STRENGTH IN NUMBERS

A review of investment and contract
readiness support for
charities and social enterprises

Social
Investment
Business

By Maria Tarokh and Chris Dadson

Acknowledgements

This report was written by Maria Tarokh and Chris Dadson for Social Investment Business.

It is based on research designed and undertaken by the authors and the wider Social Investment Business team. We would also like to thank Richard Hazenberg, Anthony Gray and Sarah Myers for their advice and input.

We are particularly grateful to the 97 people who made time to be interviewed, attended the regional workshops and provided their perceptions, feedback and experiences of 'readiness' programmes.

We would also like to acknowledge the contribution of Government departments, especially the Office for Civil Society now based in the Department for Digital, Culture, Media and Sport and Big Lottery Fund for funding these important programmes.

We would like to thank Access – the Foundation for Social Investment, particularly Seb Elsworth and Ed Anderton for their interest and support.

And finally thanks to the whole Social Investment Business team involved in producing this report, especially Deborah Smart, Caroline Forster, Chris McBride and Oliver Monty.

About us

Social Investment Business provides loans, grants and strategic support to charities and social enterprises to help them improve people's lives.

We have helped hundreds of organisations become more resilient and sustainable so that they can grow and increase their impact.

We were one of the UK's first social investors and since 2002 have provided over £400 million of loans and grants to charities and social enterprises.

Social Investment Business

Foreword

This report represents the first comprehensive attempt to understand the effectiveness of the investment and contract readiness programmes that we have managed over the last five years.

Social Investment Business has a successful track record of delivering finance and business support programmes over the last decade.

On the finance side, we've supported over 2,700 charities and social enterprises providing over £400m of grants and loans. We've helped organisations across the country purchase buildings, expand services or start new ideas.

Through business support programmes, we have provided over £40.5m of grants on behalf of public funders that have helped organisations raise over £1bn in contracts and investment.

That leverage only tells part of the story though. We are committed to learning as much as we can from those programmes to inform the design and delivery of our work and to influence and inform those in the wider sector.

We recognise that timely and appropriate support remains critical for social sector organisations. Although we have made improvements to the programmes we have been involved in, we recognise that more significant change is needed.

This report draws on our data and experience to make key recommendations about the importance of resilience, the value of combining packages of support, how to create truly representative decision panels and the best ways to drive up the quality of support.

Underpinning all of these recommendations is a commitment to greater transparency, and an understanding that we, and other funders, need to make it easier for social sector organisations to access advice and support from their peers.

We live in an increasingly important time for charities and social enterprises. Division and inequality are all too common. We face major challenges to improve educational outcomes, address poor physical and mental health, regenerate local economies and bring more people into work. The social sector is often best placed to deliver solutions to these problems.

But to do this they need to be more resilient in the face of change.

We know that we can do our part by providing products and services that meet the needs of social sector organisations. A large part of this is helping them build the flexibility, sustainability and adaptability they need to be more resilient.

This research marks the start of a new era for Social Investment Business. We are open for business, open to feedback and open to partnerships with any organisation keen to help us tackle the vital challenges set out in this report.

Hazel Blears, Chair

Nick Temple, Chief Executive

Executive Summary

From 2012 Social Investment Business has managed grant funds that have aimed to support social sector organisations to gain investment or win contracts. In that time we have distributed £40.5m worth of grants on behalf of public funders to 677 organisations, helping them raise investments or win contracts worth over £1.1 billion.

However, these numbers only tell part of the story.

We want to share our experience and expertise in this area. By doing so, we hope to better understand the impact of these programmes and the value that specialist support can deliver. We hope these findings can be used to ensure any future programmes or initiatives benefit from our experience.

Overall, as the figures make clear, this research demonstrates that 'investment readiness'

programmes work. Providing grants to help pay for specialist support can lead to positive outcomes for social sector organisations and help them be in the best place to improve people's lives.

These programmes have helped hundreds of organisations access support they may not have otherwise. Many of them then went on to raise investment or secure contracts. However, whether investment has been raised or contracts have been won are not the only ways to look at these programmes or judge their success.

Resilience is key

Our evidence indicates that grants which enable or encourage a change in mind-set are most valuable for social sector organisations. This means support not solely focused on increasing growth, but instead encouraging adaptability, flexibility and – most importantly – resilience.

Focusing on organisational change can lead to tangible changes in financial planning, impact measurement or revenue generation – that in

time – may lead to increased growth. However, growth – and investment - should be considered as positive consequences of improved resilience, not as goals themselves.

Improving resilience is not quick though. Embedding change across an organisation takes time. Change may initially be driven by a department, senior management team or the trustees. They can act as catalysts for organisational-wide change.

It is for this reason that we think that any future programmes should allocate more costs to social sector organisations for project management to help them embed organisational change. We recognise that previous funds may not have allocated enough for applicants to do this effectively. This needs to change.

Valuing support

Our research also makes it overwhelmingly clear that some social sector organisations require several support interventions to

become more resilient and that many organisations benefit from multiple interventions. For example, 40% of organisations included in our analysis received multiple grants. All of these organisations achieved impressive increases in turnover over five years.

It is vital that this support is delivered in a bespoke manner with a long-term focus. In our experience, support delivered on an on-going basis – especially if delivered by the same specialists – can lead to a holistic and iterative approach that helps organisations respond to changing needs.

However, this message needs to be clearly communicated to decision makers. Our evidence suggests that too often decision panels were less willing to fund activities which did not directly link to raising investment or winning contracts.

If future programmes focus more on resilience, and less on securing investment, it is vital that the purpose of the fund is clearly understood by all parties and that any

perception on the relative 'value' of different types of support is challenged.

Improving quality

That job – and the role of managing relationships between parties such as providers and applicants – has to date been the responsibility of Social Investment Business. Having recognised our strengths and weaknesses we believe that it remains vital for an independent body to navigate the complexity of future programmes. In short, programme management matters.

Throughout our research we heard time and again the need for improved data collection and sharing. A platform to help facilitate this may help social sector organisations identify the best and most appropriate support for them and lead to improvements in the quality of work delivered by third party providers of support.

In addition, longitudinal learning to capture the long term impact of support is invaluable to inform future

initiatives. The programme manager should have the resources to research the effectiveness of interventions on a more long term basis.

Conclusion

The findings of this research support the continuing demand from social sector organisations for expert third party support to help them become more resilient.

And while the last six years of investment and contract readiness programmes have been a success we now believe it is time to retire the 'investment readiness' label. Although the work has been undeniably valuable, it is just one part of the picture

Many organisations do need help to take on investment. But framing support around raising investment – rather than the traits which may make it more likely – focuses work in the wrong place. Instead, focusing on resilience will help more sector organisations be in the best place to improve people's lives.

Contents

The appendices for this report can be viewed at
www.sibgroup.org.uk/resources/strength-in-numbers

Key Findings

Resilience is key

Social sector organisations benefit from a broad range of support which focuses on developing resilience rather than solely growth. The depth of support required for sustainability is greater than previously estimated.

Valuing support

Social sector organisations clearly value support provided through grants. However, many are repeat customers and our research reveals that support should be provided through long term, combined, packages of support, not single interventions.

Improving quality

An effective and independent programme manager is crucial to a successful programme. Their role should not only be to manage relationships but also to give information and advice on the capacities and capabilities of providers.

Recommendations

Resilience is key

1)   Grants should fund a broader range of support, not just focus on investment or contract readiness. They should be flexible, responsive, and initiate culture change within organisations.

2)   Social sector organisations should be allocated funds for project management. Part of the grant budget should be allocated to the applicant to allow for improving oversight and knowledge transfer and better embed change within the organisation.

3)   Providers should share more information about what works. Knowledge sharing is crucial to better understand which interventions are most effective in different contexts. Providers are best placed to facilitate this.

Valuing support

4)   Providers should be encouraged to develop and promote their sector specialisms. This would make it easier for organisations to find the right provider for them and increase the opportunities for sector level learning. A wider regional spread would also allow for a more diverse provider market.

5)   Data and transparency should be used to improve provider performance. An online platform could help social sector organisations understand how different types of work have been effective and allow them to share their feedback with peers.

6)   Programmes should make developing peer-to-peer support a priority. To build resilience and reduce dependency on specialists and third parties, all funders and programme managers should prioritise peer-to-peer support as a key delivery mechanism.

Improving quality

7)   Programme management that builds relationships should be the benchmark. This will allow for effective matching with providers, advice on who to work with and which areas to focus on. An approach based on just facilitating transactions cannot deliver these outcomes.

8)   Decision panels must contain a broad range of stakeholders for rounded insights. Panels should include commissioners, purchasers, social sector organisations and other key stakeholders to give a wide range of views and a broad understanding of the current barriers for applicants.

9)   Programmes should support longer term monitoring. The results of support often come after programme evaluations are completed so longer term monitoring would ensure that longitudinal learning is captured and can be acted on.

Glossary

Asset: in relation to an organisation's accounts, a financial benefit recorded on a balance sheet. Assets include tangible property (i.e. property with a physical form) and intangible property, and any claims for money owed by others. Assets can include cash, inventories, and property rights.

Asset transfer: where a social sector organisation takes ownership of a building previously owned by part of the public sector; the building is usually one that is particularly valued by and / or accessible to the local community and often requires substantial investment to make it fit for purpose.

Contract readiness: support to help social sector organsiations navigate tender processes, develop tender proposals and, bid for and deliver public sector contracts.

Investment readiness: support to help social sector organsiations become financially, strategically and operationally ready to develop investment proposals to seek social investment to cover organisational costs or project development.

Investment ready: an organisation having the systems, processes and business model to be able to attract investment.

Market: public place where buyers and sellers make transactions, directly or via intermediaries.

Programme manager: The organisation with overall responsibility for successfully delivering the programme, co-ordinating the different aspects within it and managing relationships with stakeholders.

Provider: Providers are individuals or organisations that deliver specific consultancy such as technical, financial, legal or business planning support.

Restricted funds: Funds that can only be lawfully used for a specific purpose (charitable if the organisation is a registered charity)

Social impact: impact can be defined as the effect on people (individuals or a community) that happens as a result of action (or inaction), activity, project, programme or policy. Impact can be both positive and negative and intended or unintended.

Social investment finance intermediary (SIFI)/Provider: an organisation that provides, facilitates or structures financial investments for social sector organisations and/or provides investment-focussed business support to social sector organisations.

Social sector organisations (SSOs): charities and social enterprises that exist primarily to deliver social impact; that reinvest the majority of surpluses to further their social mission; and that are independent of government. The social sector includes, but is not limited to voluntary and community organisations, charities, social enterprises, community interest companies and community benefit societies. The social sector is also referred to as the "Third Sector".

Social investor: an investors that provides repayable finance to social sector organisations to help them achieve a social purpose.

Turnover: the amount of money taken by the organisation in a particular period.

Unrestricted funds: Funds that can be spent for any charitable purposes of an organisation

List of funds/programmes referred to in this report:

ACF: Adventure Capital Fund

SEIF: Social Enterprise Investment Fund

FB: Future builders

CB: Community builders

ICRF: Investment and Contract Readiness Fund

CASG: Community Assets and Services Grants

IR 1+2: Impact Readiness 1 and 2

BPA: Big Potential Advanced

BPB:Big Potential Breakthrough

CIRF: Childcare Investment Readiness Fund

Reach: Reach Fund

IMP: Impact Management Programme

Introduction

From 2012 Social Investment Business (SIB) has had a major role in leading and overseeing the development of much of the UK's 'investment readiness infrastructure' on behalf of public funders.

In the 2012 report 'Investment readiness in the UK', readiness was seen as a 'major cause of drag to the acceleration of social investment.'[1]

Programmes such as the Investment and Contract Readiness Fund (ICRF), funded by the Cabient Office, were an attempt to solve that problem.

Other publicly funded programmes have followed all with the broad intention of supporting charities and social enterprises to explore how social investment could work for them.

The programmes included in this report have since helped social sector organisations raise £1.193bn from just £40.5m of grants, primarily from ICRF and Big Potential, a Big Lottery Fund programme.

The total investment raised was £95m while the total of the contracts secured was

£1.1bn. The average size of a contract was £2.3m while the average investment secured was £205k.

However, if we take out larger contracts and investments (those over £40m), which account for 74% of the total, we are left with a total of £305m. Contracts make up 82% of this total.

Investment and contract readiness support enables...

social sector organisations to receive grants to buy in external third-party consultancy support to build their own capacity so that they are better placed to win public sector contracts or secure social investment. The organisations enter into a contract with a 'provider' for them to deliver support according to the grant budget and milestones submitted as part the application.

These capacity building and 'readiness' support programmes have evolved through a process of iteration and improvement. However, all programmes examined in this report conform to

a broadly similar model as explained in the blue box.

The relationship with a provider is therefore a key part of the support process, whether they are providing support on impact management, such as via the Impact Readiness fund, or contract readiness support, such as via Big Potential Advanced.

We decided this was the perfect time to carry out research into readiness programmes as a number of the funds we managed were closing. We wanted to establish and understand:
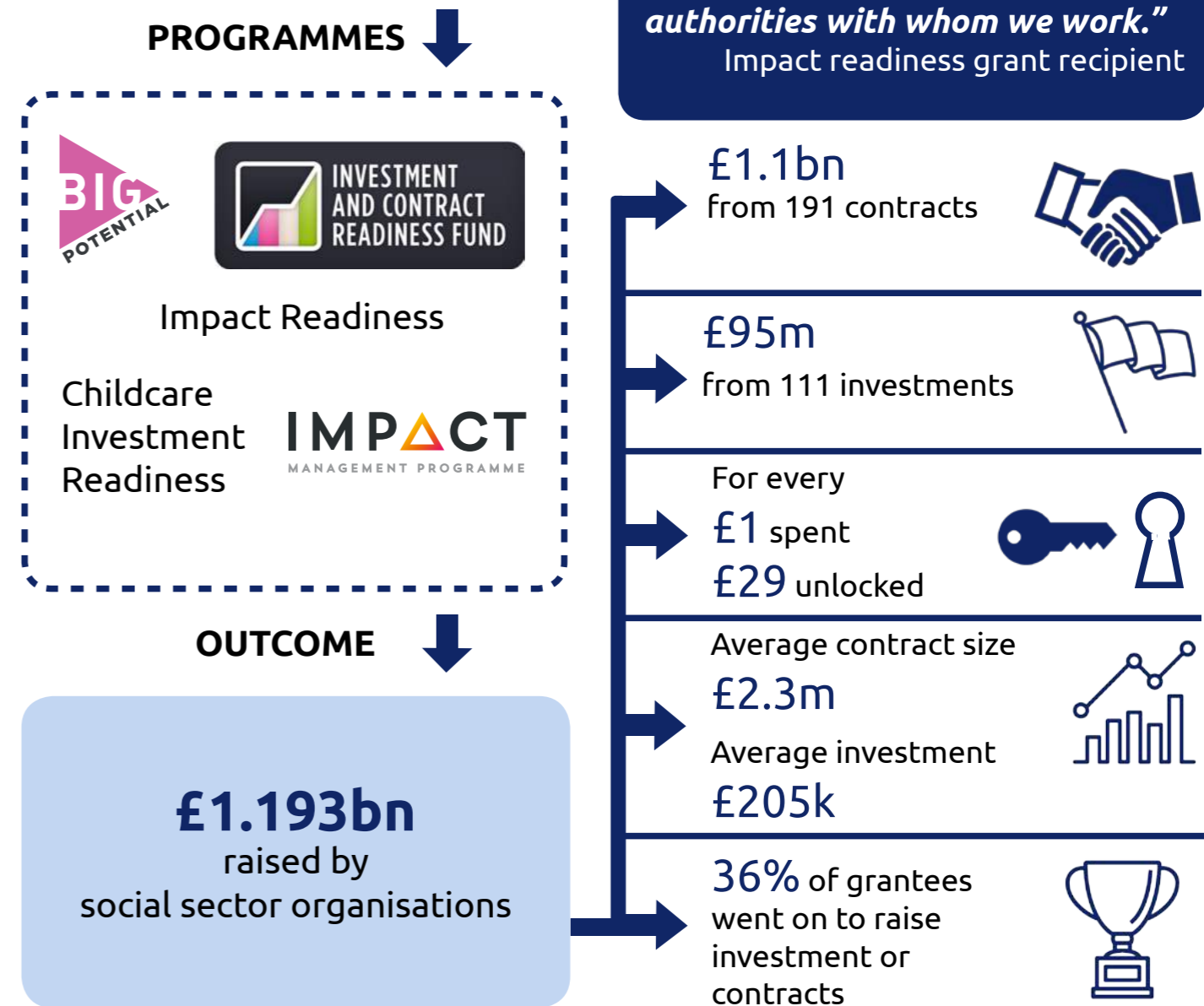
- The principles and key differences between the programmes.
- The impacts of the programmes on different stakeholder groups.
- What has worked well and what hasn't.
- What changes should be considered for future similar programmes.

Strength in numbers

Social Investment Business has awarded **677 social sector organisations** with **£40.5m** worth of investment readiness grants since 2002.

PROGRAMMES ⬇

BIG POTENTIAL

INVESTMENT AND CONTRACT READINESS FUND

Impact Readiness

Childcare Investment Readiness

IMPACT MANAGEMENT PROGRAMME

OUTCOME ⬇

£1.193bn
raised by
social sector organisations

"The programme supported our business planning, governance and financial management. We've significantly increased our turnover and the number of authorities with whom we work."
Impact readiness grant recipient

£1.1bn
from 191 contracts

£95m
from 111 investments

For every
£1 spent
£29 unlocked

Average contract size
£2.3m
Average investment
£205k

36% of grantees went on to raise investment or contracts

Resilience is key

The programmes examined in this report have aimed to achieve a range of different outcomes.

Despite this, there were some common traits and objectives that we wanted to explore to help us understand how different interventions support charities and social enterprises to achieve their goals.

This chapter explores the factors necessary for success and how we think looking at future programmes from a different perspective could lead to better outcomes.

Key Findings

- Success should not be solely defined by growth or whether investment is raised. Instead, improving resilience should be the primary aim.

- Social sector organisations need a full package of support and their needs should be assessed on a case-by-case basis.

- Internal engagement from the applicant is crucial for support to be successful.

1.1 What does success look like?

We soon realised through our research that measures of success can vary from organisation to organisation. For example, while expanding service provision may be a success for one organisation, for another improving the quality of impact measurement may be the key to success.

Moreover, an organisation may successfully secure a grant - and grow and improve - but without developing skills, knowledge and experience, they won't necessarily become more resilient.

After our initial conversations with social sector organisations, we soon understood that the attribute which made a truly successful social sector organisation was resilience. And key to resilience were three other linked traits: Adaptability, Flexibility and Sustainability.

Resilience – The capacity to recover quickly from difficulties and changing circumstances. In this report, resilience is related to changes in funding and income in particular.

Adaptability – The ability to pivot to either continue to deliver the same services or new / different services to meet changing demand.

Flexibility – The willingness and ability to change, compromise and/or modify certain aspects of services or the organisation, whether in terms of day-to-day operations, strategy or income streams.

Sustainability – The ability to continue operating at a steady level for a period of time.

Fig. 1 Resilience triangle
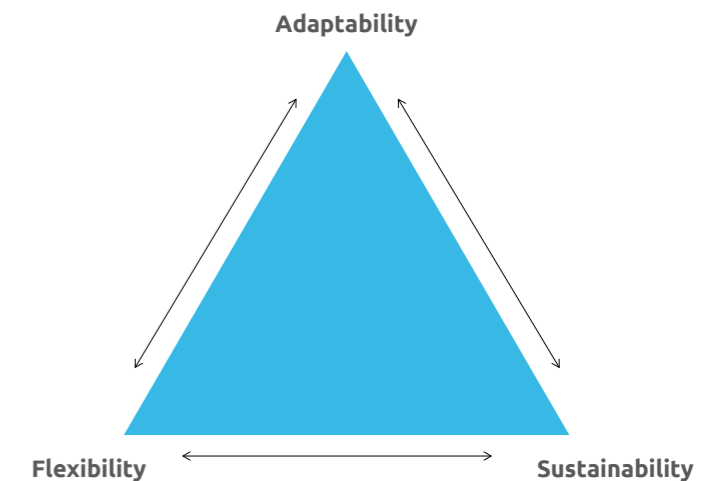
We use the following to definition for growth:

Growth – The increase in size and/or geographical reach of an organisation. This may be reflected in their financial information, for example turnover or assets or the number of employees/volunteers.

All of these conditions are connected. For some organisations, one cannot be achieved without another.

The above terms are not only applicable to social sector orgnisations but also to providers and investors. Providers also need to achieve a level of resilience to continue to support organisations effectively.

During our research, providers repeatedly suggested that any consultancy support should be designed to encourage resilience. The emphasis should be on introducing a commercial approach to an organisation's

development, equipping it with the ability to adjust how it works and its business model according to the external environment. For some, the change in approach enabled them to address market challenges and exploit opportunities. One organisation reported:

"We were not a business-minded organisation so we needed help to change our culture and mindset. This helped us to become business-minded."
Social sector organisation

Both social sector organisation and provider interviewees repeated that additional unintended outcomes were often catalysed through the support received, particularly for those receiving Big Potential Breakthrough and Advanced grants.

Workshop participants reported that as well as supporting the development of core functionalities, programmes acted as an 'enabler' to support senior staff and to free them to drive projects to fruition. For example, one organisation received support for financial modelling and business planning and as a result realised that they needed to re-think the marketing for their new service.

The majority of interview participants felt that the longer term impacts of the grant support included an increase in reach and therefore beneficiaries. The shift towards a more commercial mindset also provided organisations with a more stable base to support their aspirations for growth.

Success of support should be judged by overall resilience, rather than success with individual grant proposals or wins. Moreover, it is clear that support should have resilience, rather than growth, at its core. Whilst growth for many applicants is a desirable outcome it could be damaging if not underpinned by resilience.

1.2 What does financial resilience mean?

Although finance is not the only way to measure resilience, it can be used to help understand how resilient an organisation is.

According to NCVO, the UK-wide picture shows that while government grant funding has remained steady since 2012, government expenditure has predominantly benefited large organisations with incomes over £100m[2].

Furthermore, the nature of government spending is changing. In 2014/2015, 81% of the voluntary sector's income from government funding was through contracts or fees rather than grants.

The proportion of income from government also varies by region. According to NCVO, organisations in the East Midlands, North East and the North West have received the largest proportion of funding, while those in the East of England, South West and London have received the lowest proportion.

This varies further according to local government and central government. Income from local government starts at 42% for those organisations based in the East Midlands compared to up to 62% for those based in the North West.

Income from central government ranges from 32% in the East of England to 57% in the East Midlands. NCVO concludes that these figures imply that while government funding remains key to the funding landscape, the sector as a whole is minor in the totality of government funding[3].

Although finance should not be the only marker to determine resilience, looking at it through a longitudinal lens can help us to understand what barriers or difficulties certain sectors and regions face. We looked closely at turnover across our grant portfolio to determine at what points this may have decreased or increased over a five-year period.

Fig. 2 shows us the overall picture across different sectors.

Fig. 2 Average turnover by sector: 2012 and 2016
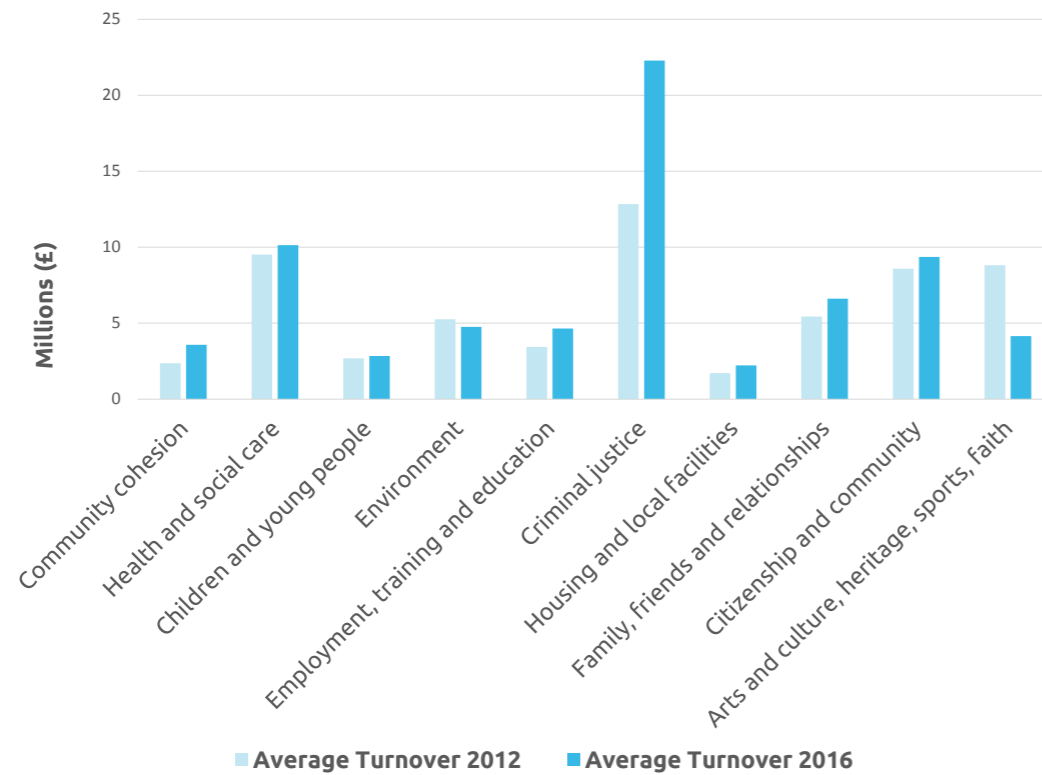
We recognise that increase in turnover, while welcome, cannot provide a full picture of organisational growth. Indeed, growth in turnover could merely reflect contextual changes as opposed to the organisational success. However, we can infer from our data that:

- 76% of organisations achieved a steady increase in turnover from 2012-2016, up to 10% on average.

- The majority of organisations that increased turnover received a grant of £50k or more. This indicates that a greater level of support can benefit an organisation to grow financially[4].

- While we cannot attribute this growth to the grant itself, there is a clear trend that organisations that receive a combination of interventions are increasing turnover.

- Organisations in the environment and arts sectors saw a decrease in turnover over the period. However, it is worth noting that these two sectors are less represented in our portfolio so this may not be statisticially significant.

Over the five-year time period used in our analysis, inflation rates remained between 0 - 3.29%. This has the biggest impact on the growth in turnover of the smallest organisations in our portfolio as well as the wider third sector[5].

The chart on the right shows the difference in growth percentages taking inflation into account and not.

Fig. 3 Turnover change, pre and post-inflation: 2012 - 2016

Turnover range	Average turnover change	Average turnover change incl inflation
Less than 100k	-4%	-14.32%
100k - 500k	3%	-6.48%
500k - 1m	16%	7.57%
1m - 3m	19%	11.44%

Our data showed:

- Overall, inflation results in a 10% decrease in turnover growth for organisations in our portfolio over the five years.

- Organisations with a turnover of £500k and over are less effected, with those over £1m retaining turnover growth rates of above 10%.

- Inflation affects the smallest organisations most adversely, with growth rates dropping to an average of -14%.

Due to the volatile financial position of many of the social sector organisations we have supported, we needed to also examine another indicator of financial resilience; net current assets. The 2017 NCVO Civil Society Almanac positions net assets across the sector as £112.7bn[6].

A key point made in the NCVO dataset is that the distribution of assets is uneven, with 86% of the total assets across the third sector held by just 3% of charities. Net current assets being a way to understand how social investment could aid and sustain income was mentioned time and time again throughout our workshop discussions and emerged as a key sub theme.

For organisations that have had an increase in net current assets assets, this could imply increased resilience due to better safety margins and, perhaps, a greater appetite and/or capability to take on debt.

Fig. 4 relates to the same cohort of organisations as in Fig. 2 on page 16 relating to turnover.

Fig. 4 Net current assets, by sector: 2012 and 2016[7]

Millions (£)

Legend: ■ Average Assets 2012 ■ Average Assets 2016
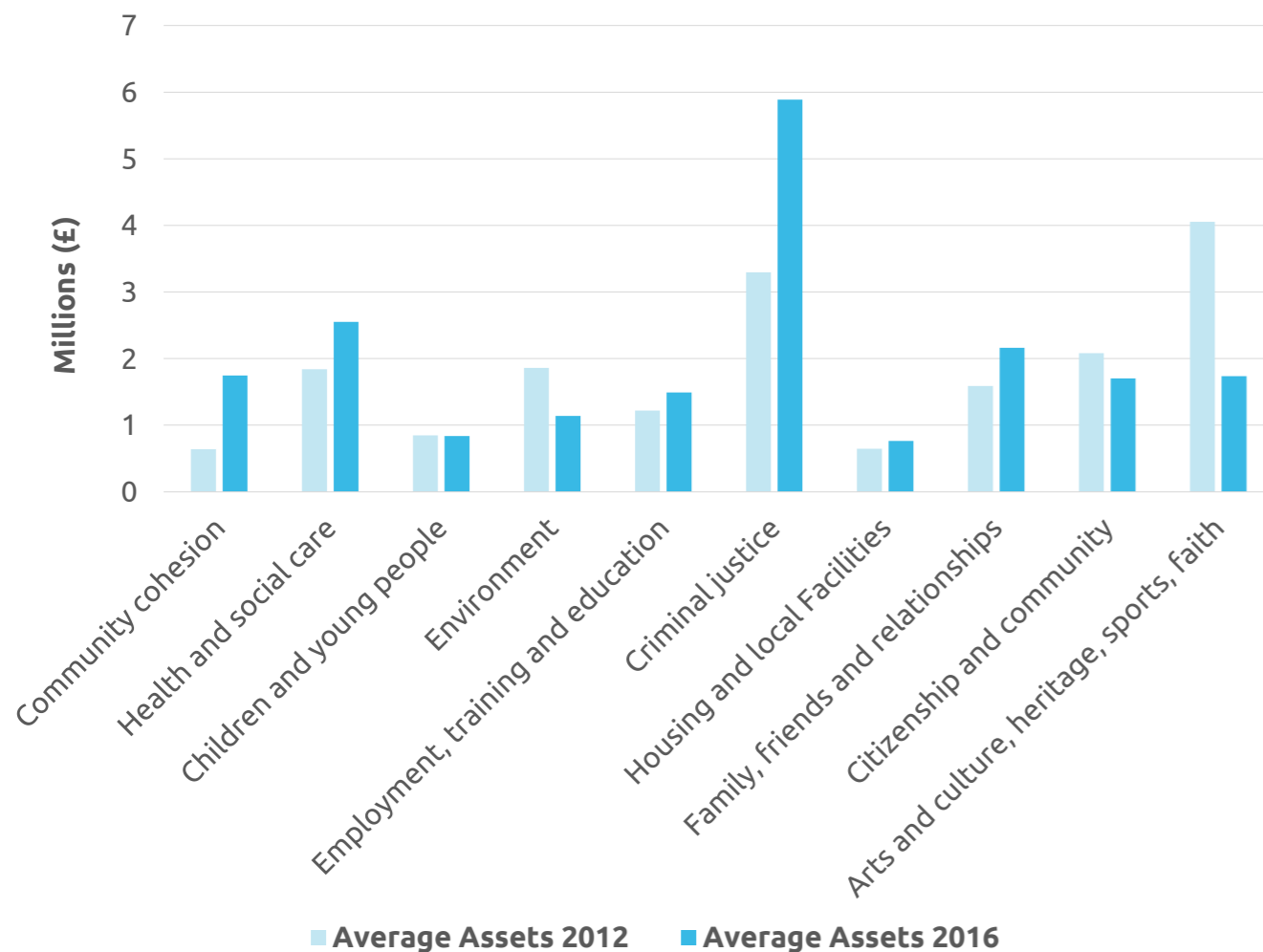
This data reveals:

- The health and social care sector shows a more significant increase in assets compared to turnover, which cannot solely be explained by grant income. This could be due to a climate for NHS spin-outs[8] through the 'right to request' and 'right to provide' rules. Some spin-outs left the public sector with assets transferred and often uncontested contracts for certain periods[9].

- Significant increases in community cohesion and criminal justice sectors could be linked to greater diversification of income, with a noteworthy rise in levels of working capital.

Due to the limits of the financial data available, we did not analyse trends in reserves in our data set. However, reserves can be a key component to resilience. One of the roundtable participants commented[10]:

"Resilience through growth in reserves allows for testing and removes grant dependency."

Roundtable participant

According to the 2017 NCVO Almanac, 75% of organisations have some reserves but there remain many organisations, particularly smaller, early stage ones that operate with no reserves[11]. The smallest levels of reserves across the third sector, which are relevant to our dataset can be found in education, employment and training and the arts sectors.

Numerous workshop participants reported responding to challenges, such as funding changes or losing contracts, by reviewing their assets and, in some cases, looking to re-finance assets. Such changes often meant that they needed to start thinking more broadly about the scale and nature of demand for support within their community of interest or

among their beneficiary groups, clients and customers.

Another perspective suggests that certain organisations may only explore these strategic decisions at times of crisis or change. Ideally, resilience support from grant programmes should enable organisations to explore this on a day-to-day basis.

Financial resilience doesn't give the full picture of organisational health, and we do not intend to relate turnover or assets to grant funding.

However, it can be used to give an overview of an organisation's financial position and how this has changed with time. Most social sector organisations grow incrementally, and in response to changing circumstances. Support that helps them adapt and build financial resilience in response to this proves most effective.

1.3 What does a full package of support look like?

Some workshop participants that had received early stage support felt that much more support is needed at the beginning of an organisation's 'readiness journey'. By this we mean when the organisation receives a grant and begins work with their provider.

While most organisations are willing to innovate, many have capacity constraints. They are often working on a 'hand to mouth' basis to successfully deliver services. Therefore, providing funding for 'backfill', so that existing members of staff have the head space to engage with the project, can be instrumental to success.

A frustration voiced by one organisation in the early, investigative stages of their readiness journey was that

"It feels like you need to be investment ready to get investment readiness support."

They felt that their organisation's structure already needed to be 'watertight' to be successful with a bid for a grant.

This is an interesting perception and one that warrants further analysis. On the one hand, it suggests social sector organisations and investors have different interpretations of what it means to be 'investment ready'[12]. On the other hand, it could mean that the organisation did not have a thorough understanding of their own needs.

One way that the programme manager could respond to these issues is by providing

adequate information on the purpose of the programme and facilitating greater peer to peer networking. We explore these two potential solutions in more depth in the third chapter of this report.

It is also key to separate more general or holistic support from that which is specifically about getting ready for investment[13]. While both would be relevant to different stages of development, the latter would require much more robust organisational structures and be linked to specific goals.

1.4 Case study: CHUMS

Programmes:
Impact Readiness 1 and
Big Potential Advanced

Amounts: £25,000 and £76,275

When: Jan 2015 and Feb 2016

Region: East Midlands

Who are they?
CHUMS is a social enterprise that provides therapeutic support for children and young people with mental health and emotional wellbeing needs. In 2011, CHUMS 'spun out'[14] of the NHS to become a social enterprise. As part of the NHS, CHUMS had two services, 11 employees and a team of volunteers. Today they deliver nine therapeutic services with additional support for schools, 78 employees and have a team of 120 volunteers. CHUMS support 3,150 children and young people in Bedfordshire.

Why they applied?
Impact Readiness: To develop a robust theory of change and an impact measurement system.

Big Potential Advanced: For contract readiness that included social return on investment (SROI) analysis, bid writing and contract negotiation support, and the development of a revised strategic plan and financial model.

What did they do?
The Impact Readiness funding allowed CHUMS to progress internal conversations to get trustees on board with their theory of change as well as implement new systems. As an NHS spin out they felt this was crucial. The support they received from the NHS after they span out was minimal.

CHUMS felt that a Big Potential Advanced grant was an exciting opportunity to carry out

business development work which, as a small organisation, they wouldn't have been able to fund themselves.

They hoped to work on their strategy, solidify their financial model and produce accurate data on social return on investment. They intended to use these improvements to support their upcoming tender bids.

CHUMS worked with provider Stepping Out and the support resulted in good knowledge transfer. As a spin-out they had limited internal capacity so they benefited from external consultancy support to help transform the culture and mindset of the organisation.

What was the outcome?
The provider actively helped CHUMS become more business minded and was flexible in their approach. In addition, CHUMS felt they could have benefited from marketing and communication support alongside the contract readiness project. This would have also helped with setting up of new services.

One of the main outcomes of the grant was the organisation securing a significant contract in a neighbouring area. They believe the support they received through Big Potential Advanced was instrumental to their success.

"The whole experience has been very enriching and has really changed us. We're grateful that the panel felt committed enough to fund the project. The grant award will have a direct effect on the number of beneficiaries reached."
Dawn Hewitt, CEO

1.5 How important are provider relationships?

Crucial to social sector organisations getting the full benefits from a programme is the relationship they have with their provider. Both groups stated in interviews that the relationship generally works better if it seen as a partnership by both parties from the outset.

However, the need for partnership working is not only apparent in this relationship but also in the relationships between providers. A significant and vocal minority of providers suggested that increased provider partnership working would greatly benefit social sector organisations with multiple and complex needs.

Providers were also asked what the purpose of an intervention should be, and in what ways the social sector organisation should determine that themselves. There were differences in these responses, which points to the fact that providers need to work together to ensure a consistent approach is used to diagnose need.

To unpack this concept further, we also asked how providers assessed whether or not organisations had the right mentality to achieve income diversification.

The key takeaway was that the relationship should launch an organic conversation about what form the support package should take.

"Social investment needs to be an option rather than the focus or driving force of support. Investment readiness support needs to be part of a broader package of support that is made available to organisations."
Funder

One of the suggested catalysts for involvement in readiness programmes was the need to make the shift from a dependency on grants and/or publicly-funded programmes to more independent and sustainable income streams.

For example, one pro-active organisation responded to such a situation by re-imagining and renewing its purpose. It moved from providing community-based services towards offering a broader scope of work that included supporting community regeneration through local businesses and social enterprises.

Once the organisation had identified this change in direction, they decided to source consultancy support to help them develop and deliver innovative services. This helped them attract investment which led to reduced dependency on grant funding in the long term.

Some organisations said that there were unintended benefits of receiving support, one being that they could 'road test' different providers for other projects. Another benefit was that the ownership of the project was opened to the whole management team rather than just one individual. This enabled effective knowledge sharing across the organisation.

The workshop discussions confirmed that most frontline organisations do recognise the challenge of developing longer term fundraising strategies, avoiding total dependency on commissioner contracting and creating sustainable income streams. However, the real challenge was accessing the support in order to do this.

Another organisation we spoke to had previously delivered across four areas: education, employment, enterprise and environment. However, being dependent on specific contracts had resulted in them concentrating on just one area at the expense of the others. After recognising the potential of the other areas, they realised that they could also develop services that were still faithful to their mission and values. The key learning point was that by thinking and working creatively they developed viable income streams that could offset diminished core funding.

A vital ingredient for many organisations in overcoming grant dependency was the need to change the mindset of their board and develop better governance structures. One workshop participant identified two key moments that led to their organisation making the transition to an income-driven business model: a change in trustees leading to better decision making.

Throughout the fieldwork it became clear that support is often closely intertwined with organisations in transition periods. Many interview and workshop participants stated that they sought support during times of strategic upheaval. For some, there was a fortunate coincidence of need and opportunity. For others though, achieving objectives was the result of good foresight and careful planning. The change on Big Potential from specific application deadlines to an open rolling programme meant organisations could apply when it suited them, not just when an application window was open.

The success of the support in securing long-term sustainability, or even just changing strategy, is often overwhelmingly dependent on how they transition from a traditional grants mindset to a more flexible one. There are various ingredients which can aid this process, and which should be incorporated into the support package, but there also needs to be a recognition that they are often entirely specific to the organisation's needs.

"A long-term perspective would envisage not only growth but also shrinking back, changing in direction or closing down completely. Focus on growth singularly can be damaging for organisations."

Funder

The success of support depends a lot on internal change, which is as much about culture, mindset and mission as it is about technical support. This means it can be transformational when it is welcomed and timely, but ineffective if organisational barriers remain.

1.6 Why is internal engagement important?

There is no blueprint for developing resilience. However, our research strongly suggests that it is linked to the level of internal engagement both within the organisation and between them and their provider. The evidence from our programmes suggest that if a programme manager wants to better embed resilience, they should ensure that organisations have greater involvement and control over how their grant is implemented.

It has long been assumed by funders, providers and investors that for an effective knowledge transfer to take place, senior management must be engaged and buy in to the project.

This could be more effective if project management costs were allocated to the social sector organisation so that they could assign a project manager to oversee the external support, embed change and ensure knowledge transfer. This way, it would be much more likely that internal staff were engaged and bought into the vision for change.

Our workshop discussions revealed that there is a common perception among organisations that their more 'successful' counterparts do not have to rely as much on third-party support. The most successful social sector organisations employ skilled and experienced senior management teams, have well-established and sustainable business models, and benefit from robust check and challenge from boards. And while it may be true, it is not a given that these characteristics and attributes are a feature of all of them.
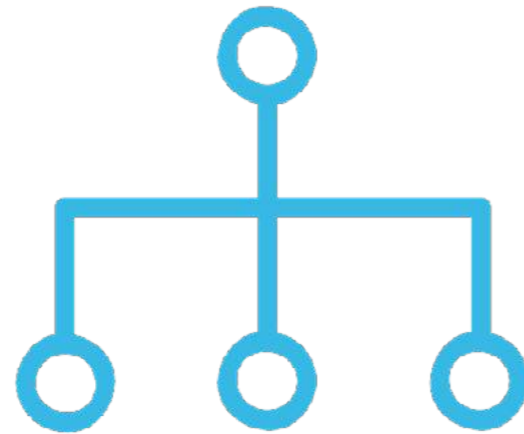
We know from our own data that larger, financially secure organisations have often participated in multiple programmes due to a need for ongoing support to ensure they operate effectively.

The organisations we worked with felt that good quality third-party support should enable smaller organisations to get to this. But, for this to be embedded into the organisation, there must be internal buy-in. Knowledge transfer is crucial at this stage.

Trustees and boards can also present barriers to both the transformation process and knowledge transfer. Respondents reported that it is important to inform key senior stakeholders and get their buy-in for a change in strategy. Most importantly, if social investment is being pursued there needs to be a clear understanding of why they're doing it. This is vital if they're to secure support from other key stakeholders.

These viewpoints match data from our provider consultations which consistently stated that board buy-in was essential to get projects off the ground and ensure a successful transition.

Internal resource was a key theme touched on by most providers we spoke to. One interviewee emphasised the importance of enabling space for senior management to reflect on the service model and approach, which could encourage further buy-in from management and the board.

"As a lack of internal resources can often result in the intervention being a 'one-off.' It is important for adequate backfill costs to be provided for through the grant."

Provider

Effective project management is not only key to the implementation of the project but also in embedding skills and knowledge within an organisation. This was a key theme which ran throughout our consultations and data analysis. Our findings suggest that certain amendments should be made to future programmes to ensure that project management allocations work to the best interests of the organisations we support.

Historically, the ratio of social sector organisation to provider costs has varied. Organisation costs are generally understood to mean staff backfill and any other costs relating specifically to the project for which the grant has been awarded. The two programmes

that incurred the largest amount of project management costs were the Investment and Contract Readiness Fund and Big Potential Advanced. The guidelines for cost ratios were 60:40 (provider/organisation). While it is incredibly important that backfill is available, our research strongly suggests that project management should also be factored into the total costs.

"The VCSE does need to take a lead role in the delivery of the project, which perhaps isn't allowed for in the amount of funding the VCSE is allowed to claim for."

Social sector organisation

Our analysis of a sample data set of interventions across all of our readiness programmes indicates that project management costs are often incorporated into provider budgets. This ranged from a low of 2.5 days to a high of 35.

"Providers doing project management feels uncomfortable."

Provider

The research confirms support needs to be available that is feasible for the organisation, and enables them not only to engage with the project but also to embed the skills learnt and knowledge transferred from providers. How this could better be incorporated into future programmes is a more complex challenge.

Moreover, the evidence also suggests that programmes should take into account the

1.7 What can we learn from multiple programme participation?

particular needs of smaller organisations with less robust systems in place. It is clear that these organisations' will struggle the most with developing internal capacity and enabling staff backfill to make the most of provider support and ensure knowledge transfer.

Effective project management can help members of organisations feel that they are an integral part of the process. Project management is clearly necessary but it is also crucial that the organisations are provided with the means of doing this themselves. We understand that providers feel uncomfortable doing project management and recommend this is directly allocated to social sector organisations going forward.

The analysis of our data confirms that organisations that had participated in multiple programmes had a higher increase in turnover over five years compared to those that had only participated in one programme. This is broken down further in the next chapter. While we cannot attribute increases in turnover solely to participation in multiple programmes, we can venture that due to their sustained involvement and the iterative nature of support, this supported the increase.

"Throughout our ICRF journey, we had a clear internal strategy at each point of where we wanted to be or get to. This helped us manage and structure the support we received through Big Potential Advanced."

Social sector organisation

In addition, multiple programme participants who took part in our workshops recommended formulating a good understanding of the programme(s) they were included in. This, coupled with previous experience of provider selection, meant that they were well equipped to manage the project internally, and the relationship with their provider was on more equal terms.

Our data also shows some common characteristics of the organisations that had participated in multiple programmes:

- The majority were **medium-large size**[15] and had more ambitious plans for scaling service development and delivery.

- **Small** organisations reported that they wanted to improve and perfect service delivery whether via innovation, up skilling of staff and volunteers, or co-production with service-users to design and deliver services.

"It's essential that you develop a comprehensive understanding of the project and know where you want to go, with a provider that gets what you do."

Social sector organisation

This statement was made by an organisation that had been involved in multiple programmes, and as a result had a thorough understanding of how to manage provider support. This was the case for many multiple participants we spoke to. The financial benefits of multiple programmes are not immense, however the holistic benefits to the organisations' understanding of their position and needs - such as the potential for scaling their work - cannot be emphasised enough.

1. Resilience is key

Summary

Our key conclusion from this chapter is that **there should be a shift in focus** in terms of overall programme objective. The aims of social sector organisations should not be centred on 'readiness' but instead on traits such as sustainability, flexibility and adaptability which lead to resilience.

Resilience can be achieved in different ways, but our findings suggest a **move towards a more holistic, responsive approach** that supports organisations to embed internal change is the most effective. To help achieve this, we recommend that project management costs should be allocated directly to applicants so that they have resources to manage the projects themselves.

Such a shift in focus should not necessarily be negative for social investment. Ironically, shifting the focus away from 'investment readiness' and towards supporting organisations to be more sustainable, flexible and adaptable **could lead to a larger pipeline of investment ready organisations.**

2. The value of support

We heard conflicting perceptions from different stakeholder groups on the value of the support delivered through these programmes.

We wanted to take a close look at the range of support interventions that have been enabled to understand what has worked well and why.

This chapter looks at how to address the complexities of social sector organisations' needs and how we can better understand recurring trends in participation, outcomes and impact.
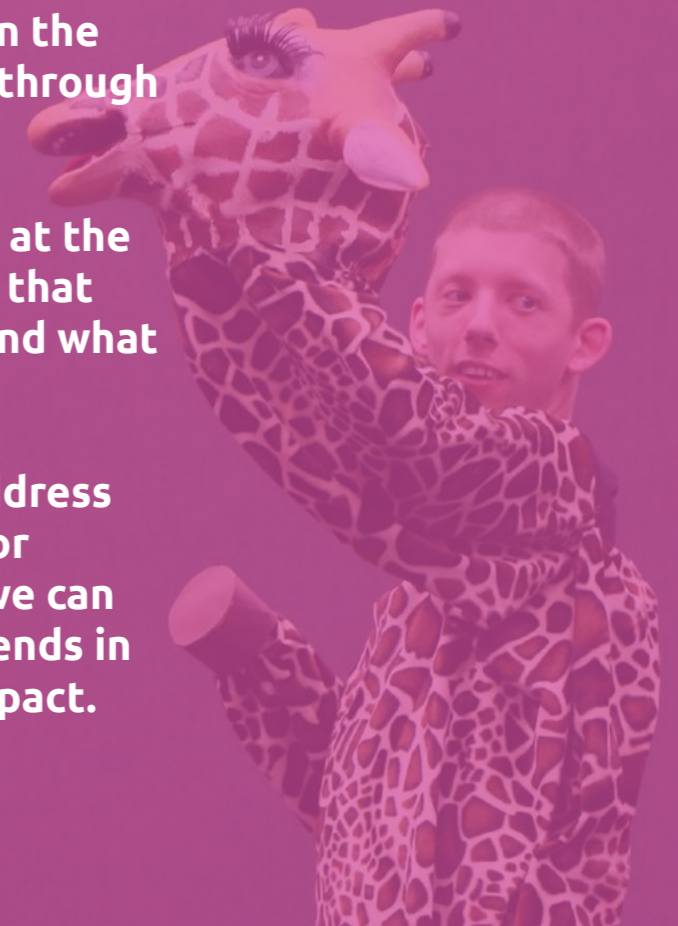
Key Findings

- Combinations and packages of support that help organisations in different areas tend to achieve a greater impact.

- Accessing multiple programmes has, for some organisations, allowed them to steadily grow and develop.

- Encouraging providers to develop sector specialisms, and using data on sector and geographic trends, would help organisations identify the most appropriate sources of support.

2.1 Different interventions defined

The following categories of support were the most frequently mentioned interventions listed on application budgets across all investment and contract readiness programmes, as defined by applicants and providers themselves:

1. Financial modelling:
Constructing a financial representation of some or all aspects of the organisations operations, whether to be used for specific modelling for decision making purposes or financial analysis.

2. Impact:
Activities around improving impact measurement and impact management.

3. Business planning:
Planning how the organisation is going to achieve its goals/ strategic objectives from a marketing, financial and operational viewpoint.

4. Marketing, sales and promotion:
Marketing and communication of existing products and services, or market research and analysis into the development and delivery of new products or services.

5. Strengthening skills and capabilities:
Improving management and staff capability to enable them to perform core functions of the organisation, including embedding existing and developing new and different, commercial oriented skillsets.

6. Governance:
Improving the structures around which the process of decision-making and the process by which decisions are implemented by the board of trustees.
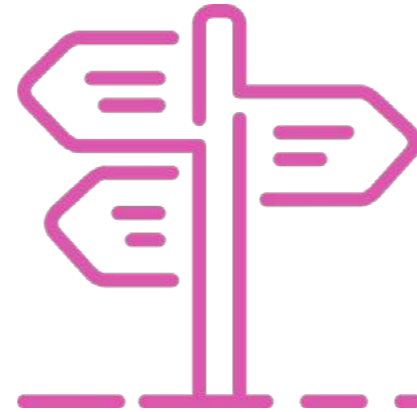
7. Contract bidding:
Developing competencies in writing and bidding for public sector contracts.
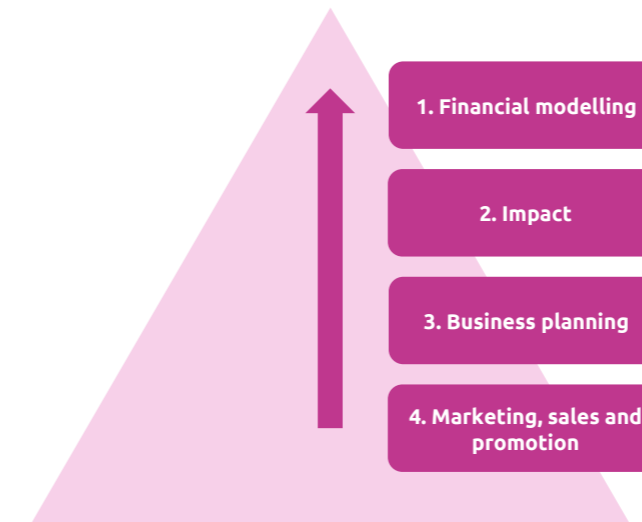
8. Investment deal structuring:
Enabling investor liaison and applying for repayable finance, including support with preparing for due diligence checks.

To provide a measure of demand for different interventions, we analysed the number of times social sector organisations included each intervention in their grant budgets, and the most commonly delivered interventions according to providers.

With social sector organisations, we found that four categories stood out (see Fig. 5). We compared these figures with the most commonly reported types of support delivered by providers.

Fig. 5 Interventions in demand from SSOs
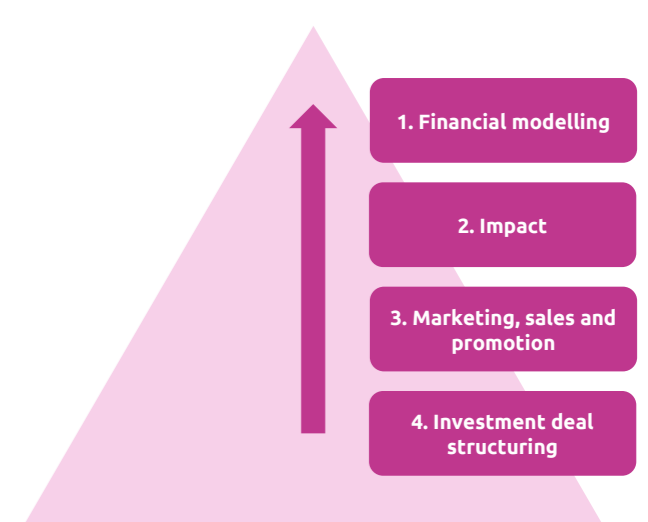

1. Financial modelling
2. Impact
3. Business planning
4. Marketing, sales and promotion

Key points to note here are:

- Financial modelling and impact support are highly sought after. This matches with our qualitative findings that these are useful for bid writing and developing investment proposals.

- Marketing, sales and promotion is highly sought after and often featured in combination with the other three types. However, it was often not valued as highly by social investors on Investor Panels[16].

Fig. 6 Interventions in demand from providers

1. Financial modelling
2. Impact
3. Marketing, sales and promotion
4. Investment deal structuring

Key points to note here, which validate the support needs of social sector organisations, are:

- Financial modelling, Impact; and Marketing, sales and promotion are all highly valued by providers.

- Business planning, which was important to applicants, was less valued by providers and was often not included in the types of support they felt were most value for money.

- Investment deal structuring was much more highly valued by providers, whereas only 35% of grantees chose to incorporate this into their grant budgets.

According to the Ecorys Investment and Contract Readiness Fund[17] evaluation the four most commonly requested types of support were:

1. **Financial modelling**
   (requested by 86% of grantees)
2. **Impact**
   (requested by 72%)
3. **Investment deal structuring**
   (requested by 57%)
4. **Tendering and bid writing**
   (requested by 57%)[18]

Financial modelling and impact come out on top in our overall analysis, showing that demand for these types of support has not decreased over the last two years. However, investment deal structuring and contract readiness do not feature as highly for social sector organisations in our sample set.

This is most likely explained by the wider range of programmes our analysis covered, which catered for different kinds of support. Alternatively, this could suggest a lack of desire amongst the grant recipients for social investment.

A major finding from our research is that interventions delivered in isolation had limited outcomes and impact. There is a strong indication that organisations often need a combination of interventions at any one time.

In our sample data set, the organisations that participated in three or more readiness interventions often benefited from a combination of the four categories most valued by organisations and most often delivered by providers.

Provider consultations revealed that there is a common perception that Investor Panels have historically undervalued certain categories, particularly marketing, sales and promotion. In contrast, our research revealed that there was significant demand for this type of support.

From the data gained from our consultations, it is clear that there are different perceptions from different stakeholder groups on the priorities of the Investor Panels and how these correspond to actual 'readiness' needs.

Some interview participants told us that they would benefit from greater clarity from the panel on the 'hierarchy of criteria' they apply to different interventions. For example, how they judge the importance of governance versus impact management. However, participants reminded us that these priorities need to be aligned to organisations' needs and that each should be assessed on a case by case basis.

"Panels should be clear on the hierarchy of criteria from the outset, it feels as though there are different perceptions of this."

Provider

Future readiness programmes would benefit from preventing prioritisation of one intervention over another, as our data suggests combinations work best. If panels are constructed so they that do not undervalue certain types of support, this would allow for more flexible interventions which cater to organisational needs and resilience.

2.2 How do the costs and timeframes of interventions affect social sector organisations?

Costs and timeframes of interventions vary widely from one provider to another. Our aim was to analyse the costs of different interventions to better understand value for money.

Fig. 7 relates to the provider costs as outlined in the grant application budget. These costs would go to the provider for specialist support.

Fig. 7 Average cost of intervention

As Fig. 7 demonstrates:

- Contract bidding incurs the highest cost by a significant degree followed by governance, investment deal structuring and impact support. To an extent, higher costs can be attributed to longer timeframes. It is clear from our research that contract readiness support takes a significant amount of time, as does investment deal structuring[19].

- Both financial modelling and business planning are, according to our data, the most sought after interventions by social sector organisations. These are also the lowest in terms of cost which reinforces the perception from interviews that they offer the best value for money.

The wide range of costs of interventions across programmes indicates that each combination of interventions should be looked at on a case-by-case basis. For example, we cannot definitely say that a full governance review costs £10k as it will be part of a broader package of consultancy support around organisational change, and the costs will vary depending on the project's complexity.

This is significant as it reinforces the view that the type and quantity of support needed is entirely dependent on the applicant's specific situation.

We can see from the data that the median average cost of one intervention is £9,000 over a timeframe of 10 days. Further work needs to be done to understand how costs and timeframes vary according to organisations at different stages of development.

For example, do earlier stage organisations need more intensive work than later stage organisations? Do organisations 'spinning out' of the NHS need more support than those working in criminal justice? Do organisations in some regions require different packages of support to those in other regions? If this kind of data can be collected in future programmes it will be a first step towards understanding the levels of subsidy required in different contexts.

Fig. 8 demonstrates the average number of days that were spent on each intervention by providers.

### Fig. 8 Average no. of days spent on each intervention by providers
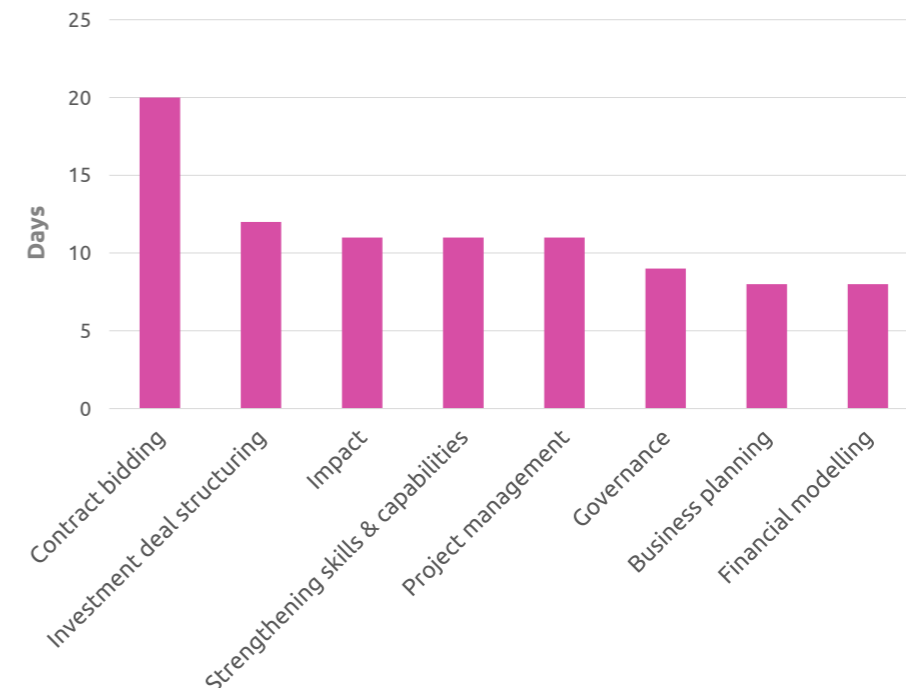
This largely tallies with Fig. 7 in terms of trends:

- Contract bidding requires a large amount of consultant time, as does investment deal structuring.

- Time spent on project management is significant. If this resource was allocated to the applicant rather than the provider it might result in an increase in internal buy-in.

- Strengthening skills and capabilities incurs similar timeframes to project management. This suggests that a degree of capacity building is factored in to many readiness interventions, and continues to be an ongoing need for many organisations looking to diversify their income.

- No intervention is delivered in a 'light touch', quick turnaround fashion. Even business planning takes approximately eight days to deliver effectively.

Fig. 9 Type of support accessed for ICRF applicants seeking contracts or investments[20]
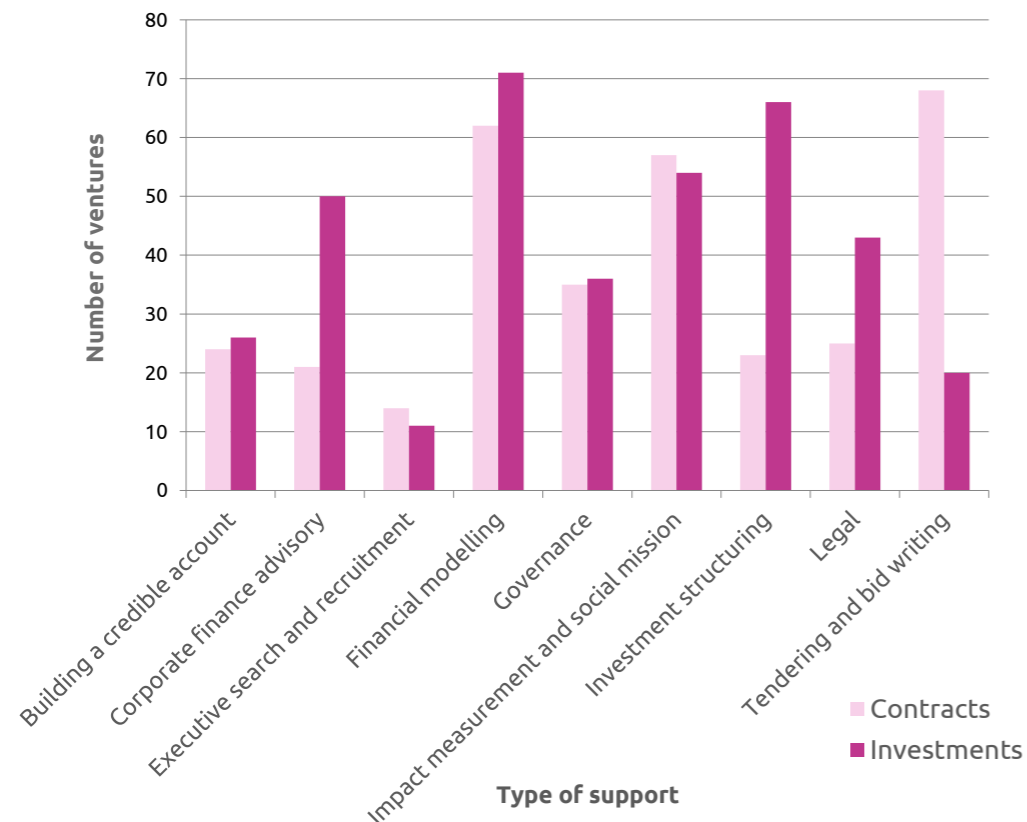
Whilst Fig. 8 shows different categories of interventions, we can see similar trends in terms of demand:

- Tendering and bid writing was in high demand for those seeking contracts, as is investment deal structuring for organisations seeking investment

- However, financial modelling was high in demand from both categories which matches the sample data set used in this research, as was support for impact measurement and social mission.

Providers should quote for support depending on the needs of the organisation, not in a generic way. Providers and programme managers should also place the emphasis on the best combination of interventions and the best package of support for the applicant.

2.3 How are different 'readiness' interventions perceived?

To help understand why applicants and providers value some interventions above others, it is important to look at trends in perceptions from different stakeholders.

A key qualitative finding from the consultations and workshops was the shared perception among organisations that providers often exagerrated intervention costs. This was particularly evident amongst participants from the ICRF, where the costs did not always match the time allocated in the application budget. This could be partly due to the fact that overheads were often included in provider costs which may have given the impession of inflated budgets.

There are perceptions from both investors and organisations that consultant day rates are too expensive. However, providers repeated-ly told us that a significant amount of time is spent working on applying and securing the grant before any work is paid for. Their differ-ent programme roles seem to fuel conflicting perceptions.

ICRF grantees whose interventions were focused on bid writing felt disappointed at restrictions that impacted the tender process and combined the bid writing and grant milestones.

"We put a lot of energy into working on strategy in advance and writing the application to relieve SSO internal staff time."

Provider

In some cases, milestones faced significant delays which some organisations felt resulted in them not receiving the quality of service they had anticipated. In other cases, not enough time was spent on certain aspects of the bid writing which often meant organisations could not make sufficient progress.

It is important to note that most of the organisations interviewed valued the interventions they received, although some had specific concerns. Most cited positive examples including support they received to develop the vision and mission and business planning.

"The support we received felt light touch, our time with consultants was rushed and we weren't able to allocate the amount of time which was really needed to the project."

Social sector orgnisation

The iterative nature and impact of support is clear from the experience in the following example.

They received a package of blended capital (grant and loan) from the Social Enterprise Investment Fund (SEIF). They later went on to receive a BPA grant. The SEIF technical assistance had helped them develop their organisational infrastructure and a trading business model; the Big Potential Advanced grant helped them build on their business model and scale it to further diversify their income.

Throughout our regional workshops and provider consultations, it became clear that there are conflicting perceptions between investor priorities and the types of interventions that social sector organisations actively need to ensure the sustainability of their organisation.

"Investor priorities are often personnel and overall strategy. The current level of programme intervention doesn't support this."

Provider

Our workshops and consultations with investors revealed there is a common perception that it has been consistently difficult to quantify the benefits of interventions. Investors maintained that even if the intervention itself helps to de-risk a potential investment, it does not necessarily result in an investment offer.

"The focus of interventions should be the areas of expertise most needed and how to embed these in the social sector organisation."

Investor

More work is needed to prove to investors and that multiple interventions deliver the most benefit. Though this has been tried in previous programmes and in panel decision-making processes, it is not embedded. To help with this shift, longer term monitoring of such interventions and the changes they lead to should be introduced in future programmes.

2.4. What are the benefits of accessing multiple programmes?

As we have seen, social sector organisations often benefit from a broad package of interventions, and from accessing grants across multiple programmes.

Interestingly, **the Boston Consulting Group evaluation of ICRF suggested participants needed less external support following participation in that programme. However, this review looked at just one programme over a shorter time period.**

In comparison, our data analysis and fieldwork revealed that in many cases participation in multiple programmes was necessary for an organisation to become equipped to either take on social investment or secure contracts and to enable greater internal organisational capacity.

Organisations often need a full package of support over a long period of time. Funds such as Futurebuilders, which provide a blended flexible mix of grant and loan helped offset the costs of managerial and employee backfill, embed core skills in the organisation, and instil robust financial procedures.

For example, one organisation benefited substantially from a range of support they accessed through various programmes. From 2009 onwards they received blended capital (loans and grants) and grants across different programmes totalling almost £1m.

Blended finance allowed them to receive business development support alongside repayable finance. Their turnover developed steadily from 2012 to 2016 from £1.1 million to £1.6 million.

To better understand how grant awards relate to increases in turnover we wanted to determine elements of financial resilience across our grants portfolio.

Some key insights on the effects of multiple programme participation were revealed. The programmes included in this research provided grants of £10k (for Community Assets and Services pre-feasibility grants) up to £150k (the upper limit for ICRF and Big Potential).

We also compared data for organisations that had successfully applied for grants to those that had been unsuccessful. We looked at turnover for these organisations and segmented the results by sector.

Fig. 10 Financial turnover of applicants (successful and unsuccessful) in 2016[21]

■ Average Turnover 2016 (grant recipients)   ■ Average Turnover 2016 (unsuccessful applicants)
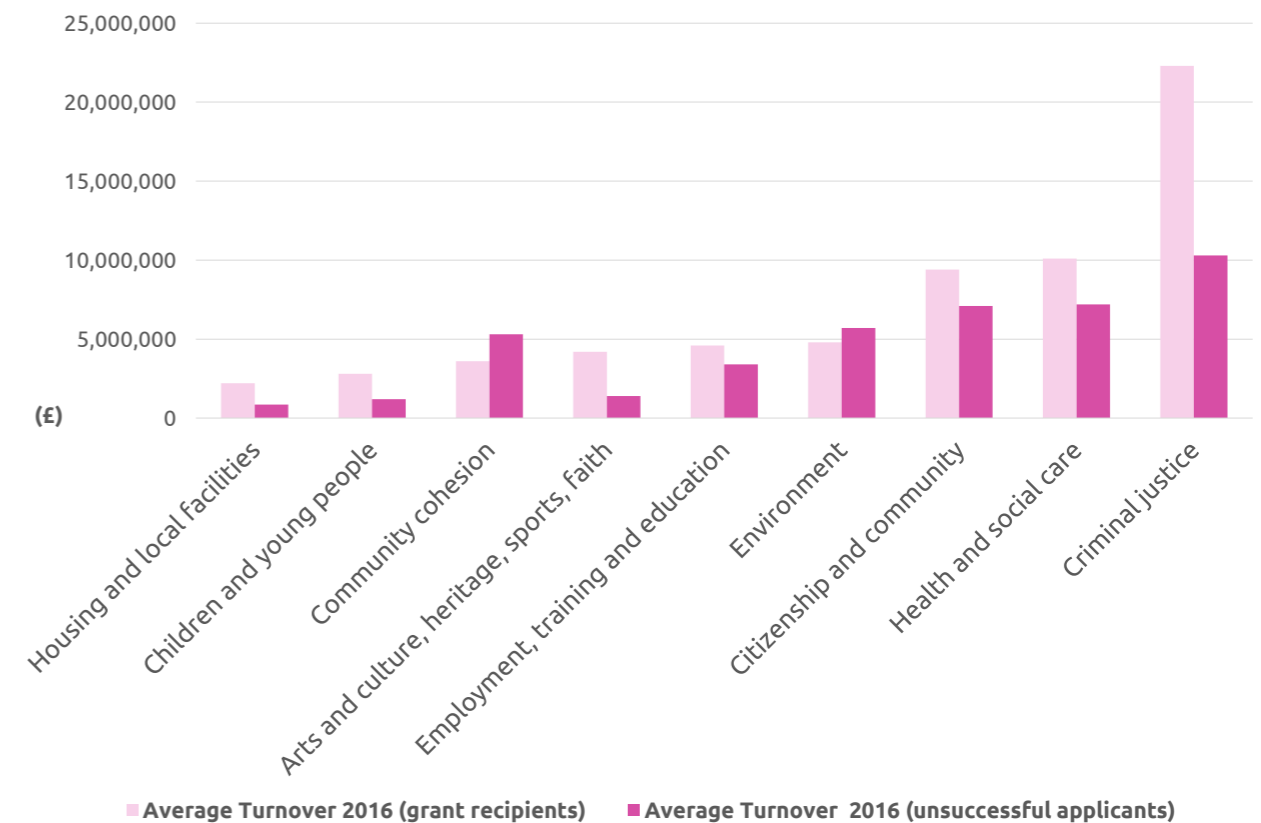
From this data we can see that:

- Grant recipients in the employment, training and education and criminal justice saw a higher level of turnover in 2016.

- Grant recipients in the housing and local facilities sector saw their turnover decrease sharply.

- Unsuccessful applicants generally maintained a steady but lower level of turnover across sectors, although there are comparably low levels in the arts and children and young people sectors.
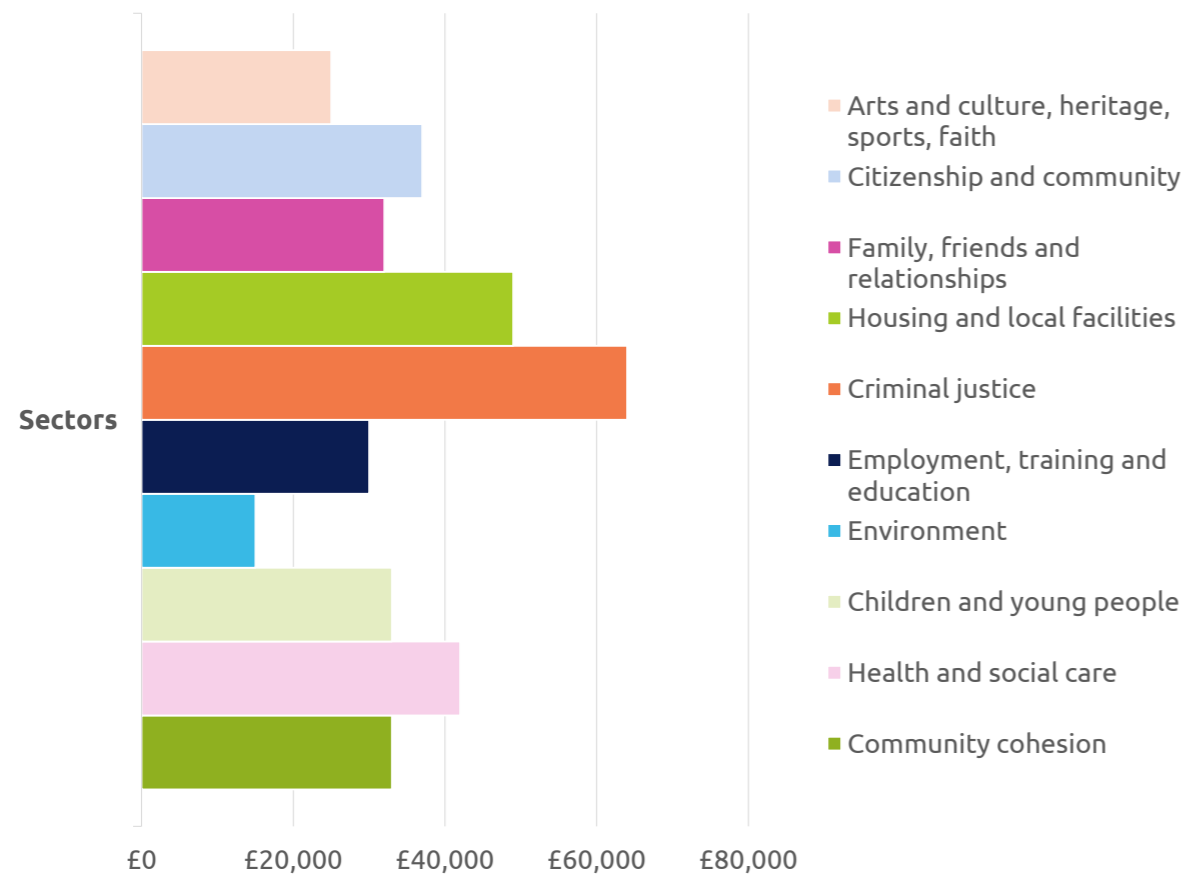
This shows us that readiness and capacity building support has greatly benefited increased turnover in certain sectors, such as employment and criminal justice. However, for some sectors, such as environment and arts, there is relatively little difference between the average turnover of grant recipients and unsuccessful applicants. Although, we can attribute parts of this to broader external changes to the funding landscape for these sectors, it is also worth noting that these sectors are less well represented in our grant portfolio.

In comparison, Fig. 11 shows average grant sizes according to sector.

Fig. 11 Average grant amount by sector

Sectors

- Arts and culture, heritage, sports, faith
- Citizenship and community
- Family, friends and relationships
- Housing and local facilities
- Criminal justice
- Employment, training and education
- Environment
- Children and young people
- Health and social care
- Community cohesion

£0   £20,000   £40,000   £60,000   £80,000

From this we can see that:

- Environment and arts organisations had the lowest grant average. Again, we must be mindful of the lower proportion of these organisations in the dataset. However, there is a trend emerging that organisations in these sectors have been disproportionately supported by these programmes. A future programme manager may want to consider targeted marketing to encourage greater participation.

- Health and social care, employment and housing and local facilities have relatively large average grant sizes.

To analyse incremental growth, we looked at percentage increases in turnover over the five-year period and the headline statistics that emerged from this. Interestingly, every organisation included in the statistics below received a grant of £50k or more.[22] We believe this partly indicates that a greater level of support can help an organisation achieve a greater increase in turnover.[23]

76% of organisations achieved a steady increase in turnover from 2012 - 2016. Up to **10%** on average.

40% of organisations received multiple grant awards, two or more. All of these achieved growth in turnover of over **10%**.

8% of organisations that received a grant award were high performers. Their turnover grew over **20%** from 2012 to 2016.

Throughout our research we spoke to a diverse range of organisations across the country to understand the benefits of the support they had received and the lessons that could be learnt from their experiences. The majority of organisations continue to need support to fully realise their ambitions and react to changing circumstances.

These statistics support the view that organisations benefit from ongoing support over several years, which includes multiple interventions across a range of programmes and this results in a greater degree of resilience and in some cases increase in turnover.

We do acknowledge that growth cannot only be determined via an organisation's financial information. However, the data suggests that the capacity building and readiness support provided have had a positive impact on the organisations that have participated in the programmes.

2.5 Case study: Community Forest Trust

Fund: Impact Readiness 1 & 2, Big Potential Advanced (BPA)

Amount: £22,290, £25,000 & £77,628

When: Jan 2015 – Jun 2016

Region: North West

Who are they?
The Community Forest Trust (CFT) is an environmental charity supporting community forestry. The Trust creates and promotes healthier, attractive places to live and work and is the prime contractor for Natural Health Service. These offer a preventative approach to healthcare by providing health and well-being activities in green spaces, reducing demand for more costly healthcare services.

Why they applied?
CFT applied to the Impact Readiness Fund to develop and implement impact measurement systems to more effectively demonstrate their social impact. They hoped this would help them with future contract bids. For Big Potential Advanced, they needed support to negotiate contracts and develop an effective supply chain so they could demonstrate how they could meet strategic commissioner objectives.

They hoped to increase their social impact through the delivery of the Natural Health Service. Their social return on investment (SROI) forecast developed through the Impact Readiness work showed that over a five-year period the total impact from engaging with 6,000 participants would be worth £13m.

The total investment required to generate this value would be just under £2m meaning a social return on investment of £6.75 for every £1 invested.

What did they do?

Impact Readiness support was used to develop and implement in-house impact measurement systems relating to the signature project, Natural Health Service. The Big Potential Advanced grant was used to increase engagement with public sector commissioners to explore how the Natural Health Service could meet both of their strategic aims.

CFT were satisfied with the support they received from Cogent Ventures. They had significant expertise specific to their sector and were able to offer a range of consultants with different expertise, which ensured that they had access to specialists at various aspects of the programmes.

One of the main challenges for CFT was spending a significant amount of time working alongside the consultant in to fully brief them on the project. The time taken to bring a provider up to speed once the grant has been awarded could be extended as it takes time for them to become familiar with the work and to be able to identify exactly what type of support is required. With more time, other areas of support could have been identified.

What was the outcome?

The skills embedded into the organisation on evidencing impact, and the knowledge gained of the current commissioning market have been of great use and their internal business planning has greatly improved. CFT succeeded in securing £428K funding over a three-year period from Cheshire West and Cheshire Council for the Natural Health Service and this has also enhanced the credibility of their service in discussions with other commissioners.

2.6 How can providers add greater value?

The objectives of our provider consultations were to understand the pros and cons of the programmes themselves and to understand how a successful provider operates and the value that they deliver.

We spoke to a range of providers with different specialisms including some who had never participated in these programmes. We used this data to develop a baseline comparison. We also consulted providers that had been consistently successful with grant application. We defined success as: 1) having grant application approved and ") helping the recipient to raise investment and / or win contracts.

Our aim was to find out what set the most successful providers apart and if this was affected by the range and scale of the support provided.
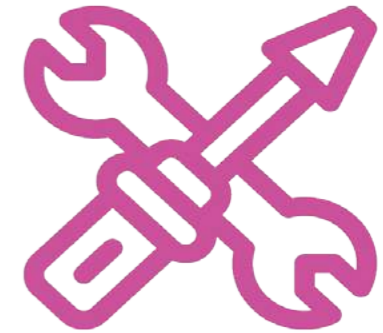
We also wanted to determine the level of sustainability gained by the providers themselves through participation in the programmes and how a thriving provider sector could benefit social sector organisations.

Interviewees, including the most successful providers, were asked to state the proportion of their income drawn from the readiness programmes and the proportion drawn from external activities.

We found:

- The majority of providers suggested that 26-50% of their total income is from grant programmes, with an equal proportion suggesting 26-50% of their total income is from external sources.

- A minority suggested that over 75% of their total income is from grant programmes with an equal minority suggesting only up to 25% of their income comes from grant programmes.

- Successful providers structure their business model in such a way to achieve a balance with diverse income streams so they are not reliant on grant programmes.

- Since ICRF, programmes such as Big Potential have created a more competitive provider market. Some interviewees felt that this had been a positive development as it gave more choice, while others noted that a smaller pool of providers made choice easier.

Interestingly, providers that reported a balance between grant and non-grant income had a higher success rate in terms of applications to programmes.

Two key issues reported by the majority of interviewees were firstly the **level of engagement** a provider had with the programme itself and, secondly, **sector specific experience**. These were recognised as being instrumental to the level of success for the provider and also in ensuring longer lasting relationships with clients, even once the readiness project had finished.

In addition, for providers to deliver effective support, they needed a thorough understanding of both the programme and the Investor Panel decision-making process, in particular approving or querying certain costs.

As with social sector organisations that had participated in multiple programmes, providers also noted that working on multiple programmes had better enabled them to signpost organisations to the right kind of support and understand what a good grant application looks like.

One interviewee stated that a longer term programme would be beneficial to both providers and social sector organisations and would allow the provider to undertake lower intensity interventions which are not currently cost effective.

"A longer term programme would lead to a more sustainable sector."

Provider

Providers that have developed sector, outcome and regional specialisms have had better success with programmes. Those less reliant on grant programmes also have a greater degree of success with applications, and as their model of support is more sustainable as it can be more accurately tailored to the organisations they work with. Sector specialisms can be of great benefit to organisations particularly with contract readiness interventions.

2.7 How willing are applicants to contribute to project costs?

We asked social sector organisation interviewees how much they would be willing to pay as a contribution to any third-party support which is part of their grant budget.

The majority stated they would be willing to pay up to 25% of the total project cost. However, in reality, given limited income streams, they said they may not actually be able to do this.

15% of social sector organisations interviewed through the Ecorys ICRF evaluation stated they would be willing to pay for provider costs, although they did not specify the proportion they could or would be prepared to pay.[24]

This suggests that the support received was valued but there remains an issue of reserves and cash flow, which prevents many small-to medium-sized organisations from contributing to the costs of support.

Some investors in our workshops argued that a financial contribution from the organisation to the provider support could lead to more effective interventions as they would be more involved in the work.

Providers made a similar point. Although they suggested that a future programme could include a success fee payable from the organisation to the provider, once a grant had been secured, to ensure social sector organisations are committed to the project and to cover time spent by providers working on grant applications.

The willingness or ability to pay was not tested on a large scale, only through conversations in interviews, so it remains unclear as to whether there is an appetite for this or if it would be feasible.

There are a range of opinions on the value that provider interventions add to an organisation. However, it was clear that no one perception is definitive and interventions should be looked at on a case-by-case basis. There was a strong sense from providers and investors though that a financial contribution from grant recipients would enable better internal buy-in.

Where possible, any future readiness programme should encourage organisations to contribute resources and costs to the project, if only on an in kind basis. Only organisations with the means to pay would be encouraged to contribute. This would go some way to ensuring their buy-in to the project and help ensure they got good value for money.

It is clear that the financial pressures on social sector organisations have been such that they are not in a position to pay for the support themselves. However, a future programme could consider implementing systems such as 'success fees' payable to the provider when they receive a grant award, or even further down the line on securing contracts or investment.

## 2.8 Do multiple interventions provide better value for money?

Further discussion in workshops raised questions about how much value was really added for those organisations that had participated in multiple programmes.

Some organisations reported that sustained involvement and the repetitive nature of support received both reflected and supported incremental growth. The question of whether such organisations would have developed organically without external intervention was also raised.

Social sector organisation interviewees said they had an ongoing need for post grant support and wanted to apply to further programmes to get it. In particular, those delivering public service contracts stated that external circumstances, such as the effects of austerity and growing devolution, contributed to the need. Additional grant support would help plan new business strategies in advance of major external changes.

The research also uncovered trends in the type of journeys made through multiple programmes and the value this added. One common path for organisations operating in health and social care was to take on Social Enterprise Investment Fund (SEIF) repayable finance and then apply for a Big Potential Adavanced (BPA) grant to further develop their new trading model.

"Blended finance support is key to taking on loan finance. Trustee apprehension was huge - it was a massive step going from grant to loan.
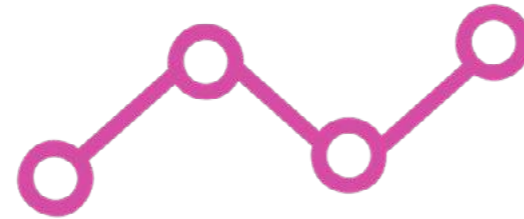
Going from SEIF to BPA was beneficial and happened at the right time. We would have benefited from further support on change and transition management."
Social sector organisation

A clear advantage for organisations that had participated in multiple programmes, including BPA was the support that the grant could fund to expand their business model and focus on bid writing or developing investment deals.

One organisation working in the criminal justice sector reported that BPA helped them increase their ambition and ability to bid for large contracts. Their provider supported them to assess the commissioning environment and the market for their services. The outcomes of this assessment led the organisation to opt for contract readiness work and develop a pipeline of contracts. In turn, these activities benefited their strategic planning, supported significant growth in capacity and helped ensure long-term resilience of the organisation.

In summary, the overarching finding from our research was the pattern of multiple programme participation and how this has shaped readiness journeys.

Key lessons can be learnt from the benefits of on-going involvement including:

- Different programmes were required for different stages of business development.

- Previous access to blended finance was often an essential success factor.

- Multiple readiness interventions helped with trustee buy-in – particularly acceptance of the need for income diversification.

Multiple programme participation can help embed skills and knowledge, and initiate changes in direction and strategy, which bring significant benefits. The programmes have also allowed organisations to fully explore the support available from providers and learn how to manage this. Further research could look at organisations benefiting from multiple programmes, their relationship with providers, and whether this provides value for money.

The value of support

Summary

For organisations to develop sustainable business models, they require support from **a combination of interventions** that help them improve across different areas of what they do. Moreover, the potential impact of the **support would be more effective if it was looked at over a longer period of time** and the impact of the entire organisation was considered.

Accessing support from **multiple programmes can help embed skills and knowledge** in an organisation and encourage long term organisational change. This was particularly useful in getting buy-in from senior colleagues, such as trustees.

To make it easier for organisations to understand where they can access the most appropriate support **better sector and geographic data must be published**. This would help us understand the most appropriate packages of support for different types of organisations and how they are valued.

Improving quality

The role of the fund manager, grant administrator or programme partnership is to manage the programme efficiently and effectively.

All of the data in this report is drawn from programmes delivered solely by Social Investment Business (e.g. Investment and Contract Readiness Fund) or in partnership (e.g. Big Potential Breakthrough).

This chapter will examine the importance of the programme manager role and what improvements could be made for future programmes.

Key Findings

- A platform to help organisations navigate different types of provider support and record feedback may be necessary to encourage peer-to-peer support and make consultancy support more accessible.

- Active, longitudinal monitoring should be used in future programmes to enable better data sharing and learning.

- An independent programme manager is crucial to monitor the quality of the support delivered and to ensure that programmes are flexible and that their aims and objectives are clearly communicated.

3.1 How do you improve the quality of the work delivered?

Throughout the research project we heard lots of ideas for improving the quality of the work delivered by providers.

Ideas about quality assurance came from all stakeholder groups, and were primarily directed at the programme manager. It was widely assumed that they are best placed to take forward any suggested actions.

Some of these ideas have already have been discussed in previous chapters, such as ways of supporting more sustainable business models and improving partnerships between providers, but they are presented here in full.[25]

Social sector organisations often brought up, unprompted, the idea of a platform on which to share a broad range of programme information provided by social sector organisations, providers, investors and other stakeholders.

This was considered particularly useful by many organisations that saw their provider relationship as mutually beneficial. They claimed that this had largely been thanks to recommendations from peers or through their networks.

Although this information brokerage was not readily available, workshop participants also mentioned that help with choosing good quality and appropriate support was crucial not only in terms of the provider but also the types of intervention needed.

In many cases, organisations needed far more information than they could access

online or find in the application guidance in order to submit quality applications and make an informed provider choice.

"People want recommendations from peers in similar sectors and regions."
Provider

Reviews from peers on the support they had received from specific providers helped 'first time buyers' navigate the provider market more effectively. Once an organisation had sourced a potential provider, they then needed the provider to assess their needs.

This diagnosis, a key element in the process, would be informed by characteristics such as sector, stage of development, scale of operations and their strategic ambitions.

Unsurprisingly, the support required was always different. Some organisations needed

interventions with a quick turnaround, while others needed more intensive support to deliver investment or contract readiness. Longer term support was needed by some that continued into a post-contract or post-investment phase.

Social sector organisations recommended that the programme manager needs to understand these different stages of development when forming, promoting and implementing eligibility and selection criteria.

Programme funders came to similar conclusions after receiving similar feedback from social sector organisations.

Social sector organisations also felt that they needed to effectively establish their aims and objectives for the project before engaging with the provider, so that the consultants did not try to sway them in another direction.

"Better outcomes are achieved when the organisation has clear aims, they achieved maximum benefits of provider support and were not swayed by consultants to change course."
Provider

This could suggest that some form of early stage support, ahead of the provider's, could really benefit the organisations. Indeed, the suggestion coincides with findings from the evaluation of Big Potential Breakthrough that social sector organisations value the diagnostic tool, one-to-one meeting as ways of building knowledge of their own strengths and

weaknesses. These early stage tools can also support those organisations that do not apply or have unsuccessful grant applications.

However, those interviewed identified a potential challenge with such a platform: the high volume of data and information that an organisation would need to sift through to make an informed choice. They suggested that a platform could help users find relevant information by showing high level trends for provider performance based on customer feedback. They also recommended that providers initially chose up to three reviews of their work, and after this they could request organisations they had worked with to submit their own reviews.

"We need to collectively build a stronger database that any social sector organisation can access. This is one of the biggest problems. This would enable a form of peer-to-peer support which could be initiated by the organisations themselves."
Funder

Furthermore, such a platform would need to learn from previous attempts such as Social Enterprise Training and Support (SETAS) and develop a sustainable business model that other platforms have failed to achieve.

Providers had a more diverse range of views on this subject. One interviewee suggested an Ofsted or Care Quality Commission type regulator for performance management which would help improve quality standards while

3.2 What is the role of the programme manager in encouraging provider development?

simultaneously increasing confidence in their work.

Suggested methods for delivery involved random spot check inspections during different stages of delivery. Others stated that the programme manager should initiate a feedback loop on the quality of interventions, regularly updating performance data on provider success rates covering application approvals, investment raised and contracts won. One interviewee specifically recommended a form of "money saving expert for investors".

There was a general consensus that any platform would need to collect different levels of feedback and 'reviews' of providers.

 However, this would need to be effectively managed and different stakeholders should be given different options for inputting information.

Many participants also suggested that the programme manager could set up a code of conduct for providers and develop an effective signposting mechanism, which could involve elements of peer to peer support. The majority of participants felt they could have benefited from increased access to peer to peer support through the programmes.

There is a clear consensus from all stakeholders that in the future, programme managers should play a stronger role in quality assurance.

This would give social sector organisations more information to help them make better choices about the provider they work with and the type of support they need.

Creating a platform containing a range of information and performance data would help inform choice by making it easier to access reviews from peers. However, financially sustaining such a platform is likely to be challenging.

Previous programmes have incorporated varying numbers of providers and developed and managed them differently. In some cases, they have encouraged new provider organisations to be developed. The Investment and Contract Readiness Fund (ICRF) maintained a finite list of 43 providers, whereas Big Potential Breakthrough (BPB) and Big Potential Advanced (BPA) had a bigger list of 60 providers with a rolling application process.

Both methods prompted different responses from our respondents.

While close management of the provider lists has proved time consuming it has left us with some valuable insights into the regional and cross sector spread of providers and the benefits and disadvantages of the ICRF and Big Potential models.

Fig. 12 to 14 demonstrate that there is a concentration of providers operating in London. However, Big Potential has managed a more diverse range operating across a greater spread of regions.

This would tie in with one of the objectives of Big Potential which was to grow the provider market. The development of new providers should not be discouraged, it has resulted in a diverse range of providers under Big Potential. However, this should tie in with active learning procedures to ensure that performance and feedback data is collected and contributes to programme development.

Fig. 12 ICRF providers by region

- East of England
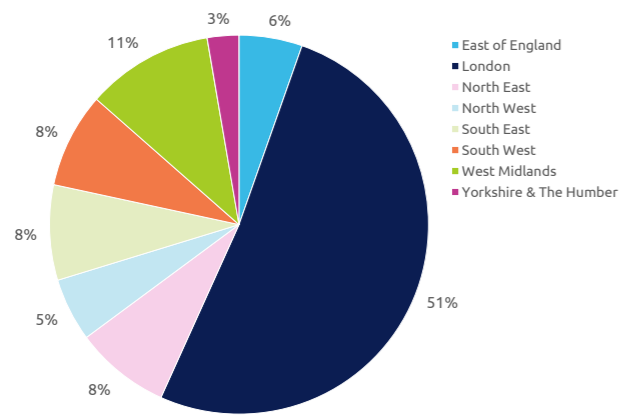- London
- North East
- North West
- South East
- South West
- West Midlands
- Yorkshire & The Humber

6%
3%
11%
8%
8%
5%
8%
51%

Fig. 13 BPB providers by region

- East Midlands
- East of England
- London
- North East
- North West
- South East
- South West
- West Midlands
- Yorkshire and the Humber
- Not disclosed

2%
6%
6%
9%
8%
11%
6%
13%
13%
26%
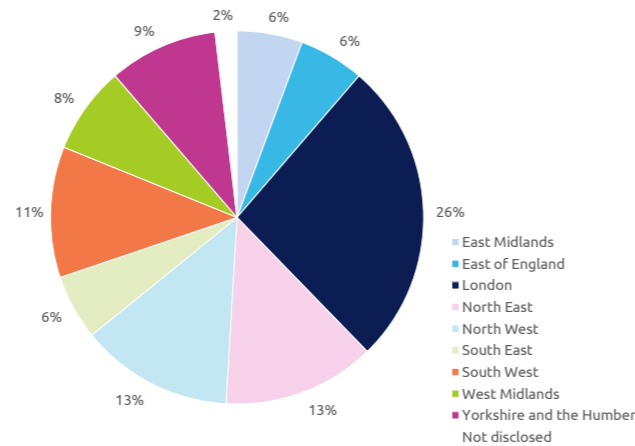
Fig. 14 BPA providers by region

- London
- East of England
- North West
- North East
- East Midlands
- West Midlands
- South East
- South West
- Yorkshire and humber

0%
7%
0%
14%
0%
10%
14%
7%
48%
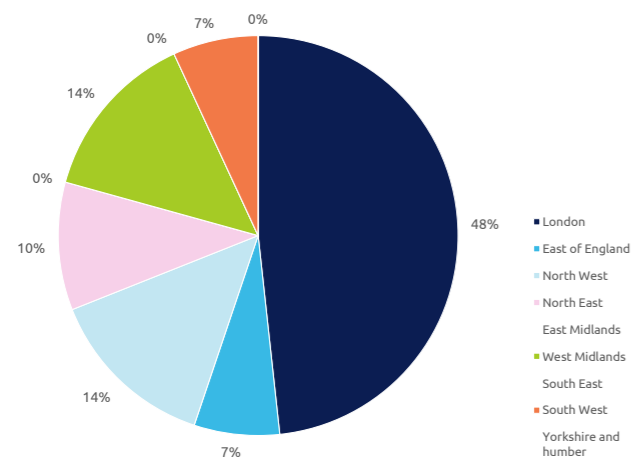
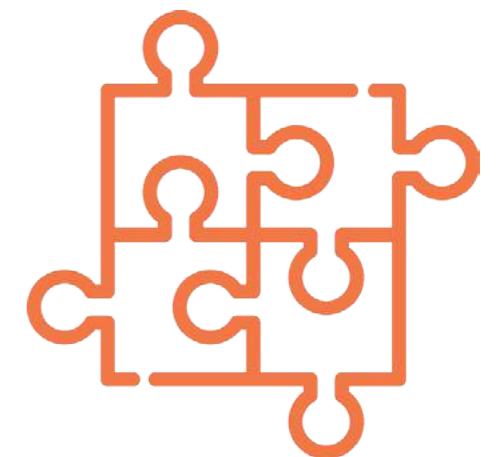## 3.3 How important is it for providers to develop sector specialisms?

Interview participants identified many areas that could be improved around providing information on the quality of provider support. They also indicated that certain actions could be delivered by the programme manager as well as the providers. For instance, social sector organisations expressed a pressing need for providers to be clear on their respective specialisms and for the programme manager to help signpost them to appropriate support.

Participants that received support from providers with a sector specialism claimed the support had longer term benefits, lasting beyond the end of the grant. However, some expressed the view that there are gaps in provider specialisms, such as criminal justice and rehabilitation of ex-offenders. This links in with the sector level data across our grants portfolio which marks these sectors out as under-performing in terms of turnover and assets.

Provider interviewees appreciated the large budgets ICRF and BPA provided, it allowed them to develop their client base and cultivate expertise within a sector. They felt this helped develop their own networks. In turn, their clients benefited from their in-depth knowledge of the sector commissioning market, for example.

Any information given on providers, via a platform or otherwise, should give guidance on sector specialisms. Social sector organisations should be signposted to this and informed of the importance of specialisms to the support they receive. Future programme platforms should ensure, as with Big Potential, that there is clear regional spread, rather than a concentration of provider based in London.

3.4 How do you judge success?

Programmes have consistently monitored how well providers are performing. Fig. 15 maps the range of success rates across two 'readiness' programmes. By success rates we mean success applying for grants, rather than work that leads to an investment or contract 'win'.

Providers that participated in the Impact Readiness (IR) and Childcare Investment Readiness Fund (CIRF) as well as Investment and Contract Readiness Fund (ICRF) and Big Potential Advanced (BPA) reported that due to the single application window in the programme they had generally not been as successful as they had with ICRF and BPA.

Ideas regarding quality assurance of providers came from all stakeholder groups, and were primarily directed at the programme manager, who they assumed was the most relevant party to take forward the suggested actions.

Some of these ideas already have been discussed in sections one and two, such as ways of supporting more sustainable business models and improving provider partnership working.

Fig. 15 Success rates of ICRF and BPA providers

Legend: BPA Providers | ICRF providers
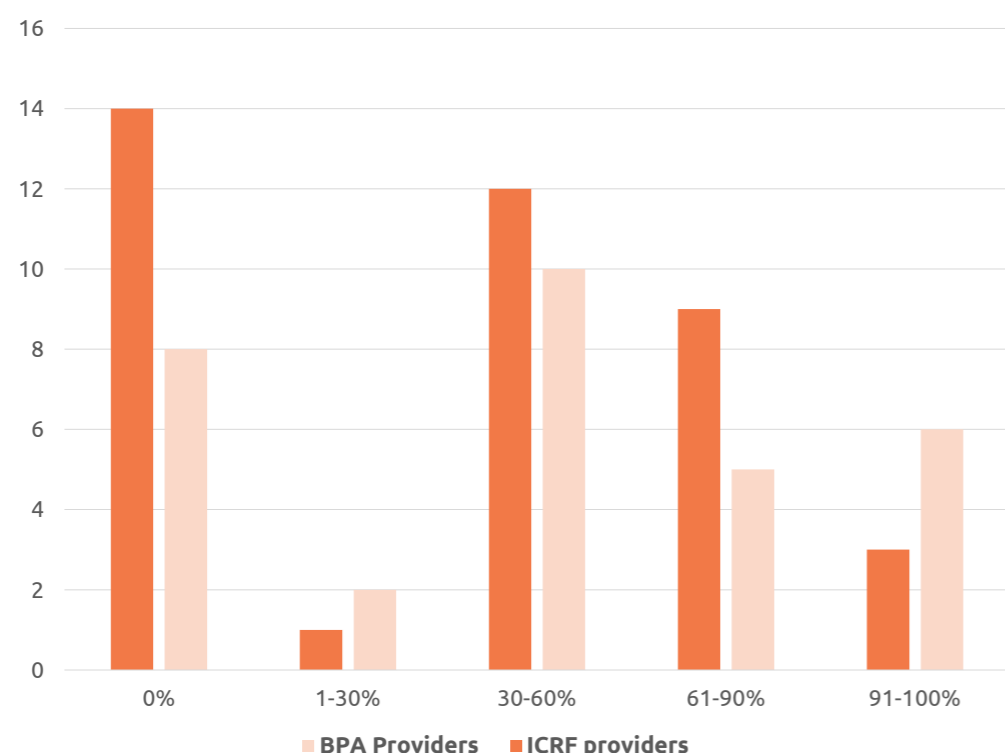
3.5 Where can improvements to programme management have the biggest impact?

To date, the programme managers have needed to engage closely with three key stakeholder groups:

- **Social sector organisations**
- **Providers**
- **Investors**

There are also other stakeholders that have also been involved in a light touch way. We recommend that future programmes should consider engaging with these stakeholders more deeply:

- Commissioners
- Infrastructure and membership groups
- Strategic partners (programme evaluators and programme partners)

All stakeholders were asked for their opinions on where programme management could have been improved and what wider learning points could be embedded into future programmes.

Interviewees that had received Impact Readiness grants outlined specific programme deficiencies which resulted in a less favourable experience. Certain participants felt that the programme manager underestimated the support needs that applicants would have. They felt that applications needed to be looked at on a more case-by-case basis to understand different needs and what the grant budget could actually pay for.

Regional workshops also revealed that the majority of participants felt that grant budgets in general should be geared more towards enabling backfill for applicants rather than

funding third party support. This would then help the organisations to develop their capacity and increase their knowledge.

Some participants gave negative feedback about the information shared on the overall purpose of funds, their processes and structures and criteria around eligibility, success and failure. Social sector organisations suggested they should be given clearer definitions of the types of organisations that were being targeted to help them understand if they were eligible.

Social sector organisations also suggested that programmes could be structured differently to help early stage development of consortia, collaboration and partnership models. Workshop discussions highlighted the challenges of consortia development alongside the perceived opportunities consortia working can offer.

They also suggested that consortia could ensure cost-effective social outcomes, which

could be demonstrated to commissioner and investors. As organisations would apply for social investment as a group, this could open up more opportunities for accessing investment. This approach could be a good idea, however, consortia can be highly complex and therefore not many have positive outcomes.

In recent programmes, such as Big Potential, early-stage development of consortia hasn't been eligible. However, broadening the scope of programmes to support umbrella (and other) organisations to develop commercially-focused consortia could pave the way for more intensive and cost-effective group-based support. Moreover, group working could be beneficial at both pre-feasibility and feasibility stages of development.

Support programmes should be centred round social sector organisations and be created to serve their needs. Programme managers should have the primary objective of ensuring social sector organisations have access to transparent, accurate and regularly updated information on the programme, the work of providers and the work of investors.

They should also have the capacity and ability to capture, manage and use information to improve the work of all three stakeholders involved in a programme.

3.6 Case study: Legacy Sport

Fund: Big Potential Breakthrough and Impact Management Programme

Amount: £29,520 and £47,130

When: Nov 2015 and June 2017

Region: Yorkshire and the Humber

Who are they?
Legacy Sport, a health and fitness Community Interest Company, keep young people healthy, happy and independent. Their services include their sports academy, cycling schemes and school support programmes.

Why they applied?
Legacy Sport applied to Big Potential Breakthrough to work out if social franchising was a realistic and sustainable next step for their organisation; an option that would allow them to join a network and increase their impact.

After choosing to work with Fresh Management Solutions as their support provider, Legacy Sport was encouraged to re-examine their own financial processes.

Their grant helped them create a new project plan and modify their budget structure. This helped Legacy Sport build a better understanding of the risks and rewards of social franchising and what it would mean for their business.

Big Potential also helped them get to grips with using simple but powerful social impact reports.

What did they do?
Legacy Sport soon realised that, in its current state, social franchising wasn't a viable model for them. Instead, they set out to develop Sporting Age – an online platform for schools to use to teach pupils about the value of living a healthy lifestyle. The scoping work enabled by Big Potential helped increase Legacy Sport's attractiveness to investors, resulting in a £40,000 investment from Key Fund to make Sporting Age a reality.

After the Big Potential grant, Legacy Sport continued their social investment journey with the Impact Management Programme to build on what they had already learned and fine-tune their impact.

They attended a training workshop to help them distinguish between generic and meaningful impact and received expert advice on how they should be recording their effect on their community.

What was the outcome?
The Impact Management Programme enabled Legacy Sport to further develop their 'Bikeability' service – a cycling training programme that so far has given over 900 young people an opportunity to get fit, build road confidence, access sustainable transport and has even been shown to improve behaviour in schools.

"We're proud of our achievements to date and have a real aspiration to replicate this impact in other geographical territories. The Big Potential and Impact Management programmes have been invaluable in helping to determine efficient business models to facilitate this and also how to measure real meaningful impact"

Shaun Fox, Chief Executive

3.7 How important is flexibility for grant recipients?

The primary role of the programme manager should be to provide flexible grants that meet different needs. The guidance provided should clearly set out what support the programme manager is expected to provide and the need for internal project management to help ensure targets are met.

"Social sector organisations need support with monitoring, evaluation, reporting and evidencing."

Funder

Throughout the research, providers and social sector organisations identified that flexibility was important. Participants recognised there were programme constraints, however they generally felt Social Investment Business had made a substantial efforts to be as flexible as possible throughout the programmes.

From the applicant perspective, flexibility was required in two key aspects of the programme. Firstly, to enable them to assess and select support which offered them the best value for money. Secondly, to ensure it was possible to meet agreed activities, costs and timescales in work plans so they could be able to make the best use of the money awarded to them.

For social sector organisations to be empowered to get good value for money, the programme manager must have a degree of flexibility to allow them to re-allocate parts of their budget. Investors also maintained that a key part of the programme manager role should be to have the flexibility to provide better advice on the outcomes of the support received.
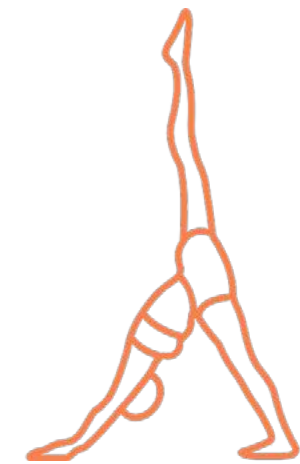
Providers told us that the programme manager needed to exercise a degree of flexibility to effectively manage changes to work plans, as these are often at the mercy of external events or third parties. For example, commissioning processes often change during contract readiness work. Despite this, milestones tied to grant budgets were actually seen as an effective way of:

1) Establishing whether priorities were realistic.
2) Facilitating and understanding internal impacts of provider work.

Indeed, some providers went a step further by suggesting that a longer term programme would be preferable, with options for accessing both feasibility and capacity building grants. This would facilitate multiple, smaller interventions.

The feasibility level of support would enable early stage organisations to understand what their consultancy needs were, and the capacity building grants could allow them to benefit from that support. More flexibility, coupled with different levels within a programme, could allow for the right support to be delivered where early stage organisations need it most.

Finally, broader representation on decision panels, such as from commissioners[26] or social sector organisations, could allow for greater flexibility. For example, they may better understand the need to re-allocate different elements of support between milestones.

It is vital for a programme manager to have the flexibility to allow social sector organisations to re-allocate budgets and respond to changing circumstances.

Providing support that meets a broader range of organisations needs, and having flexibility about how this is delivered, could support earlier stage organisations.

And while milestones remain an effective way of monitoring progress and establishing if proposals are realistic, a common sense approach should be applied when determining how strictly they are adhered to.

3.8 What improvements could be made to the role of the panels?

Across all of the readiness programmes investor panel membership has taken different shapes and forms yet it has consistently involved social and commercial investors.

Panel membership, structure and operations have changed with each programme and varying attitudes are reflected in the research. Indeed, the investor panel within the Big Potential programme has been the most diverse, incorporating other funders and infrastructure bodies as well as social investors.

Some providers suggested that panel feedback had been consistent from one programme to another with sufficient explanations provided for decisions made. However, others suggested the panel was inconsistent in both its feedback and its decision making. Many felt that the investors were looking at a very narrow outcome, investment leverage, and were not able to appreciate the value of the project as a whole.

"If the goal is sustainability and growth of impact then investors are not the right group."

Investor

Investors often stated that they did not find the panel particularly useful, as they were not seeing a flow of investable projects or collaborations between investors. Investors were also asked if they would pay to be on the panel. None said they would be prepared to, suggesting that the access to the pipeline and market information was not sufficiently valuable for them.

There may be several reasons underpinning investor scepticism. For example, changes to the Panel membership and the high volume of projects coming through may reduce the opportunity for strategic discussion on monitoring information and trends. Some investors also mentioned that different investors focus on organisations at different stages of development or that operate in different sectors. As a result, panel membership on future programmes that reflected these specialisms may be more appealing.[27]

All three key groups of stakeholders stated that the panel membership should be strengthened to provide more insight into contract readiness applications. This was also a consistent recommendation in the external evaluations of Big Potential Breakthough and Big Potential Advanced by Dr Richard Hazenberg.

"There should be social sector organisation and commissioner representation on the panel."

Provider

For future programmes, having commissioners on panels would offer important insight into contract readiness applications. Social sector organisation representation would ensure a well-rounded analysis of applications.

Workshop participants identified the need to engage commissioners early in the process. This was seen as crucial, along with making the case for new and innovative models for service delivery. Finding the right commissioners and ensuring they are given an incentive to take part will be an important activity for any future programme.

A couple of organisations reported they had developed a partnership approach with the local authority and health commissioners, and another was pursuing ideas with their sector skills council[28] to develop innovative methods for service delivery. This had a knock-on effect of securing and retaining contracts, while at the same time driving innovation, scale and income. Extending panel membership to commissioners would open

Fig. 16 Average grant amount based on turnover[29]
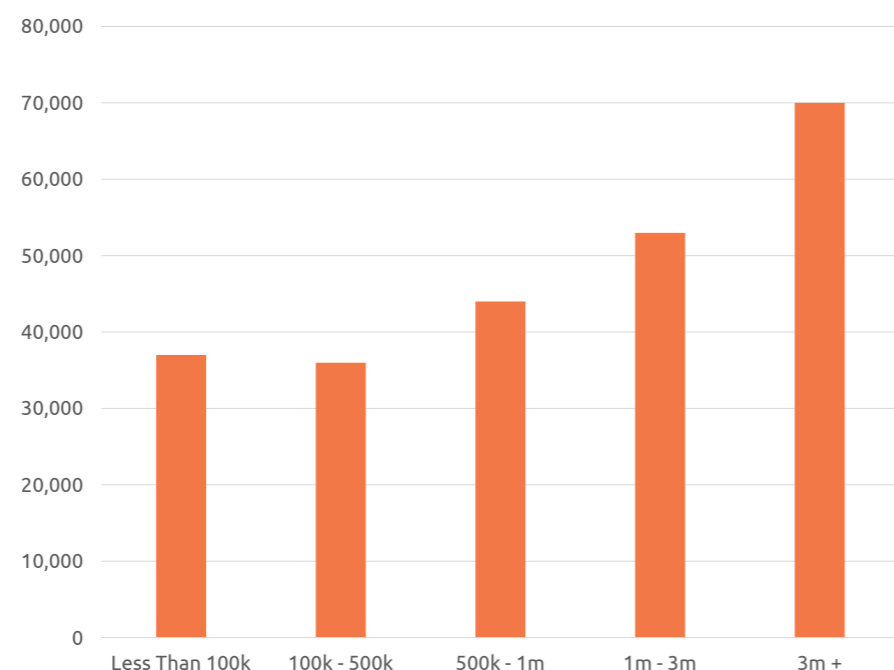
these opportunities to a larger number of organisations.

Some workshop participants suggested that the panel's objectives have remained unclear throughout BPB and BPA and there have been challenges when the panel were perceived as being inconsistent. This view has not come through in the recent external evaluations so far.

"There are different perceptions of the hierarchy of criteria that panel use."

Provider

One participant said that the size of the organisation was sometimes used as a proxy by

Fig. 17 Relative proportion of grant amount to organisation size according to turnover

Small (<£100k turnover)

4:1

Small – Medium (£100-500k turnover)

9:1

Medium – Large (£500k-1m turnover)

16:1

panel members to determine how 'investment ready' an organisation was.

To analyse this we looked at average grant sizes according to turnover. (Fig. 16)

While there is not a great difference between the average grant for small-medium organisations, there is a difference of £40k between small and large organisations. This is significant as it challenges the view that larger organisations need less support.

Furthermore, the support they require is more likely to be advanced capacity building or investment/contract readiness, all of which require more time and are more expensive. According to our interventions data in chapter two.
We also decided look at the ratios to evaluate

the proportion of grant to turnover for small to large organisations across our portfolio.

For very small organisations, the grant proportion is significant in relation to their turnover as the grant amount will have a significant effect on their overall income. It could also have a significant effect on their ability to free up the time of key staff and backfill posts to benefit from provider intervention.

Although, larger organisations generally require a larger grant budget, there is a lesser effect on their turnover as a whole. We could also speculate that, proportionally, this would have a lesser effect on the organisation operationally as they may be less reliant on grant budget for internal staff backfill.

While there is a view that size of the organisation indicated how 'business ready' it is, our data shows that a significant amount of support is still needed regardless of turnover.

However, different types and sizes of organisation require different levels of support and a programme manager should be equipped to effectively determine this. This information is equally essential for Investor Panels when considering grant applications.

The views on the panel were quite different when it came to programmes that looked at feasibility and early stage support. Throughout the BPB programme, for example, applicants were generally positive. One organisation described this as a 'person-centred' approach.[30] Based on these insights, we would argue

programme guidance should be vital to panels to give applicants confidence in the guidance itself and how it informs their applications. Panel decisions that stray from the programme guidance can result in confusion, a lack of coherence and further breakdown in communication with providers.
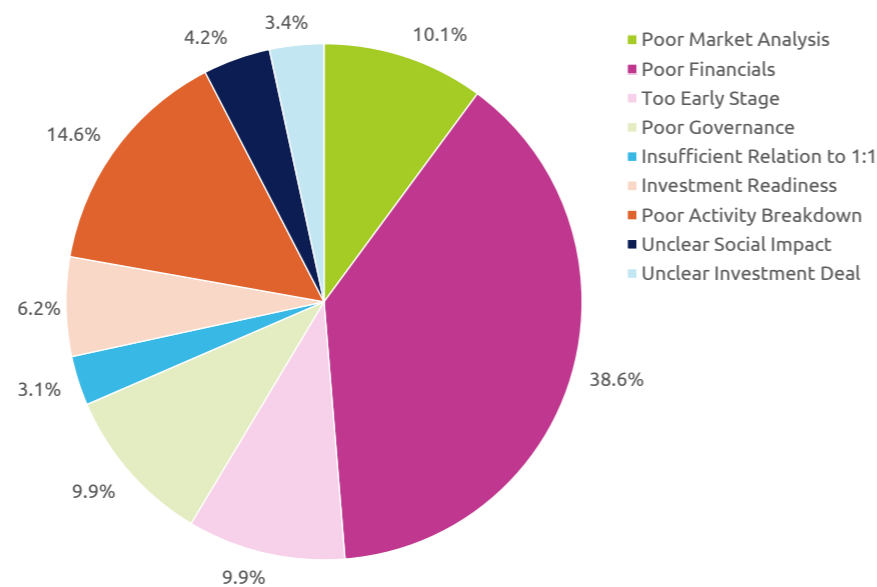
The reasons given for rejecting applications given to BPB applicants are outlined in Fig 18.[31]

Overwhelmingly, the reason given most frequently to applicants was 'Poor Financials': the underlying inadequacies included limited financial history and poor financial controls reflecting the greater proportion of applicants to BPB that are smaller early stage organisations.

However, this could also be related to an overt focus on financials, when the programme guidance explicitly states that BPB is a chance for applicants to work out their suitability and scope for income diversification. Therefore, while financials should be an important consideration they should not dictate the outcome of the grant application.[32]

Overall, the feedback seems to have been positive regarding the BPB panel. The University of Northampton stated in their evaluation report:

Fig. 18 Rejection reasons given for BPB grant applicants

- Poor Market Analysis
- Poor Financials
- Too Early Stage
- Poor Governance
- Insufficient Relation to 1:1
- Investment Readiness
- Poor Activity Breakdown
- Unclear Social Impact
- Unclear Investment Deal

"The ability for each stage of the journey to be formative and to allow for reapplication seems to have been a real strength of BPB and one that should be incorporated into future support programmes".[33]

Consistent feedback and decision making is vital to ensure that all participants understand how the panels will make decisions and have confidence in the process.

Panels should be drawn from a range of specialisms and professions, including commissioners and charities, to ensure that differing viewpoints are heard. We also believe that we, and other funders, should

find better ways of bringing more people with lived experience of the social issues we are trying to tackle into the decision making process.

Panel decisions which stray from the programme guidance can result in confusion, a lack of coherence and further breakdown in communication with providers.

Applicants welcomed the opportunity to re-submit applications as this 'person-centred' approach allowed them to further develop and improve their work.

3.9 How can monitoring be improved to learn more about programme success?

We asked each group of stakeholders what they thought was good about the monitoring on the programmes they participated in, as well as what could have been improved.

There was consensus among the providers that the programme manager should consider recommending different forms of monitoring. The rationale for this was that the current format does not allow for honest feedback.

"Broader monitoring with less focus on the original milestones would allow for better information gathering and sharing."

Provider

There were various opinions on what 'good' monitoring should look like. Some interviewees suggested that the monitoring throughout the Big Potential programme had been too light touch, while others suggested that broader monitoring is necessary to gather information on impact.

For active learning to be picked up during interventions, monitoring needs to be an accurate reflection of how the grant budget has been spent and the progress that has been made. This requires collaboration between social sector organisations and providers.

It would also be incredibly beneficial if data on intervention levels was divided into sector categories. This would enable the programme manager to produce information on intervention trends that could be used to

increase knowledge sharing with key partners on programmes. The intention for Big Potential data to be published at the end of the programme would support this. If other programmes followed suit, we could begin to provide datasets that all stakeholders could use to support future applications to similar programmes.

A more longitudinal approach to monitoring would allow the programme manager, or an independent evaluator, to perform ongoing evaluations. This has been the case with Big Potential which has received annual independent evaluations. In turn, this would facilitate valuable insights on the direct impacts of the programmes themselves.

Currently, the most recent programmes with significant monitoring, Big Potential Breakthrough and Advanced, track the impact for up to 12 months' post grant. However, the independent evaluation of these programmes

suggests that this is too short, and future programmes should consider monitoring for at least two years after the grant process has finished. Ultimately, the length of time that it takes to improve sustainability and 'readiness' is much longer than 12 months.[34]

Throughout our fieldwork, organisations stated two other term impacts of the support received:

- A significant increase in **geographical reach**

- Better engagement of **beneficiaries**

To capture this effectively, a programme manager should use ongoing monitoring for up to three years after the end of the grant. We would recommend this for all future programmes. As each programme has a different objective, longitudinal monitoring would allow for an overall analysis of impacts and whether objectives have been met over time.

Learning after the grant process has finished was seen by many as providing invaluable data to help inform future programmes. This would help a programme manager fully understand what the grant has achieved and on a deeper level, evaluate the benefits of specific interventions.

Providers agreed that the programme manager should consider different forms of monitoring that would allow for more honest feedback.

It would be beneficial if monitoring data could categorise levels of intervention according to sectors. This would enable programme managers to produce information on intervention trends that could be used to increase knowledge sharing.

Improving quality

Summary

Future programme managers need to find ways to give applicants the information they need so that they can better understand what makes a good provider and what makes for a successful intervention.

The overriding objective of these programmes should be to empower applicants in an area which is deemed by many as 'foggy.' As one charity CEO told us *"social investment is the world turned upside down."*

Although there have been recent improvements such as Good Finance, an easy to understand website about social investment, **information can still be difficult to digest**, particularly if you are a 'first-time buyer.' For an organisation considering how they diversify their income, social investment can be daunting.

Better signposting requires input and collaboration from all stakeholders. Any platform created to improve **quality assurance should be driven by feedback from grant recipients**. In addition, **longer term monitoring of outcomes** will help us better understand the real impact that any support has delivered.

Conclusion

Our primary conclusion is that future programmes should not focus so narrowly on growth, investment or contract 'readiness'. Instead, there should be a clearer emphasis on supporting organisations to develop and diversify their income. Our research points to a growing need for increased resilience and sustainability in the current climate of devolution and diminishing grant funding.

Providing a full package of support which involves a combination of interventions, can deliver key benefits. Our research suggests that to make this more effective, and ensure knowledge transfer, organisations must be given space to 'breathe'. Ideally this will be done by funding staff backfill costs.

In previous programmes, project management costs have been allocated to providers. In future programmes, we believe they should be allocated to the organisations themselves. This would help organisations recruit project managers or allow existing staff members to manage the programme of work themselves.

We also found that the potential impacts are greater if the package of support is assessed holistically, rather than focusing on specific aspects of the grant budget.

Different stakeholders viewed different interventions differently. For example, the organisations applying for grants valued marketing support more than the investors on the panels. However, all interventions should be looked at on a case-by-case basis and respond to the needs of the organisation applying for support.

We saw throughout the research that participating in multiple programmes had a positive impact on the organisations involved, as did previous access to blended finance. These factors were incredibly useful in helping to gain the buy-in of trustees and getting organisations to accept changes to strategy or direction.

If we want to understand the full impact of these programmes, more longitudinal monitoring would help to better understand the benefits of specific interventions and what they can help achieve. However, this must be balanced with the programme's overriding objective to support social sector organisations.

Efforts are being made across the sector to ensure resources about social investment are more accessible, for example, the Good Finance website[35], but information about the different types of support available remain difficult to digest, particularly if you are a 'first-time buyer'.

Improving data collection and sharing, for example in terms of geographical and sector trends, would help organisations understand the type of support they can access and what might work for them. It would also help all stakeholders involved in future programmes understand what good looks like. The creation of a platform that contains all of this data could be particularly helpful.

Recommendations

Resilience is key

1)   Grants should fund a broader range of support, not just focus on investment or contract readiness. They should be flexible, responsive, and initiate culture change within organisations.

2)   Social sector organisations should be allocated funds for project management. Part of the grant budget should be allocated to the applicant to allow for improving oversight and knowledge transfer and better embed change within the organisation.

3)   Providers should share more information about what works. Knowledge sharing is crucial to better understand which interventions are most effective in different contexts. Providers are best placed to facilitate this.

4)   Providers should be encouraged to develop and promote their specialisms. This would make it easier for organisations to find the right provider for them and increase the opportunities for sector level learning. A wider regional spread would also allow for a more diverse provider market.

Valuing support

5)   Data and transparency should be used to improve provider performance. An online platform could help social sector organisations understand how different types of work have been effective and allow them to share their feedback with peers.

6)   Programmes should make developing peer-to-peer support a priority. To build resilience and reduce dependency on specialists and third parties, all funders and programme managers should prioritise peer-to-peer support as a key delivery mechanism.

7)   Programme management that builds relationships should be the benchmark. This will allow for effective matching with providers, advice on who to work with and which areas to focus on. An approach based on just facilitating transactions cannot deliver these outcomes.

Improving quality

8)   Decision panels must contain a broad range of stakeholders for rounded insights. Panels should include commissioners, purchasers, social sector organisations and other key stakeholders to give a wide range of views and a broad understanding of the current barriers for applicants.

9)   Programmes should support longer term monitoring. The results of support often come after programme evaluations are completed so longer term monitoring would ensure that longitudinal learning is captured and can be acted on.

References

1.   Gregory.D, Hill. K, Joy.I, Keen.S, 'Investment Readiness in the UK', (2012), p. 4

2.   Data taken from UK Civil Society Almanac 2017, Income from Government

3.   Data taken from UK Civil Society Almanac 2017, Income from Government

4.   These figures solely refer to medium-large social sector organisations that submitted a full set of accounts information to Companies House and do not take inflation into account.

5.   NCVO What is the impact of inflation on the voluntary sector? (2013)

6.   NCVO Fast Facts (2017)

7.   The sectors used here are an amalgamation of the sectors as defined by the different funds managed by Social Investment Business. For consistency we have used these throughout, however we understand that they differ from the outcome areas as defined by Big Society Capital.

8.   A helpful definition of a spin-out is an'…organisation which has left the public sector i.e. spun out, but continues to deliver public services and in which employee control plays a significant role in their operation' LeGrand and Mutuals Taskforce, (2012) p. 9

9.   Millar. R, Hall. K and Miller. R (2012) A Story of Strategic Change: Becoming a Social Enterprise in English Health and Social Care, Journal of Social Entrepreneurship, 4(1), p. 4-22
     Right to Request Social Enterprises: A Welcome Addition to Third Sector Delivery of English Healthcare? Voluntary Sector Review, 3(2), pp. 275-285.
     Spin-Outs and Social Enterprise: The 'Right to Request' Programme for Health and Social Care Services, Public Money & Management, 32(3), pp. 233-236

10. Please see Appendix 4 for a full list of roundtable participants

11.   NCVO UK Civil Society Almanac 2017 Assets and reserves (2017)

12. ClearlySo, NPC, Big Lottery Fund Investment Readiness in the UK (2012)

13.   For example, DFID defines capacity building as the ability of people, institutions and societies to perform functions, solve problems and set and achieve objectives. Capacity development is the process whereby individuals, groups and organisations enhance their abilities to mobilize and use resources in order to achieve their objectives on a sustainable basis. This can comprise a combination of skills development, changes in strategy and operations and changes to governance. DFID, Working Paper Series: Capacity Building, p. 2 (2008)

14.   A helpful definition of a spin-out is '…organisations which have left the public sector i.e. spun out, but continue to deliver public services and in which employee control plays a significant role in their operation' LeGrand and Mutuals Taskforce, (2012) p. 9

15. See Appendix 1 for a breakdown of organisations by turnover size

16. Social enterprises surveyed by Social Enterprise UK listed 'lack of marketing skills' as one of their main barriers. They consider themselves less strong in marketing and branding. SEUK. Temple. N, 'The Future of Business: State of Social Enterprise Survey 2017' (London: 2017), p. 39-40.

17. ECORYS, Ronicle. J, Fox. T, 'In pursuit of Readiness: Evaluation of the Investment and Contract Readiness Fund' (2015), p. 4.

18. Ibid, p. 4.

19. Although, across the programmes involving more advanced readiness support, such as BPA and ICRF, there is evidence that most of the deals are to support contract readiness, and there are a higher number of contracts won compared to investment deals secured.

20. Data taken from ECORYS data pack attached to 'In Pursuit of Readiness' (2015) by Ronicle. J, Fox. T

21. Please note that the chart does not take into account inflation.

22. We had to use this data because smaller organisations that accessed a smaller amount of grant were not obliged to submit accounts information to Companies House.

23. These figures solely refer to medium-large social sector organisations that submitted a full set of accounts information to Companies House, and do not take into account inflation.

24. Figures are taken from Ecorys 'In Pursuit of Readiness' (2015) by Ronicle. J, Fox. T.

25. See Chapter 2: The value of support, 2.7 How willing are applicants to contribute to project costs?, p. 53.

26. This was tried on Big Potential Breakthrough and Big Potential Advanced where social sector representation was significantly higher, and commissioners were added to BPA. Commissioner representation on the BPA panel was sought for from the beginning of the fund and was implemented in 2016.

27. This information was gained through investor interviews and the investor workshop held at SIB on 24/05/2017.

28. Skills for Care

29. These turnover averages do not take into account inflation.

30. Hazenberg. R, Institute for Social Innovation & Impact University of Northampton, Big Potential Breakthrough Evaluation Report: Year 3, September 2017 p. 47

31. This data is taken from the University of Northampton's Big Potential Breakthrough Evaluation report Year 3. Hazenberg. R, 2017, p. 46

32. It is interesting to note that even on Big Potential Breakthrough, a programme aimed at earlier stage organisations featuring a panel with the most social sector representation poor financials still accounted for over a third of rejections.

33. Hazenberg. R, Institute for Social Innovation & Impact University of Northampton, Big Potential Breakthrough Evaluation Report: Year 3, September 2017 p. 48

34. Op cit, Hazenberg. R, 2017, p. 15 & 53

35. Big Society Capital's Good Finance website

Bibliography

BCG. Brown. A, Behrens. L, Schuster. A (2015) 'A Tale of Two Funds: The management and performance of Futurebuilders England.'

BCG. Brown. A, McAllister. K (2015) 'Ready, Willing and Able: An interim review of the Investment and Contract Readiness Fund.'

Brown. A, Behrens. L, Schuster. A (2015) 'A Tale of Two Funds: The management and performance of Futurebuilders England.'

Big Lottery Fund Investment Readiness in the UK

Big Society Capital's Good Finance website

Centre for Regional Economic and Social Research, Sheffield Hallam University (2011) 'Social investment and its impact: The evaluation of charity bank in the north.'

DFID (2008) 'Working Paper Series: Capacity Building.'

ECORYS, Ronicle. J, Fox. T (2015) 'In pursuit of Readiness: Evaluation of the Investment and Contract Readiness Fund.'

Gregory. D, Hill. K, Joy. I, Keen. S, (2012) 'Investment Readiness in the UK. '

Hazenberg. R, Institute for Social Innovation & Impact University of Northampton (2017) 'Big Potential Breakthrough Evaluation Report: Year 3.'

Hornsby. A (2017) '"That's my hat!" A review of the Impact Readiness Fund.'

Le Grand, Julian, 'Mutuals Taskforce (2012) Public service mutuals: the next steps.'

Millar, R., Hall, K. and Miller, R (2012) 'A story of strategic Change: becoming a social enterprise in English health and social care' Journal of Social Entrepreneurship.

Miller, R., Hall, K. and Millar, R (2012) 'Right to Request Social Enterprises: A Welcome Addition to Third Sector Delivery of English Healthcare?' Voluntary Sector Review.

Miller, R., Millar, R. and Hall, K. (2012) 'Spin-Outs and Social Enterprise: The 'Right to Request' Programme for Health and Social Care Services, Public Money & Management.'

NCVO (2013) What is the impact of inflation on the voluntary sector?

NCVO (2017) Assets and reserves

NCVO (2017) Fast facts

NCVO (2017) finance overview

NEF (2004) Sustainable futures: investing in community-based organisations

Network for Europe Independent evaluation prompts major rethink how to best support third sector organisations

Ockenden. N, Evison. I (2018) 'The evaluation of the Local Sustainability Fund: final report.'

Rocket Science. Masundire. C (2014) 'Final evaluation of the Supporting Change and Impact Fund.'

Sandhu. B (2017) 'The value of lived experience in social change:
The need for leadership and organisational development in the social sector.'

Appendices

An appendices document which contains additional data related to this report can be downloaded from the Social Investment Business website in pdf format.

www.sibgroup.org.uk/resources/strength-in-numbers

Social
Investment
Business