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Big Potential Breakthrough
Evaluation Report:
Year 2 | January 2017



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1. Foreword

We are now over two years into the life of Big Potential Breakthrough and over the past year we have learnt more about how the programme can help Voluntary, Community and Social Enterprise (VCSE) organisations.

When we launched Big Potential together we were clear that Big Potential Breakthrough was here to fill a gap. It was designed to help organisations work out whether social investment was right for them. If it was, we could help them on the next step of the journey. If it wasn't, then finding that out was a good outcome.

The website was designed to attract users not just applying for funding. We hoped that many would use it, and the diagnostic tool, as a resource to help understand their own organisation better and prepare themselves for the future.

We have aimed to improve the application process to ensure that it is more than just a tick box exercise and to make sure that we only ask for the information the panel need to determine whether or not a grant should be awarded. We hope we have done this and will continue to improve the process, and the feedback we give, to make sure that regardless of whether or not an application is successful the process remains beneficial.

Big Potential remains the most significant investment readiness fund in the country. Both Big Lottery Fund and Social Investment Business are committed to learning the lessons of this evaluation and sharing them with the wider sector to help shape this programme and others in the future. Social Investment Business has published their response to the recommendations and agreed an action plan with the Fund to implement them.

After two years of Big Potential Breakthrough we are starting to understand the impact it is having on the investment readiness and sustainability of the VCSEs it seeks to support. This knowledge will only grow as more of the work that the fund enables is completed and comes to fruition.

We hope future evaluations will help us learn more about the best ways to support VCSE organisations become more sustainable and increase their social impact.

Matthew Roche
Head of Funding
The Big Lottery Fund

Jonathan Jenkins
Chief Executive
Social Investment Business

2. Overview

Big Potential Breakthrough (BPB), was launched in February 2014 with an aim to improve the sustainability, capacity and scale of 'Voluntary, Community and Social enterprise' (VCSE) organisations in order to enable them to deliver greater social impact in their communities and beyond. The programme supports VCSEs looking to grow through securing repayable investment, by awarding grants to enable VCSEs to buy in specialist support from a range of approved, expert 'providers' to improve their investment readiness.

The £10 million fund offers VCSEs the opportunity to access grant funding of between £20,000 and £75,000. This is in order to undertake more in-depth investment readiness work with approved providers to help them develop their investment readiness and maybe go on to seek social investment in the future. BPB sits alongside Big Potential Advanced (BPA) which seeks to support social ventures aiming to raise at least £500,000 investment, or who want to bid for contracts over £1 million. The intended outcomes from the programme are:

- Supporting VCSE organisations to develop their capabilities to deliver social and charitable impact at greater scale for communities across England.
- Improving learning and awareness of investment readiness approaches for VCSE organisations.

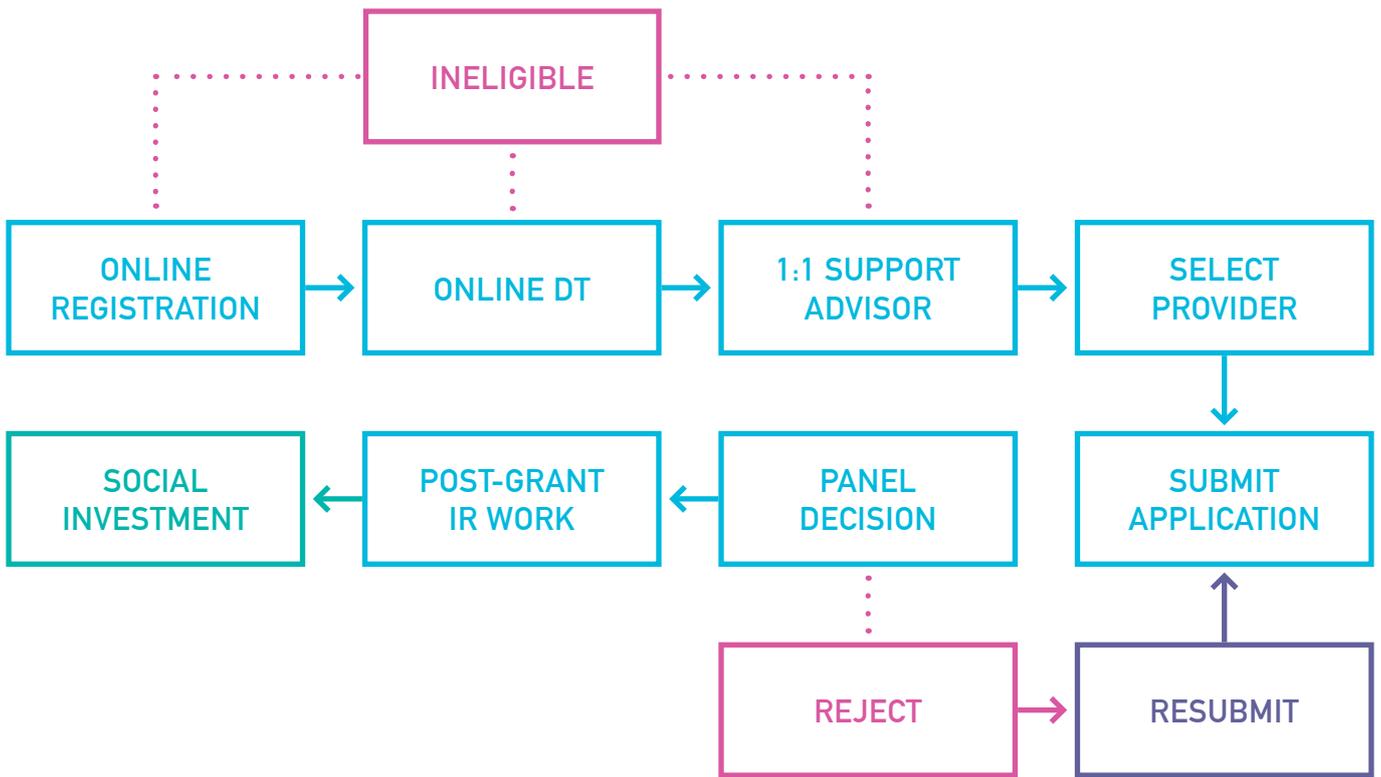
The BPB programme was launched by the Big Lottery Fund and is delivered by Social Investment Business (SIB), in partnership with Charity Bank, Locality and Social Enterprise UK (SEUK). The University of Northampton is the evaluation partner for the fund's research needs. BPB has seven distinct phases:

- online registration;

- online diagnostic tool;
- 1:1 support advisor sessions;
- selecting a support provider;
- submitting the grant application;
- BPB panel assesses the application;
- VCSEs's post-grant work with the support provider (if successful).

In the online registration phase the VCSE registers for the programme. The VCSE then moves on to complete the online diagnostic tool (DT) in which it provides detailed information about their business model (i.e. sector of operation, organisational reach, legal structure, financial data, income streams, governance models, staffing levels, skillsets, product details, accounting practices, and investment needs). The 1:1 support advisor session involves the VCSE speaking face-to-face (usually through a video call) with an expert advisor to re-engage with the diagnostic tool and discuss their business model. The VCSE follows this by selecting a provider from an approved list who works with them in partnership to develop their grant application. The grant application is submitted following a period of work with the provider and the BPB panel consider the application and make recommendations as to whether applications are successful or not. If unsuccessful the VCSE may be invited to reapply to BPB. If successful the VCSE is awarded the grant funding and uses this to begin to work with their support provider to develop their investment readiness and to possibly go on to secure social investment. It is important to note that this process is considered to be developmental for the VCSEs and (aside from eligibility checks) the process is not selective until the panel considers the grant applications. These seven phases are outlined below in Figure 2.1.

Figure 2.1 – Seven Phases of the BPB:



BPB is also supported by 17 events/workshops in the English regions to be delivered during 2014-2017 with the objective of raising awareness of social investment and investment readiness and to promote how BPB will be able to support VCSEs on their journey towards investment readiness. In addition to the main regional event programme, SIB and partners deliver bespoke events to organisations requesting such support wherever these can be accommodated within existing resources.

This paper represents the second annual evaluation report for the BPB programme covering the first 24 months of operation (until February 23rd 2016). It provides indications as to the efficacy of BPB, the types of VCSEs that are applying and the impact that it is having on the investment readiness (and knowledge of investment) of these VCSEs. In providing this overview the report draws upon data gathered

from within the programme including: website, application and diagnostic tool data; event/workshop evaluation data; and the investment readiness knowledge questionnaire. In addition, interviews were also held with VCSE applicants.

This evaluation can be considered as a mid-term evaluation report as the fund still has up to 12 months left to run (in terms of making grant awards) and the research will be continuing into the BPB programme for a further two years. As this dataset will expand the long-term impact of the BPB programme (i.e. how many VCSEs have gone on to secure social investment) will become more apparent. However, due to the still relatively early-stage of the BPB programme to date (only 30 VCSEs are more than 12 months post-grant award) the data relating to the long-term impact is still in its infancy.

3. Executive Summary

All the data contained in this research reflects the performance of the BPB programme up to February 23rd 2016. A mixed-methods approach to data collection was adopted that involved the collection of quantitative and qualitative data. The quantitative data (collected from 527 VCSEs) was collected through the online application process and the diagnostic tool (both online and one-to-one). These tools captured organisational data (i.e. sector of operation, organisational reach, legal structure, financial data, income streams, governance models, staffing levels, skillsets, product details, accounting practices, and investment needs). The qualitative data was collected from 13 VCSEs, four provider organisations, three panel members and two investors in the form of semi-structured interviews. For the VCSE participants, four had just completed their grant applications, four had been unsuccessful, two had been rejected but successfully reapplied to the programme and three were twelve months post-grant. Whilst in year two no VCSEs had entered into a formal dispute, one had registered their dissatisfaction with the service provided. However, as in year one when this VCSE was approached to participate they declined¹. Therefore, a total of 22 interviews have been held with stakeholders by the end of year two of the BPB programme.

3.1 Research Findings

The research results gathered from the first two years of operation of BPB provide an interesting overview of both the performance of BPB and the wider VCSE sector. Specifically, to date:

- BPB has been largely successful in its engagement with the VCSE sector. Specifically:

- 49,983 sessions have been held on the BPB website.
- 741 VCSEs have been directly engaged through the regional events. These regional events (one-day workshops) have had a significant impact on VCSE knowledge of social investment, with participants scoring +9.5% on a social investment knowledge test that was administered at the beginning and end of the workshops.
- 527 VCSEs have completed the online diagnostic tool.
- 418 VCSEs have completed the '1:1 Support Advisor Session'.
- 255 VCSEs have submitted grant applications, of which:
 - 124 have been successful.
 - 131 have been rejected or are pending.
 - Average grant value is £30,333 per organisation.
 - Nearly £4 million of grant awards have been made.

- However, as in year one there remain some engagement issues most notably:
 - VCSEs in the South East and East of England regions are under-represented².
 - The engagement of women-led VCSEs is slightly below the national average and in fact decreased in year two to just over 30% of VCSE applicants (-3%).
- The VCSEs that are engaging with BPB are:
 - Small in scale (average turnover of £277,500).

¹ See Appendix A for a full methodological overview.

² This data is based upon comparisons with data on the national proportions of VCSEs regionally contained in the NCVO Almanac.

- Local organisations (over 70% operate at community, local and regional levels).
- Limited in profitability (average £3,000), but with good asset bases (£109,079) and debt levels (£17,025) (relative to turnover).
- The online diagnostic tool and 1:1 support advisor sessions are operating well with VCSEs and following the work completed by SIB in year two, there appears to be greater understanding that these are developmental assessment processes. VCSE applicants are no longer seeing the DT and 1:1 support advisor sessions as hurdles to be cleared, but key learning steps on their investment readiness journey.
- Provider selection for VCSEs remains critical to the success of BPB in developing investment readiness and the submission of successful grant applications. This is particularly true in relation to organisational values and mission, as well as the personalities of the VCSEs staff and consultants.
- The panel and grant decision-making phase is working well, although:
 - There have been some changes in the rejection reasons given on applications (see pages 24-25), with the panel rejecting more applications due to poor social impact in year two.
 - There seems to be tension between how much of the grant funding goes to VCSEs and how much goes to Providers. Providers in particular feel squeezed by recommendations from SIB and/or Panel regarding their costing's and VCSEs are often unaware of how much of the grant can be allocated to them³.
- The post-grant phase continues to be very beneficial to VCSEs in relation to them creating more robust business and financial plans, developing a roadmap for their future strategic direction and understanding whether social investment is right for them as an organisation and the correct tool through which to achieve sustainability and/or scale. This issue of sustainability as the de facto focus of BPB was a significant theme to emerge from the data.
- To date, five VCSEs have gone on to secure social investment totalling £735,735, out of a current grant awardee pool of 124 VCSEs and total grant funding of £3.78 million. These finance deals were either community share investment or debt finance (loan) deals.

The impact of BPB will become more apparent as the programme develops, but the dataset is now developed enough for the research to be able to begin⁴ to make robust conclusions about the performance of BPB, its strategic focus and its impact on the sector to date.

3.2 Recommendations & Learning

Based upon the conclusions outlined above, the following four key recommendations are made for the improvement and development of BPB moving forwards. It must be noted that these are relatively minor points compared to some of the recommendations provided in year one, and this is to be expected as BPB and its operation has become more honed. However, recommendation three perhaps represents a longer-term and more strategic finding from the research data:

⁴ It should be noted that with only 25% of grant awardees currently more than 12 months post-grant, it is still early days to draw firm conclusions relating to the performance of the BPB. However, the dataset is now sufficiently developed to be able to begin to draw initial conclusions and identify indicative trends.

³ This is despite the fact that the website and the application guidance clearly stating the proportion of the grant that can go to the VCSE.

1. **VCSE Engagement:** As per the year one recommendations, more work needs to be completed by the partner organisations in order to engage VCSEs both regionally and sectorally, most notably in relation to VCSEs that are:

- a. From the South East and East of England regions⁵. It should also be noted here that this is based upon online DT completions (as opposed to the registered users metric utilised in Year 1) and is done in comparison to NCVO almanac data on national proportions of VCSE organisations regionally. It does not take into account areas of multiple deprivations nationally or within specific regions and so Big Lottery Fund may wish to tailor their response to this finding in relation to this. Nevertheless, this is the second year that these two regions have appeared as under-represented, despite extensive focus from the BPB Partners on the East of England (see pages 16-17 for more information on this finding).
- b. Women-led (see page 17 for further discussion of this finding);
- c. Disability-led⁶ (see page 17 for further discussion of this finding).

2. **Provider Values:** This was also a finding in the year one report, and highlights that the process of selecting a Provider remains crucial. BPB already provides a

5 It should be noted that whilst the BPB programme carries out equal marketing of the programme across most regions in England, where a lack of demand exists the programme does target these under-represented regions with additional workshops. In Year 2 this was the case for the East of England, but not for the South East. It is therefore difficult to ascertain whether the lack of uptake by the VCSE sector in these two regions is related to the management of the BPB, or the characteristics of the VCSE sectors in these regions.

6 It should be noted that there are caveats to be applied here, as it is unclear what proportion of VCSEs in England are disabled-led. Nevertheless, having only 3 VCSEs out of the 536 applicants to date identify as disabled-led still appears low.

scoring facility for VCSEs that they can use to compare and narrow their choice of potential Providers. However, in the interviews the VCSEs continued to state that value alignment remains critical to VCSEs in selecting their Provider. Whilst ultimately the best way to ascertain this is through personal contact and face-to-face meetings, alternative methods could also be put in place to assist VCSEs in making this selection. For example:

- a. Value-led mission statements for each Provider available online;
- b. Examples of previous projects that are focused on the values approach that they took;
- c. A need for Providers to be aware along with VCSEs that personality clashes should be dealt with in the very early stages, and alternative consultants provided where applicable. It should be made clear to both VCSEs and Providers that this will in no way damage their application/reputation to/on the BPB.

3. **Sustainability Focus:** An over-arching theme to emerge from the qualitative data (and to a degree from the number of investment deals that have so far taken place) is that sustainability is (or should be) the key focus of BPB, rather than raising social investment. Indeed, increasing sustainability is essentially making an organisation more investment ready. Ultimately measuring the success of BPB in terms of investment deal flow may be a mistake and the timescales required to take a small VCSE to being sustainable/investment ready may be longer than previously considered. Learning and development of the sector in relation to investment readiness could also therefore be a measure of the success of BPB. In the longer-term a more sustainable third sector will ultimately increase deal-flow in the social

investment market anyway. Recognition in the BPB literature, marketing materials and BPB KPIs/targets that social investment is not the only end-point of sustainability and investment readiness focus would be beneficial, and could help inform the design and delivery of future programmes beyond the lifespan of BPB. It may also lead to wider VCSE engagement.

4. Panel Rejection Reasons:

- a. Whilst the overall data relating to Panel rejection reasons across the first two years remains broadly the same, the trends when years one and two are examined independently suggest a shift in why applications are being unsuccessful. As is noted in the main results section, this does not necessarily mean that the Panel's focus has changed; it could merely be a reflection of the applications that were received in Year two. Nevertheless, the data outlining these shifts should be made available as early as possible to VCSE applicants and Providers, in order to help inform their work on grant applications (see data contained in Figure 4.12 and Table 4.4 on page 26).
- b. There appears to exist a tension between the allocation of costings for VCSEs and Providers on grant applications. Providers feel that they are being penalised unfairly for what they argue are sensible costings in the applications, whilst VCSE organisations are not always aware that they can apply for elements of the grant to cover their own costs. This tension is exacerbated by the fact that it is the responsibility of the Providers (and not SIB) to inform VCSEs of the costs that they are eligible for. In addition, feedback in relation to

this finding from SIB argues that it isn't Provider cost levels that are the problem, but the often lack of clear justification for why these costings are necessary.

- c. In relation to this last point there is also the potential that Providers are completing too much of the grant application work on behalf of the VCSEs and then trying to claim this back through the application. This could suggest the need for Providers to place more of the emphasis on VCSEs in completing applications and also engage with them earlier.

Despite these recommendations BPB is operating strongly and these suggested programme enhancements are minor. To date the BPB programme has engaged a wide variety of VCSEs from across England and has already provided £3.76 million in grant funding (£2.92 million in preliminary grants; £884,000 in investment plan grants). The majority (58.1% overall; 53.8% of preliminary grants; 80% of investment plan grants) of this grant funding has been used to fund organisational restructures and/or governance improvements; the introduction or improvement of social impact measurement frameworks; and increasing trading income/diversifying income streams. Its wider impact on the sustainability of the VCSE sector and the size of the social investment market will only become apparent in the coming years as BPB progresses and becomes more advanced.

4. Results

The data gathered to date in the form of website statistics, diagnostic tool completions, workshop knowledge outcomes and the participant interview data are presented in this section. The results are presented in relation to each stage of the programme, with the statistical data used to demonstrate emerging trends from BPB, whilst the interview data is used to explore participant perceptions of BPB to date, as well as providing context and explanation (where applicable) to the quantitative data. All the quantitative data presented in this section relates to BPB performance up until February 23rd 2016, whilst the qualitative data relates to VCSEs that either had their grant application decisions made by the panel or were already 12 months post-grant award before this date.

4.1 Marketing, Online Registration and Events

The website demand statistics provide interesting reading. The website captures a number of key indicators including website usage (per visitor page view); email statistics; and geographic reach. In addition, this section also reports the statistics for the BPB events held and all of these individual elements will be presented and discussed in turn. Table 4.1 below represents the website usage data for the period February 24th 2015 and February 23rd 2016.

Webpage	Page views	Total Sessions
Big Potential	34,135	48,983
Sub-page	Page Views	
Learn	7,394	
Prepare	4,819	
Apply	5,742	
Directory	5,479	
Guide	4,481	

In total there were 48,983 user sessions on the BPB website with the majority of visitors seeking to learn more about the programme. In addition, the Big Potential newsletter that is sent out on a quarterly basis by SIB was sent to 2,259 VCSEs with 808 being opened (an open rate of 35.8%). This compares with an average email open rate of 23% in the charity sector and 19% in the financial services sector (Moth, 2014) and also represents a near doubling of the open rate compared to year one (19.5%), suggesting that the more targeted newsletter campaign developed by SIB is having good results. In addition, whilst in year one some interview participants discussed minor problems with the website in relation to the clarity of the guidance notes, this was not a factor in year two. Indeed, none of the 13 year two VCSE interviewees or the four Provider interviewees had anything negative to say about the BPB website.

Table 4.2 below provides information on both the regional programme events provided around the country and the bespoke events at which a Big Potential presence was also involved. This details that to date 741 VCSEs have been engaged through the events, during which they learnt about social investment, the Big Potential programme, as well as hearing from real social entrepreneurs who have successfully secured funding from both the Big Potential and/or other social investors. This represents over double the number of VCSEs engaged compared to year one (322 VCSEs). In addition, the data also highlights the specific efforts that were made following the results of the year one evaluation to target VCSEs in the East of England, East Midlands and North East (programme events were held in Cambridge, Ipswich, Gateshead and Darlington; a bespoke event was held in Northampton). The impact of this on VCSE applications by region will be discussed later in this section (see Figure 4.2).

Table 4.2 –Events

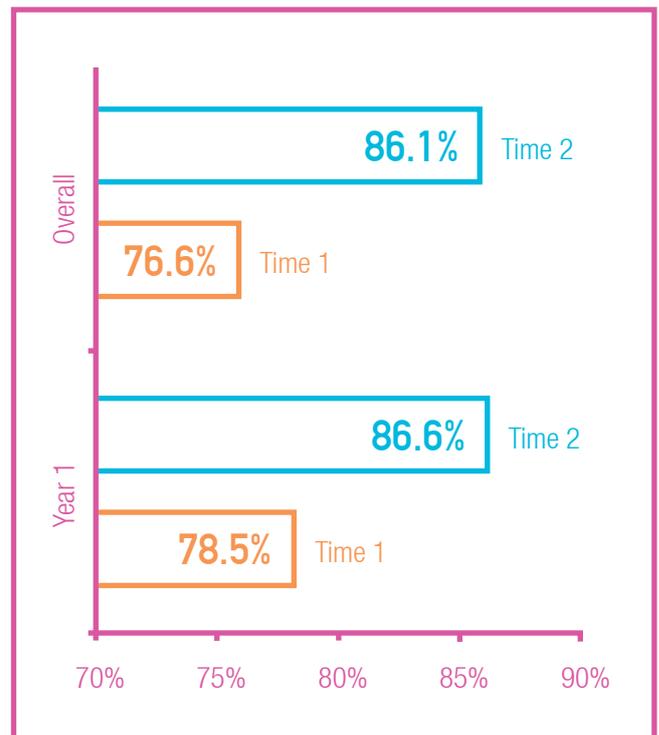
Regional Programme Events			
Location	Year	Bookings	Attendees
Walsall	1	115	85
Plymouth	1	70	50
London	1	96	60
Leeds	1	95	89
Cambridge	2	65	38
Ipswich	2	65	42
Salford	2	60	51
Gateshead	2	61	24
Swindon	2	41	21
Darlington	2	75	43
Lincoln	2	26	12
Chelmsford	2	60	45
Bespoke Events			
Nuneaton (Homeless Link Annual Conference)	1	15	15
Derby (YMCA Network)	1	30	23
Northampton	2	100	40
Good Deals	2	N/A	18
Hastings	2	N/A	85
Total	974	741	391

Nb. Re the bespoke events, SIB had responded to requests from networks of organisations who wanted to know more about social investment and hence delivered events/workshops for these organisations.

Workshop attendees were also asked to complete a social investment knowledge questionnaire at both the beginning (Time 1) and end (Time 2) of the day, so that an understanding could be gleaned as to the impact that the workshop had upon their knowledge of social investment. This data is presented below in

Figure 4.1 and identifies that the workshops had a positive impact upon attendee’s knowledge of social investment. In fact, the overall impact (+9.5% in years one and two combined) was an improvement compared to the year one data (+8%). In addition, when asked to rate the workshop’s impact themselves the attendees scored the workshops effectiveness at 89% in improving their knowledge (Nb. 50% would have signalled no impact⁷), which again was a slight improvement over the year one rating of 88%. This demonstrates that into year two the BPB workshops continue to deliver strong impact on participant investment readiness knowledge and achieve good approval ratings from attendees.

Figure 4.1 – Workshop Social Investment Knowledge Test:



Nb. See Appendix B for the full data breakdown.

In the year one report geographical engagement was measured through the data gathered at the online registration stage. However, this did

7 The participants rated the impact of workshop on a 5-point Likert scale where the median value (3) represented no impact. Therefore, a score below 50% (3) would represent negative impact and a score above this would represent positive impact.

not assess those organisations that actually commenced the application process. After discussions between the research team, SIB and the Big Lottery Fund it was decided that regional engagement should instead be assessed using the data gathered in the Online Diagnostic Tool. Figure 4.2 below outlines the breakdown of BPB applicants by region.

Figure 4.2 – BPB DT Applicants by Region:

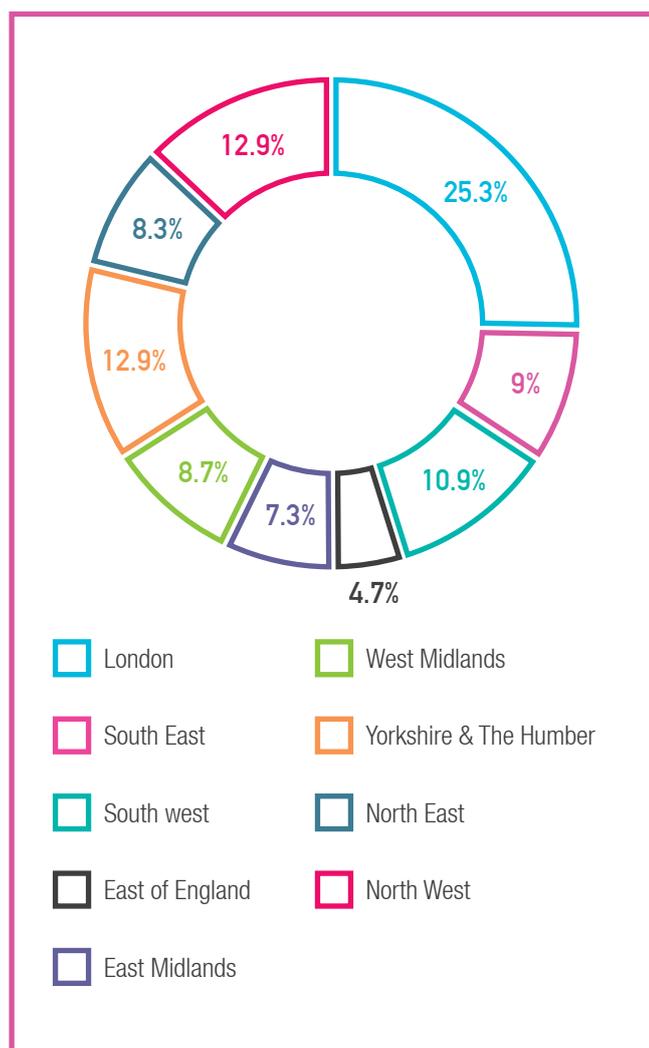


Figure 4.2 above demonstrates that just over one-quarter of the 527 BPB online DT applicants are based in London (25.3%). The other main geographic regions engaging with BPB are Yorkshire and Humber (13%), the North West (13%) and the South West (10.9%). In comparison with the average regional percentage of voluntary sector organisations as

a proportion of the national total (see the 2014 NCVO data below in Table 4.3), these figures were relatively equal. In London, the number of registered users was higher (25.3%) than the average of 17.9%, as was the case in the North East with 8.3% of registered users compared to a national proportion of 3.4%. The notable exceptions were the South East (8.9% / 18.6%) and the East of England (4.7% / 12.5%), which were significantly lower than their respective national averages (NCVO, 2014b). This data suggests that BPB needs to do more to engage with VCSEs from these two regions (South East and the East of England) in the future, whilst the East Midlands region was also slightly below the national average⁸. However, it must be noted that the BPB has already targeted two of these three areas through workshop events (East of England and East Midlands) over the past year after the year one data highlighted this same issue. It appears however, that for all three areas (as measured by DT applications) this has had no impact⁹. It should also be noted in Table 4.3 below that in year two the BPB has managed to successfully increase engagement with the North East (+128% increase in DT applications over Year 1), which was one of the areas that was specifically targeted (i.e. through workshops) in year two.

8 As per the comment made in the Executive Summary, this data does not take into account regional differences in relation to areas of multiple deprivations. This means that caution needs to be applied before necessarily seeking to increase engagement with areas that whilst under-represented amongst registered users, may have less development needs than other regions.

9 It should also be noted that these regions suffer from a lack of infrastructure for VCSEs that makes engagement by a national programme more complicated.

Table 4.3 – VCSE Regional Engagement at DT Stage

Region	Year 1	Year 2	Annual Change	National Average
London	23.7%	25.9%	+2.2%	17.9%
Yorkshire & Humber	14.5%	13.2%	-1.3%	7.8%
North West	10.4%	12.3%	+1.9%	9.9%
South West	13.7%	9.7%	-4%	13.1%
North East	4.0%	9.1%	+5.1%	3.4%
West Midlands	9.6%	9.1%	-0.5%	8.6%
South East	10.8%	8.6%	-2.2%	18.6%
East Midlands	8.4%	7.3%	-1.1%	8.2%
East of England	4.8%	4.8%	0%	12.5%

Nb. National average data taken from NCVO (2014b).

The data reported in this section highlights that the website and email marketing campaign has been largely successful, with the latter improving the targeting of emails and hence open rates in year two. The data also demonstrates that there remain problems with engagement of VCSEs in the South East and East of England (as well as a decline in the South West, West Midlands and Yorkshire and Humber regions), despite the additional workshops run in the East of England in year two. The infrastructure problems that exist in the East of England outlined above, along with the historic low programme engagement rate of the region, combined with the fact that in years one and two three events were held in the East of England, have led the partners to conclude that the greatest impact from the remaining four workshops can be achieved in the South East, South West, West Midlands and Yorkshire and Humber regions.

4.2 The Online Diagnostic Tool

In total 527 diagnostic tools were completed and submitted by applicant VCSEs (from the 536 eligible applicants in total). In relation to eligibility during the online registration phase 50.3% of registered VCSEs were eligible, 39.6% with

eligibility pending and 10.1% of VCSEs ineligible. Once applicants progressed to the diagnostic tool stage the number of ineligible applicants remained at around 11.3% (of those VCSEs that had progressed to the DT stage). To date, 418 of the 536 eligible applicants have proceeded from the DT stage to the 1:1 support advisor session, with 118 sessions yet to be completed or not yet booked in.

The feedback in relation to the online DT and the support advisor sessions from the year two interviewees was much more complimentary than during year one when respondents had raised fears about the purpose of the two stages (viewing them as summative rather than formative assessments)¹⁰. No interviewees had anything negative to say about the DT or the 1:1 support advisor sessions. The participants viewed them as necessary and educational stages to progress through in developing their thinking and plans in relation to the future development of their VCSEs and argued that it acted as a necessary precursor to the

¹⁰ SIB had made changes in Year 2 to the guidance notes and marketing material to emphasise the formative nature of the DT and 1:1 Support Advisor Sessions.

grant application stages. This experience and perception of the DT and 1:1 support advisor sessions was similar whether the VCSE was successful or not in securing a grant, suggesting that the pre-grant award stages of BPB are having a positive effect on VCSEs. Finally, it also suggests that the work done by SIB to explain the purpose of the grant application process to VCSEs (i.e. that it is a formative assessment) has been successful.

“I think the diagnostic tool that we did, that was quite useful, because I think it highlighted for the organisation, certainly the areas that needed to be looked at and worked on, weakness, you know, we identified areas that needed to be strengthened through this process, whilst it wasn't a direct result of receiving the Big Potential funding, it certainly helped us to focus our minds.” (P10 – Successful VCSE)

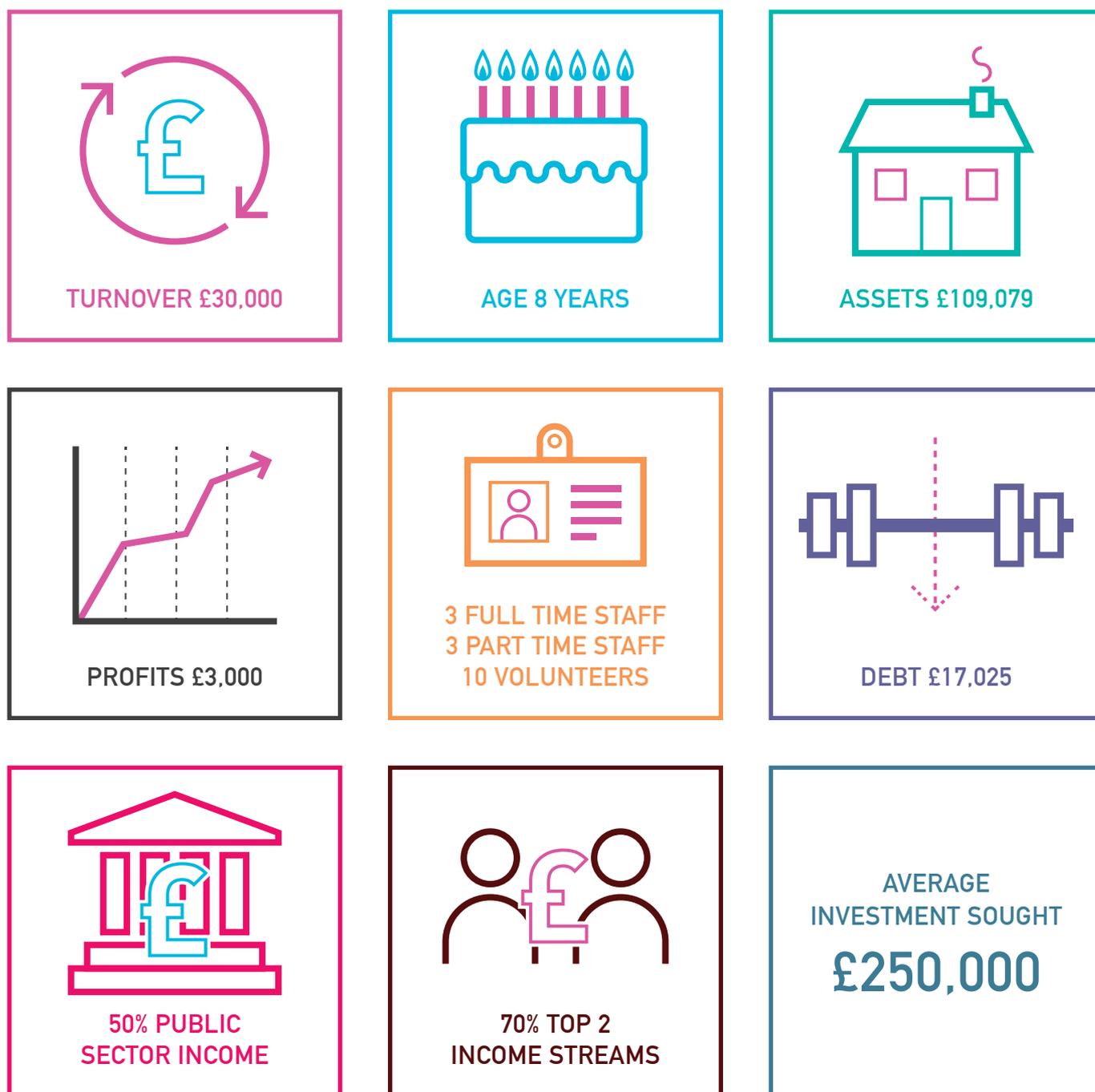
“Yes, I think the whole process is clever actually. I think it's a good process in terms of educating people like us.....we haven't really paid that much attention to our governance systems and how we manage ourselves over the years because we've just been two blokes doing what we do.....And this process has been very useful actually because the diagnostic itself, the original online diagnostic, pointed out very clearly our weaknesses as an organisation and then the interview [1:1 Support Advisor Session) that we had after that was also helpful.” (P17 – Unsuccessful VCSE)

“I found the process quite straight forward really, I've got no issues at all with the process. I think the diagnostics make sense, I think it's useful to do the diagnostics, the one to one, I've never participated in a one to one session, although I've obviously seen the reports ensuing from that. Again they're clear, straight forward. The process itself, the application process, you know, it builds on that diagnostic and one to one advisor session, I think the questions asked are all fairly

straight forward, so I don't really have any issues or concerns at all about the actual process of applying.” (P18 – Initially Unsuccessful VCSE, successful after resubmission)

Demographic data relating to the VCSE applicants was also captured by the DT which allows for the evaluation to build a picture of the types of VCSEs that are applying to BPB. Whilst in year one the evaluation only had data from 283 VCSEs the dataset had expanded to 527 VCSEs by the end of year two. This has provided a more robust and reliable sample for the analysis that allows the research to begin to build a stronger picture of the current state of the VCSE sector in England in relation to VCSEs that apply to and meet BPB criteria (hence there is a skew in the sample that is not necessarily representative). In relation to these VCSE organisational profiles the diagnostic tool revealed the following key organisational traits for the average VCSE applicant to BPB (see Figure 4.3):

Figure 4.3 – VCSE Organisational Demographics:



Nb. See Appendix C for the full data breakdown.

In comparison to the data gathered in year one, the year two demographic data remains relatively similar, highlighting that the types of VCSE applying to BPB are relatively young and small organisations, with limited (but solid) profitability of just over 10% of turnover; with a strong asset to debt ratio (over 6:1); and small in terms of staff size (6 employees). The investment needs of VCSE applicants had remained the same as year one with an investment need of £250,000,

which represents over 90% of their annual income. As was noted in the year one evaluation, as the BPB programme is aimed at small VCSEs with limited investment readiness, maturity and size then this data suggests that the programme is effectively targeting the right segment of the sector. In addition, the VCSE applicants were also quite reliant on a small number of customers/funders with 70% of turnover coming from the top two customers/funders, whilst 50% of income came from the public sector.

The reasons for seeking investment articulated by the VCSEs in year two were broadly similar as those discussed by the VCSEs in year one (social/commercial scaling; consolidation of previous growth; and organisational independence/flexibility). However, another feature that was more broadly discussed by the participants and perhaps represents all of the above individual reasons for investment was around becoming more sustainable as an organisation. In this respect the VCSE participants discussed the need to raise investment to provide working capital whilst this process of transforming their business models (income diversification; purchase of land; refocusing of social mission) was undertaken.

“I mean we [need] to get to the point of sustainability...we’re looking at setting this up with a centre. We’ve got the centre, we’ve got the premises lined up. We just need the working capital to get the whole thing off the ground.” (P17 – Unsuccessful VCSE)

“We have quite a forward thinking board of trustees of the charity, they had rightly recognised that the income streams were changing and that we needed to move with the times, and we needed to be proactive.” (P20 – Successful VCSE)

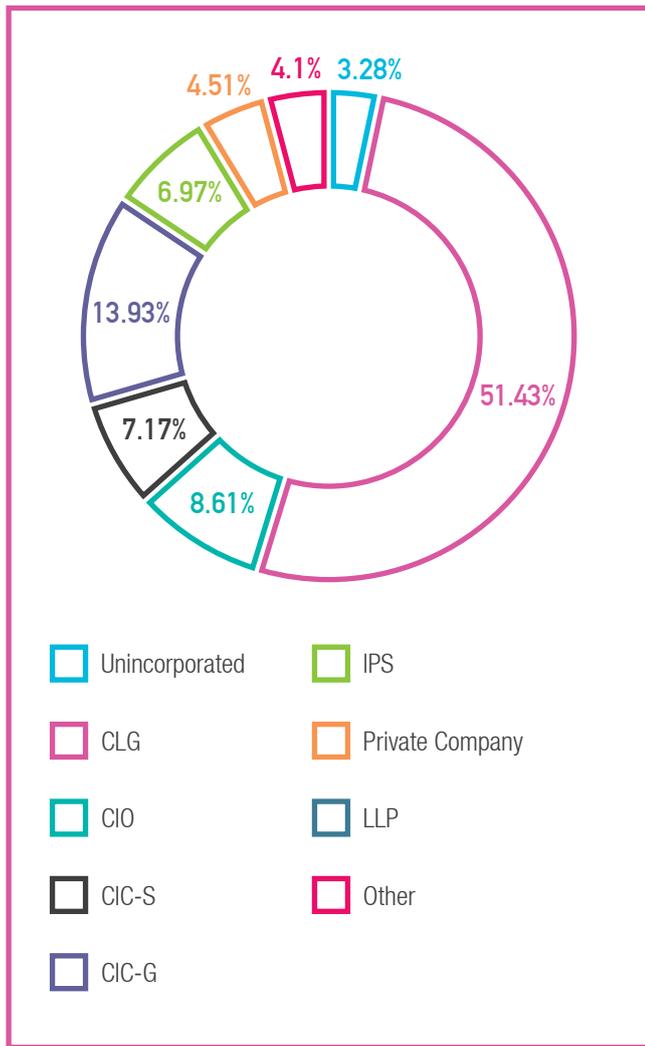
This issue of sustainability was also an area that was recognised by the Provider organisations and the BPB panel members who also participated in the interviews. It was argued by some Providers that the process of pursuing investment readiness through BPB was actually one that improved the capacity of the VCSE irrespective of the investment outcome, and that the former was actually more important than the latter. This idea that the grant and investment outcome was less important to the VCSE than the journey itself was also reiterated by a panel member.

“I think also it’s just worth pointing out that, in my experience at least, any organisation that embarks on an investment readiness journey gets lots of added value on that journey. It’s not just about becoming investment ready. Yes, that is the focus of the programme but actually there’s a whole lot of spin-offs in terms of the capacity building and strengthening and the culture change within the organisation which is a bi-product of the investment readiness journey.” (P15 – Provider)

“So I’m sure it will have opened their eyes. And pretty much everybody...that’s going through some level of social investment process, whether they’re successful or not, says that whilst it was painful that they did come away with something and each time they go through it they learn something else that might be helpful. So I think that’s for the ones that aren’t successful, getting the grant there’s still some learning in the process.” (P8 – Panel Member)

As with the year one data, the majority (51.4%) of VCSE applicants were Companies Limited by Guarantee (see Figure 4.4 below). However, nearly one-third of applicants were what could be termed social purpose legal forms (charities, social enterprises, cooperatives) with 36.7% of applicants being Community Interest Companies, Industrial Provident Societies and Charitable Incorporated Organisations. In addition, over half (54.4%) of all organisations were also registered charities showing that the majority of the organisations (irrespective of legal form) were the trading arms of charities. It should also be noted though that this was a drop from year one in which nearly two-thirds of applicants had been registered charities.

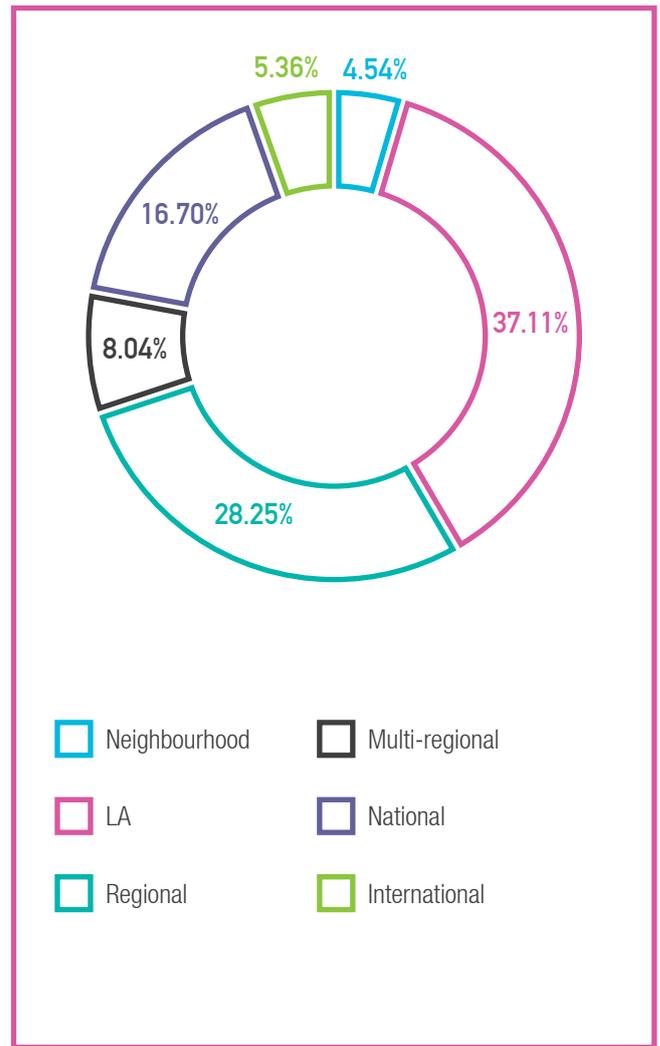
Figure 4.4 – Organisational Legal Form:



Nb. See Appendix D for the full data breakdown.

In relation to geographic reach, again as with the year one data, the vast majority of applicant VCSEs (as would be expected with a programme such as BPB) were localised in their reach, with 42% of VCSEs being neighbourhood or local authority based organisations. If regional reach is also classified as local then this figure climbs to over two-thirds (70%) of all applicants (see Figure 4.5). However, it should also be noted that nearly one-fifth of applicants were VCSEs with a national reach. This compares with general sector trends of 78% of VCSEs operating locally and 22% of VCSEs operating nationally (NCVO, 2015).

Figure 4.5 – VCSE Geographic Reach:



Nb. See Appendix E for the full data breakdown.

One interesting trend to emerge from the data during year one was BPB’s engagement with women, black and ethnic minority (BME) and disabled-led VCSEs (see Figure 4.6 below). Women-led organisations represented just under one-third of the sample [30.6% (33% for years one and two)] in year two (a drop of nearly 5% compared to year one), which as was highlighted previously is lower than both the national estimate of 50% provided by Teasdale et al. (2011) and the NCVO Almanac figure of 43% (Lewis, 2010). BME-led VCSEs accounted for 18.8% of the sample in year two (15% across both years) compared with a national rate of 7.7% of VCSEs that were primarily BME focused

(NCVO, 2014a), which represents an increase in engagement of over 6% compared to year one and highlights that BPB is engaging BME-led organisations to a high level. Nevertheless, one of the VCSEs interviewed did identify as a women-led organisation, but did not identify any barriers to engagement with the BPB programme (and in fact was very positive about their engagement with BPB as they went on to secure social investment), so it remains difficult to ascertain why engagement with women-led VCSEs remains below the national average¹¹.

“I can’t think of any [barriers to engagement]. I mean, we are really grateful to have that injection of knowledge and I - yes, really grateful, really wonderful.....having been involved in the initial development of the project and having been quite stressed about knowing whether we were overspending or what did it mean when our timescales were slipping and so forth, it feels - it’s like it’s completely different to work here now where we have this map, if you like, of where we’re going.” (P19 – Women-led VCSE)

The number of disabled-led VCSEs engaged continued to be low with a drop in applicants identifying as disabled-led VCSEs from 1.2% in year one to none in year two (the overall rate for the BPB stands at 0.6%). There is no directly comparable data that the research team can identify in respect to the national proportion of disabled-led VCSEs in England as the NCVO dataset only details disabled-focused VCSEs. However, some extrapolations can be made that would suggest that BPB’s engagement with disability-led VCSEs is not actually that low. Data from the DWP (June 2014) sought to identify the number of VCSEs that were disability-led¹² in

11 It is often difficult in evaluations to identify barriers to engagement, as those VCSEs that do not engage with BPB also do not engage with the research team either. Therefore, the sample here is somewhat self-selecting.

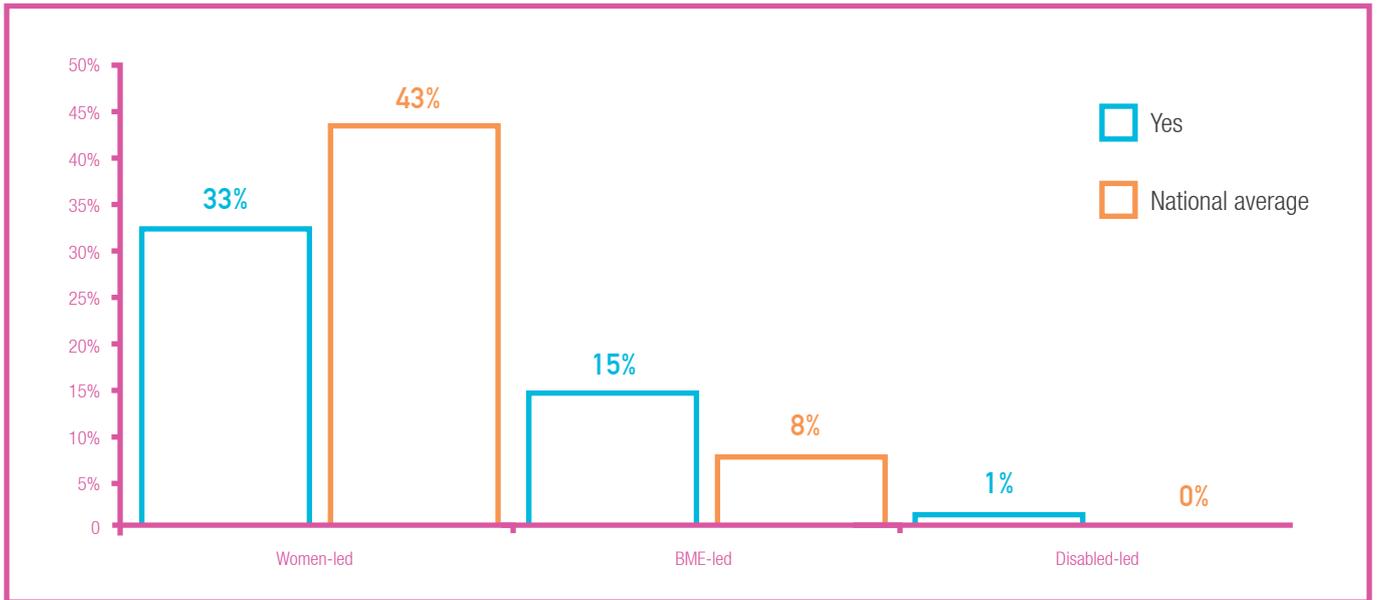
12 The definition used here is that at least 51% of disabled people on the board.

the UK, and identified 198 VCSEs that met the criteria. If this is combined with the NCVO (2016) Almanac data that identifies 162,965 VCSEs in the UK, this gives a national proportion of disabled-led VCSEs of 0.001%¹³. It is therefore difficult to judge the performance of the BPB in relation to disabled-led VCSEs; however, considering that in year two no additional VCSE applicants identified themselves as disabled-led over and above the three VCSEs from year one, this suggests that further work needs to be done in this area¹⁴. Certainly, in respect to the interview data gathered, one of the VCSE participants (whilst not identifying as disabled-led) did in fact work with disabled young people in a work integration programme as one of their main social aims. It should also be noted that this VCSE identified no barriers to engagement with the BPB programme. There were also other VCSEs within the dataset that had a primary focus on supporting disabled people, but that did not in fact identify as disabled-led. Therefore, it seems clear that there is a discrepancy between whether a VCSE is disabled-led and whether it is disabled focused.

13 It should be noted that this is an imperfect calculation utilising two different datasets. However, there remains very little comparable data on this element of the sector.

14 It might be worth considering a separate survey during Year 3 to all existing applicants that asks them if they have a ‘disability focus’ to their work. This would help to ascertain whether BPB really is not engaging with the disabled sector at all or not. However, it is not recommended that SIB act to recruit more disabled-led VCSEs until this additional research work has been completed. The DWP (2014) database could also be used to target VCSEs that are disabled-led to apply to BPB.

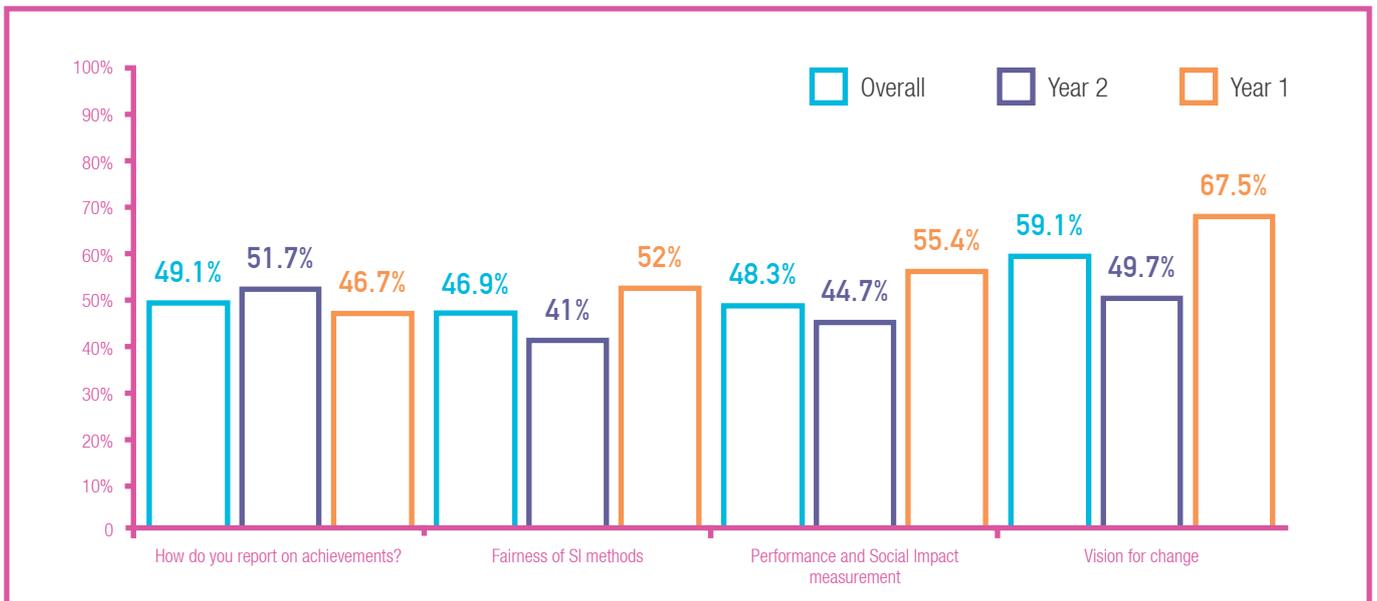
Figure 4.6 - Women-, BME- & disabled-led VCSEs:



Nb. See Appendix F for the full data breakdown. The data here represents the proportions for Years 1 and 2 combined. As was outlined above, it is difficult to ascertain the true size of the disabled-led VCSE population nationally and so the figure shown here is 0%.

Finally, VCSE organisations were also asked to rate their perceptions of their social mission, social impact measurement, the validity and reliability of this measurement and how they reported it (see Figure 4.7). The VCSE applicants were asked to rate their social impact measurement on an 11-point Likert scale in relation to the following four areas (for full details on the scale end-points and the full questions asked please see Appendix G):

Figure 4.7 – Social Impact Measurement Perceptions:



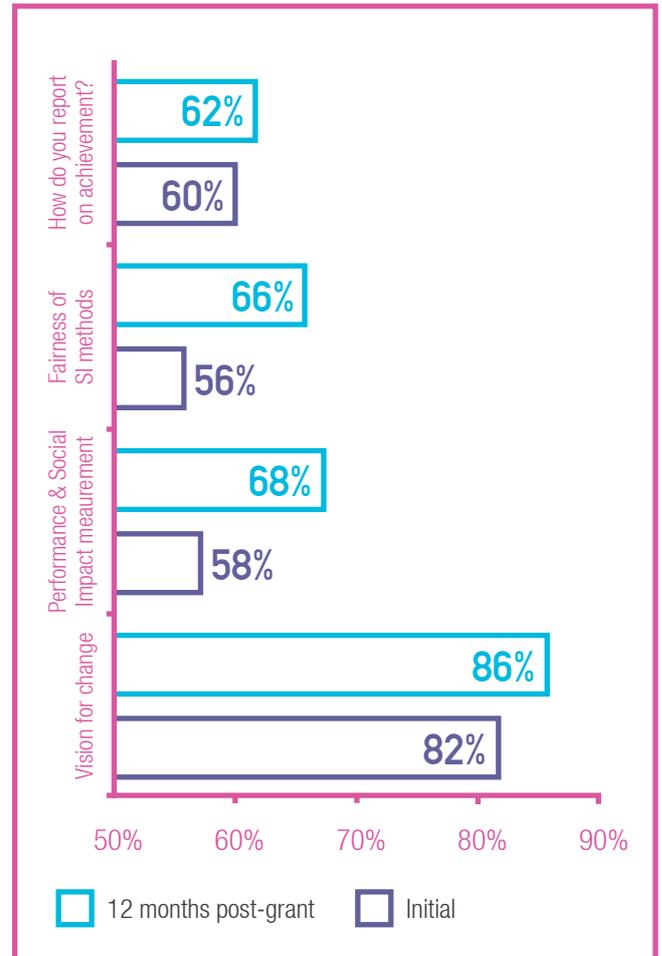
Nb. See Appendix G for the full data breakdown. The Likert ratings are represented here as percentages.

The overall data here reveals similar trends to those shown in the year one data where organisations had a clearer idea about their social vision and how they delivered impact, but that they did not then measure this robustly or disseminate the findings. In addition and in comparison to year one, there was a significant drop in the confidence that VCSE applicants had in their vision (-17.8%); performance and social impact measurement (-10.7%); and fairness of SI reporting (-11%). This suggests (now that the dataset is larger and more representative) that VCSEs are less confident in their ability to accurately describe, report and disseminate their social impact fairly and robustly. Indeed, as with the year one interview data, this is also a theme that emerged during the interviews that took place in year two, but that was also echoed by the Provider organisations.

“I think with [VCSE], they came in and they were kind of like, ‘Social Impact, what’s that?’ you know. And so I think what we managed to do in that six months was to create framework for them...to help them understand what their social impact might be. So what we were trying to do was to pull out what the social impact, to get them to understand what the social impact of them as individual [centres] was and then actually how the consortium, the impact in terms of the consortium worked alongside that.” (P13 – Provider)

In the year one report it was noted that it would be interesting to see the impact that the BPB had in this area moving forwards, once VCSEs were more than 12 months post-grant award. Whilst this data is still limited (n=5) the results are still interesting (if not statistically meaningful). Indeed, for the above four areas related to social impact measurement, there was an increase in VCSE’s ratings of themselves 12 months post-grant. Figure 4.8 below details this.

Figure 4.8 – Longitudinal Change in SI Measurement Perceptions:



Nb. See Appendix G for the full data breakdown.

This was also an area that was acknowledged by VCSEs that were more than 12 months post-grant award, although at the same time acknowledging that the process is complex and their learning even 12 months post-grant award is still in the early stages. Indeed, one VCSE that is exploring a Social Impact Bond as a means of future social investment noted the complexity of this area.

“I think the one thing that frightens our trustees around the social impact bond, is what are the appropriate measures we can put in place to satisfy the social investor that they’ve got a return on their investment? So that whole issue around measurement is going to become central to that, and that will take some time to put in place.” (P20 – Successful VCSE)

The longitudinal data outlined above demonstrates that BPB may be having a good impact on organisations' abilities to provide a narrative around their social mission (vision) and to then develop means to robustly measure this. However, more data is required here before we can be certain of these trends, which will improve during year three as more organisations reach 12 months post-grant award.

The data reported in this section highlights trends in the types of VCSE that are applying to BPB over the first two years. By the end of this second year BPB is continuing to attract small-scale, local VCSEs that are looking to increase sustainability (and grow) and that have good asset/debt ratios and solid turnover and profitability. These VCSEs struggle to articulate their social vision and also struggle to effectively measure and report their social impact (although BPB is continuing to slightly struggle with engaging female-led VCSEs and more work is required to ascertain disabled-led VCSE engagement). Certainly, there are limitations to making sectorial comparisons with the BPB data when the definitions used and the sectorial data currently in existence are not the same. However, this is still an area that appears to require focus from the BPB delivery partners.

4.3 The 1:1 Support Advisor Sessions & Assessing Investment Readiness

In year two 269 1:1 Support Advisor Sessions were held with VCSEs, in addition to the 162 that were held in year one (418 in total to date). Furthermore, 18 sessions were already booked in by February 23rd 2016 and another 100 sessions were yet to be booked with applicants who had submitted their DT. Figure 4.9 below provides an overview of the 1:1 Support Advisor Session provision for each month of the BPB from 1st February 2015 to 23rd February 2016.

Figure 4.9 – 1:1 Support Advisor Sessions by Month:

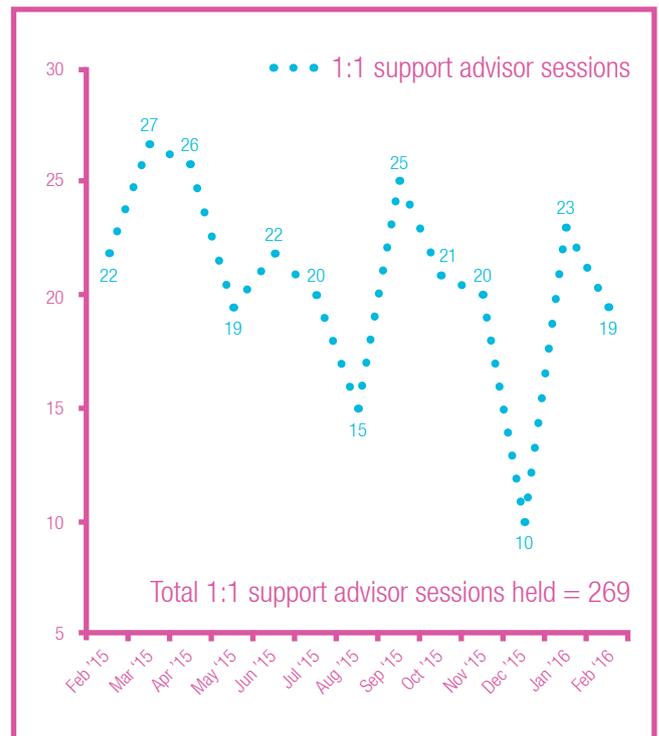
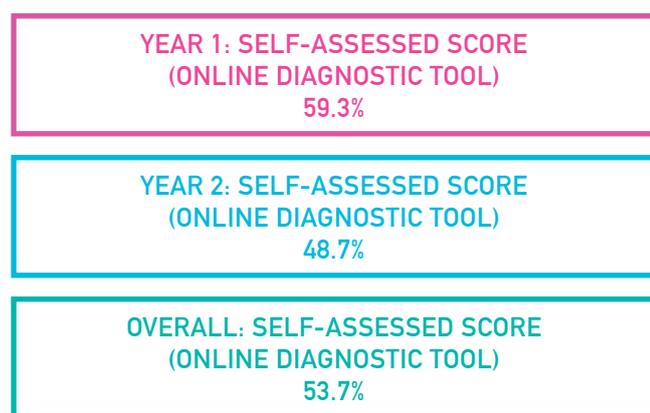


Figure 4.9 identifies that BPB has been holding around 21 1:1 Support Advisor Sessions per month in year two (an increase over the average of 16 sessions per month in year one). This is perhaps to be expected given that the programme is now into year two and the first year's monthly average was lower due to low numbers of applications at the start of the programme (e.g. only 2 sessions were delivered in April 2014). As in year one, there is the usual dip in sessions both in August and December for the usual holiday related reasons (the summer and Christmas holidays). Similarly to year one and as was touched upon earlier in the report, overall impressions amongst the interviewees of these sessions was positive, as the organisations valued the opportunity that they had to speak with an expert and to validate and challenge their own perceptions of their organisation and performance.

The 1:1 Support Advisor Session also provided the opportunity to reassess (with the expert advisor's help) the VCSE's overall investment readiness score on the diagnostic tool (for more information on how investment readiness was

assessed please see Appendix H). Unlike the year one evaluation the DT was not redone during this session as the differences identified in the year one report between the two were too small. Therefore, the data here merely represents the investment readiness scores of VCSEs when initially completing the DT. Figure 4.10 below outlines the scores of VCSEs in relation to their investment readiness when first engaging with BPB for years one, two and overall.

Figure 4.10 – Investment Readiness Scores (Online DT):



Nb. See Appendix H for the full data breakdown. A score of 80% or higher on the diagnostic tool is seen as being ‘investment ready’.

The data shows that during year two applicant VCSEs scored significantly lower in their overall DT investment readiness score than applicants in year one (-10.6%). This suggests that perhaps VCSEs that are further from the social investment market are now applying to the BPB, which would intuitively make sense considering that VCSEs that were already thinking about social investment and/or more investment ready would have probably been first to apply to BPB when it launched. This suggests that BPB is now reaching the elements of the VCSE sector that are harder to reach for investors and that require more support in order to seek investment.

When analysing the demographic data in relation to initial investment readiness scores, there

was also a statistically significant difference in VCSE scores in relation to whether a VCSE was a registered charity or not. Indeed, those organisations that were also registered charities scored on average +4.6% higher than those VCSEs that were not registered charities (see Appendix H for an overview of this data). Further analysis of the data revealed no other significant relationships between the score and the sector of operation; organisational legal form; women/BME/disability-led; geographical region and reach¹⁵.

Assessments of investment readiness (and general sustainability) were also raised in the interviews by the VCSEs. Many of the participants expressed the idea that whilst they were interested in becoming investment ready and possibly securing social investment, the latter was not a definite. Indeed, what they really identified as the benefit of BPB was the opportunity to secure external expertise and support to develop robust business models and become more sustainable. To the interviewees (from different stakeholder groups), increased readiness and the opportunity to explore social investment more thoroughly were merely add-on benefits of becoming more sustainable. Indeed, some even argued ethically there should be a recognition within Big Potential that social investment is not for everyone.

“It fitted perfectly timing wise, the board were re-examining our over-arching aims and objectives, they simplified those a little bit, and one of them was about I think one of three, they did simplify them significantly, was about how we moved to becoming self-sustaining as an organisation, so that opened the door beautifully then, Big Potential consultants, here’s your market analysis report, these are the things you want to look

¹⁵ This is based upon ANOVAs being conducted exploring the changes in IR scores from the online DT to the 1:1 support advisor session in relation to the above organisational demographic variables.

at, you are thinking about the right types of development, we can tell you how to do it. And I think that for us, felt organic almost, it flowed really well.” (P20 – Successful VCSE)

“Social investors exist to make money and you know, it is morally and ethically wrong as a sector for us to drive people towards taking on debt...you know I’m all for people taking a long hard look at things and then decide not to [take investment]” (P22 – Social Investor)

The 1:1 Support Advisor Sessions continue to provide a good early stage assessment for VCSEs of the current state of their business and their sustainability and investment readiness. In addition, the readiness scores from the online DT that are affirmed at this stage also provide interesting data in relation to VCSE needs from the programme and distance from becoming investment ready. It is apparent from the data that the VCSEs that are applying in year two are less ready than those that applied in year one, and they are seemingly just as interested in general sustainability as they are in social investment. This raises important questions as to the focus of BPB and what it should really be trying to achieve in the sector. Indeed, is it really about social investment or instead sustainability (however that is financed) more generally?

4.4 Preparing the Grant Application

The pairing of the VCSE with a BPB approved provider marks the point at which the mentoring element of the programme truly begins. During this phase the VCSE works with the provider to identify areas of organisational need, devise strategies for meeting these needs and also prepare and submit the final grant application to BPB. During this phase no quantitative data is collected; however, this phase and the impact that it had on the VCSEs was explored in the interviews and the following themes were identified in relation to this phase of BPB.

In preparing the grant application the majority of the VCSEs were mainly positive about the experience and saw that it flowed nicely from the DT and 1:1 Support Advisor Sessions into a more detailed examination of their business model, sustainability and social impact.

“Oh, the application process, I mean so no problems with that, so that was all good really. I mean, I did most of it with input from others. I think it could have been clearer...I mean, this was at the start of the process obviously and we are also talking about the work ongoing afterwards, as we got the grant. So yes, no that [grant application] was all good really.” (P11 – Successful VCSE)

However, as with the data reported in year one, the need for a good fit between the VCSE and the Provider was crucial, as the personal relationship, understanding of each other and the experience of the Provider was make or break for the VCSE experience. One participant clearly articulated this by talking about their negative experience with their first chosen Provider, and afterwards how their BPB experience became positive having changed Provider. The issue of ‘personnel fit’ was also acknowledged by Providers.

“We very rapidly became uneasy with working with our provider.....and we did not feel that we were aligned in terms of values or experience.....and we actually ended up taking some of the money away from that provider and moving it over to a different provider.....and the other one [Provider] was fantastic, absolutely fantastic and did most of our business modelling for us and provided us with, you know, not just the fantastic business model which we’ve taken into our business plan, but when he was down working on our business, modelling with us, I asked him to help us improve our general financial literacy and he did that with us over several sessions absolutely fantastically and our whole organisation.” (P19 – Successful VCSE)

“I mean, one of the key things that we try to do when we’re putting a project lead in for any project is match personalities. We have a resource manager and we really discuss personalities. You know, we know after speaking to someone, we get a sense of who they will appreciate.” (P14 – Provider)

This was complicated by the perceived difficulty for VCSEs of selecting a Provider. It was argued by some of the VCSE participants that however rigorous your selection process was, the final decision still came down to a personal feeling that was closely tied into the value alignment that you felt the Provider had with your organisation. For third sector organisations, this value alignment was obviously pro-social rather than a financial or corporate mentality. This has implications for BPB in that it highlights the limited impact that SIB and the other delivery partners can have on VCSE/Provider matching and suggests that the information and processes already in place are probably adequate. Indeed, it might even be beneficial for the programme guidance and Provider matching information to emphasise the validity and importance of ‘gut feeling’ (supported by data) in these types of decisions.

“So I went through the list of providers that were on the - from there I drew a spreadsheet up and looked at the ones that offered the services we’d need and then narrowed it down. I went through the web-pages of each of those and I narrowed it down to, sort of, three...I had a chat with all three and got references for all three. And to be honest, I don’t know how you make decisions but I generally like to go with a feeling. It doesn’t sound incredibly professional but.....the one we went to it sounded like they’re *raison d’être*, their mission was closer to what I felt comfortable with so I think the other two were very clearly professional and could do the role but they were more like... corporate entities who offered services to the third sector whereas I felt the one that we went with was...an organisation that understood the

third sector and had worked with the third sector.” (P12 – Successful VCSE)

On the flipside to this though, the Provider organisations also felt that their contribution during the grant application phase was not recognised, especially when grant applications costing’s were questioned and requests were made by Panel to reduce their costs. They argued that they had to put a lot of unpaid work into supporting VCSEs with their initial grant applications, work which put BPB on the limits of financial sustainability for them as businesses. This marks out a potential difficulty for BPB in making the programme attractive for Providers; however, it also could be evidence of Providers completing too much work on behalf of the VCSE in preparing the application, and/or suggest that Providers are not engaging with VCSEs early enough. For example, should/could Providers be working with VCSEs prior to their 1:1 Support Advisor session or indeed, even prior to their online application?

“And this is the problem that we feel that constantly we’ve put in, we feel very sensible budgets. We do not over prescribe; we are down to the day really prescriptive on what we’re doing. We have somebody looking at a budget and saying, ‘You need to remove 5K out of your this and that’.....Also there is a lack of understanding how much it’s cost us to put an application in. We’ve done a lot of business development, we’ve had due diligence, we’ve done our marketing; we’ve done our own promotion. We’ve spent the best part of £1,500 paying a consultant to actually develop the application. We’ve Q&A’d that application. And then that, you know, these applications do not magic themselves onto a panel, they cost money for us to get them to the panel. And then to be just willy-nilly chipped away at something where we’re making the lowest margin on any work we do in our whole firm, we feel is a lack of understanding of what the provider does.” (P14 – Provider)

This section and the qualitative data that is presented within it has highlighted that the process of working with a Provider on the grant application can be a positive one for the VCSE that allows them to develop capacity irrespective of the final investment outcome. However, it also demonstrates the tensions that exist for VCSEs when the Provider match is not good and for the Providers in working sustainably on grant applications. BPB should ensure (and such mechanisms are in place) that VCSEs are aware that they can change their Provider if they feel that they have made a mistake in the selection process. Equally, Providers should be assured that where they identify a problem or mismatch, that making SIB aware of this and identifying a more suitable Provider will not in any way damage their reputation as a Provider of support.

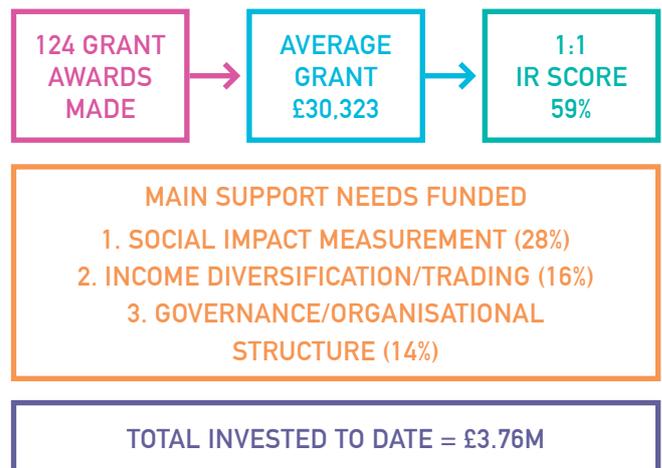
4.5 The Panel & Grant Decision Phase

In relation to the panel phase and the final decision as to whether to accept or reject grant applications, the research evaluation has access to both quantitative and qualitative data. To date there have been 255 grant applications of which 124 have been successful and 131 have either been unsuccessful or are pending¹⁶. In relation to the types of grants that have been awarded, to date the BPB has provided £3.76 million in grant funding (£2.92 million across 104 preliminary grants at an average of £28,077 per grant; and £884,000 across 20 investment plan grants at an average of £44,200 per grant). The majority (58.1% overall; 53.8% of preliminary grants; 80% of investment plan grants) of this grant funding has been used to fund organisational restructures and/or governance improvements; the introduction or improvement of social impact measurement frameworks; and increasing trading income/diversifying income streams.

16 21 of these applications were originally unsuccessful and accepted after resubmission.

Figure 4.11 below outlines the main trends emerging from this data. The investment readiness score of a VCSE at the online 1:1 DT stage was not predictive of grant outcome, with no significant difference between the scores of unsuccessful and successful applicants. Given the focus and nature of the programme this is intuitive, as the DT scores when first applying are not meant to be used as a discriminator, but rather as a means to identify weaknesses in the VCSE's business model that need to be addressed. Therefore, as is demonstrated in the data, the initial DT score should not be related to grant outcomes. In addition, the grants were mainly (58%) funding changes to organisational structures and/or improving governance; improving the measurement of social impact; and increasing trading income and income diversification.

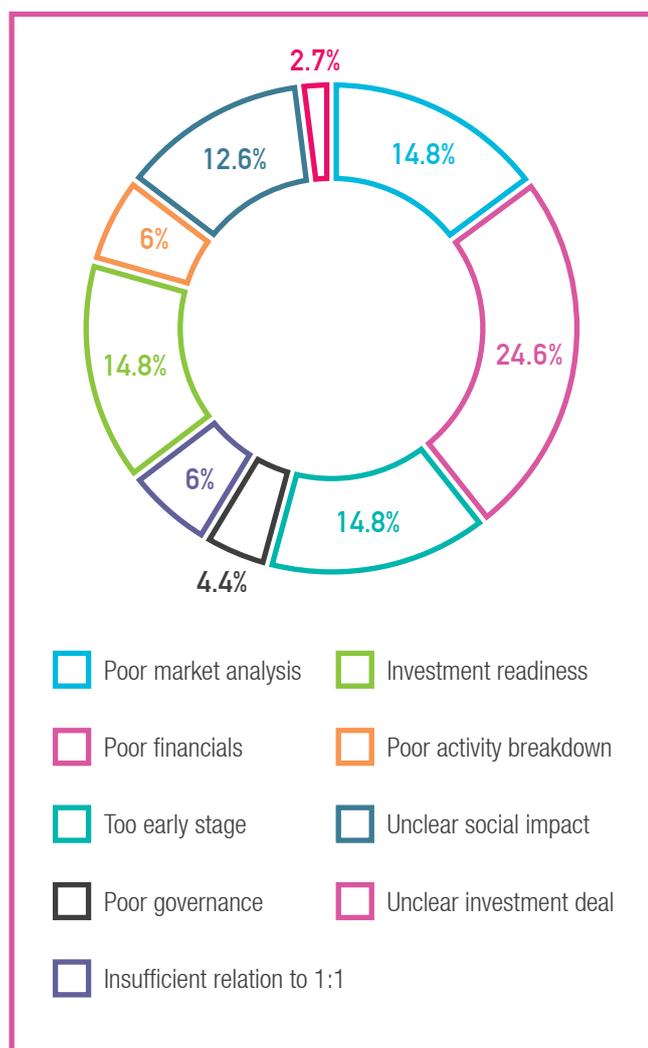
Figure 4.11 – Grant Awards:



See Appendix I for the full data breakdown.

Figure 4.12 on the following page outlines the main reasons for grant application rejection.

Figure 4.12 – Grant Application Rejection Reasons:



Nb. See Appendix J for the full data breakdown.

Figure 4.12 reveals that the biggest factor in grant applications being unsuccessful across the first two years was poor financial data. In addition, a lack of relation to investment readiness development, poor market analysis and VCSEs being too early-stage were also significant reasons for rejection. Indeed, these four rejection reasons (out of the nine possible reasons) accounted for 64.1% of all rejection reasons given. This data is again similar to the year one data, which saw over half of all rejections being made due to poor market analysis, poor financial data and VCSEs being too early stage. Furthermore, unclear social impact was also another significant rejection factor (12.5% of all rejections), which was a change from year one when this accounted

for only 5% of rejections. The panel was either clearly more focused on social impact moving into year two or the potential impact of applications was worse. Table 4.4 below provides a comparison of the year one and two rejection reasons.

Table 4.4 – Rejection Reason Comparison

Rejection Reason	Year one	Year two	+ / -
Poor Market Analysis	20.7%	14.0%	-6.7%
Poor Financials	20.7%	23.8%	+3.1%
Too Early Stage	13.8%	14.0%	+0.2%
Not IR Relevant	13.8%	5.5%	-8.3%
Insufficient Relation to 1:1	12.1%	4.2%	-7.9%
Poor Governance	6.8%	14.7%	+7.9%
Unclear Social Impact	5.2%	6.3%	-1.1%
Poor Activity Breakdown	5.2%	14.7%	+9.5%
Unclear Investment Deal	1.7%	2.8%	+1.1%
Totals	100%	100%	N/A

Table 4.4 above demonstrates the shifts in rejection patterns between years one and two and demonstrates that poor governance and poor activity breakdown have increased as rejection reasons, whilst poor market analysis, not IR relevant, and insufficient relation to 1:1 have all significantly decreased in relevance. This demonstrates the shifting nature of BPB applications and/or the changing priorities of the panel in making decisions. However, it is the evaluation team’s opinion that this is more likely related to the former (i.e. the lower potential impact of applications) as the interview data gathered from Panel members and the researcher’s understanding of the BPB have not identified any shifting in panel priorities¹⁷.

17 Although it should be noted that the Panel have gone through a learning process in assessing applications that have led to some clarifications on the assessment criteria, such as not judging applications based upon their particular chosen method of social impact measurement.

When discussing grant applications and the decision-making processes of the Panel, the Panel members argued that it was a refreshingly open exercise where it was not just borderline applications that were being assessed, but one in which all applications (even those coming with strong recommendations from SIB) were given equal discussion and where minority views on the panel were heard. In this way it was seen as a human and open process. In addition, the panel recognised that whilst all applications are unique, there does tend to be rejection reasons that are more common (social impact; market analysis; financial analysis), which align well with the rejection reasons emerging from the quantitative data.

“I thought it was be much more ‘Let’s discuss this, let’s just discuss the borderline ones’, or the ones that, for instance, have got through and seemed to be at the higher end of the grading. I didn’t think there would be a lot of discussion about those. And actually we’d probably discuss every application pretty much the same - or there’s the opportunity to discuss every application to the same level of detail...but even if one or two people feel differently we will still hear that discussion and that can influence and change the majority view.....So I think probably the people who apply, think it’s a very black and white process and think that individuals can’t influence the decision, but that is not my experience at all. I found that it is much more human...” (P8 – Panel Member)

“Well I don’t think there are typical, because applications are different. But, ones that I can think of, would be, not sufficient demonstration of social impact.....there are also questions about market, is there really a market for this.....so understanding of the market is something that I think does come up often. And I think the other thing that comes up is ability to actually repay an investment. You know, do they have an impact, is there a market and will the finances stack up.” (P9 – Panel Member)

VCSEs were generally positive about the feedback that they received on their applications from the panel (unlike in year one¹⁸) and this held for both those VCSEs that were successful and those that were not. The VCSEs argued that the feedback that they received from the panel (and indeed from the whole process) was constructive in allowing them to take their ideas forwards.

“The process we’ve been through in applying and the feedback we’ve had is also very helpful because it is helping us to reposition ourselves as an organisation to take a real proper look at what we do and why we do it. So it’s a very helpful process in that way, actually.” (P17 – Unsuccessful VCSE)

“We get a lot of feedback coming back from panel...I wouldn’t raise it as an issue, I think we were quite clear what we needed to do, we got the investment planning grant [through resubmission] and away we went. And I appreciated the fact that it was a quick turnaround, you apply, go to the monthly panel, two weeks after you get approval, you get the decision, and then the money starts flooding, a very rapid efficient process.” (P18 – Initially Unsuccessful VCSE, successful after resubmission)

There was a perception amongst some Providers however, that the focus of the panel had shifted over time, particularly in the area of budgets and how much was allocated to Providers and/or VCSEs. The Providers argued that they felt that this was a personal process driven by human elements within the panel and that this made their job more difficult as they were then advising VCSE applicants on budgets and being proven to be wrong due to shifting priorities. As was outlined earlier, the quantitative data does not suggest a rapid shift in panel rejection

18 Panel feedback processes were revised in Year 2 to ensure that VCSEs had a more complete understanding of the decisions made over and above the summaries provided by SIB in Year 1. In addition, where applications were rejected but invited to resubmit, the resubmission process was streamlined to make amendments and second decisions faster for the VCSEs.

reasons (aside from social impact) and so this may just be a Provider perception. However, it does demonstrate the danger of ‘mission-drift’ occurring on the Panel.

“So all our applications suddenly came back because they didn’t have VCSE costs in...and we’re pretty sure that what happened is that... somebody who carried weight on the panel had said... ‘This is such a hard time for VCSEs, the Providers seem to be taking all the money out of the projects, there’s nothing in it for the VCSEs, how are they supposed to deliver these projects with no support from us?’we felt a bit silly because the advice we were giving [to VCSEs] was simply the advice that we were passing on about getting applications through and then the response coming back from the panel was. ‘Why haven’t you got any VCSE costs [built in to the application]?’” (P14 – Provider)

Finally, one Provider recognised the importance of the SIB officers in managing the grant application process in the stages immediately before panel. This Provider noted however, that the feedback that they are receiving from SIB compared to what they received in year one in is minimal and whilst this is not a major problem to them (as this Provider is generally successful with applications) they do wonder why this is? It may be that as everyone involved in BPB has become more familiar with the processes and the panel’s decision-making focus, the need to question applications in detail has diminished. However, it is clear that many of the Providers value this engagement in improving the clarity and quality of applications and ensuring that VCSEs (and the Providers) are on the right track with the (considerable) work that has gone into an application.

“Interestingly we used to get quite a lot of questions come back. I guess to support the officers before it went in to panel. We’re not seeing that any more, we’re seeing - in fact we’re seeing very little of that. I don’t know if

that’s a good thing because for us, we like some engagement before it goes in to panel because we believe that panel members probably spend about 10 minutes looking at an application that probably takes about a day and a half, two days to complete, which is a bit concerning to us at times.” (P16 – Provider)

As can be identified through the interview data, the general perception of the panel, its decision-making processes and its feedback on applications are positive. However, there are considerations to be made in relation to the potential shifting of panel priorities in assessing applications (although some shift over time is perhaps natural and desirable); the overt focus on Provider costs vis-à-vis VCSE’s; and the feedback pre-panel from the SIB officers. Nevertheless, given the more negative feedback received in year one, it seems that the process has become more streamlined and efficient in year two.

4.6 Post-Grant Phase

As was noted above, 124 grant awards have to date been made through BPB and of these 32 VCSEs are now 12 months post-grant. In terms of investment readiness impact of the 32 VCSEs that are 12 months post-grant only six have completed the online DT¹⁹. Therefore, the evaluative overview of the longer-term impacts of BPB is at this stage still mainly based upon qualitative data. It should also be noted that as of February 23rd of the 124 grants awards made and more specifically the 32 VCSEs that were 12 months post-grant, only five VCSEs had secured social investment (a case-study of one of these organisations is provided later in the report). Figure 4.13 below provides an overview of this secured investment.

19 This is a disappointing response rate of 18.8%, which although not untypical for such surveys does not allow for robust quantitative analysis at this stage. As the BPB progresses the number of post-grant DT responses will grow and the quality of this data will improve.

Figure 4.13 – Investment Secured to Date:



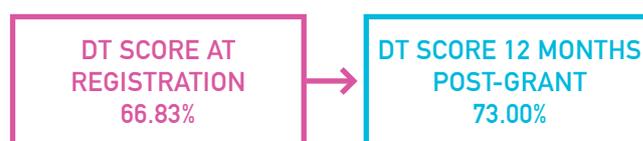
Nb. This data is based on the five investment deals currently secured by five BPB grant awardees. One of these investees is also negotiating a further £80,000 of equity investment through community shares. Three further VCSEs are currently in negotiations with social investors re investment deals.

To date just over £700,000 has been raised in social investment through a mix of debt finance (loans) and equity finance in the form of community shares (see Case-study A in Section 4.7 for an example of one investment journey). These five investments represent perhaps a disappointing return after two years of the programme, but this should at least be qualified by the fact that only 30 VCSEs are 12 months post-grant award (so there is currently a 16.7% investment success rate), and the investment journey for VCSEs applying to the BPB was always going to be less defined and longer than those VCSEs applying to BPA who are larger, more established and more investment ready. Nevertheless, it does suggest that for many VCSEs, BPB is helping them to become more sustainable and robust, and perhaps identifying that social investment is not required for them to do so. Indeed, some interviewees and providers (as was also presented earlier) expressed this viewpoint, which offers further support to the conclusion around a broader BPB focus on sustainability that was drawn earlier in the report. One interviewee actually acknowledged that engagement with BPB had saved the VCSE from mission-drift and an unsustainable model, even though it hadn't ultimately pursued social investment.

“[VCSE name] actually re-trenched the rationalising in resources, they'll have a big financial model which will be much more sustainable, it will all cost less, we'll probably end up reducing down probably now to about £120,000 turnover, so we'll get even smaller, probably halve their resource base. But actually they'll carry on providing support methods, they'll do good work with [beneficiaries], they'll build capacity.....So I think in terms of all of this is true to its mission [as opposed to the mission-drift that was occurring before] with a sustainable resource base, it's there really.” (P18 – Initially Unsuccessful VCSE, successful after resubmission)

In addition, for the six VCSEs that have completed the DT again 12 months post-grant award, there has been an improvement in their overall investment readiness scores of +6.2%, demonstrating that BPB is having some impact on the readiness of grant awardees. Indeed, despite the very low sample-size which limits the generalizability of the findings, this change was nearly statistically significant ($p = .06$) and moved the VCSEs closer to the 80% score that the DT classes as being investment ready. Figure 4.14 below outlines this finding.

Figure 4.14 – DT IR score 12 months post-grant:



Nb. See Appendix K for a full data breakdown.

There has also been longitudinal impact on organisational financial demographics for grant awardees 12 months post-grant. Figure 4.15 below provides an overview of this.

Figure 4.15 – Organisational change over time:



Nb. See Appendix L for the full data breakdown.

The data demonstrates that those organisations that have progressed beyond 12 months post-grant award have seen on average increases in their turnover of 22.8%; staffing of 5.3%; volunteering of 12.3%; and their percentage of income derived from the public sector of 2.3%. In addition, organisational reliance on small numbers of large contracts has decreased by 7.4% as a proportion of income. This suggests that engagement with BPB is leading to VCSEs increasing in size and improving their sustainability, and using this growth to finance new employment. However, it must be noted that these are early stage findings based upon a very limited number respondents and that none of these changes were statistically significant. Therefore, further data needs to be gathered in order to explore this further and organisations should perhaps be tracked beyond 12 months

post-grant to explore how organisational demographic data changes over time (e.g. 2 years post BPB).

In relation to the qualitative data gathered 12 months post-grant the VCSE interviewees reflected on the impacts that the BPB had upon their organisations and the experience that they had of working post-grant with their provider. These reflections summarised the impact that BPB had upon them as occurring in four main areas. The first was in relation to providing an overview of the robustness of the VCSE organisation in relation to its leadership, skills and staff capabilities. This included areas such as skills audits and identifying areas of weakness within the leadership of the VCSE. The second was in relation to providing a market analysis for the VCSE of the opportunities that existed for it to diversify its income streams and trading model (without causing mission drift). The third area of impact was in giving the VCSE

the time and resources to take a step back and understand the sector that they operated in (and what was occurring elsewhere in England), which acts as a form of bottom-up knowledge transfer. Finally, the fact that BPB resourced this all through an external consultancy (Provider) organisation meant that these impacts were effectively externally validated by the Provider, which gave legitimacy to the ideas and plans within the VCSE (i.e. with trustees) and with external stakeholders locally (funders; commissioners; partners etc.). VCSE participants effectively felt that they were getting a 'roadmap' of the future journey that they needed to take (whether this included social investment or not). This helped them to be more confident that they could have a sustainable future.

"I mean, we are really grateful to have that injection of knowledge.....having been involved in the initial development of the project and having been quite stressed about knowing whether we were overspending or what did it mean when our timescales were slipping and so forth, it feels - it's like it's completely different to work here now where we have this map, if you like, of where we're going." (P19 – Successful VCSE)

"The areas that the consultancy support came in was around doing a skills audit with our board.....and here we'd got an external organisation who were offering us some advice about the mix of skills on the board.....We did some work with them around a market potential report, built around the two themes that we'd outlined within the application...and for us, that's really useful, because often with a board of trustees, I can tell them that I think this is the best idea going, and they may well take it on face value and believe what I'm saying, but if it comes in and somebody can reinforce that from outside, and say, 'you know what, this is really what you should be doing', and because we've got that extra capacity and expertise, what they can bring to

the table is, 'and did you know that in Blackburn, this particularly project already, there's already work underway, there's this evaluation report that you can look at', so they've bought an external validation to the thinking and that was all captured within a sort of market analysis report that we're doing around the direction for us to move in, so that was a good reinforcement of that." (P20 – Successful VCSE)

As has been identified throughout the report, the focus on sustainability was crucial to the VCSE participants and whilst the VCSEs all came into BPB with a focus on exploring and hopefully securing social investment, the post-grant phase led them to reassess the applicability of investment for them as an organisation and ultimately to either reject or suspend their social investment plans. Whilst this in some ways goes against the direct aims of BPB in increasing the deal flow within the social investment market, indirectly it demonstrates the efficacy of the programme in building capacity and sustainability within the sector.

"...well they [Provider] produced some pretty complicated and complex information for us that to be perfectly honest, we didn't really understand.....it's hugely complex, and I think the process of working through, or working through that process with [Provider], we realised I think quite quickly that maybe it was too early for us.....So the conclusion we came to... was that the model that we're actually working [describes business model] was probably better at this moment in time than [describes alternative business model], which was a bit of a shock to us, but I think we felt going through the process as well that it was too early for us to look at social investments." (P10 – Successful VCSE)

This idea that BPB allows VCSEs to create a roadmap for their future that may or may not include social investment was very much recognised by nearly all of the stakeholders

that participated in the research. For some of the VCSE participants BPB actually led to investment or the desire to explore social investment further (i.e. Social Impact Bonds). However, as in the example above, the post-grant phase also allowed VCSEs (alongside their Provider) to recognise when social investment was either not the right way forwards for the VCSE to secure finance, or that the VCSE was too early in its sustainability development to seek social investment.

“[We] need to be careful about how they [BIG; Investors; SIB] evaluate the success of Big Potential Breakthrough. I think that it’s harder to evaluate because I think a lot of the gains are soft gains rather than hard numbers……I hope that if you are talking with investors they don’t beat up on that, the deal flow issue, because I don’t think it [BPB] was really set up for that.” (P14 – Provider)

This is not to say that the focus of BPB (or Big Potential in general) should not be on creating a larger number of investment ready VCSEs that can increase the deal-flow within the market and reduce investor transaction costs. Indeed, this is far from what most of the stakeholders were articulating. Nevertheless, it should also be recognised that investment readiness (and by extension sustainability) is a long journey that takes more than 12 months to achieve, and that the logical consequence of VCSEs becoming more sustainable is that they may recognise alternative means of financing their social impact other than social investment. The real impact of BPB in providing grant support is that it provides organisations with the space and time to strategically think about their future and to model and plan this accordingly. In doing so, BPB will still lead to increased social investment and deal flow; it is just that this impact may be felt in the longer rather than short term.

4.7 Big Potential Breakthrough Case-studies

This final element of the results section has been added into the year two report now that BPB has VCSE organisations that are 12 months post-grant and aims to provide short case-study overviews of VCSE journeys through BPB in order to provide a narrative of the experience from a VCSE/Provider perspective. Therefore, in the two case-studies presented here, the Provider and VCSE perspectives were sought in tandem in order to develop an understanding of the BPB journey and what was involved up to the point of reaching the 12 months post-grant stage. The purpose of these case-studies is not to present a uniform map of the journey or to suggest standardised pathways that can occur through BPB, but rather to provide a rich picture of the possible journeys and outcomes that a VCSE and Provider can go through in preparing a grant application, working together in the post-grant phase, and in securing or exploring social investment.

4.7.1 – Case-study Organisation A:

VCSE-A operates in the land management and rural regeneration sectors and is based in the South East of England. It is a Community Benefit Society (it was formerly an IPS); has been in operation for just over 8 years; employs 3 staff (1 FT and 2 PT); has turnover of less than £100,000, but good profitability; and receives no income from the public sector. Therefore, aside from age and staffing, VCSE-A is a relatively atypical organisation in terms of BPB applicants. However, it has completed BPB and is one of the two VCSEs to have so far secured investment through BPB. As the founder describes:

“So we were set up about seven years ago because we know quite a lot of people who had experience and skills in land management and in growing food sustainably but couldn’t access land affordably……So we thought what we’ll do is we

will capture that knowledge as an organisation, repeat it. And also offer sort of an additional level of protection for stakeholders who are supportive of the project in terms of monitoring the sites and assuring that they, once set up - these new farms - they'd be protected for their intended use, which is for ecological farming and for affordability.” (VCSE-A - Executive Chair)

The organisation has already developed successfully with smallholdings in the South West of England and needed to raise investment in order to finance further land purchases and commence work on a second smallholding site. Their motivation for seeking to do this was that by expanding their smallholding sites they could effectively become self-sustaining (grant finance currently accounts for around 15% of their turnover) and could cover their operating costs. This would then provide the organisation with the freedom to then think strategically about what it wanted to do in the future:

“At the moment we're focussing on food in the future, when we're a little bit more established and more robust financially then we would like to diversify out into mixed projects. So that could be some food growing with an element of education, although we do have educational activities going on in our first site, but principally that's food growing..... If the model is successful then we'll have a number of them and then if we are having payments coming from a number of them then we'll get to the point that we'll be able to cover our ongoing operating costs without having to develop further sites, which is what we're aiming for. Because at that point the business can then have a time to reflect and say, 'Okay, do we want to keep expanding our portfolio, we'll have more smallholdings, do we want to stick where we are and just monitor them and manage them?’ (VCSE-A – Executive Chair)

In applying to the programme the rationale of VCSE-A was not just to secure the grant money

to fund the exploration of social investment and the diversification of the business model, but more importantly to access the expert support and advice that they felt they would get through BPB and from the Provider. It was the latter that convinced VCSE-A that BPB would provide a good fit for the organisation.

“So the main thing that I can think of in terms of what we got from the Big Potential was the opportunity to sit down with people to help us to really robustly [develop] the business plan... and we didn't feel that all alone we would do as well as if we had input into that process.....We wanted to make sure that our financial planning was excellent...so we wanted to bring in some expertise to support us, reflect on what we'd achieved to date and help us to develop a model, and to develop a model which allowed us to look at the variables and then come up with a plan of action.” (VCSE-A – Executive Chair)

Having made their initial application to BPB and completed their online DT and 1:1 Support Advisor Session, VCSE-A then selected their Provider to work with. Interestingly, despite the eventual good outcome for VCSE-A in terms of securing a BPB grant and eventually securing investment, their relationship with their Provider was at first uneasy. The limitations of the relationship were for the same reasons as outlined earlier, those of value alignment and a personality clash. This was also an area that was recognised by the Provider, who replaced the advisor with another individual, which seemed to smooth the process somewhat for VCSE-A. This is not to say that this was all the Provider's fault, as indeed it is clear that for a social organisation moving towards a model that commercialises everything (or at least most products/services within the VCSE), as is often required to become investment ready and sustainable, this is something that is difficult for a VCSE to cope with from a mission and values perspective. This demonstrates the challenges that are inherent

for VCSEs that are seeking sustainability through investment and increased commercialisation.

“In particular, we found it difficult working in a sector where we all get paid around £80 a day and our smallholders earn something even slightly less than that, to be working with people who are on £1000 a day.....It was just, everything that he was recommending in terms of our business development, this particular consultant, he wanted for us to sell everything we did. So at the moment we sell our smallholdings, but we provide advice free and do a lot of educational and, like, work days for free. And he wanted us to try and, you know, make everything into a product...I just felt like, that's not who we are, we're a community benefit society.” (VCSE-A – Executive Chair)

“I don't think we gelled with them as well as I'd have liked. We put in one of my most experienced and well received consultants and they just, they didn't really gel with that person.....I think partly our frustration was that the management of [VCSE-A] were campaigners, not social entrepreneurs as we think social entrepreneurs are.....we felt that we were struggling with some fundamental issues around what they absolutely wanted from a values point of view and what we felt needed to happen from a business and investment point of view.” (Provider Lead for VCSE-A)

Despite these problems VCSE-A managed to work better with the second advisor from the Provider and after securing a BPB Preliminary Investment Grant of nearly £50,000 began their post-grant work with their Provider. This led to them securing nearly £200,000 of investment in the form of community share capital and £100,000 in the form of debt finance (loan), which has financed their purchase of their second smallholding site. However, the BPB grant has not only allowed them to leverage in the investment capital to expand, but has also given them a clear vision of the future, of their

financial model and how to take the business forwards in a structured and robust fashion.

“We've benefitted greatly from the Big Potential grant in that we've, I don't know if you've seen our business plan, we've got an absolutely fantastic business plan, which is fantastic in the sense that there it is in our hand, we refer to it constantly. It helps us to stay on, you know, well we have this agenda for the next five years. We've given ourselves a programme of work and we can make sure we stick to it, and that is a very different place than we were five years ago when we were making it up as we went along, which is unnerving, you know.” (VCSE-A – Executive Chair)

“I mean, we were actually overjoyed that they'd got some investment because, as I said, we love what they do. I felt that they struggled, I think that they struggled a little bit because they were dealing with the unknowns and probably they were out of their comfort zone.” (Provider Lead for VCSE-A)

This success though came through VCSE-A and its senior staff leaving their comfort zone and exploring new areas both in terms of the business model, but also in relation to social investment. The outcome for VCSE-A of such an exercise has been positive and has led to the growth of the business and it will be interesting to see how VCSE-A progresses in the medium term over the next five years.

4.7.2 – Case-study Organisation B:

VCSE-B is a charity that operates in the health and social care sector and is based in the West Midlands region. The organisation works with the ageing population; is over 40 years old; has a turnover of several million pounds per annum; and has over 70 staff as well as a significant volunteer base. VCSE-B is therefore (unlike VCSE-A) one of the larger and more established VCSEs that have engaged with BPB and therefore has quite a diverse portfolio of products and services that it currently provides.

“The sort of services we deliver range quite markedly, so we do things like lunch clubs for the elderly, we provide an [Information and Advice] service, which is information and advice, and that’s principally about how people support themselves in later life, there’s things like opportunities to look at benefit checks, just a wide range of advice about how you sort of navigate your way through later life. And the key underlying principal with that and a lot of our services, is about trying to allow older people to remain independent, in their own home, for as long as possible.” (VCSE-B – Managing Director)

VCSE-B decided to explore social investment due to the realisation that it needed to diversify its income streams (currently around one-quarter of its income comes from the public sector and over half from just two contracts) due to the changing nature of funding in the health and social care sector and government spending cuts. As with VCSE-A, there was a recognition that this journey of exploring income diversification and social investment was one that they needed external support with, and BPB offered that through its mixture of grant income and provider support.

“We have quite a forward thinking board of trustees of the charity, they had rightly recognised that the income streams were changing and that we needed to move with the times, and we needed to be proactive. And I think that we recognised that we probably needed some support on that journey, because whilst we’d already set up social enterprise offshoots, we were generating income, we’d got a rapidly extending retail development, we recognised that there was a lot more we needed to be doing, and we wanted to, just to be more forward thinking around where that journey took us in a sense. And I think Bit Potential, once we’d read up on the criteria and what it was aiming to achieve, and that sense of becoming investment ready, that’s quite significant for us, because whilst we’ve been

pro-active in a lot of areas as a charity, and we’ve always been quite prudent around our financial management, as you have to be, to take the next step on, particularly perhaps with things like developing our retail, and perhaps around areas like, how we provide this support around the NHS transformation, we needed additional external support.” (VCSE-B – Managing Director)

VCSE-B therefore duly applied to BPB and having progressed through the early application stages moved on to selecting their Provider. This was an area that they found difficult as they felt that the choice that they made would be crucial to their progress and success on the programme. The VCSE-B management team therefore went through a due-diligence process to select their provider, which included the online scoring system provided by BPB to narrow down the list and then individual conversations to explore whether they felt that they could work with the consultants. This therefore became again, a values and personality fit, but also for VCSE-B (and as was reported in the year one evaluation) the geography of the Provider was important, in that they wanted to work with a Provider based in or close to the West Midlands.

“We looked at the select list, we looked at the sorts of track record of the consultants that were on there, I mean I think for us, another key factor was the geography of it, I mean, we wanted to work with somebody in the West Midlands, so there wasn’t a massive amount of choice, so we then basically, I think there was some sort of a scoring system that we could use that was part of the process, and it wasn’t difficult to narrow it down to two or three, and of those two or three then, we just contacted them.....I think from then we wanted a sense of what their track record was with Big Potential, we wanted a sense of whether we could work with them and whether they could share some of the excitement around what we were trying to do.” (VCSE-B – Managing Director)

Having worked on the application with their chosen Provider to develop their investment idea and business plan they then submitted the application and were successful in securing a Preliminary Investment Grant of just under £30,000. However, both the VCSE and the Provider found the pre-application phase to be extremely positive, and worked together very much in a co-design approach. Indeed, the Provider was actually very impressed with the ideas that VCSE-B had around developing and securing investment and felt that in many ways they just had to shape their focus and language as they weren't thinking in the same way that an investor would.

"It was quite interesting, their idea was quite sophisticated. Because as an organisation structurally, they have all the systems and structures in place that we can go to get support from. But they've not actually thought in an investment readiness way.....I kind of got quite impressed by the [idea], if this works this could be something quite different." (Provider Lead for VCSE-B)

Working through the post-grant phase with the Provider has allowed VCSE-B to develop their thinking further and they are now targeting a Social Impact Bond moving forwards in the development of their services. VCSE-B found the grant money particularly supportive in this process, as it allowed them to create capacity with the organisation for the data analysis that they needed to do around the financials and social impact element of any Social Impact Bond that they might seek. This had lead VCSE-B to the point now that they want to reapply to BPB for an Investment Plan grant to further develop the Bond idea and explore stakeholder buy-in for such a project with public sector commissioners, service providers and beneficiaries.

"Well again, we've got a clear programme within the application in terms of where we wanted to spend the investment. Obviously there was a percentage split in a sense between money that had come in direct to us as a provider to sort of back fill some of the work that we were doing, and to support a bit of a short term in additional investment around data analysis, which goes back to this issue about how cut measures, we wanted to increase our capacity straight away around being able to put more time and energy into crunching all that data, to come up with some sort of minimal statistics, so we got some back filler now around all of that which was really useful.....It sort of leads naturally then for us to do a follow up application for the next stage, simply because now we've honed that thinking, now we've got that buy in from trustees, now we've got some sense of a market analysis, we've got to now take those two specific ideas, hopefully to fruition, that's the idea within the next phase, it allows us to decide whether we do want to develop, well we do want to develop the business case, then it's a matter of, what's the route forward, is it a social impact bond, can we get the commissioners on board, can we make that work around the programme we're already delivering, on a bigger scale, and then secondly, do we want to borrow some money in terms of expanding our retail offer? Which will hopefully be what we ask in more detail and find some solutions to in the next phase." (VCSE-B – Managing Director)

However, in addition to this medium-term aim VCSE-B recognises that Social Impact Bonds can take a long time to come to fruition and so it is also keen to explore alternative finance in the short-term in order to expand its retail arm. However, whilst this may involve social investment (most probably through a loan), this decision has still not been made as they recognise that they may be able to bootstrap finance the project through the small reserves that they have. This again demonstrates that whilst supporting VCSEs to become sustainable

and investment ready helps to build capacity and independence in the sector, it doesn't necessarily follow that they will actually apply for and secure social investment.

“We've just got an opportunity that's sort of here and now about building that on a bigger scale, and that may mean that we need a combination of our own investment or loan finance to either purchase or lease the facility of the right size in the right place, we want to sort of move on the traditional high street charity street concept into something a bit more interesting.” (VCSE-B – Managing Director)

This is also an area that was recognised by the Provider for VCSE-B, who also echoed the theme of sustainability that has been present throughout these research findings, by discussing the need to achieve sustainability first, over and above scaling and growth. It will be interesting to see how VCSE-B's plans around an Investment Plan Grant and a Social Impact Bond develop moving forwards, and whether they do ultimately seek debt finance to underpin their retail project, or find alternative methods of financing their model.

“It's not always about scaling up, actually. It's about working in different ways and I keep coming back to this. It's about creating the opportunity for generating a mixed portfolio of income rather than just relying on grant funding.....So for some organisations, it's not about increasing your turnover, it's about becoming more profitable. And I know that's a dirty word for a lot of voluntary organisations so you can call it a surplus, call it what you like, ultimately its money that gets recycled back into the organisation to help it develop and deliver better in the future. Whether that's through a process of growth or whether it's just a process of change or a combination of both.” (Provider Lead for VCSE-B)

5. Summary & Recommendations

5.1 Overview of Performance

BPB is now over two years old and has to date managed to engage with broad sections of the VCSE sector. The programme has received 536 fully submitted applications²⁰, whilst 760 VCSEs have engaged with the online DT. In relation to the 536 online applications, to date 418 1:1 Support Advisor Sessions have been held and 118 remain either to be arranged or are booked but had not been held as of February 23rd 2016. To date there have been 255 grant applications of which 124 have been successful and 131 have either been unsuccessful or are pending²¹ and BPB has provided £3.76 million in grant funding (£2.92 million across 104 preliminary grants at an average of £28,077 per grant; and £884,000 across 20 investment plan grants at an average of £44,200 per grant).

The marketing of BPB has also built upon the successes outlined in the year one report, with 48,983 total user sessions on the Big Potential website; 2,259 VCSEs receiving the e-newsletter (with an open rate of 35.8%); and 741 VCSEs engaged directly through the workshops held around the country. This has led to a broad-based engagement with the VCSE sector, although problems of engagement still persist in relation to the South East (8.9% of applicants / 18.6% national average) and East of England (4.7% of applicants / 12.5% national average) regions. There are also continuing problems engaging with a proportionate number of women-led (33% of applicants / 43% national average). There is no directly comparable data that the research team can identify in respect to the national proportion of disabled-led VCSEs in England as the NCVO dataset only details disabled-focused VCSEs.

However, extrapolations made using DWP (June 2014) and NCVO (2016) data identifies that the 0.6% of applicants defining as disabled-led is potentially higher than the national average²². It is therefore difficult to judge the performance of BPB in relation to disabled-led VCSEs; however, considering that in year two no additional VCSE applicants identified themselves as disabled-led over and above the three VCSEs from year one, this suggests that further work needs to be done in this area. The research team will seek to overcome this during year three through an additional survey of VCSEs.

The turnover, profitability and asset/debt ratios within the year two cohort is also broadly similar when compared to year one, which suggests that BPB is still managing to reach its target audience of small-scale, locally based organisations that struggle with profitability and hence sustainability. However, the lower average investment readiness scores calculated from the online DT (-10.6% in year two compared to year one) suggests that BPB is now potentially receiving applications from less investment ready organisations.

As in year one, the online DT, 1:1 support advisor session, and grant application phase seem to be operating as intended and there was no significant negative feedback from interviewees in this area. The DT remained easy to complete, and it seems the work that SIB did on the website to ensure that applicants understand that it is a formative assessment process has worked. The VCSEs seemed to appreciate the feedback and identifications of weaknesses that the DT (and to a lesser degree the 1:1) provided. The interviewees also talked positively about working with their Providers both on the grant

20 Of which the research has access to 527 completed DTs.

21 21 of these applications were originally unsuccessful and accepted after resubmission.

22 It should be noted that this is an imperfect calculation utilising two different datasets. However, there remains very little comparable data on this element of the sector.

application and post-grant award; although the selection of the right Provider and their alignment with the personalities of the VCSE leads and the VCSE's values was of paramount importance in this process running smoothly. This very much replicates the data and findings from the year one report.

The panel and grant decision-making phase of the programme were also viewed positively. There was no negative feedback from VCSE participants about the process of applying or the feedback provided and the panel members discussed the open debate that occurs within the panel when making decisions. There was some negative feedback from Providers around the moving of goalposts when making decisions (specifically around Provider costs) and a lack of awareness of the costs incurred by Providers in assisting with the preparation of grant applications. However, there was no quantitative evidence of a change in the rejection reasons for applications, aside from our greater focus on social impact amongst the panel in year two. As in year one, the main reasons for rejection remained poor financial data (24.6%), poor market analysis (14.8%) and VCSEs being too early-stage (14.8%). In addition, a lack of relation to investment readiness development (14.8%) was also a significant rejection reason.

The post-grant work and the development of and impact on VCSEs in the 12 months following the grant award were interesting. All of the VCSE participants spoke in the interviews very positively about the impact that BPB had upon their organisations in relation to their financial, business and market-analysis planning; whilst the small amount of quantitative data on those VCSEs that were 12 months post-grant also identified increases in investment readiness as scored on the DT. However, to date only five VCSEs out of the 32 that are currently 12 months post-grant have secured social investment (£735,735 across the five

VCSEs from a grant funding distribution to date of 124 grants totalling £3.78m), which is a slightly disappointing return. Nevertheless, an overarching theme of the interview data related to the sole focus on social investment as the only end in itself as being misleading, as the real impact of BPB is around improving the sustainability of the VCSE sector. This latter point will ultimately lead to increased investment deal flow in the sector; it may just be that a 12 month timescale is insufficient to take a small VCSE through to being investment ready. Again, these outcomes will be clearer as the programme progresses and more VCSEs reach the 12 months post-grant phase and beyond.

5.2 Recommendations

Based upon the conclusions outlined above, the following four key recommendations are made for the improvement and development of BPB moving forwards. It must be noted that these are relatively minor points compared to some of the recommendations provided in year one, and this is to be expected as BPB and its operation has become more honed. However, recommendation three perhaps represents a longer-term and more strategic finding from the research data:

1. **VCSE Engagement:** As per the year one recommendations, more work needs to be completed by the partner organisations in order to engage VCSEs both regionally and sectorally, most notably in relation to VCSEs that are:
 - a. From the South East and East of England regions²³. It should also be noted here that this is based upon online

23 It should be noted that whilst the BPB programme carries out equal marketing of the programme across most regions in England, where a lack of demand exists the programme does target these under-represented regions with additional workshops. In Year 2 this was the case for the East of England, but not for the South East. It is therefore difficult to ascertain whether the lack of uptake by the VCSE sector in these two regions is related to the management of the BPB, or the characteristics of the VCSE sectors in these regions.

DT completions (as opposed to the registered users metric utilised in year one) and is done in comparison to NCVO almanac data on national proportions of VCSE organisations regionally. It does not take into account areas of multiple deprivations nationally or within specific regions and so Big Lottery Fund may wish to tailor their response to this finding in relation to this. Nevertheless, this is the second year that these two regions have appeared as under-represented, despite extensive focus from the BPB Partners on the East of England (see Pages 16-17 for more information on this finding).

- b. Women-led (see page 17 for further discussion of this finding);
 - c. Disability-led²⁴ (see page 17 for further discussion of this finding).
2. **Provider Values:** This was also a finding in the year one report, and highlights that the process of selecting a Provider remains crucial. BPB already provides a scoring facility for VCSEs that they can use to compare and narrow their choice of potential Providers. However, value alignment remains critical to VCSEs in selecting their Provider. Whilst ultimately the best way to ascertain this is through personal contact and face-to-face meetings, alternative methods could also be put in place to assist VCSEs in making this selection. For example:
- a. Value-led mission statements for each Provider available online;
 - b. Examples of previous projects that are focused on the values approach that they took;

24 It should be noted that there are caveats to be applied here (as is noted in the main body of the report), as it is unclear what proportion of VCSEs in England are disabled-led. Nevertheless, having only 3 VCSEs out of the 536 applicants to date identify as disabled-led still appears low.

- c. A need for Providers to be aware along with VCSEs that personality clashes should be dealt with in the very early stages, and alternative consultants provided where applicable. It should be made clear to both VCSEs and Providers that this will in no way damage their application/reputation to/on the BPB.
3. **Sustainability focus:** An over-arching theme to emerge from the qualitative data (and to a degree from the number of investment deals that have so far taken place) is that sustainability is (or should be) the key focus of BPB, rather than raising social investment. Indeed, increasing sustainability is essentially making an organisation more investment ready. Ultimately, measuring the success of BPB in terms of investment deal flow may be a mistake and the timescales required to take a small VCSE to being sustainable/investment ready may be longer than considered. In the longer-term a more sustainable third sector will ultimately increase deal-flow in the social investment market anyway. Recognition in the BPB literature, marketing materials and BPB KPIs/targets that social investment is not the only end-point of sustainability and investment readiness focus would be beneficial, and could help inform the design and delivery of future programmes beyond the lifespan of BPB. It may also lead to wider VCSE engagement.
4. **Panel Rejection Reasons:**
- a. Whilst the overall data relating to panel rejection reasons across the first two years remains broadly the same, the trends when years one and two are examined independently suggest a shift in why applications are being unsuccessful. As is noted in the main results section, this does not necessarily mean that the panel's focus has changed; it could merely be a

reflection of the applications that were received in year two. Nevertheless, the data outlining these shifts should be made available as early as possible to VCSE applicants and Providers, in order to help inform their work on grant applications (see data contained in Figure 4.12 and Table 4.4 on page).

- b. There appears to exist a tension between the allocation of costings for VCSEs and Providers on grant applications. Providers feel that they are being penalised unfairly for what they argue are sensible costing's in the applications, whilst VCSE organisations are not always aware that they can apply for elements of the grant to cover their own costs. This tension is exacerbated by the fact that it is the responsibility of the Providers (and not SIB) to inform VCSEs of the costs that they are eligible for. In addition, feedback in relation to this finding from SIB argues that it isn't Provider cost levels that are the problem, but the often lack of clear justification for why these costing's are necessary.
- c. In relation to this last point there is also the potential that Providers are completing too much of the grant application work on behalf of the VCSEs and then trying to claim this back through the application. This could suggest the need for Providers to place more of the emphasis on VCSEs in completing applications and also engage with them earlier (i.e. before the 1:1 Support Advisor session or even pre-online application (as is often the case with BPA)).

Despite these recommendations BPB is operating strongly and these suggested programme enhancements are minor. To date the BPB programme has engaged a wide variety of VCSEs from across England and has already provided £3.76 million in grant funding (£2.92 million in preliminary grants; £884,000 in investment plan grants). Its wider impact on the sustainability of the VCSE sector and the size of the social investment market will only become apparent in the coming years as BPB progresses and becomes more advanced.

6. Glossary of Terms

ANOVA	Analysis of Variance: Analysis of Variance (ANOVA) is a statistical test that is used to compare average scores (means) across two or more conditions (Field, 2009:348).
CIC-G	Community Interest Company Limited by Guarantee.
CIC-S	Community Interest Company Limited by Share.
CIO	Charitable Incorporated Organisation.
CLG	Company Limited by Guarantee.
ICRF	Investment and Contract Readiness Fund.
IPS	Industrial Provident Society.
IR	Investment readiness: IR relates to ‘an investee being perceived to possess the attributes, which makes them an investible proposition by an appropriate investor for the finance they are seeking’ (Gregory et al., 2012:6).
SI	Social investment: relates to the practice of providing finance to social ventures (debt, equity or mezzanine finance) with an expectation that a social as well as financial return will be generated (Brown and Norman, 2011).
SIB	Social Investment Business.
SIM	Social investment market: The SIM is the marketplace in the UK within which social investment takes place. It is made up of a variety of individual and organisational investors including: angel investors; ‘social investment finance intermediaries’ (SIFIs); social banks; wholesale banks (e.g. Big Society Capital); government funds; social venture capital firms; and social philanthropy funds.
SROI	Social Return on Investment: SROI is a social impact measurement methodology/ tool that assesses the social/environmental impact of an organisation by monetising outcomes and assessing them in relation to the resources invested.
VCSE	Voluntary, Community and Social Enterprise.

7. Appendices

7.1 – Appendix A: Methodology & Sample Data

Quantitative data was collected through the online application process and the diagnostic tool (both online and one-to-one). These tools captured organisational data (i.e. sector of operation, organisational reach, legal structure, financial data, income streams, governance models, staffing levels, skillsets, product details, accounting practices, and investment needs). Data relating to participant perceptions of their knowledge of the social investment market was also captured through questionnaires that were distributed at the workshop events. All data was analysed using the Statistics Package for the Social Sciences' (SPSS), with descriptive statistics sought, alongside ANOVAs and paired-sample t-tests. Quantitative data in the form of the DT was also captured from VCSEs that were 12 months post grant award, so as to capture longitudinal changes following engagement with the BPB.

Qualitative data in the form of a semi-structured interview (see Appendices L-O for the interview schedules) was collected from 13 VCSEs²⁵; 4 Provider Organisations; 3 Panel Members; and 2 investors. For the VCSE participants five had just completed their grant applications; four had been unsuccessful, two had been unsuccessful but successfully reapplied to the programme, and three were twelve months post-grant. Whilst in year two no VCSEs had entered into a formal dispute, one had registered their dissatisfaction with the service provided. However, as was the case in year one when this VCSE was approached to participate they declined to participate. Therefore a total of 22 interviews have been held with stakeholders by the end of year two of the BPB programme. As of

February 23rd 2016 BPB had received and made decisions on grant applications from 186 VCSEs, and the participant VCSEs in this research were selected randomly from these 186 organisations (with the caveat that there would be a purposeful split across different stages of the programme (i.e. successful and unsuccessful VCSEs; VCSE 12 months post-grant). The interviews explored each VCSE's business model, their experience of BPB and their future plans in relation to social investment and business scaling. For those VCSEs that were 12 months post-grant award the interviews also explored the long-term impacts of BPB on their organisations (not just in relation to social investment). However, the interviews were semi-structured in nature, which also allowed the participant VCSE to explore areas that they felt were important.

The interview data gathered was analysed using a narrative approach, but in relation to the seven stages of BPB. This narrative approach was used to gather a rich picture of how change occurred within each organisation as they went through BPB and their experience of BPB. In particular, the analysis sought to understand what elements of BPB 'enabled' or 'inhibited' their investment readiness development, their knowledge of social investment and their future plans (Feldman et al., 2004). As with Feldman et al. (2004), the approach to data analysis was both inductive and iterative.

The website data gathered involved the collection of registered interest from VCSEs considering applying to BPB. This stage of the quantitative data analysis led to the capture of data from 2,337 VCSEs. The second stage of data analysis (the online diagnostic tool) resulted in a total of 527 VCSE research participants and to date (as of February 23rd 2016) 418 of these VCSEs had completed the 1:1 Support Advisor Session with an advisor. The workshop social

25 The VCSE interviewees were drawn from the following geographical regions: 2 x London; 3 x South East; 2 x South West; 1 x East Midlands; 3 x West Midlands; 1 x North East; and 1 x North West.

investment knowledge questionnaires have so far resulted in the capture of Time 1 and Time 2 data from 183 VCSEs.

7.2 – Appendix B: Workshop Knowledge Test Scores & Evaluation

SI Knowledge Score	N	Mean Score	+/-	t	SD
	58	78.5%	+8.1%	6.54***	13.0%
	58	86.6%			12.0%
Time 1	183	76.6%	+9.5%	12.94***	14.7%
Time 2	183	86.1%			12.7%

	N	Score
I believe that this workshop has enhanced my knowledge of investment readiness and the social investment market	183	89.0%

Nb. * = $p < .05$; ** = $p < .01$; *** = $p < .001$.

7.3 – Appendix C: VCSE Demographic Data

Demographic Variable	N	Mean	Median	SD	Min.	Max	
VCSE age (years)	507	14.09	7.81	16.72	<1	112	
Turnover	506	£1.18m	£277,500	£3.15m	£0	£41.3m	
Net profitability	357	£30,194	£3,000	£85,495	£-79,924	£997,637	
Total assets	503	£927,668	£109,079	£4.05m	£0	£60.64m	
Total debt	454	£240,386	£17,025	£776,123	£0	£10.84m	
Investment needs	511	£599,555	£250,000	£4.15m	£0	£90m	
Income diversity							
(% of income from top 2 customers)	480	66.3%	70%	26.5%	1%	100%	
Public sector reliance (% of income from public sector)	410	51.4%	50%	31.8%	0%	100%	
Staffing	FT	518	14	3	48	0	847
	PT	516	15	3	49	0	847
	Volunteers	513	127	10	1605	0	35000

Nb. N < 527 as some organisations did not complete all parts of the diagnostic tool.

Table 7.3 – VCSE legal structures

Legal form	N	%
CLG	251	51.4
CIC-G	68	13.9
CIO	42	8.6
CIC-S	35	7.2
IPS	34	7.0
Private Company	22	4.5
Other	20	4.1
Unincorporated	16	3.3
Total	488	100
Charitable origins		
Origin	Yes	No
Registered charity	282 (54.4%)	236 (45.6%)
Total	518	

N < 527 as some organisations did not complete all parts of the diagnostic tool.

7.5 – Appendix E: VCSE Geographic Reach

Table 7.4 – VCSE Geographic Reach

Geographic reach		
Reach	N	%
Neighbourhood	22	4.5
Local Authority	180	37.1
Regional	137	28.2
Multi-regional	39	8.0
National	81	16.7
International	26	5.4
Total	485	100

N < 527 as some organisations did not complete all parts of the diagnostic tool.

7.6 – Appendix F: Women-, BME- & disabled-led VCSEs

Type	Yes	No	Total
Women-led	168 (32.5%)	349 (67.5%)	517
BME-led	79 (15.3%)	438 (84.7%)	517
Disabled-led	3 (0.6%)	484 (99.4%)	487

N < 527 as some organisations did not complete all parts of the diagnostic tool.

7.7 – Appendix G: Social Impact Measurement

The VCSE applicants were asked to rate their social impact measurement on an 11-point Likert scale in relation to the following four questions (scale end-points are in italicised brackets after the question):

- Report:** How do your report on your achievements and impact? (0 = we don't provide documents such as annual reports, other than what is included in our financial accounts; 10 = an annual independently verified statement of our social performance is always available on our website and promoted widely).
- Fairness:** What do you to ensure that the information you capture and report about your performance and social impact is fair? (0 = we don't routinely collect information about our organisational performance; 10 = our social impact methodology routinely involves scrutiny and verification from an independent external body).
- Performance/impact management:** What methods does your organisation use to manage performance and/or measure impact? (0 = we do not have a formal method in place to track performance and measure impact; 10 = we use an established and externally developed social impact methodology, which is fully embedded in our overall organisational systems).
- Vision:** Does your organisation have a clear vision for change and the impact you are trying to achieve? (0 = we don't yet have a clear vision of what our organisation is trying to achieve in the longer term; 10 = we regularly review our vision, mission and objectives and the board and staff are all aware and signed up to them).

Question	Year	No	Mean	SD
Report	Overall	517	49.1%	27%
	Year 1	275	46.7%	22%
	Year 2	242	51.7%	31%
Fairness	Overall	517	46.9%	23%
	Year 1	275	52%	19%
	Year 2	242	41%	25%

Performance management	Overall	517	48.3%	23%
	Year 1	275	55.4%	21%
	Year 2	242	44.7%	24%
Vision	Overall	517	59.1%	24%
	Year 1	275	67.5%	20%
	Year 2	242	49.7%	25%

NB. Likert-scale responses are represented here as average (mean) percentages.

Table 7.6b – Social Impact (Initial & 12 months post-grant)						
Factor	N	Mean (T1)	Mean (T2)	+/-	t	SD
Report	5	60.0%	62.0%	+2%	1.00	4.5%
Fairness	5	56.0%	66.0%	+10%	1.83	12.2%
Performance/impact management	5	58.0%	68.0%	+10%	1.58	14.1%
Vision	5	82.0%	86.0%	+4.0%	-.49	18.2%

Nb. * = $p < .05$; ** = $p < .01$; *** = $p < .001$. Paired-sample t-tests were undertaken to test the changes in IR scores. $N < 32$ as some organisations did not respond to requests to complete the diagnostic tool 12 months post-grant.

7.8 – Appendix H: VCSE Investment Readiness Perceptions

In calculating the investment readiness of VCSE applicants, data was collected in the Diagnostic Tool in relation to VCSE perceptions of their organisational capabilities. Specifically, the areas that were explored were:

- **The people in the organisation:** Staff, volunteer and senior management team skillsets.
- **Product(s) and customers:** Product clarity, market competition, customer base, organisational adaptability and networks.
- **Impact:** How organisations measure social impact, track record, community engagement and organisational capacity (in relation to impact).
- **Finances:** Financial management, accounting practices and financial forecasting.

VCSEs were asked to rate their abilities against specific questions within these four areas. They rated themselves on an 11-point Likert scale that ranged from 0-10. Each question provided explanations detailing what each end of the Likert scale related to. The answers provided for these given areas were then calculated to produce final scores across five areas (Governance and leadership; Financial performance; Financial control; Quality and impact; and Market potential). These five final scores were then combined to provide an overall total score relating to a VCSEs investment readiness (as a percentage). This process was undertaken by VCSEs when they completed their online DT.

Table 7.7a – Online DT final scores

Factor	N	Mean (T1)	SD
Year 1			
Investment readiness score	220	59.3%	12.8%
Year 2			
Investment readiness score	247	48.7%	21.7%
Overall			
Investment readiness score	467	53.7%	18.8%

N < 527 for the overall data as some organisations did not complete all parts of the diagnostic tool

Table 7.7c – Charitable Status Online DT Comparison

VCSE	N	Mean	F	SD
Registered Charity	226	55.4%	4.2**	19.0%
Not Registered Charity	238	51.8%		18.6%

Nb. * = $p < .05$; ** = $p < .01$; *** = $p < .001$. One-way ANOVAs were undertaken in order to test for the organisational differences.

7.9 – Appendix I: Grant Awards Data

Table 7.8 – Grant Awards Data

Variable	N	Mean	Median	SD	Min.	Max
Preliminary Grant Awards Made	104	£28,354	£28,540	£6,118	£17,575	£49,904
Investment Plan Grant Awards Made	20	£44,215	£46,572	£7,667	£28,060	£50,000

7.10 – Appendix J: Grant Application Rejection Reasons

Table 7.3 – VCSE legal structures

Rejection Reason	N	%
Poor Market Analysis	27	14.8
Poor Financials	43	24.6
Too Early Stage	27	14.8
Not IR Relevant	8	4.4
Insufficient Relation to 1:1	11	6.0
Poor Governance	27	14.8
Unclear Social Impact	11	6.0
Poor Activity Breakdown	23	12.6

Unclear Investment Deal	5	2.7
Total	182	100

Nb. As 4 separate reasons can be given for an application rejection, the theoretical total for the data held on 86 rejections can be 344. Not all VCSEs are given 4 rejection reasons however, hence N here equals 182.

7.11 – Appendix K: VCSE Semi-structured Interview Questions

VCSE	N	Mean	Change	t	SD
Online DT Score (Time 1)	6	66.83%	+6.17%	2.42	9.6%
DT Score 12 months post-grant (Time 2)	6	73.00%			

Nb. * = $p < .05$; ** = $p < .01$; *** = $p < .001$. Paired-sample t-tests were used to explore the changes over time in the DT scores.

7.12 – Appendix L: Organisational Change Over Time

Demographic Variable	N	Time 1	Time 2	Change +/-	t	SD	
Turnover	5	£423,716	£520,420	+£96,703	1.59	£135,875	
Income diversity	20	£44,215	£46,572	£7,667	£28,060	£50,000	
(% of income from top 2 customers)	5	54.80%	47.40%	-7.40%	.43	38.48%	
Public sector reliance (% of income from public sector)	4	31.25%	33.50%	+2.25%	.35	12.76%	
Staffing	Staff	5	38.20	40.00	+1.80	.42	9.63
	Volunteers	5	58.40	65.60	+7.20	.65	24.97

Nb. $N < 6$ as some organisations did not complete all parts of the diagnostic tool. Nb. * = $p < .05$; ** = $p < .01$; *** = $p < .001$. Paired-sample t-tests were used to explore the changes over time in the DT data.

7.13 – Appendix M: VCSE Semi-structured Interview Questions

1. Will you please tell me a bit about your SE and describe your role?

- Social mission?
- Entrepreneur/CEO?
- Legal and governance structure?
- Future?

2. What are your main sources of income?

a. Sectors:

- Private sector.
- Public sector.
- Donative.

b. Have those sources of income changed since you started up and if so how?

3. Why did you apply to the Big Potential programme?

4. What has been your experience of the Big Potential programme?
 - a. Online application?
 - b. 1:1 Diagnostic?
 - c. Mentoring and partner organisation?
 - d. Final grant application?
5. What was your knowledge of investment readiness prior to engaging with Big Potential?
 - a. How has this changed?
6. Did you engage with the Big Potential workshops and if so what was your experience of them?
7. What do you see happening with your venture over the next 12 months?
 - a. Expansion?
 - b. Seek further investment?
 - c. Social impact?
8. How has the Big Potential programme changed your organisation?
9. Did you encounter any barriers/problems with the Big Potential programme?
10. What do you think are the main barriers to you seeking investment from the private sector?
 - a. Has the Big Potential programme helped with any of this?
11. Is there anything else that I haven't asked that you think is important or wish to add?

7.14 – Appendix N: Provider Semi-structured Interview Questions

1. Will you please tell me a bit about your organisation?
 - a. Social mission?
 - b. Experience/history?
2. Why did you become a provider for BP?

3. What has been your experience of the BIG Potential programme?
 - a. Mentoring and partner organisation?
 - b. Final grant applications?
 - c. Post-grant application?
4. What was your knowledge of the social investment sector like prior to becoming a Provider on BIG Potential?
 - a. How has this changed?
5. Did you encounter any barriers/problems with the BIG Potential programme?
 - a. What could be improved?
6. How do you believe that BP has helped the VCSEs that you have supported?
 - a. Investment readiness?
 - b. Business development?
 - c. Social impact?
7. What support have you provided to VCSEs during their applications?
 - a. What is most important area in your perception?
8. Can you tell me about a specific case-study (if applicable)?
9. Is there anything else that I haven't asked that you think is important or wish to add?

7.15 – Appendix O: Panel Semi-structured Interview Questions

10. Will you please tell me a bit about yourself?
 - a. Professional experience.
 - b. Current role.
11. Why have you become a panel member for BP?
12. What has been your experience of the BIG Potential programme Panel meetings?
 - a. Application quality?

- b. Assessment?
 - c. Grant awardee updates?
13. Did you see any barriers/problems with the BIG Potential programme?
- a. What could be improved?
14. How do you believe that BP has helped VCSEs?
- a. Awardees?
 - b. Generally?
15. What do you think the impact of the BP is on the sector?
- a. Business planning?
 - b. Investment readiness?
 - c. Social impact?
16. Is there anything else that I haven't asked that you think is important or wish to add?

8. References

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