cva.org.uk](mailto:Sam.Mercadante@cva.org.uk) or 07525176427.

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<sup>1</sup> Copeman, C., (2017). External environment analysis. NCVO. Available from: <https://knowhow.ncvo.org.uk/organisation/strategy/externalanalysis>

## 2. Financial sustainability

### *The role of financial sustainability in the voluntary sector*

The most immediate concerns that most VAAs – and most voluntary organisations more widely – have today are around financial sustainability. Unlike private sector organisations, **financial sustainability in the voluntary sector serves one purpose: to continue delivering on an organisation’s mission.**

The voluntary adoption sector is unique in that the vast majority of the money in adoption is public money – and over the past decade, there has been a significant reduction in resources spent on children’s social care at both central and local government levels. According to the 2019 State of Local Government Finance Survey<sup>2</sup>, to which 35% of councils responded, a full 97% of respondents said that they would be raising council tax in 2019, and 25% plan to reduce children’s social care services in some way. Eight in ten senior council decision makers believe the current system for council funding is unsustainable. Children’s services and education are the top immediate financial pressures for the second year running (36% of respondents), ahead of adult social care (23%) which has historically ranked highest.

It has therefore never been more vital for VAAs to consider the financial health of their organisation<sup>3</sup>:

- i. **Financial capacity** describes the resources that allow an organisation to take advantage of opportunities, respond to threats, and keep running. This includes the ability to flex resources, for example by reallocating staff time or moving assets.
- ii. **Financial sustainability** is the ability to maintain sufficient financial capacity in the long-term.

According to RAND (a US-based think tank), ‘the goal of financial sustainability for non-profits is to maintain or expand services within the organisation while developing resilience to occasional economic shocks in the short term’. This is an especially challenging ask of VAAs, given the cash-based business model on which almost every VAA relies.

### *Financial management*

Understanding both financial capacity and financial sustainability starts with good financial management.

Financial management at its most basic<sup>4</sup> consists of knowing three elements:

- How much money is coming in, and where from;

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<sup>2</sup> Glover, J., (2019). State of Local Government Finance Survey 2019. *British Library*. Available from: <https://www.bl.uk/collection-items/state-of-local-government-finance-survey-2019>

<sup>3</sup> Sontag-Padilla, L., Staplefoote, L., and Gonzalez Morganti, K., (2012). *Financial Sustainability for Nonprofit Organisations: A Review of the Literature*. Santa Monica, CA: RAND Corporation. Available from: [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR100/RR121/RAND\\_RR121.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR100/RR121/RAND_RR121.pdf)

<sup>4</sup> NCVO, (2019). What’s different about charity finance. *NCVO*. Available from: <https://knowhow.ncvo.org.uk/organisation/financial-management/whats-different-about-charity-finance>

- How much money is going out, and where to; and
- How the money that is coming in and going out fits with organisational strategy and mission.

Financial oversight is one of the most important functions of a board of trustees. The Charity Commission<sup>5</sup> states that three key trustee duties are particularly applicable to financial management. Trustees should:

- Act in the interests of their charity and its beneficiaries;
- Protect and safeguard the assets of their charity; and
- Act with reasonable care and skill.

The Charity Finance Group have put together a comprehensive guide on finance for charity trustees<sup>6</sup>, which is well worth a read.

The resource bank at the end of this briefing includes The Charity Commission's 'Charity governance, finance and resilience: 15 questions trustees should ask.'

We also recommend a detailed reading of NCVO's 'Financial management' resources<sup>7</sup>, which cover everything from budget planning to taxes to investing.

### ***The current state of VAA financial capacity***

In autumn 2019, CVAA surveyed our members on the state of their business in the previous financial year.

Respondents told us that:

- Most of their income comes from placements, ranging from more than 75% to less than 1/3 of their income from placement fees.
- No responding agency made more than 10% of its income through selling adoption support services.
- Some agencies rely heavily on the Adoption Support Fund to provide adoption support services, but several (57%) barely used ASF funds in 2018/19.
- 71% of responding agencies did not have any grant funding in 2018/19.
- 71% said that charitable funds made up 10% or less of their income.
- 64% said they were planning to diversify by delivering new services in the next two years.

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<sup>5</sup> Charity Commission, (2017). Charity governance, finance and resilience: 15 questions trustees should ask. *Charity Commission for England and Wales*. Available from: <https://www.gov.uk/government/publications/charity-trustee-meetings-15-questions-you-should-ask/charity-trustee-meetings-15-questions-you-should-ask>

<sup>6</sup> Charity Finance Group, (2018). *Essential Charity Finance for Trustees*. London: Charity Finance Group. Available from: [https://www.cfg.org.uk/userfiles/documents/CFG%20resources/CFG%20Publication/CFG\\_Essential\\_Trustees\\_Guidance\\_2018.pdf](https://www.cfg.org.uk/userfiles/documents/CFG%20resources/CFG%20Publication/CFG_Essential_Trustees_Guidance_2018.pdf)

<sup>7</sup> NCVO, (2018). Financial management. *NCVO*. Available from: <https://knowhow.ncvo.org.uk/organisation/financial-management>

Responding agencies that are planning to diversify their services said they would fund this by:

- Fundraising
- Seeking grants
- Developing a training offer to sell to other professionals
- Selling services to LAs and RAAs on a spot-purchase basis
- Charging service recipients
- Partnering with an RAA
- Being commissioned
- Reallocating existing income to new projects
- Dipping into reserves

These are all viable solutions when an organisation wants to expand the services that it delivers in order to achieve its mission. However, it is notable that most of VAAs continue to rely on adoption placements for the majority of their income. Given that the placing of children in new forever homes is the primary purpose of all VAAs this trend is understandable; however, it does make our sector vulnerable to fluctuations in adoption policy and statutory funding levels. Even a small percentage of income from alternative sources can help smooth cash flow variations and insure against a year of lower-than-expected placement numbers.

Each of the above diversification funding options also carries a different level of risk. The risk-to-reward ratio of any funding option will be unique to each agency's circumstances, but it is critical to understand that ratio before investing in new projects.

### *Effectiveness and efficiency*

Organisations often evaluate their financial sustainability separately from their mission impact. However, we know that long-term mission impact is predicated on financial sustainability, and that a sustainable income relies on delivering excellent and trusted services that achieve organisational goals.

These areas are interrelated and should be considered together:

- i. **The effectiveness of your services.** Have your activities moved you closer to achieving your organisational mission? Can you demonstrate quantifiable impact?
- ii. **The efficiency of your services.** Is the impact of a service proportionate to the resources expended to deliver it?

The balance between effectiveness and efficiency is the key to sustainability. VAAs (and all voluntary organisations) exist, first and foremost, to serve a social need. Overly focussing on income generation can lead an organisation astray from its core mission. Conversely, focussing too much on delivering a historic interpretation of the core mission without adapting to external change and the developing needs of beneficiaries can lead to services which deplete financial capacity and put sustainability at risk.

## *Calculating unit costs*

Understanding the true cost of delivering a service is critical to considering the efficiency of an agency's work. Not knowing the true cost of a service brings many risks, including bidding for contracts at a level that does not ensure full cost recovery.

The benefits of understanding the true costs of an agency's services include the ability to identify cost-saving opportunities and accurately communicate costs to donors, commissioners and government. Such understanding will also support an agency's strategic planning, as it allows senior leaders and trustees to identify services that deliver on an agency's mission without unduly draining resources.

Effectively calculating the true cost of a service requires an understanding of the unit being measured. This could be:

- One unit of service delivered, e.g. the delivery of one day of training
- One unit of service delivered per client, e.g. the delivery of one day of training to eight adopters
- One outcome, e.g. a child's Strengths and Difficulties Questionnaire (SDQ) score is lower by a certain measure following their parents attending training

The way that an agency defines one unit will vary depending on reporting and accounting needs. For example, a grant-making body may wish to know the cost of delivering a certain outcome, which may involve multiple services. If an agency has a thorough understanding of both direct and indirect costs, then it should be straightforward to group and regroup these to meet different reporting needs.

Most agencies will have a good understanding of the direct costs incurred by certain activities, e.g. the cost of the time that one social worker spends assessing prospective adopters. However, indirect costs are usually broken down by function (finance, marketing, etc.) rather than by service (recruitment, assessment, therapeutic services, etc.), so these can be more difficult to assign.

Bridgespan Group, a non-profit management consultancy firm, has a comprehensive six-step toolkit to support non-profit organisations in identifying their true costs.<sup>8</sup> Undertaking this process will enable agencies to clarify their service costs, thus improving their ability to fundraise, apply for grants, negotiate contracts and strategically plan for the future.

## *Reserves*

Reserves assist in the management of risk and therefore support sustainability. As cash-based businesses it is prudent for all VAAs to consider their reserves carefully.

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<sup>8</sup> Garcia Abadia, M., and Lin, J., (2009). *Nonprofit Cost Analysis Toolkit: Six Steps to Finding the True Costs of Programs*. Boston: The Bridgespan Group. Available from: <https://www.bridgespan.org/bridgespan/Images/articles/nonprofit-cost-analysis-toolkit/NonprofitCostsAnalysisToolkit.pdf>

In a white paper from 2013<sup>9</sup>, global consultancy firm Grant Thornton defined ‘reserves’ as

‘A discrete subset of [an organisation’s] liquid net assets. They are a distinct pool of assets that an organisation can access either to mitigate the impact of unbudgeted, undesirable financial events or pursue opportunities of strategic importance that may arise in the future.’

A reserves policy which is established and monitored by trustees is a key step towards establishing clear criteria and accountability for decision-making. A good reserves policy should include<sup>10</sup>:

- i. The baseline amount that should be kept in reserves at all times;
- ii. The criteria for spending money that has been set aside in reserves;
- iii. Clear accountability and/or processes for deciding to spend reserves;
- iv. How reserves will be replenished, including a timeframe; and
- v. Whether there are any limits on how reserves can be spent.

Grant Thornton set out a very helpful 4-step process for determining the baseline amount that is appropriate for your agency to keep in reserves.

- i. **Develop a 5-year financial forecast.** Given that reserves are in part intended to insure against future risks, it is important to be clear on future plans and assess the potential impact should those risks become reality. Establish annual income and expenditure targets for the next five years, including all line items of income and expenditure and how they might fluctuate over the five-year period.
- ii. **Analyse the risks in detail.** An inventory of all risks to your agency should be developed with weightings based on how likely they are to happen over the next five years. Consider governance; staff; finances; operations; compliance; technology; external factors; and fraud. It is important for this step to be quantitative; for example, are you 25% likely to lose experienced staff? 50% likely? Are you 90% sure that a contract will come to an unexpected end next year, given what you know about the state of that LA’s finances? Are invoices 80% likely to be paid after the due date? Of course, these are assumptions, but in aggregate they provide a helpful understanding of the overall risk to the agency.
- iii. **Quantify average risk.** Based on the weighted risks identified in step 2, determine the likelihood of meeting financial projections at a few different levels. An example table is set out below.

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<sup>9</sup> Klein, P., Mulligan, J., Oster, M., and Unterman, M., (2013). *Reserves planning: A step-by-step approach for nonprofit organizations*. Chicago: Grant Thornton LLP. Available from: <https://www.grantthornton.com/~media/content-page-files/nfp/pdfs/2013/130516-NFP-Reserves-Planning-White-Paper-130916.ashx>

<sup>10</sup> National Council of Nonprofits. Operating Reserves for Nonprofits. *National Council of Nonprofits*. Available from: <https://www.councilofnonprofits.org/tools-resources/operating-reserves-nonprofits>



Revenue from Service A	Likelihood	Year 1	Year 2	Year 3	Year 4	Year 5
Meet income target	50%	£1 million	£1.2 million	£1.4 million	£1.4 million	£1.7 million
Miss target by 10%	20%	£900k	£1.08 million	£1.26 million	£1.26 million	£1.53 million
Miss target by 25%	10%	£750k	£900k	£1.05 million	£1.05 million	£1.275 million
Average income projection, adjusted for likelihood weighting		£755k	£906k	£1.057 million	£1.057 million	£1,283,500
Variance from target		£-245k	£-294k	£-343k	£-343k	£-416,500
Net present value of risk for Service A	£1,641,500 over 5 years					
Net present value of risk per year	£328,300					

- iv. **Determine the reserves policy.** Of course, numbers aren't everything. Organisations may generally take a more or less conservative approach to risk. Reserves will increase flexibility in reacting to unforeseen changes; however, given the non-profit basis for adoption, building reserves is a long-term task for VAAs. Understanding the reserves required to offset major risks is an important sustainability tool underpinning financial decision-making by trustees and senior management teams.

### 3. Using data and evidence

There is a wide range of data that is currently collected regarding the adoption and permanence system, alongside ongoing research developments and other evidence, such as Ofsted reports.

CoramBAAF provide an accessible round-up of statistics for each of the four nations. Each page is updated as new publications for the relevant nation become available<sup>11</sup>.

These publications provide a rich source of information that every VAA should consider when planning services and making strategic decisions about the future.

#### *ASGLB data (England)*

The ASGLB's quarterly data publication provides insight into local, regional and national trends in England. Coram-i currently delivers the data service for the ASGLB, and quarterly data publications can be found on their website<sup>12</sup>. The data is usually published within 3 months of the end of the relevant quarter. The ASGLB data therefore functions as a kind of 'early warning' alert to any concerning trends in the adoption system in England.

The ASGLB also publishes a 'business intelligence' document alongside each quarterly data spreadsheet, which pulls out key headlines and trends.

The ASGLB data includes:

- The number of children waiting, but not yet placed, with either an ADM decision for adoption or a placement order as of the last day of the quarter;
- Number of ADM decisions and placement orders in the quarter;
- Number of children matched and placed with adoptive families in the quarter;
- Number and characteristics, including age and gender, of children adopted in the quarter;
- Location of placements (within LA/RAA, with another LA/RAA, with a VAA);
- Characteristics of children waiting with a placement order, including age (under/over 5), gender, disability status, sibling group and ethnicity (white/BME);
- Characteristics of children waiting with a placement order who have been in care 18+ months;
- Number of registrations of interest, approvals, matches and placements with adoptive families, by LA/RAA and VAA;
- Number of special guardianship orders (SGOs) applied for and granted in the quarter;
- Number of SGOs granted by characteristic, including age, gender, etc.;
- Number of SGOs granted by type of carer, including grandparent and former foster carer; and
- Number of SGOs granted per quarter where the child previously had an ADM decision for adoption.

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<sup>11</sup> CoramBAAF, (2017). Looked after children, adoption & fostering statistics. *CoramBAAF*. Available from: <https://corambaaf.org.uk/fostering-adoption/looked-after-children-adoption-fostering-statistics>

<sup>12</sup> Coram-i. ASGLB Data. Available from: <https://coram-i.org.uk/asglb/data/>

The majority of VAAs make over 50% of their income from interagency placements. VAAs (supported by CVAA) should therefore ask the following questions of the data:

- 1. What percentage of placements are being made by VAAs? How does this compare to last quarter? Last year? The last five years?** Defining the VAAs' market share of placements is a way of measuring the relative need for VAA placements, which in many cases are for children with special placement needs. It is also a proxy measurement for how VAAs are performing relative to LAs and RAAs. The percentage of placements being made by VAAs has risen almost every quarter since Q2 2014/15. In Q3 2018/19, VAAs made 21% of all placements.
- 2. How do the number of placements being made by VAAs this quarter compare to last quarter, etc.?** Whilst the percentage of VAA placements can tell you about VAA performance relative to other agencies, it does not describe the actual levels of VAA placements. As it turns out, VAAs have been making between 120 and 160 placements per quarter since Q4 2013/14. The *share* of VAA placements may have grown, but the *number* of placements has remained reasonably static.
- 3. How many ADM decisions are being made locally? Regionally? Nationally? How does this compare to last quarter, etc.?** Given the voluntary sector's financial reliance on placements, it is critical to know what decisions LAs are making and how many children may require placing in the near future. From a peak of 6,070 in 2013/14, ADMs decline to 4,470 in 2014/15. They rebounded over the next two years, to 5,020 in 2016/17, then declined to 4,970 in 2017/18. As of 31 December 2018, there were 3,470 ADMs. This is 70% of the previous year's total and suggests that there were fewer ADMs in 2018/19 than in the previous year.
- 4. How many placement orders are being made locally? Regionally? Nationally? How does this compare to last quarter, etc.?** Similar to ADM decisions, placement order data indicates trends in decision-making, in this case by the courts. Placement orders have followed a similar trend to ADMs since 2013/14, and declined by 7.2% from 2016/17 to 2017/18. As of 31 December 2018 there had been 2,780 POs granted in 2018/19. This is 69% of the previous year's total and suggests that there were fewer POs granted in 2018/19 than in the previous year.
- 5. What is the ratio of ADMs to POs locally? Regionally? Nationally? How does this compare to last quarter, etc.?** Most POs granted in a quarter will not correspond to ADM decisions made in that quarter, as it takes a bit of time for a case to go through the court process after an ADM decision has been made. However, it is still useful to have a rough idea of how many ADM decisions are converting to POs. Since 2013/14, this rate has fluctuated between 80% and 86%.

### ***Department for Education data (England)***

The DfE publishes two statistical releases of relevance to those working in adoption: 'Children looked after in England including adoption'<sup>13</sup> and 'Characteristics of children in need'<sup>14</sup>. These statistics are often not very timely, but they provide detailed insight into the characteristics of children coming into care and exiting care via permanence orders.

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<sup>13</sup> Department for Education, (2019). Statistics: looked-after children. Available from: <https://www.gov.uk/government/collections/statistics-looked-after-children>

<sup>14</sup> Department for Education, (2019). Statistics: children in need and child protection. Available from: <https://www.gov.uk/government/collections/statistics-children-in-need>

The information in these two releases includes (but is not limited to):

- Number of children beginning and ceasing to be looked after in the year;
- Number of children adopted from care;
- Characteristics of looked after children, including age and ethnicity;
- The primary need of children entering care, including abuse and neglect;
- Average time spent in care for children who left care via adoption;
- Average time between entry to care and ADM decision for adoption;
- Average time between ADM decision for adoption and matching;
- The number of children waiting with a placement order but not yet placed;
- The number of children who left care via a special guardianship order;
- The number and characteristics, including gender and age, of children in need; and
- The primary need of children who were assessed following a referral.

### *Welsh government data*

The Welsh government publishes statistics on ‘Children looked after by local authorities’<sup>15</sup> each autumn, and also makes available a number of tables on children’s services statistics on the StatsWales portal<sup>16</sup>.

The information available includes:

- Number of children looked after at 31 March and rate per 10,000 population aged under 18;
- Number of children who entered and left care during the year, including via adoption;
- Characteristics of children in care, including gender, disability status and ethnicity;
- Age of children in care;
- Number of different types of placement, including long-term fostering and residential care;
- Number and percentage of children with different support needs, including abuse and neglect;
- Characteristics of children adopted, including age and gender; and
- Number of applications for the provision of intermediary services from adopted adults and birth relatives.

### *Scottish government data*

The Scottish government publishes an annual statistical release, ‘Children’s social work statistics’<sup>17</sup>, which cover children and young people who are looked after, on the child protection register or in secure accommodation. For the purposes of this release, the year runs from 1 August to 31 July.

This statistical release includes information on:

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<sup>15</sup> Welsh Government, (2019). Statistics: Children looked after by local authorities: April 2018 to March 2019.

Available from: <https://gov.wales/children-looked-after-local-authorities-april-2018-march-2019>

<sup>16</sup> Welsh Government. Stats Wales. Available from: <https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Childrens-Services>

<sup>17</sup> Scottish Government, (2019). Publication – Statistics: Children’s social work statistics 2017-18. Available from: <https://www.gov.scot/publications/childrens-social-work-statistics-2017-2018/pages/7/>

- The number of children entering care and leaving care;
- Placement types;
- The number of children with or without a concurrent care plan;
- Age of children starting and ceasing to be looked after;
- The length of time in care for children ceasing to be looked after;
- The destination of children leaving care, including for adoption;
- The number and characteristics, including age, of children on the child protection register;
- The reasons for children having been referred to the child protection register; and
- Location of children on the child protection register.

### *Department of Health (Northern Ireland) data*

The government of Northern Ireland publishes ‘Children’s social care statistics for Northern Ireland’<sup>18</sup> annually, as well as quarterly data on child protection<sup>19</sup>.

The information available in these publications includes:

- Number of children referred to the child protection register by quarter;
- Number and characteristics, including age and category of abuse, of children on the child protection register by quarter;
- Number and characteristics, including gender, age, religion and disability status, of children in need at 31 March;
- Comparison of rates of children on the child protection register across the 4 nations;
- Number, location and characteristics, including gender, age, religion and disability status, of children looked after at 31 March;
- Number of children admitted to and discharged from care, including via adoption; and
- Comparison of rates of children in care across the 4 nations and the Republic of Ireland.

### *Research*

There is a small but useful body of research around adoption, much of which has been funded/published by the Department for Education in recent years. More broadly, there is growing evidence around special guardianship, and extensive international literature regarding trauma and adverse childhood experiences.

Sources of research include:

- The Nuffield Family Justice Observatory<sup>20</sup>. The FJO’s recent work has focussed on special guardianship, including a rapid international evidence review.

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<sup>18</sup> Department of Health. Children’s services statistics. Available from: <https://www.health-ni.gov.uk/topics/dhssps-statistics-and-research/childrens-services-statistics>

<sup>19</sup> Department of Health. Child protection register. Available from: <https://www.health-ni.gov.uk/articles/child-protection-register>

<sup>20</sup> Nuffield Family Justice Observatory. Available from: <https://www.nuffieldfjo.org.uk/>

- Research in Practice<sup>21</sup>. RIP takes a much broader focus than just adoption and provides helpful toolkits and resources to help translate evidence into good practice.
- The What Works Centre for Children’s Social Care<sup>22</sup>. The WWC launched in 2018 and is dedicated to building a robust evidence base in children’s social care practice.

CVAA closely monitors and analyses research publications and related work, and can support agencies with drawing out information that is relevant to service and strategy development.

### *Ofsted reports*

Ofsted reports<sup>23</sup> can be a valuable source of information in two keys ways.

1. Agencies can develop their own services by understanding where other VAAs have done particularly well, or alternatively where they have been given a recommendation or requirement for improvement. CVAA maintains an ‘Ofsted inspection tracker’ spreadsheet which highlights the relevant information from each VAA’s most recent inspection. The tracker can be found in the members’ area of our website.<sup>24</sup>
2. Agencies can target services by identifying gaps in LA/RAA provision. Monitoring the inspection judgments of the LAs and RAAs with which an agency works most closely can strengthen a VAA’s pitch to those agencies by pointing out the complementary nature of the VAA’s services. Alternatively, if the gap in statutory service provision is sufficiently large, a VAA might consider developing new services in that area.

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<sup>21</sup> Research in Practice. Available from: <https://www.rip.org.uk/>

<sup>22</sup> What Works Centre for Children’s Social Care. Available from: <https://whatworks-csc.org.uk/>

<sup>23</sup> Ofsted. Find an inspection report. Available from: <https://reports.ofsted.gov.uk/>

<sup>24</sup> CVAA, (2019). Members’ Area. Available from: <https://www.cvaa.org.uk/members-area>

## 6. Strategic Planning

### Understanding the operating environment

An organisation cannot effectively plan for the future without understanding the environment in which it is operating. This is part of what CVAA does – scan the horizon, gather intelligence and connect the dots for our members. We do this at the national level; however, it is vital that each of our members also understands the local and regional contexts that will affect their operations and services.

There is an extensive catalogue of tools and resources that organisations can use to map and analyse their operating environment. We have summarised some of the most popular ones in this briefing, with more detailed instructions included in the resource bank from page 29.

Each of the following exercises is best undertaken with a wide range of participants. People with different experiences bring new perspectives, which helps to achieve the goals of mapping and analysing the external environment: identifying the unknown and challenging traditional ways of thinking.

After undertaking any mapping exercise, agencies should ask themselves<sup>25</sup>:

- **What** are the key drivers, trends and areas of change? Which ones are vital, which are important, and which are just interesting?
- **Therefore, what** are the threats, risks and opportunities?
- **What** are the implications for the organisation and key stakeholders, including funders, trustees, staff and service users?
- **Now what** should the next steps be?

### *STEEPLE Mapping*

Organisations may have heard of PEST mapping, which involves articulating current and predicted Political, Economic, Social and Technological trends and analysing how they affect an organisation. STEEPLE mapping takes this a bit further by including Environmental, Legal and Ethical considerations.<sup>26</sup>

- **Social** considers cultural norms, attitudes and demographics, and is a crucial part of estimating demand and meeting the needs of service users.
- **Technological** includes innovations and developments that could affect or improve ways of working, service design and the ways in which services are accessed. This includes logistical and research developments.
- **Economic** takes account of the economy at national, regional and local level, and circumstances that may impact it. The consequences of austerity will be a significant consideration for most organisations, as will inflation and interest rates.

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<sup>25</sup> Cass Centre for Charity Effectiveness, (2012). *5. Direction – Tools for success: doing the right things and doing them right*. London: Cass Centre for Charity Effectiveness. Available from: [https://www.cass.city.ac.uk/\\_data/assets/pdf\\_file/0013/132007/5Direction.pdf](https://www.cass.city.ac.uk/_data/assets/pdf_file/0013/132007/5Direction.pdf)

<sup>26</sup> Copeman, C., (2019). PEST analysis. *NCVO*. Available from: <https://knowhow.ncvo.org.uk/organisation/strategy/externalanalysis/pest>

- **Environmental** considers the impact that activities may have along with the effect of environmental developments on an organisation. For example, the ongoing development of the ‘birth striker’ community<sup>27</sup>, consisting of people who do not want to have biological children for environmental reasons, could be relevant when considering adopter recruitment.
- **Political** includes relevant government policy, both local and national. Agencies should consider the political framework that affects adoption, but also think more broadly – developments in related areas of work (e.g. fostering, charitable services, special guardianship) may all be relevant.
- **Legal** examines the legislation and regulations that affect an organisation’s ability to deliver services. Laws relating to adoption are highly relevant, but tax policies, charities law and other business-related legislation should also be considered.
- **Ethical** deals with the moral considerations that might affect an organisation’s work.

A helpful (if a bit outdated) bank of more than 100 major drivers with summaries of each, links to related drivers, information about possible implications, and further reading suggestions can be found on NCVO’s Third Sector Foresight page.<sup>28</sup>

### *Other Player Analysis*

Other Player Analysis<sup>29</sup> (also called Stakeholder Analysis) is a tool to help agencies understand the other key organisations in the system and how they operate. It involves mapping these players’ **strengths and unique selling points** along with their **weaknesses and challenges**, and then **comparing their work to yours**. The final step is to consider this map and identify how an agency could collaborate with, compete with or complement other organisations. When considering what other players are doing, it is helpful to think as broadly as possible – not just about adoption services, but also about back office functions such as IT support and finance.

### *External analyses*

There are organisations (such as CVAA and NCVO) whose work involves analysing the external environment on members’ behalf. These analyses may be specific to the adoption landscape or focus more broadly on children’s services, social care, charities and public services; either way, they provide a starting point upon which to build a clearer understanding of the current operating environment and the implications therein.

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<sup>27</sup> Hunt, E., (2019). BirthStrikers: meet the women who refuse to have children until climate change ends. *The Guardian* [online]. (12 March). Available from: <https://www.theguardian.com/lifeandstyle/2019/mar/12/birthstrikers-meet-the-women-who-refuse-to-have-children-until-climate-change-ends>

<sup>28</sup> Third Sector Foresight. *NCVO*. Available from: <http://www.3s4.org.uk/drivers/>

<sup>29</sup> Copeman, C., (2014). Other player analysis: the basics. *NCVO*. Available from: <https://knowhow.ncvo.org.uk/organisation/strategy/externalanalysis/basics>



**NCVO's 'The Road Ahead'**<sup>30</sup> – Every year, NCVO publish a PEST analysis for the voluntary sector. Unsurprisingly, the January 2020 report emphasised political and economic uncertainty and stark social divides. The report notes that polls have indicated a decrease in the British population's sense of wellbeing, and a weakening of social connections, but that people seem increasingly keen to 'do good' in decentralised ways and to self-organise around causes that matter to them.

**nfpSynergy's 'My PEST Report'**<sup>31</sup> – nfpSynergy, a consultancy agency for not-for-profit organisations, published its first PEST report in 2011<sup>32</sup>. Following 'several truly dramatic years' they released a second edition in 2018. The 2018 report is accompanied by a list of 100 key facts to help frame organisational thinking.

**SCVO's 'Third Sector Forecast'**<sup>33</sup> – The Scottish Council for Voluntary Organisations publishes an annual report on the year ahead for Scotland, based on a wide-ranging survey which in 2018/19 was completed by 318 respondents. Survey respondents were asked to report on their growth over the past year, their confidence in the future and their expectations for the next 12 months.

**Charity Finance Group's 'Economic Outlook Briefing'**<sup>34</sup> – The most recent publication of this annual report is only available to CFG members; however, last year's briefing<sup>35</sup> is free to download. The briefing zooms in on economic trends and analyses what they mean for charities.

### Understanding your internal environment

Being clear about an organisation's internal environment is just as important as understanding the operating context. The internal environment includes culture, ways of working, processes, and structure. All of these will affect an organisation's decision-making criteria and accountability and, therefore, its sustainability. Understanding the internal environment will allow an agency to deal with day-to-day realities in a way that consistently brings things back to the vision and strategy.

As with the external environment, there are many helpful tools for mapping and analysing an organisation's internal environment. We have summarised some of the most popular ones, with more details included in the resource bank.

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<sup>30</sup> Chamberlain, E., Goodall, C., Hornung, L., Jochum, V., Walker, C., and Winyard, P., (2020). *The Road Ahead: A review of the voluntary sector's operating environment*. London: NCVO. Available from:

<https://publications.ncvo.org.uk/road-ahead-2020/>

<sup>31</sup> nfpSynergy, (2018). PEST Analysis for the nonprofit sector. Available from: <https://nfpsynergy.net/free-report/pest-analysis-nonprofit-sector-2018>

<sup>32</sup> nfpSynergy, (2011). Look! nfpSynergy did my PEST analysis – February 2011. Available from: <https://nfpsynergy.net/look-nfpsynergy-did-my-pest-analysis-february-2011>

<sup>33</sup> Mackinnon, I., (2019). Third Sector Forecast 2019. SCVO. Available from: <https://scvo.org.uk/p/30032/2019/02/20/third-sector-forecast-2019>

<sup>34</sup> Charity Finance Group. Resources. Available from: <https://cfg.org.uk/resources>

<sup>35</sup> Charity Finance Group, (2018). *The year ahead: Economic outlook briefing 2018/19*. London: Charity Finance Group. Available from: [https://cfg.org.uk/userfiles/documents/CFG%20resources/EOB\\_April\\_2018.pdf](https://cfg.org.uk/userfiles/documents/CFG%20resources/EOB_April_2018.pdf)

## *Appreciative Inquiry*

The theory of Appreciative Inquiry<sup>36</sup> assumes that questions focus attention in a particular direction, and that organisations will evolve in the direction of the questions that they ask the most. This theory therefore focusses not on problem-solving, but rather on asking questions that lead in the direction of an **ideal future that is built on strengths, engagement and commitment**.

## *McKinsey's 7-S Analysis*

The 7-S model<sup>37</sup> was developed in the 1970s by two analysts at McKinsey, and is still widely used to gain a better understanding of how the parts of an organisation work together. The 7 S's are:

- 1) **Strategy:** Your agency's plan to achieve its goals.
- 2) **Structure:** The internal organisation of your agency.
- 3) **Systems:** The processes that staff use to ensure all work gets done.
- 4) **Shared values:** The core ethos of your agency; your reason for existing.
- 5) **Skills:** The competencies of everyone working for your agency.
- 6) **Style:** The leadership style of your agency.
- 7) **Staff:** The characteristics, attitudes, expectations, goals, etc. of your agency's staff.

The first three (Strategy, Structure and Systems) are considered 'hard' elements. These are easier to define and categorise, and senior leaders can directly influence or change them. The final four (Shared values, Skills, Style and Staff) are classed as 'soft' elements. They are less tangible, potentially harder to describe, and often more difficult to influence. However, they are critical to the success of any organisation.

## *External Analyses*

There are numerous helpful resources against which an agency can benchmark the effectiveness of its internal environment.

**NPC's 'What makes a good charity?' guide** – This user-friendly analysis framework focusses on four areas: purpose, impact practice, people and finance/operations. The guide explores approaching the process of organisational analysis through each of the four lenses and provides a template for recording findings.

**Zurich's 'Future proof' risk management guide** – Zurich Insurance's risk management guide for charities, published in 2015, offers six reflections on what it takes for charities to remain relevant into the future.

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<sup>36</sup> AI Commons. Introduction to Appreciative Inquiry. Available from: <https://appreciativeinquiry.champlain.edu/learn/appreciative-inquiry-introduction/>

<sup>37</sup> MindTools Content Team. McKinsey 7-S Framework: Making Every Part of Your Organization Work in Harmony. *MindTools*. Available from: [https://www.mindtools.com/pages/article/newSTR\\_91.htm](https://www.mindtools.com/pages/article/newSTR_91.htm)

- i. **Adapting at the right pace.** Bringing in staff with new skills, collaborating on back-office services, and diversifying the business model are all viable ways to move an organisation forward. However, change that is too fast can outstrip the preparedness of governance structures and other systems, and change that comes too slowly may see an agency get left behind. Being clear on the internal environment, including establishing an accountable individual for horizon-scanning and bringing in diverse voices and perspectives, will assist in assessing the pace of change that is right for an agency.
- ii. **Finding the right business model.** Although business modelling is more often associated with private companies, it is a critical activity for organisations that want to diversify their income and keep costs proportionate. As a starting point, the [Social Business Model Canvas](#) provides a template for mapping all areas of work, from resources to stakeholders to delivery channels.
- iii. **Putting the problem at the centre.** Unlike Appreciative Inquiry, this approach proposes ‘loving the problem, not the solution.’ Researching every possible aspect of a problem to be solved ensures that impact is at the centre of all decisions, and allows different innovative solutions to be designed and tested before an organisation commits to any of them.
- iv. **Imagining starting from scratch.** What would need to be done differently? What support might be necessary? What sources of income might be possible? How would the public be engaged? Are there ways to involve service users in governance structures? The case study of government agency British Waterways transforming into the Canal & River Trust provides a framework for considering such questions.
- v. **Embracing digital.** Fast-moving digital technologies have the potential to revolutionise every aspect of an agency – from funding opportunities, to partnerships, to service delivery to internal organisation. However, it is critical for innovation to be communicated to and supported by everyone, from trustees to staff. In expanding the use of digital technologies, an agency should be creative but focussed, and consider partnerships or even incubator opportunities whilst always keeping the agency’s vision and values at the heart of all decision-making.
- vi. **Improving resilience.** Resilient organisations can respond quickly to both opportunities and challenges. Establishing clear accountability for decision-making is one important way to improve reaction speed. Keeping strategy and vision (rather than funding) at the heart of innovation makes it easy to see which services to fight for and which to let fall by the wayside. Ensuring staff and trustees have a mix of skills and capabilities, but also that they share that knowledge effectively, means that there will be a range of perspectives to draw on, along with consistency if someone leaves the agency.

### Evaluating opportunities for collaboration or competition

Collaboration and competition can both contribute to sustainability in the right circumstances.

To decide whether to collaborate, complement or compete, an agency should consider<sup>38</sup>:

- Which approach will **best achieve the vision and mission**?
- Which approach will make **best use of resources**?
- Which approach will have the **greatest impact for beneficiaries**?

An agency may decide that **it provides a better service** than the main other players, and that it is therefore going to directly compete with them for resources, beneficiaries and support. To do this, agencies should be clear about the distinctive benefits of their services and how they improve outcomes for service users. The focus should be on what a service achieves, rather than what it consists of.

If an agency decides to **collaborate rather than compete**, there should be clarity about the desired outcomes. Agencies should consider the size of the opportunity and how formal or informal the relationship would be, as well as the effort required to make the collaboration to make it successful. Agencies should ensure that the benefits of collaboration outweigh the required effort (i.e. that collaborative opportunities are efficient).

The third alternative is to **complement other providers' services**. Agencies will need to identify each organisation's USP, and may find it helpful to meet with the other providers to discuss how to develop services in a complementary way.

### *Three Circles analysis*

Three Circles<sup>39</sup> analysis is a way to compare an organisation's services with those of other players, and to compare everyone's services with the needs of service users. This exercise can help determine:

- The extent to which your services or other players' services meet service users' needs;
- The extent to which organisations are duplicating services, and are therefore in competition with other players;
- The extent to which needs are going unmet; and
- Areas in which an organisation might want to pursue collaboration.

Further details can be found in the resource bank.

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<sup>38</sup> Cass Centre for Charity Effectiveness, (2012). *9. Connect – Tools for success: doing the right things and doing them right*. London: Cass Centre for Charity Effectiveness. Available from: [https://www.cass.city.ac.uk/\\_data/assets/pdf\\_file/0007/132010/9Connect.pdf](https://www.cass.city.ac.uk/_data/assets/pdf_file/0007/132010/9Connect.pdf)

<sup>39</sup> Urbany, J., and David, J., (2007). Strategic Insight in Three Circles. *Harvard Business Review*. Available from: <https://hbr.org/2007/11/strategic-insight-in-three-circles>

## 7. Diversification

The preceding sections have emphasised the importance of financial and strategic planning, underpinned by data and research, in ensuring sustainability. Diversification is relevant in both areas, as an organisation is vulnerable when it relies on a single income stream or the delivery of a single service.

As previously discussed, the majority of the resources in adoption come from the state. However, CVAA members are in many cases eligible for other kinds of funding that are not available to the statutory sector, including charitable donations, philanthropic grants and earned income. These all have both benefits and drawbacks and may not be applicable in every circumstance. For example, fundraising and grant applications often require significant up-front expenditure in the form of staff time, and charging for services may in many cases be considered inappropriate. Given the current structural instability in the adoption landscape, however, these options may often provide more security than rolling contracts and spot-purchase arrangements.

Most CVAA members have a few different income streams, thus strengthening their financial position. With regards to service delivery, however, we know that many members make the majority of their income from interagency placements. The most recent ASGLB data (up to 31 March 2019) indicates that CVAA members continue to make about 1 in 4 placements in England, thus demonstrating the strength of the sector in finding forever families for children. On the other hand, the recent (5 December 2019) publication of the DfE's 'Children looked after including adoption' statistical release<sup>40</sup> confirms that adoption orders are declining, special guardianship orders are increasing, and there are more children in care every year.

It would therefore be unwise for agencies to rely on the current status quo without taking account of the direction of travel. We encourage members to consider the skills and expertise that they currently have in adoption and the ways in which these might be beneficial in other areas of work.

### Birth relatives and adopted adults

Some agencies already work with adopted adults and/or birth relatives, providing, for example, counselling, tracing work and intermediary services. Despite LAs having a statutory duty<sup>41</sup> to 'provide counselling and information for, and ascertain wishes and feelings of, the parent or guardian of the child and others,' in practice such services may be poorly communicated or not made available.

CVAA, in collaboration with Julia Feast OBE, has produced a set of policy and practice guidance documents for English and Welsh VAAs who are supporting adults adopted after 2005 to access their adoption records. We have also held two training events with LA and RAA colleagues. There is considerable uncertainty in this area and many statutory agencies do not have the staff resource to

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<sup>40</sup> Department for Education. National Statistics: Children looked after in England including adoption: 2018 to 2019. Available from: <https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption-2018-to-2019>

<sup>41</sup> Great Britain. *The Adoption Agencies Regulations 2005*. SI 2005/389 [online]. London: The Stationery Office. Available from: <http://www.legislation.gov.uk/uksi/2005/389/regulation/14/made>

provide adequate guidance and support. There are also a number of poorly understood tracing agencies about which some CVAA members have expressed concerns. The VAA sector may therefore wish to consider taking ownership of this area of work, given it will become increasingly necessary as more and more young people who were adopted after 2005 reach the age of 18 (16 in Scotland).

### Permanence

Special guardianship and fostering are both increasingly significant permanence options, with a further estimated 150,000+ children living in kinship care arrangements<sup>42</sup>.

CVAA published a briefing in December 2019 (available in the members' area at [cvaa.org.uk](http://cvaa.org.uk)) which explores specific issues in special guardianship and the possibilities for VAAs around expanding into this area.

Some CVAA members, including St Andrew's Children's Society and Caritas Care, provide full fostering services.

### Education

Children who have experienced trauma or have attachment issues can have a very difficult time in school, but school staff have rarely been trained in trauma, adverse childhood experiences, attachment or adoption. There are organisations such as PAC-UK that provide services in this area, including training for school staff and support to parents. Some CVAA members are starting to expand into the area of education support; others have been working in this area for some time. For example, Faith in Families have provided a social work service in schools for several years.

### Other vulnerable people

The services that VAAs provide to adopted children are grounded in a deep understanding of trauma and vulnerability. This understanding could in many cases be extended to other vulnerable groups – for example, young people who have had experience of the criminal justice system, care leavers and people with disabilities. Similarly, the skilled support VAAs give to adopters is transferable to families on the edge of care, where parenting skills need to be developed and an understanding of behaviour management can improve family stability.

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<sup>42</sup> Wijedasa, D., (2015). *The prevalence and characteristics of children growing up with relatives in the UK*. Bristol: The Hadley Centre for Adoption and Foster Care Studies. Available from: [https://www.bristol.ac.uk/media-library/sites/sps/documents/kinship/Kinstat\\_%20Briefing%20Paper%20001\\_V2.pdf](https://www.bristol.ac.uk/media-library/sites/sps/documents/kinship/Kinstat_%20Briefing%20Paper%20001_V2.pdf)

## 8. Summary and implications for VAAs

Sustainability is not all about finance, although for all organisations ensuring income is critical to the long-term ability to provide services and achieve organisational goals. Sustainability can only be built on an in-depth understanding of the true costs of meeting organisational mission and a robust assessment of external challenges, risks and opportunities. Organisations which thrive are resolute about their purpose but unafraid to change how they deliver it. They understand what is unique and special about their work which supports efforts to compete or collaborate, especially in volatile funding environments.

Nobody can plan for everything. **Sustainability is about knowing how to make the best decision possible at the right time**, using the full range of information available. It is as much an art as a science.

This briefing, along with the resource bank and bibliography in the following sections, provide a wide range of tools upon which to build. CVAA is also able to put members in touch with one another to discuss anything that is covered in this briefing – please contact [Sam.Mercadante@cvaa.org.uk](mailto:Sam.Mercadante@cvaa.org.uk) for further information.

## 9. Resource bank

*Charity governance, finance and resilience: 15 questions trustees should ask, with example sub-questions*<sup>43</sup> (The Charity Commission, 2017)

### 1. What effect is the current economic climate having on our charity and its activities?

- a. are we focusing on the right activities, or are we doing things that are over and above our core charitable aims? if we are, should we stop doing those things?
- b. will our funding support our strategic plans? if we are relying on a single source of income (such as grant funding or investment income), should we look at other sources of funding?
- c. how do we think the political, economic, social and technological environment in which we work is going to change and is this reflected in our strategic planning?
- d. does this environment present us with any immediate challenges or opportunities? for example:
  - i. recruiting volunteers including those with different skills
  - ii. collaborating with others to provide skills, accommodation, equipment or increased buying power
  - iii. re-negotiating contracts
  - iv. bidding for public service delivery contracts
  - v. taking advantage of on-line services - for example banking
- e. are there particular risks we should consider? for example:
  - i. increased (or reduced) demand for services, or changes in the type of services needed
  - ii. reduced income from investments and savings
  - iii. funding uncertainty
- f. should we think about whether we want to, or are able to, continue operating? could closing the charity and passing its resources to a similar charity be a better use of scarce funding and resources?

### 2. Are we financially strong enough to continue to provide services for our beneficiaries?

- a. do we have up to date information about our charity's finances, cash flow and debts/obligations? the financial information provided at each trustee meeting should typically include:
  - i. the latest management accounts
  - ii. a comparison of budget to actual figures
  - iii. an explanation for variances between forecasts and what actually happened
  - iv. details of cash flow and closing bank balances
- b. do we have access to the right type of financial/professional advice?
- c. based on the information we have, can we:
  - i. tell what might happen to our future income?
  - ii. protect (or increase) our current income?
  - iii. continue our programme of activities for the foreseeable future?

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<sup>43</sup> Charity Commission, (2017).



- iv. make our money go further, for example by identifying costs we can cut?
  - v. fulfil our contractual obligations?
  - vi. meet our financial commitments as they fall due?
  - vii. tell if the charity is facing potential insolvency?
  - d. are we clear about what core activities we want to sustain under any circumstances?
  - e. are we clear about the charity's financial prospects for the longer term?
  - f. are we confident that we will be able to identify and address potential insolvency in good time?
  - g. have we planned for an orderly wind up of the charity's affairs if the charity is no longer viable?
- 3. Do we know what impact the social and/or economic climate is having on our donors and support for our charity?**
- a. how secure is our existing funding, for example contracts from other bodies for service delivery, statutory funding or grants from other bodies, for the foreseeable future?
  - b. is it possible to diversify or broaden our sources of income? for example, there are new opportunities for funding such as organisations, charities and investors that can provide loans and other support to charities as a social investment
  - c. do we need to rethink our fundraising strategy – is it in line with current guidance and good practice?
  - d. have we considered other factors that might influence our supporters? reputational issues and any of a charity's policies can affect the support of its donors, for example the way the charity invests its money or the way it fundraises
- 4. What is our policy on reserves?**
- a. do we have a clear, published reserves policy that meets the needs of our charity?
  - b. what will the consequences be for our charity's beneficiaries (in particular vulnerable beneficiaries) if the charity has no financial reserves to enable it to continue in the event of loss of regular income?
  - c. does our policy:
    - i. fully justify and clearly explain keeping or not keeping reserves?
    - ii. identify and plan for the maintenance of essential services for beneficiaries?
    - iii. reflect the risks of an unplanned closure, our spending commitments and our potential liabilities and financial forecasts?
    - iv. help to address the risks of unplanned closure on our beneficiaries, staff and volunteers?
  - d. do we know what the level of our reserves is now? we need to know what assets are freely available to spend and not already set aside or designated for particular purposes.
  - e. have we considered:
    - i. new priorities and needs (for example an increased demand for our services or a change in our activities) which have arisen because of changes in our financial and social environment?
    - ii. the level of reserves needed to meet new priorities and needs, a longer term strategy to replenish reserves, or spending them in their entirety?
    - iii. using reserves to restructure our work?

**5. Are we satisfied with our banking arrangements and our current and future investment policy?**

- a. how often do we review our banking arrangements?
- b. does our bank offer the range of services that we need? for example:
  - i. online banking with suitable security measures
  - ii. the access to cash on deposit that we need
  - iii. a loan facility
- c. have we considered the costs and benefits of our current and deposit accounts to ensure competitive interest rates?
- d. are our deposits protected by the Financial Services Compensation Scheme?
- e. have we looked at the services offered by other banks with a view to switching our provider?
- f. have we recently reviewed our investment policy to ensure that it reflects and can meet our current and future needs?
- g. have we arranged for regular investment policy reviews - sudden changes in the economic climate might mean they should take place more regularly?
- h. have we reviewed the diversity, suitability and risks associated with our spread of investments?
- i. have we thought about whether an ethical investment policy would be right for our charity?
- j. could social investment be an effective way to meet our aims?

**6. Have we reviewed our contractual commitments?**

- a. do we know exactly what our contractual commitments are - they might include office leases, rental agreements, equipment hire?
- b. could we collaborate with other organisations to save costs on essential support or back office expenses?
- c. do we understand the obligations of any existing or new contracts – there might insurance requirements or penalty clauses for non delivery?
- d. are these obligations manageable for our charity now and for the remainder of the contract?
- e. how do we terminate our contracts if necessary?
- f. should we review any contracts we have with fundraisers for value for money and reputational risks?
- g. if we cannot meet the terms of a contract, are we aware of the financial and reputational risks we could face?

**7. Have we reviewed any contracts to deliver public services?**

- a. do we understand all the obligations imposed on us by our existing contracts?
- b. are these obligations manageable in light of the charity's current and probable future situation?
- c. can we terminate any contracts we are party to if necessary?
- d. if we cannot meet the terms of a contract are we aware of the financial penalties and reputational risks we could face?
- e. have we planned for what happens when the contract ends?

- f. are we fully aware of the risks and obligations attached to taking on new public service delivery contracts?
  - g. have we explored the different ways in which we can achieve our charity's aims as an alternative to entering into a new contract?
- 8. If we have a pension scheme, have we reviewed it recently?**
- a. do we know the risks and liabilities attached to our charity's pension scheme?
  - b. what plans do we have to manage those risks and liabilities?
  - c. do we make it clear in our financial reporting what our pension liabilities are and what we are doing to manage any risk to our charity?
  - d. do we need to take specialist advice?
- 9. How can we make best use of any permanent endowment investments we hold?**
- a. do we know whether any of our funds are permanent endowment and can only be invested to produce income for our charity or used as specified by the donor?
  - b. do we think that the interests of our charity and its beneficiaries would be better served by making use of the greater flexibility to spend permanent endowment offered by the Charities Act?
  - c. can we take advantage of the power to use a total return approach to investment (this is usually only appropriate for larger permanently endowed charities)?
- 10. Are we an effective trustee body?**
- a. do we understand:
    - i. the charity's aims as set out in its governing document?
    - ii. what our charity will do, and what we want it to achieve?
    - iii. that all of the charity's activities are intended to further or support its purposes?
    - iv. how the charity benefits the public by carrying out its purposes?
  - b. have we read ['The essential trustee \(CC3\)'](#)?
  - c. have we recently reviewed our performance as a trustee body?
  - d. are we using our time together as a board efficiently and effectively? do we read the accounts, reports and other background material before the meeting?
  - e. have we recently reviewed the skills, knowledge and experience we have as a trustee body? have our needs changed?
  - f. are we aware of the importance of effective communication and negotiation with those with an interest in our charity - these could be donors, supporters, beneficiaries, staff and volunteers?
  - g. do we have sufficient oversight and knowledge of the activities of external people and organisations acting on our behalf?
  - h. do we have access to the guidance we need to ensure that our decisions are made in the best interests of our charity and its beneficiaries?
  - i. do we know what, if any, conflicts of interests might affect our decision making?
  - j. do we need to monitor the charity's affairs more closely, for example by meeting more frequently?
  - k. do we feel able to take difficult or unpopular decisions if needed, for example about:
    - i. ending or changing some activities?
    - ii. changing staffing levels?
    - iii. changing staff benefits?

- iv. merging with another charity?
- v. winding up the charity?

**11. Do we have adequate safeguards in place to prevent fraud?**

- a. do we have proper financial controls and procedures in place to prevent fraud?
- b. do they need reviewing and updating, to take account of any increased risk of fraud as a result of changes in the economic and technological environment the charity operates in? an example might be the greater risk of computer fraud
- c. are there controls and procedures in place to reduce the risk of misuse of personal data?

**12. Are we making the best use of the financial benefits we have as a charity?**

- a. do we understand how to make the most of Gift Aid?
- b. are we making the most of our potential tax relief as a charity?
- c. are we aware of any financial help available for charities from other bodies – they may be governmental, other organisations or charities? if yes, have we considered whether it is appropriate for our charity, and whether to apply for it?
- d. do we know where to go for information on how to take advantage of the growing interest in social investment into charities?
- e. have we considered whether any trading activities should be hived off to a subsidiary trading company in order to avoid tax liabilities?

**13. Are we making the best use of our staff and volunteers?**

- a. are we aware of our obligations as employers and do we know where to go for further information?
- b. do we have a safeguarding policy that clearly lets trustees, staff, volunteers and beneficiaries know what their roles, rights and responsibilities are?
- c. do our staff have the right mix of skills and experience that our charity needs to be effective?
- d. could we introduce more flexible patterns of working in order to focus our resources where most needed?
- e. do we still need the same type and number of staff? are there better opportunities to recruit in a competitive job market?
- f. are we making the best use of any interest in volunteering for charities?
- g. are we proactive in attracting potential volunteers and have we reviewed the way we support and use them?

**14. Have we considered collaborating with other charities?**

- a. are there any of our activities that could be more effective by working with others, such as sharing equipment, sharing staff, running joint training sessions, purchasing or sharing back office services?
- b. do we know how to identify other charities with similar purposes operating in our area that we could contact to discuss possible collaboration or joint working?
- c. should we consider the possibility of a formal merger with another charity or charities in the interests of our beneficiaries? this will be important if your charity wishes to wind up or is facing financial difficulties

### 15. Are we making the best use we can of our property?

- a. have we recently reviewed how we use any assets, such as buildings or equipment we own or rent? could we use them differently, share them with others, re-negotiate terms or sell them?
- b. have we reviewed the costs and benefits of the way we hold property? for example, should we buy, rent or lease?
- c. have we reviewed any insurance policies we hold - can we get a better deal?
- d. what will any change in use of our property mean in terms of insurance?

### *STEEPLE mapping questions*

#### Social

- What is the population's growth rate and age profile? How is this likely to change?<sup>44</sup>
- Are generational shifts in attitude likely to affect your activities?
- What are society's levels of health, education, and social mobility? How are these changing?
- What employment patterns, job market trends, and attitudes toward work can you observe? Are these different for different age groups?
- What social attitudes, religious beliefs, taboos and lifestyle choices could affect your organisation or your work?

#### Technological

- Are there any new technologies or research developments that you could be using?
- Are there any developments on the horizon that could affect your work?
- Do other agencies have access to new technologies that could redefine their services?
- In which areas do government and educational institutions focus their research? Is there anything you can do to take advantage of this?
- How have infrastructure changes affected work patterns (for example, levels of remote working)?
- Are there existing technological hubs that you could work with or learn from?

#### Economic

- How stable is the current economy? Is it growing, stagnating, or declining?
- Are people's levels of disposable income rising or falling? How is this likely to change in the next few years?
- What is the unemployment rate? How easily will you be able to build a skilled workforce?
- How is globalisation affecting the economic environment?

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<sup>44</sup> Questions to consider under each theme have been adapted from [https://www.mindtools.com/pages/article/newTMC\\_09.htm](https://www.mindtools.com/pages/article/newTMC_09.htm)

## Environmental

- Do the geography, climate and weather in your area impact on your activities?
- What are people's attitudes towards the environment?
- How might a changing global climate (and related social action) affect your organisation?

## Political

- What is the political attitude towards adoption, at both national and local level? Is it high or low on the political agenda?
- What government policies might affect adoption placements and support services?
- What attitudes do local government commissioners have towards the voluntary sector?
- When is the next local, state, or national election? How could this change government or regional policy?

## Legal

- How does government approach corporate policy, corporate social responsibility, environmental issues, and customer protection legislation? What impact does this have, and is it likely to change?
- What regulations might affect your ability to employ staff/volunteers and deliver services?
- Could any pending legislation or taxation changes affect your organisation?
- How will business regulation, along with any planned changes to it, affect your organisation? Is there a trend towards regulation or deregulation?
- What is the likely timescale of proposed legislative changes?

## Ethical

- What are the different perspectives on adoption? Are they all equally considered and valued?
- What social values might affect your work?

## *Other Player analysis process and questions*

To undertake an Other Player Analysis, you should:

- 1) Define the **scope and nature** of your area of activity or market, including your current outputs.
- 2) Identify who your **beneficiaries** are and what they need and expect.
- 3) Determine who the **other players** are and develop an individual profile of each of them.
- 4) Identify the **key success factors** in your market and how well you and the other players deliver these.

Questions to ask include:

- Why does this player (organisation) exist? Where did they come from?
- Who is this organisation connected with? Who funds them?
- What do we need/want from them?
- What do they need/want from us? What would 'quick wins' for them look like?

- What risks does this organisation pose? What opportunities?
- How influential is this organisation? Does this differ in different arenas?
- Do individual personalities affect this organisation? Whose? What are their attitudes and preferences? What are their backgrounds?

### *Appreciative Inquiry process*

There are four steps to an Appreciative Inquiry:

- 1) **Discovery (mapping)** – Participants should write down any especially positive stories or achievements that they can recall, and then share what they wrote down. One person should record themes, ways of working, characteristics that were present at the time, etc. on a flip chart. At this point, you can identify the best of what has already happened and what currently exists based on the common themes that emerge. Then ask the group to focus in on the conditions that enabled those successes to happen.
- 2) **Dream (creating)** – Based on ‘the best of what is,’ the group should then project into the future. If the agency could build on and expand the best of its characteristics, what would that look like? How might things change? This step is grounded in the reality of what has already occurred and what currently exists, so should feel very tangible and achievable to participants. If you have a diverse range of voices in the room, many possible projections of the future may emerge.
- 3) **Design (strategising)** – Given what already exists and what could be, how can the agency get from here to there? Ask the group to think about the strategies and concrete steps that will move the agency towards being fully engaged and built around its best strengths. Discuss the various projections that emerged in the Dream phase. The goal is to reach a shared vision of change.
- 4) **Destiny (delivering)** – Senior leadership should incorporate the strategies that came out of the Design phase into the agency’s overall strategy, and review/revise as necessary.

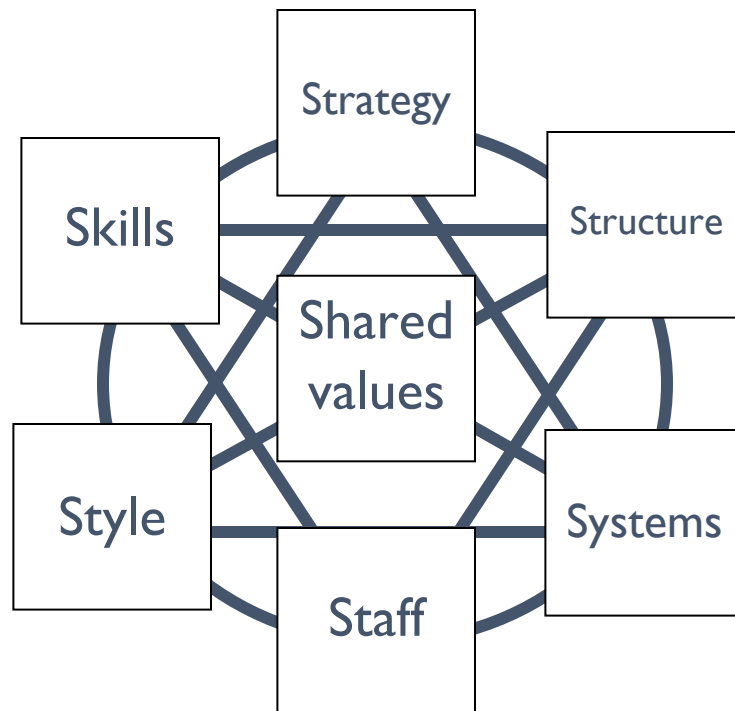
Of course, your agency may not be in a position to undertake organisational change; you may just want to better understand your agency’s strengths. Appreciative Inquiry provides a way to map those strengths and can be a refreshing change from the deficit-focussed thinking to which most of us are accustomed.<sup>45</sup>

### *7-S analysis questions and model*

Ideally, the 7 elements will be operating in harmony and reinforcing one another. To analyse your agency through the 7-S lens, work through each of the S’s with openness, curiosity and honesty.

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<sup>45</sup> Copeman, C., (2018). Tools to assess the internal environment. *NCVO*. Available from: <https://knowhow.ncvo.org.uk/organisation/strategy/internalanalysis/tools-to-assess-the-internal-environment>



### Strategy<sup>46</sup>

- What is our current strategy? What are our goals?
- How are we going to achieve our goals?
- How do we respond to competition?
- How do we set ourselves apart from competitors?
- Are we open to collaborating with or complementing other agencies?
- How do we respond to changing needs?

### Structure

- What is our organisational structure?
- What hierarchies exist? How are these established and maintained?
- How do different teams coordinate their work? Is this successful?
- How do team members organise their own work? Is this successful?
- How centralised is decision-making? Is this successful?
- How explicitly or implicitly do we communicate with one another – both interpersonally and between teams?

<sup>46</sup> Some questions adapted from <https://www.smartinsights.com/marketing-planning/marketing-models/mckinsey-7s-model/>



### Systems

- What systems and processes do we currently have in place for finance, HR, information storage, data protection, communication, etc.?
- What software/technology does your agency use?
- Who has authority over these systems and processes?
- How are our processes monitored and evaluated?

### Shared values

- What are our values? How strongly do we live these in our day-to-day work? How present are they in our decision-making processes?
- What is our agency's culture?
- Do staff feel that the agency's shared values reflect their own personal values?

### Skills

- What skills are represented across our staff?
- What skills are needed to get the job done, and what skills might add value to our day-to-day work?
- What gaps exist in the skills we have and the skills we need?
- What are individuals/teams known for doing well?
- How are skills monitored, assessed and evaluated?
- What do we do when we identify a skills gap?

### Style

- What is our agency's leadership style? How effective is it?
- Are our staff and managers generally more competitive or cooperative?
- Is creativity and innovation encouraged and supported? How?
- Do staff feel supported? Why or why not?

### Staff

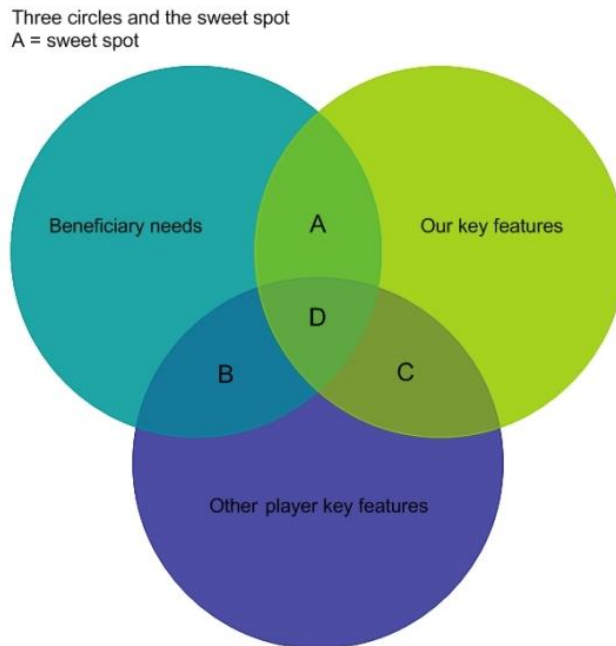
- What are the characteristics of our staff (age, gender, background, education, etc.)?
- What do our staff specialise in?
- What are the strengths and weakness of our staff?
- Are our staff operating at their optimal capacity?
- Are there opportunities for professional growth?

### Three Circles analysis

To undertake this exercise, you'll want to make three lists: the needs of your service users and others whose needs you may not be meeting (e.g. birth relatives or adoptive siblings); the key features of your services; and the key features of other players' services. List these next to one another, as in this abridged example from NCVO:

Beneficiary needs	Our key service features	Key other player service features
Immediate access to services	24-hour helpline	Outreach workers in all towns
Counselling	Counselling service by phone	Counselling service face-to-face
Advice	Advice	Advice
Social activities with peers	Social and peer on regular basis	No social or peer activity

Based on your list, you can now create a Venn diagram with three circles:



Now you can analyse the different areas of overlap in your diagram.

The 'sweet spot'

Services that fall in the overlap (A) between 'beneficiary needs' and 'our key features' are your agency's unique selling point. Ask yourself:

- Does our USP serve our vision and mission?
- How big/significant is our USP compared to our overall service offer?
- What elements of the 7-S analysis contribute to our USP? For example, how does our staff team's unique capabilities help us to maintain our USP?
- How can we further emphasise our USP?
- How can we retain our USP?
- Does our strategy adequately incorporate our USP?

#### Opportunities for growth and potential collaboration

Unmet or inadequately met needs can be found in the area of 'Beneficiary needs' that does not overlap with your key features or other players' key features. This is an area where you might be able to innovate and introduce new services, or perhaps expand an existing service. This area also offers the potential for collaboration – have a look at other players' USP (B), and ask yourself:

- Should we be providing a similar service?
- Is their service effective?
- Could their service be expanded to serve unmet needs?
- How could we best add value for service users?

#### Opportunities to collaborate, complement or compete

The area of most overlap (D) signifies where you and other players are meeting needs with similar services. Ask yourself:

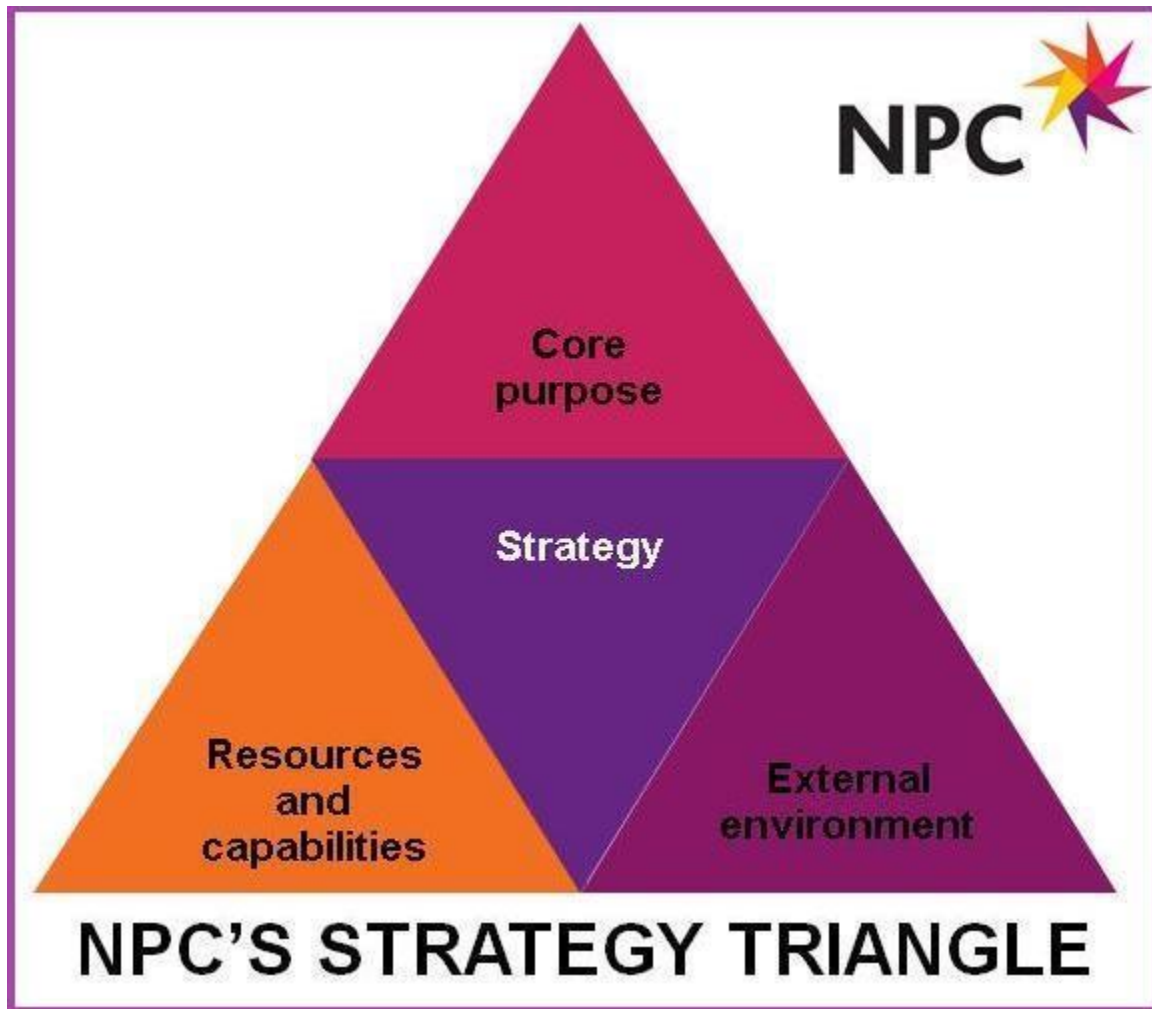
- Are we duplicating services?
- Is competition in this area providing the best use of resources?
- Who is providing this service most effectively?
- Should we drop this area of work?
- If we continue in this area of work, would it be more effective to collaborate?
- If we decide to compete, what do we need to change to enhance our distinctiveness in a competitive market?

#### Opportunities to innovate

Where your key features do not overlap with beneficiary needs, ask yourself:

- Why do we provide this service?
- Is this a service we should continue to provide?

How might we be able to more effectively deploy the resources (including staff time) that we currently spend in this area?



<https://www.thinknpc.org/resource-hub/strategy-for-impact/>

**Social Business Model Canvas**

<p><b>Key Resources</b></p> <p><i>What resources will you need to run your activities? People, finance, access?</i></p>	<p><b>Key Activities</b></p>	<p><b>Type of Intervention</b> 2</p> <p><i>What is the format of your intervention? Is it a workshop? A service? A product?</i></p>	<p><b>Segments</b> 1</p> <p><b>Beneficiary</b> <i>Who benefits from your intervention?</i></p>	<p><b>Value Proposition</b> 3</p> <p><b>User Value Proposition</b></p>
<p><b>Partners + Key Stakeholders</b></p> <p><i>Who are the essential groups you will need to involve to deliver your programme? Do you need special access or permissions?</i></p>	<p><i>What programme and non-programme activities will your organisation be carrying out?</i></p>	<p><b>Channels</b> 6</p> <p><i>How are you reaching your users and customers?</i></p>	<p><b>Customer</b> 4</p> <p><i>Who are the people or organisations who will pay to address this issue?</i></p>	<p><b>Impact Measures</b></p> <p><i>How will you show that you are creating social impact?</i></p> <p><b>Customer Value Proposition</b> 5</p> <p><i>What do your customers want to get out of this initiative?</i></p>
<p><b>Cost Structure</b></p> <p><i>What are your biggest expenditure areas? How do they change as you scale up?</i></p>		<p><b>Surplus</b></p> <p><i>Where do you plan to invest your profits?</i></p>	<p><b>Revenue</b></p> <p><i>Break down your revenue sources by %</i></p>	

Inspired by The Business Model Canvas

<http://www.socialbusinessmodelcanvas.com/>

CVAA's Theory of Change template

**Rationale:** What is the scale and scope of the problem you are trying to address, what causes it, who is affected, who else works on it and what are the consequences of not addressing it?

**Activities:** What activities do you plan to carry out to address this problem and what is the best way of reaching your target group?



**Change process:** What are the mechanisms by which you expect people to engage and benefit, and how do your activities achieve the change you want to see?



**Intermediate outcomes:** What are the assets and strengths that your programme of work conveys to people, that help to address the problem in the short to medium term?



Accountability line

*The line of accountability between the outcomes you can achieve directly through your activities, and the longer-term goals these contribute towards*



**Long term impact:** What is the sustained effect on children, families and communities you would expect your work to contribute to?

What is your evidence to support your rationale, activities and change process?  
Where are you sourcing your evidence from?

How do you plan to gather evidence of your outcomes?  
What do you plan to do with this evidence?

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