A Theory of Change clearly outlines the steps by which a Community Foundation plans to achieve its vision through local philanthropy to enable communities to help all those in need. The Theory of Change can help a Community Foundation - and its donors, grantees and partners - to understand how each activity meets the needs in the local community, contributes towards achieving the expected impact and achieving the vision. The process helps to identify any additional strategies, activities, or alliances necessary for success.

There are a range of Theory of Change models that Community Foundations could use (examples in the appendix). There is no right or wrong way to develop a Theory of Change, and it could be used for the whole organisation or for individual projects or funding programmes. The aim is to show clearly how the Community Foundation believes that the desired change will occur. Some Community Foundations use text, but charts can be very useful to give a picture of your Theory of Change - the important thing is that it should be clear and understandable to an independent reader. A straightforward approach would be:

| What are the needs in your local community? | What activities and resources can you use to help to meet these needs? | What outputs will be achieved through the help you provide? | What measurable short-term outcomes will result from the help you provide? | What long-term impact will be achieved? |

**Vision**

**Why should a Community Foundation develop a Theory of Change?**

Because a Theory of Change can be a powerful tool to articulate a Community Foundation’s vision and outline the need it is trying to address, the change it aims to create and how its planned activities will achieve that change. The Theory of Change does this by:

- linking to evidence about the needs in the local community (Vital Signs or other Local Needs Assessment if available)
- clearly articulating the outcomes that a Community Foundation aims to achieve and the pathway that will lead to long-term impact and the overall goal
- enabling a Community Foundation to test and challenge assumptions
- ensuring that staff and trustees are focused on the vision (overall goal) and understand their role in achieving it
- providing the basis for a Community Foundation’s impact measurement framework
- making it clear to local groups and organisations what areas and activities a Community Foundation aims to fund and the outcomes it seeks to achieve
- helping to inspire philanthropists and companies to invest in the local community as a tool to show the difference that they can make
- providing a framework to assess how proposed new ideas or developments fit within the planned strategic approach and prevent mission drift
What is the difference between a Theory of Change and a Strategic Plan?

A Theory of Change maps out how you believe that the change the Community Foundation aims to create can come about, outlining the link between the approach and the desired short- and long-term outcomes. A Strategic Plan is a summary of the Community Foundation's vision, mission, expected outcomes, strategies and planned activities, normally for a defined period, and how these relate to each other.

A Strategic Plan fits with and flows well from an organisational-level Theory of Change. Alternatively, a strategic planning process can generate insight for the development of an organisational-level Theory of Change or individual Theories of Change for specific projects or funding programmes.

Key points to consider

There are some key points to consider before starting the Theory of Change development process:

1. Would the Community Foundation benefit most from an organisation-wide Theory of Change or would separate Theories of Change for philanthropy and grant making?
2. As a Community Foundation supports a range of work in local communities, would it be more appropriate to develop separate Theories of Change for specific grant programmes rather than an overarching Theory of Change?
3. Are the staff and trustees on board and supportive of the process? Their engagement and support will be important in driving the process forward, and the more people who are able to make a meaningful contribution to the development of the Theory of Change, the stronger their commitment will be to the final product.
4. How comfortable is the Community Foundation relying on grantee-reported data to measure its impact? This can be challenging where grantees don't have sufficient resources or capacity to collect good data and need support to develop their own approach to impact measurement and reporting.
5. How can a Community Foundation best measure impact without overclaiming? Community Foundations play a valuable role in the ecosystem of their local voluntary sector and recognise that the grant funding and support can only be a contribution towards the overall goal. This will be achieved through the combined work of local groups and organisations, Community Foundations and other funders and stakeholders. Impact measurement and reporting should therefore reflect this and acknowledge the role that the Community Foundation plays in achieving the outcomes.

How to develop your Theory of Change

1. Identify your vision/final goal
   If you need help to develop your vision, this is a useful resource:
   Centre for Charity Effectiveness, Cass Business School - 'Direction'

2. Identify the local needs
   Vital Signs or another Local Needs Assessment if possible - or look at opportunities to collaborate with local universities, councils and voluntary sector infrastructure organisations to use existing external/academic evidence and analysis
3. **Identify your key stakeholders**
   Could include donors, grantees, infrastructure organisations, community leaders, local government, academics, users/beneficiaries of grantee organisations, volunteers

4. **Conduct a workshop with key stakeholders**
   Find a facilitator (so not led by anyone directly involved in the Community Foundation) to run a workshop to consider:
   a) What are the needs in the local community (use Vital Signs, Local Needs Assessment or other evidence/research identified during stage two) and add in experience, community intelligence and other evidence from stakeholders
   b) What are the assumptions that underpin the Community Foundation’s current approach?
   c) Looking at the identified needs, what long-term change should the Community Foundation aim to achieve? How does this fit with the vision/long-term goal?
   d) What short-term/immediate outcomes are possible through the Community Foundation’s work?
   e) What needs to happen for the Community Foundations achieve these outcomes and long-term change?
   f) How can you identify if the outcomes are being achieved? What change can be measured?
   g) What are the factors outside your control that might influence the Community Foundation’s ability to achieve these outcomes?
   h) What resources are needed and who are the potential partners who could help achieve the identified vision?
   i) What is most valuable about the Community Foundation’s role in the local community?

Arrange the stakeholders in small groups to ensure representation of different sectors/roles in each. Use post-it note exercises and collect responses on a flip chart to draw the information together afterwards. Use the information to draft a Theory of Change (model below) and circulate for further comment and refinement. The Theory of Change will be a living document and needs to be reviewed and updated as you test it in practice through evaluation of the outcomes, consultation and respond to changing needs.

Social Investment Business has developed some good short videos about developing a mission statement, Theory of Change and impact measurement. These can be very useful to show at the start of the workshop as an introduction for the stakeholders.


For more detailed guidance on a longer process, use New Philanthropy Capital’s practical guide - ‘Creating your Theory of Change’ with is designed for funders and charities:


NCVO also has guidance on how to build a theory of change, which is designed more for service delivery charities:

[https://knowhownonprofit.org/how-to/how-to-build-a-theory-of-change](https://knowhownonprofit.org/how-to/how-to-build-a-theory-of-change)

The Arts Impact Fund has developed a short guide, example and template for arts organisations:

### Example Theory of Change model for a Community Foundation

<table>
<thead>
<tr>
<th>Needs</th>
<th>Inputs</th>
<th>Outputs</th>
<th>Short-term outcomes</th>
<th>Long-term impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>As identified through Vital Signs or other Local Needs Assessment</td>
<td>Grow endowment and income</td>
<td>Grants</td>
<td>Increased local philanthropy</td>
<td>Grant making targeted effectively to support identified local needs</td>
</tr>
<tr>
<td>(if no Local Needs Assessment has been conducted, look at opportunities to collaborate with local universities, councils and voluntary sector infrastructure organisations to use existing evidence and analysis)</td>
<td>Proactive, accessible and responsive grant making</td>
<td>Loans</td>
<td>Increased grant funding available for local communities</td>
<td>More empowered, inclusive and resilient communities</td>
</tr>
<tr>
<td>Themes could include:</td>
<td>Philanthropy advice and services</td>
<td>Advice and support</td>
<td>Increased volunteering</td>
<td>Improved capacity, sustainability and effectiveness of local voluntary sector</td>
</tr>
<tr>
<td>Arts, Culture and Heritage Communities</td>
<td>Positive giving experience for philanthropists</td>
<td>Signposting to other funders</td>
<td>Increased organisational capacity in local communities</td>
<td>Equality of opportunity and improved quality of life for individuals and families in local communities</td>
</tr>
<tr>
<td>Education and Training Environment</td>
<td>Place-based approach</td>
<td>Community intelligence</td>
<td>Increased engagement in arts, culture and heritage</td>
<td>Improved local environment</td>
</tr>
<tr>
<td>Fairness and Inequality</td>
<td>Local funding knowledge</td>
<td>Voluntary sector networks</td>
<td>Increased community participation and cohesion</td>
<td>Increased diversity of the voluntary sector, reflective of their local communities</td>
</tr>
<tr>
<td>Health and Wellbeing</td>
<td>Expertise of local communities</td>
<td>Research</td>
<td>Improved educational outcomes and employability skills for children and adults</td>
<td></td>
</tr>
<tr>
<td>Housing and Homelessness</td>
<td>Build voluntary sector partnerships to identify and tackle issues together</td>
<td></td>
<td>Increased engagement with the environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Collaborate with other local funders to address issues of common concern</td>
<td></td>
<td>Improved equality and access to services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provide a voice for grantees</td>
<td></td>
<td>Improved health and wellbeing outcomes for local individuals and families</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Improved outcomes and community support for people experiencing homelessness</td>
<td></td>
</tr>
</tbody>
</table>

### Vision (examples)

*Foundation Scotland:* To create a vibrant Scotland where philanthropists and independent funders invest money, expertise and influence to make a difference to causes and communities that inspire them.

*Community Foundation in Wales:* A Wales with a thriving voluntary and community sector, where local people lead projects and have the financial resources to develop their own solutions based on need.

*Community Foundation for Northern Ireland:* Our vision is a peaceful, shared and socially just Northern Ireland.

*Dorset Community Foundation:* Our Vision is to create united and thriving communities by fostering a culture of giving and philanthropy in Dorset

*Somerset Community Foundation:* Our vision for Somerset is a county of vibrant, inclusive communities where voluntary organisations and social enterprises thrive, transforming and enhancing the lives of the most disadvantaged people.
Example Evaluation Framework developed from a Theory of Change

Outcomes to reflect those included in the Theory of Change (these are taken from the above example). Each Community Foundation should then select the appropriate indicators, depending on the data and information it already collects, local surveys/data collection, grantee surveys and indicators used in the end-of-grant evaluation forms. The best timing of when to collect the evaluation information will depend on each Community Foundation’s financial year and reporting timings. Responsibility for collection of the data and information will depend on the capacity and resources within the Community Foundation. Short-term outcomes for organisations and their beneficiaries are best measured through information provided by them in the end-of-grant evaluation forms, but local data and evaluations will be very useful in helping to measure progress on long-term impact.

<table>
<thead>
<tr>
<th>What outcomes will we measure?</th>
<th>What indicators will we use?</th>
<th>When and how will we collect it?</th>
<th>Responsibility</th>
</tr>
</thead>
</table>
| Increased local philanthropy   | • Number of donors during the year  
• Number of funds established and managed during the year  
• Amount of philanthropic funds invested | Annual fund/financial information  
End of the financial year | Philanthropy Team |
| Increased grant funding available for local communities | • Number and value of grants awarded  
• Amount invested and granted | Annual grant/investment information  
End of the financial year | Philanthropy Team |
<p>| Increased volunteering         | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |
| Increased organisational capacity in local communities | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |
| Increased engagement in arts, culture and heritage | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |
| Increased community participation and cohesion | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |
| Improved educational outcomes and employability skills for children and adults | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |
| Increased engagement with the environment | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |
| Improved equality and access to services | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |
| Improved health and wellbeing outcomes for local individuals and families | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |
| Improved outcomes and community support for people experiencing homelessness | (select indicators from the Impact Framework) | Annual evaluation of end-of-grant forms | |</p>
<table>
<thead>
<tr>
<th>Target Area</th>
<th>Indicators and Surveys</th>
</tr>
</thead>
</table>
| Grant making targeted effectively to support identified local needs | • Grants mapped against local needs identified in Vital Signs/other Needs Assessment  
• Community Foundation grantee surveys |
| More empowered, inclusive and resilient communities | • Local community surveys if available  
• Community Life Survey (annual regional data)  
(select indicators from the Impact Framework) |
| Improved capacity, sustainability and effectiveness of local voluntary sector | • Local voluntary sector surveys if available  
• Data/feedback from capacity building work  
(select indicators from the Impact Framework) |
| Equality of opportunity and improved quality of life for individuals and families in local communities | • Local community and equality data if available  
(select indicators from the Impact Framework) |
| Improved local environment | • Local environment data if available  
(select indicators from the Impact Framework) |
| Increased diversity of the voluntary sector, reflective of their local communities | • Local voluntary sector surveys if available  
(select indicators from the Impact Framework) |
Examples of Theories of Change

Community Foundations for Lancashire and Merseyside: We seek and work with philanthropists to empower them to engage in targeted social investment to contribute to enriching local people’s lives and supporting the creation of united, prosperous and thriving communities.


Devon Community Foundation: If we support the voluntary sector, donors and partners in Devon to identify and build upon their strengths to tackle issues together then communities will be more resilient and inclusive with increased capacity to thrive.


Foundation Scotland: As we grow our place-based approach, we believe that:
   ... with a mosaic of people as changemakers – philanthropists, citizens and investors
   ... who have access to diverse, long-term funding
   ... and with our committed support – of brokering, facilitation, coaching and partnership
   ... this will lead to more sustainable, empowered and resilient communities

Northamptonshire Community Foundation: If we grow our endowment and increase our revenue, make best use of our local funding knowledge and expertise of the communities we serve, provide a voice for those we fund, enrich the giving experience for philanthropists, whilst being cost effective with all our resources, then we will better serve our county’s communities now and for generations to come.


Somerset Community Foundation: www.somersetcf.org.uk/about-us/vision-mission

The London Funders Theory of Change is also an interesting place-based example:
“Our theory shows outcomes - from our work with funders and investors across the public, independent, social and corporate sectors, and from our work supporting civil society. Outcomes build on one another as we move towards change in Londoners’ lives. Therefore, this is also a theory of change for London’s civil society as a whole.”
https://londonfunders.org.uk/theory-change

Big Local’s Theory of Change was developed using NPC’s process and is available at: http://localtrust.org.uk/library/research-and-evaluation/theory-of-change

The Arts Impact Fund's Theory of Change is at: https://artsimpactfund.org/arts-impact-fund-theory-of-change