Big Potential Advanced Evaluation Report

Year 3 | July 2018

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1. Foreword

Welcome to the third and penultimate Big Potential Advanced (BPA) Evaluation report, which covers performance to the end of December 2017.

With all the funding now allocated, this year's report gives insight into the effectiveness of the programme through a profile of the Voluntary, Community and Social Enterprise (VCSE) organisations that were awarded funding for their business support. It also looks at how this translates into improved states of investment and contract readiness, and ultimately to deals and contracts.

We've come a long way since BPA was launched in 2015 offering grants to VCSEs seeking business support funding to help gain more than £500,000 of social investment or a contract in excess of £1 million. The programme launched in a tough and testing climate for charities and social enterprises: with competition for contracts high, and growing pressure on trading organisations in their markets. The high demand for support at the closure of the programme also demonstrates how important programmes of this kind have proven to be for organisations within the sector.

This is why it's encouraging to see the successes documented here: of course, as more organisations have completed their projects, it's no surprise to see more successful outcomes being reported than in previous evaluations: and there is every expectation that there will be more to come. We're very proud of the overall performance to date. Nearly £10 million of grants have been awarded and that support has helped 38 VCSEs achieve nearly £460 million of investment and contracts.

It remains important to say that such success is down to all the participants in the programme – primarily the VCSES (both successful and unsuccessful), providers, investment panel members, investors and commissioners. Many of those have again contributed generously and invaluably with their time and observations to this evaluation as in previous years, for which we are hugely thankful.

Evaluations like this one are essential not only to understand why and how success is achieved, but also to learn from and to inform future work. Social Investment Business and Big Lottery Fund are both committed to being open about that learning and how we can all improve and we will be absorbing the learning from this report as much as anyone. It is crucial that we all seek to find the most effective ways to support those organisations who are changing people's lives and improving communities in some of the toughest parts of the country: if we can help them do more and do better, and be more resilient, we will move closer to a fairer economy and a more vibrant society.

Nick Temple
Chief Executive
Social Investment Business

Gemma Rocyn Jones
Head of Finance Resilience
Big Lottery Fund

2. Overview

Big Potential Advanced (BPA), was launched in January 2015 as a £10 million expansion to the Big Potential Programme in addition to the existing £10 million Big Potential Breakthrough (BPB). The market for investment and contract readiness provision is steadily being built, and there is significant evidence from the Investment and Contract Readiness Fund (ICRF) of improved capabilities which will lead to investment or contract wins (Ecorys, October 2015)[1]. BPA intended to build upon the learning generated through the operation of the ICRF programme with a concerted focus on the social impact generated through investment and contract readiness programmes.

BPA sought to support the more developed sections of the Voluntary, Community and Social Enterprise (VCSE) sector to access social investment (amounts larger than £500,000) and/or large public service delivery contracts (in excess of £1 million). The VCSEs that BPA supported were envisaged to be much more 'investment and contract ready' than those that applied to BPB and to be closer to securing investment or contracts. Therefore, whilst BPB sought to improve the sustainability, capacity and scale of VCSEs; BPA aimed to provide the final 'push' of support needed by more established organisations to win social investment and contracts, by assisting them to improve their capabilities in areas deemed critical to investors and commissioners.

The £10 million BPA support package was provided through grant funding of up to £150,000 and was used to support VCSE costs (maximum of 40% of the grant) and bring in expert external providers as consultants. VCSE applicants were expected to already have a clear vision of how social investment would allow them to achieve their goals and to have identified potential interested investors and/or contracts that they could compete for. Crucially, whilst the funding could not be used to cover the costs of core staff members, it could be used to provide backfill for these staff whilst they work on the investment and/or contract deal, and to extend the working hours of part-time staff to assist with this. The core outcomes aimed at by BPA were:

- To support the highest potential social ventures to develop the key capabilities required to secure investment and/or contracts.
- To improve the sustainability of the investment and contract readiness support marketplace.
- To increase market-wide understanding (investors; providers; commissioners; policy-makers; funders; VCSEs) of the needs of the VCSE sector in securing large investment and contracts and of how best to support these needs.

The BPA programme was developed from a robust theory of change that described the starting points and learning gained from ICRF and how BPA would build upon these. In addition, the theory of change described how BPA would achieve these new aims and what the specific outputs and overall outcomes of the programme would be in order to achieve the overall mission of supporting VCSEs to secure more investment and contracts. Figure 2.1 overleaf provides an overview of this theory of change[2].

1 The ICRF was a £10m Cabinet Office funded scheme that operated between May 2012 and March 2015 and sought to develop the investment and contract readiness of VCSEs seeking social investment and/or public sector contracts.

2 This Theory of Change was developed by the BPA team (SIB and partners) at the outset of the programme. This ToC was then subsequently utilised by the evaluation team in the design of our research tools.

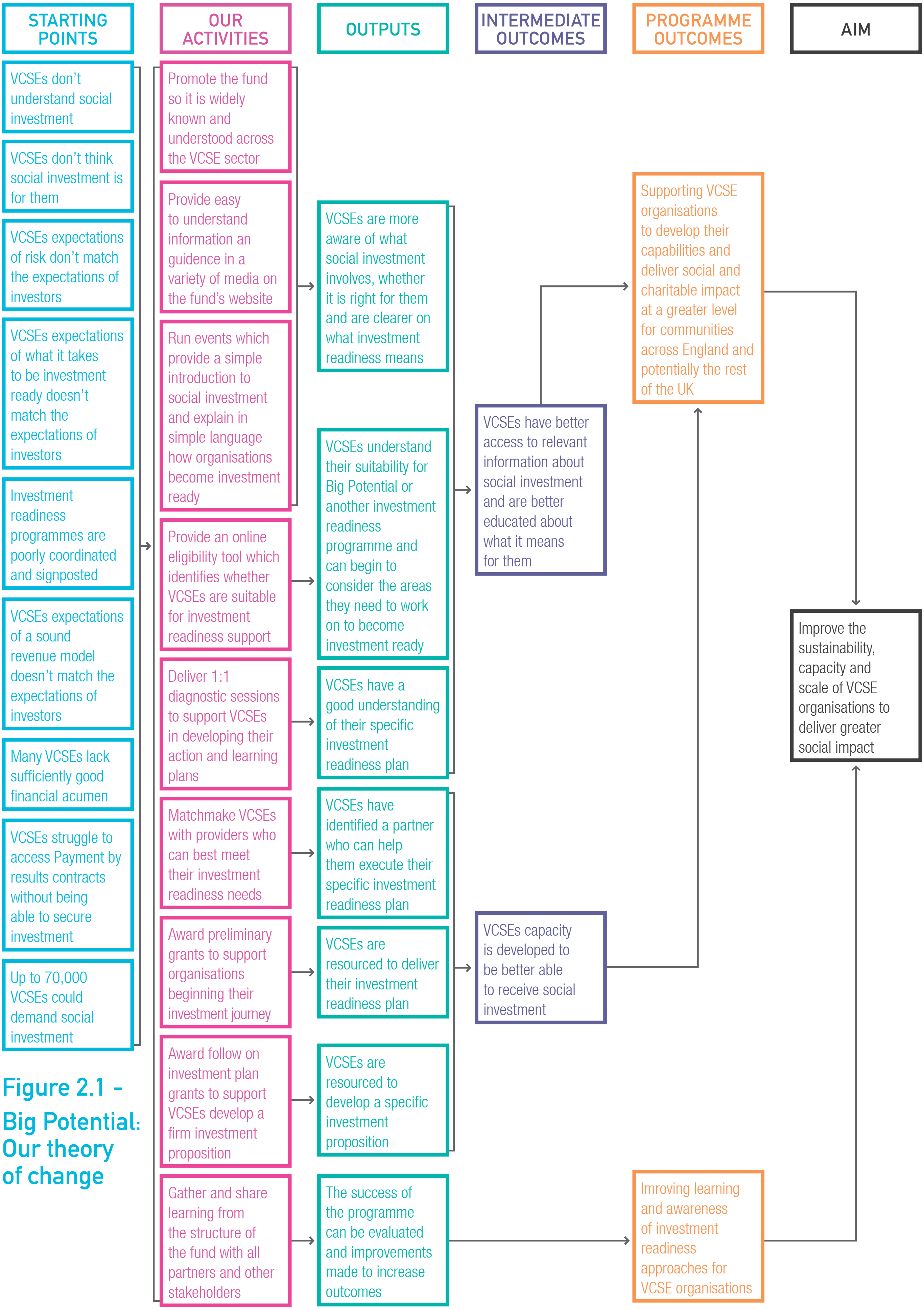


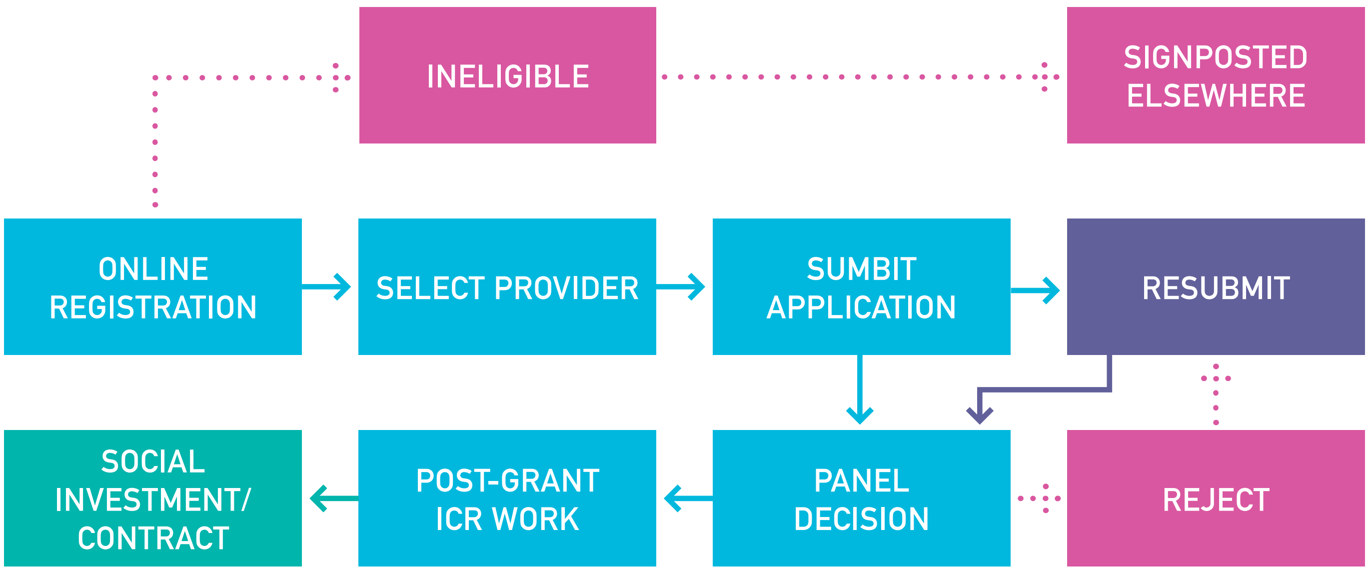
Figure 2.1 – Big Potential: Our theory of change

The BPA programme was launched by the Big Lottery Fund and was delivered by Social Investment Business (SIB). The University of Northampton is the ongoing evaluation partner for the fund and the evaluation has been based upon the theory of change previously outlined[3].

The BPA Programme had five distinct phases: online registration by VCSEs and providers; the VCSE's selection of a provider and together with the provider, working up an application for grant; submission of the grant application by the VCSE; consideration of applications by the BPA panel; and the provider undertaking post-grant work with the VCSE for which the grant was awarded. Unlike BPB, BPA did not have the online diagnostic tool or the 1:1 support advisor sessions, instead moving from online registration to immediately selecting and working with a support provider on the grant application. The VCSEs that engaged with BPA were envisaged to be larger and more developed than their BPB counterparts (and closer to being investment and contract ready), and therefore were not deemed to require an in-depth pre-application assessment process.

Following registration for BPA the VCSE applicant selected a support provider from an approved list to work with, to co-develop their grant application. The grant application was submitted following a period of work with the provider and the BPA panel then considered whether the application should be successful, be rejected or whether it should be revised and resubmitted. If rejected the VCSE could reapply. If successful, the VCSE was awarded the grant funding and began work with their support provider to develop its investment and contract readiness in order to secure social investment in excess of £500,000 or a contract in excess of £1 million. These five phases are outlined below in Figure 2.2.

Figure 2.2 – Five Phases of BPA



3 Whilst BPA has now closed to grant applications, the evaluation continues as the research seeks to track VCSEs up to 12 months post-grant award. The evaluation's data gathering will therefore close in autumn 2018.

This paper represents the third annual evaluation report for BPA covering the full three years of operation up to December 31st 2017 (the grant awards phase of BPA closed in October 2017). It provides an overview of the effectiveness of the programme, the broad types of VCSEs that are seeking BPA support and how this support is translating into increased investment and contract readiness as well as 'deal flow'. The research uses the demographic data obtained from VCSE applicants at the online registration phase as well as in their grant applications, and also uses interview data that was gathered by the evaluation team from VCSE applicants (successful and unsuccessful); commissioners, social investors; providers; panel members; and policy-makers. Now that the BPA has completed its grant award phase, the data gathered provides a rounded overview of the impact of the programme on VCSEs and the wider investment and contract readiness sector, as investment and contract deals are secured. However, the data gathering process will be continuing until all of the grant monitoring processes are completed (12 months post-grant), so that the longitudinal impact of BPA can be fully assessed.

3. Executive Summary

3.1 Evaluation method & approach

The data contained in this research reflects the performance of BPA up to December 31st 2017. A mixed-methods approach to data collection was adopted that involved the collection of quantitative and qualitative data. The quantitative data (from 231 VCSEs[4]) was collected through the online application process, grant applications and panel considerations and feedback documentation. This involved the capturing of organisational data (i.e. sector of operation, organisational reach, financial data, staffing levels, product details, and investment and/or contract needs). Data related to the longitudinal impact of BPA on social impact and its measurement was also captured through SIB's Methodology for Impact Analysis and Assessment (MIAA) tool, completed by SIB at the beginning of a VCSE's BPA journey (Time 1), and again 12 months' post-grant (Time 2) (data related to 133 VCSEs at Time 1 and 37 VCSEs at Time 2).

The qualitative data was collected in the form of 39 semi-structured interviews from the following participants[5]:

- twenty VCSEs:
  - thirteen successful
    - three VCSEs had secured investment
    - one VCSE had secured a contract
    - two VCSEs had completed their grant with no investment and/or contract secured
    - seven VCSEs were all at different stages of their post-grant award phase
  - four unsuccessful VCSEs
  - three VCSE that were rejected, but then successfully reapplied
- seven provider organisations
- five panel members
- four investors
- one commissioner.

3.2 Research Findings

Over the first three years of BPA the following outputs have been achieved:

- 231 grant applications received and 17 resubmissions:
  - 99 investment applications;
  - 96 contract applications;
  - 36 investment and contract applications.
- Of these 231 applications 137[6] grant awards were made (59% success rate):
  - average value of £70,000;
  - 64 x contract; 56 x investment; 17 x investment/contract;
  - one of the above grant offers was declined by the VCSE;
  - 94 were rejected.

4 23 VCSEs in Year 1; 113 VCSEs in Year 2; 95 VCSEs in Year 3. It should be noted that whilst SIB received 248 grant applications to BPA in total, 17 of these were resubmissions, hence the total number of VCSEs was 231.

5 See Appendix A for a full methodological overview.

6 136 grant awards were made in the end, as one VCSE declined the grant award offer.

- As of December 31st 2017, 10 investments (value of £15.2m) and 30 contracts (value of £444m) had been won by 38 VCSE grant awardees, with still only 62% of VCSEs being 12 months' post-grant award.

Amongst these 231 grant applications the VCSE demographics demonstrated the following profile:

- average turnover of £2.1m.
- low profitability rate on that turnover of 1.9%;
- equivalent of 33 FTE 1.0 staff.
- average age of 13 years.
- seeking investment and/or contracts of £2m and £2.2m respectively.
- The programme received significantly lower numbers of applications from the following 3 regions compared to the other 6 regions[7]:
    - East Midlands (-3.5%);
    - East of England (-5.3%);
    - West Midlands (-2.5%)
- 71.7% of the VCSE applicants operated on at least a regional basis in their service provision.
- Nearly two-thirds of applicants were Companies Limited by Guarantee (CLGs):
    - 78% of applicants have social purpose built into their legal and governance structures.
- Finally, nearly two-thirds of the applicant VCSEs operated in employment, training and education, and/or in: housing and local facilities, mental health and wellbeing, and citizenship and community.

7 The negative values represent the amount that applications are below the national proportion of VCSEs for each region.

In addition, the qualitative data has demonstrated that:

- Many VCSE applicants are using existing provider relationships when applying to BPA.
- Panel feedback on applications was generally considered detailed and helpful by providers and VCSEs.
- Contract readiness applications have a 67% success rate compared with an investment readiness application rate of 55%.
- The performance of BPA in the post-grant phase and the impact delivered appears strong, now that nearly two-thirds of VCSEs are more than 12 months' post-grant. The data reveals that:
    - VCSEs have the 'ability' and 'willingness' to work with Providers on applications and post-grant in investment/contract applications, but not the capacity. This is where BPA has significant impact in leveraging in this capacity through consultants.
    - Post-grant work has mainly focused on: market potential (104 of the 137 awardees and 27% of all support requests); and quality and impact (97 of the 137 awardees and 25% of all support requests).
- Stakeholders viewed the potential impact of BPA on the investment and contract readiness state of the VCSE sector and social investment market positively, as BPA:
    - Provides key support around: organisational development (governance and management); business planning; financial modelling; public sector tender response and bid writing; contract management; legal issues; and social impact measurement
    - Provides support for the development of the provider market;

- Enables VCSEs to access this provider support;
- Brings commercial consultants into the third sector marketplace.
- Has created considerable deal-flow now, especially in relation to Contract Readiness (CR).

- A number of minor negative points were also made by the interviewees (who were VCSEs, providers and panel members), including:
  - the high daily rate of Providers;
  - Provider quality.
  - Panel decisions not always having as much open discussion as might be necessary.
  - Lack of flexibility in the grant to allow for multiple Provider use by the VCSE[8].

3.3 Recommendations

Whilst it is no longer practical to make recommendations as the BPA programme has now completed its grant making, wider recommendations for Investment Readiness (IR) and CR programmes can be gleaned from the data gathered to date, along with the performance of the BPA so far. These are:

1. **VCSE Engagement:** There remain entrenched regional engagement problems in relation to the East of England, the East Midlands and the West Midlands. This has been the case on both BPA and BPB (for the East of England and East Midlands) albeit BPA has had a higher level of engagement from the East of England than BPB (BPA = -5.3% versus BPB = -8.2% when compared with national averages). These regions have also historically been hard to reach for other funding programmes. Wider ecosystem development is required in these regions if future funding programmes are to succeed (the North East provides an interesting case study of how infrastructure improvements can lead to improved engagement and deal flow, at least in relation to IR). This ecosystem development might include the following three core interventions:

   a. Creation of VCSE owned/led networks within regions to promote communication and sharing of best practice.

   b. Hubs of investors and support consultancies in major regional cities (as we have seen in Newcastle and Bristol, and to a degree Manchester).

   c. Support from Local Government for the VCSE sector. Whilst in the current climate this might not include funding, other mechanisms such as policy, procurement/commissioning, and local enterprise engagement would be helpful.

2. **Post-grant impact:** Future programmes should consider additional types of grant or sub-grant that provides support to VCSEs after they have secured investment (but before the drawdown of funds) or following the securing of a contract. This additional funding support could be crucial in helping VCSEs make sustainable transitions to new business models or project delivery frameworks. Furthermore, monitoring and research should be extended beyond the 18 months' (monitoring) and 12 months (research) post-grant that is currently in place, to at least two years as it is clear that significant impacts are generally not felt over time periods of 12-18 months. This would likely have to be the responsibility of the Fund rather than the VCSE, due to the burdens already on VCSEs. However, VCSEs

8 As has been noted, these statements represent the perceptions of VCSEs. BPA did in fact allow for the utilisation of multiple Providers where the case could be made, but clearly this was a factor that some VCSEs were not aware of (and it could be argued some Providers might not overtly market this).

have a responsibility here to engage in data capture and actively report this back, an area that has not necessarily been the case on BPA or BPB.

3. **Provider Quality:** A number of stakeholders have articulated a desire to see more done to assess the quality of Providers, perhaps through an online platform that can be used by VCSEs to assess Provider performance, and by Providers to market their skills. This would also act as a networking space between the two stakeholder groups as well. VCSE and Provider fit was broadly articulated on the basis of Provider culture fit and understanding of the VCSE, as opposed to any technical skills deficit. VCSEs were also keen to know how proactive Providers were in the grant application phase and what their success rates were.

4. **Wider ecosystem:** There are clearly significant impacts on VCSE IR/CR journeys from wider ecosystem factors (e.g. unexplained commissioner behaviour; legal problems; 'investability' and why deals don't happen; affordability of social investment; and VCSE risk-aversion). In some respects, it is difficult for grant funding programmes to counter these, but awareness of the factors in the design of future programmes may help. In this respect there was a general desire amongst participants across the three years to see a BPA2 programme. Programme features that may assist with these wider ecosystem issues as articulated by VCSEs/Providers are:

    a. **Post-win funding:** Grant funding being allowed to be allocated to the post-investment/contract win, to help deal with capacity issues and the various problems that can occur after securing investment but before drawing-down the money.

    b. **Subsidy of Investment:** Where there are issues of investment affordability, grant funding programmes could seek to offset some of the due-diligence costs (or directly subsidise products through blended deals) to improve affordability. The hope here would be that as the market grew and investor experience with it, innovative products and more affordable deals due to the increasing amounts of recycled capital, would begin to emerge.

    c. VCSEs need to be supported/educated to take on some of the responsibility for this themselves, in researching the market and understanding the common problems that can arise, so as to be able to mitigate them as best as possible.

BPA has clearly performed well, with nearly £10m of grants awarded/offered to VCSEs. This grant support has to date leveraged in nearly £460 million of investment and contracts, across 38 VCSEs and 40 'deals'[9]. It will be interesting to see how these figures increase as the 52 remaining VCSE grant awardees who are not yet 12 months' post-grant, progress in Year 4. It seems that the impact intended to be delivered by BPA is now starting to emerge.

9 As has been noted in the main report, this figure is somewhat skewed by the large contract win of one VCSE of £220m.

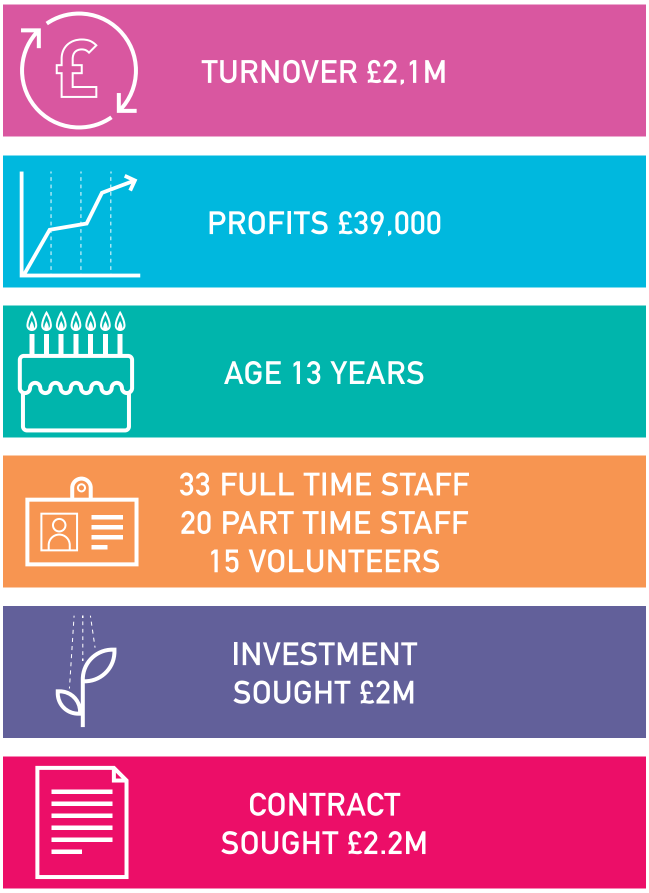
4. Results

The data gathered to date in the form of VCSE demographic data, grant applications, panel considerations, grant decisions and feedback, as well as the qualitative interview data gathered are presented in this section in relation to the different stages of BPA. Whilst there are five distinct phases to BPA as outlined earlier in figure 2.2, for the purposes of the evaluation these have been condensed into three key stages: registration and provider working; grant application and panel feedback; and post-grant development. A section on the wider sector impact of BPA is also included at the end of the results section. The quantitative and qualitative data gathered will be presented jointly in each section where applicable, so as to provide triangulated support to the emergent findings discussed. As was noted earlier, all the quantitative data presented in this section relates to BPA performance to December 31st 2017, whilst the qualitative data relates to VCSEs that had at the minimum received their grant application decisions from the panel. The interview data from other stakeholders represents their views on the various stages of the programme that they were involved in (e.g. panel members and the panel decision-making processes) and/or their opinions of the wider efficacy and impact of BPA to date.

4.1 – VCSE Demographics

In the three years of the programme 231 BPA grant applications were received from VCSEs seeking support (23 VCSEs in Year 1; 113 VCSEs in Year 2; 95 VCSEs in Year 3)[10]. Data was captured from these in relation to; sector of operation, geographic location and reach, organisational age, staffing, turnover and profitability. This section will explore the demographic base of BPA applicants in relation to these variables, as well as their perceptions of the registration phase and the provider selection and working phase in preparing the grant application. In addition, provider perceptions of this element of the programme are also presented in order that both organisational perspectives are accounted for. Figure 4.2 below provides an overview of the organisational demographics of applicants.

Figure 4.2 – BPA Applicant Demographics



Nb. See Appendix B for the full statistical breakdown.

10 It should be noted that whilst SIB received 248 grant applications to BPA in total, 17 of these were resubmissions, hence the total number of VCSEs was 231.

The data outlined previously in figure 4.2 outlines the average demographic data-points captured for VCSE applicants to BPA. The data reveals that VCSE turnover has dropped slightly overall for the programme at £2.09 million[11]. Overall, average profit levels for the VCSEs has decreased from £52,000 across the first two years, to £39,000 (1.9% of turnover) over the three years [Year 1 = £36,000 (2.8%); Year 2 = £63,000 (2.3%); Year 3 = £36,000 (1.7%)]. As with Years 1 and 2 the organisations were well established (average age of 13 years), with 33 FTE staff (Year 1 = 24 FTE staff; Year 2 = 39 FTE staff; Year 3 = 26 FTE staff) and a relatively low reliance on volunteers. Nevertheless, the sums of investment and/or contracts that were being sought were high in comparison with turnover (investment = 95.7% of turnover; contracts = 105.3% of turnover), suggesting that VCSEs were looking to significantly expand their operations. As with the findings reported across the first two years, it also suggests that VCSE applicants to the BPA are small-sized SMEs seeking to rapidly scale. Finally, whilst the level of investment sought dropped slightly (£2m across the three years compared to £2.2m across the first two years), the overall value of contracts sought (£2.2m) remained broadly similar in comparison to previous years (Year 1 = £2.7m; Year 2 = £2.1m; Year 3 = £2m). This means that VCSEs are seeking four times the level of investment that is the minimum for BPA (£500,000) and 2.2x the minimum contract value (£1m).

In relation to the geographical engagement of BPA throughout the English regions, figure 4.3 details BPA applicant's locations.

11 Broken down this is as follows: Year 1 = £1.3 million; Year 2 = £2.74 million; Year 3 = £1.64 million.

Figure 4.3 – BPA Applicants by Region

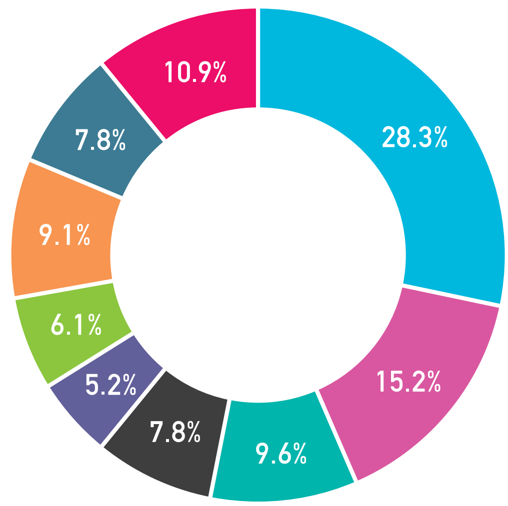


Figure 4.3 above shows that over one-quarter of the 231 BPA applicants were based in London; with London, the South East and the South West accounting for 53.1% of all applications. The other main geographic regions engaging with BPA are the North West (10.9%) Yorkshire and Humber (9.1%); the North East (7.8%) and East of England.

In comparison with the average regional percentage of voluntary sector organisations as a proportion of the national total (see the 2016 NCVO data below in Table 4.1), the only regions that appear to be significantly under-represented are the East Midlands (-3.5%), the East of England (-5.3%) and the West Midlands (-2.5%) (NCVO, 2016). The BPA is broadly aligned with national averages elsewhere and surpasses these averages with high engagement in London (+10%); Yorkshire and Humber (+1.4%); the North East (+4.4%); and the North West (+0.9%). Compared with previous years, engagement in Year 3 was higher than the BPA overall averages in: London (+3.6%); South East (+0.8%); East Midlands (+3.3%); West Midlands (+0.3%); and the North West (+2.9%). Applications were reduced in: South West (-3.2%); East of England (-2.5%); Yorkshire and Humber (-3.8%); and the North East (-1.4%).

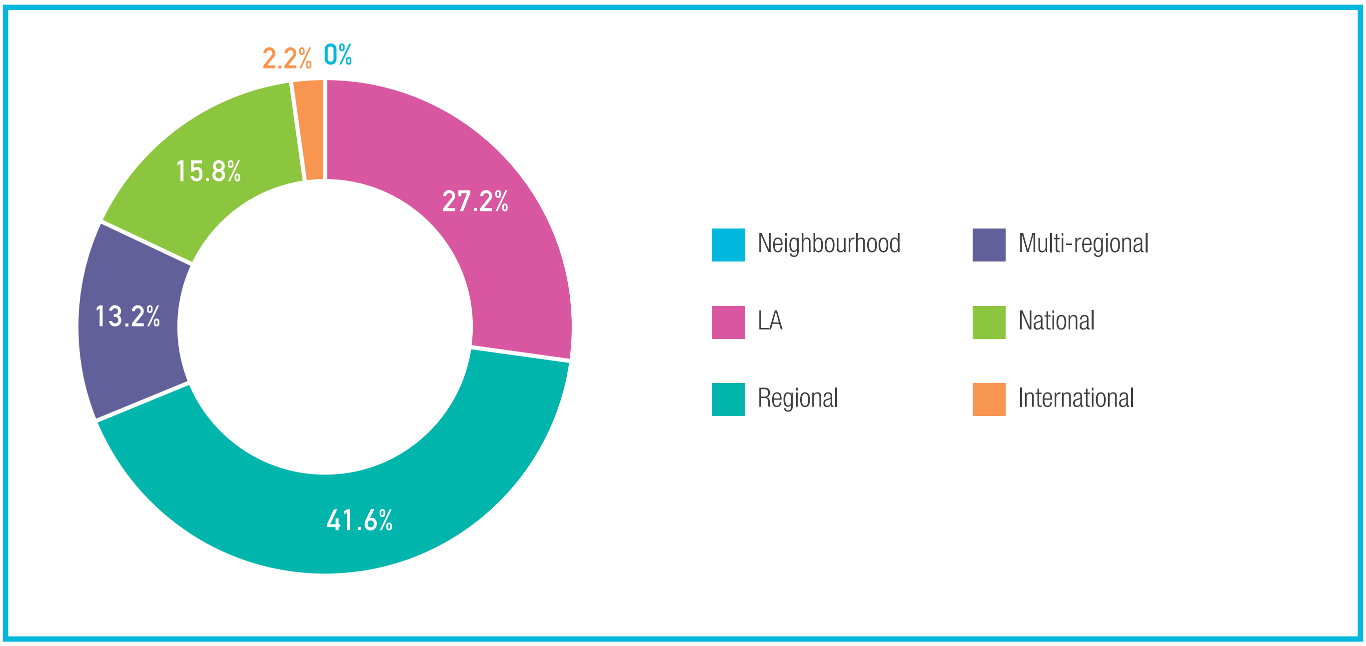
Table 4.1 – VCSE Regional Applications

Region	BPA year one	BPA year two	BPA year three	BPA Overall	National Average
London	21.7%	26.5%	31.9%	28.3%	18.3%
South East	8.0%	15.9%	16.0%	15.2%	18.5%
South West	4.4%	13.3%	6.4%	9.6%	12.9%
East of England	13.0%	8.8%	5.3%	7.8%	12.5%
East Midlands	8.0%	1.8%	8.5%	5.2%	8.1%
West Midlands	4.4%	6.2%	6.4%	6.1%	8.6%
Yorkshire & Humber	17.4%	10.6%	5.3%	9.1%	7.7%
North East	8.0%	8.8%	6.4%	7.8%	3.4%
North West	13.0%	8.0%	13.8%	10.9%	10.0%

Nb. National average data taken from NCVO Almanac (2016). Items highlighted in green represent regions where engagement is above the national average; in yellow represents engagement up to 25% lower than the national average; in red represents engagement more than 25% below the national average.

Data about the geographic reach relating to their services was also captured from BPA applicants. Figure 4.4 below outlines these findings.

Figure 4.4 – VCSE Geographic Reach

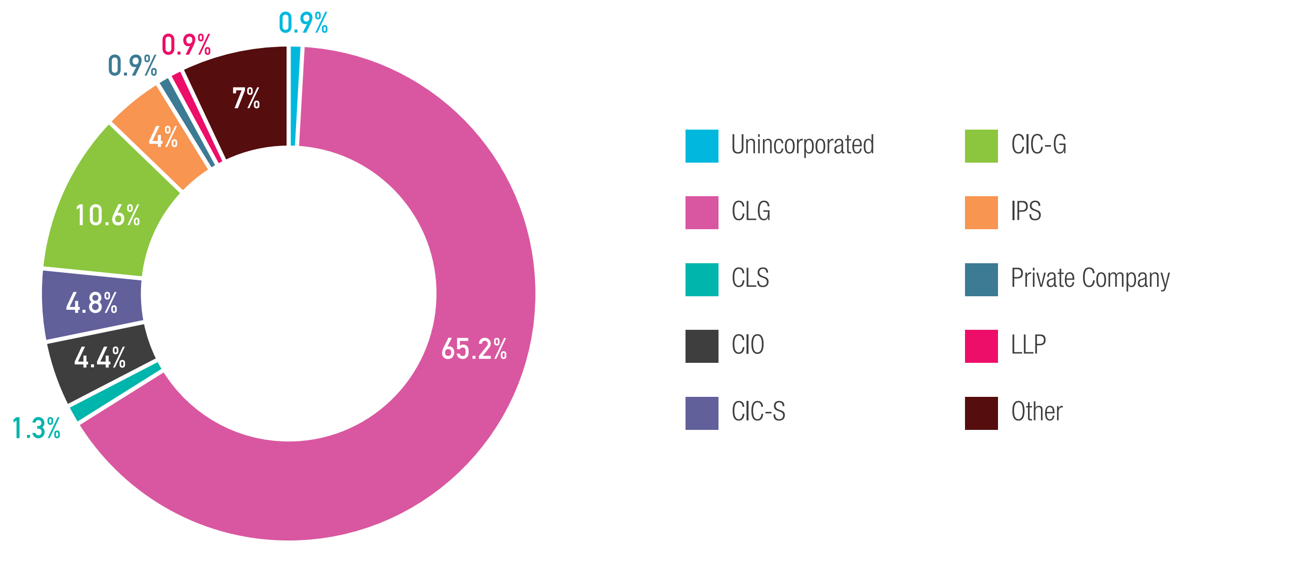


Nb. See Appendix C for the full statistical breakdown.

Figure 4.4 demonstrates the continuing trend seen in Years 1 and 2 in which the focus of the fund on more established and larger VCSEs meant that there were no applicants with a purely neighbourhood focus. However, there was an increased number of overall applications (27.3%) from VCSEs that operated merely in their local authority area compared with Years 1 and 2 (Year 1 = 13%; Year 2 = 28.3%; Year 3 = 29.3%). Applications from regional and multi-regional VCSEs were slightly lower when compared to Year 2 at 52.1%. Now that BPA has completed the grant awards phase, it is clear to see that the programme has offered support to local and regional VCSEs in the main (68.8%).

Data about organisational type was also captured from the VCSE applicants and figure 4.5 below provides an outline of this data.

Figure 4.5 – Legal Organisational Structure

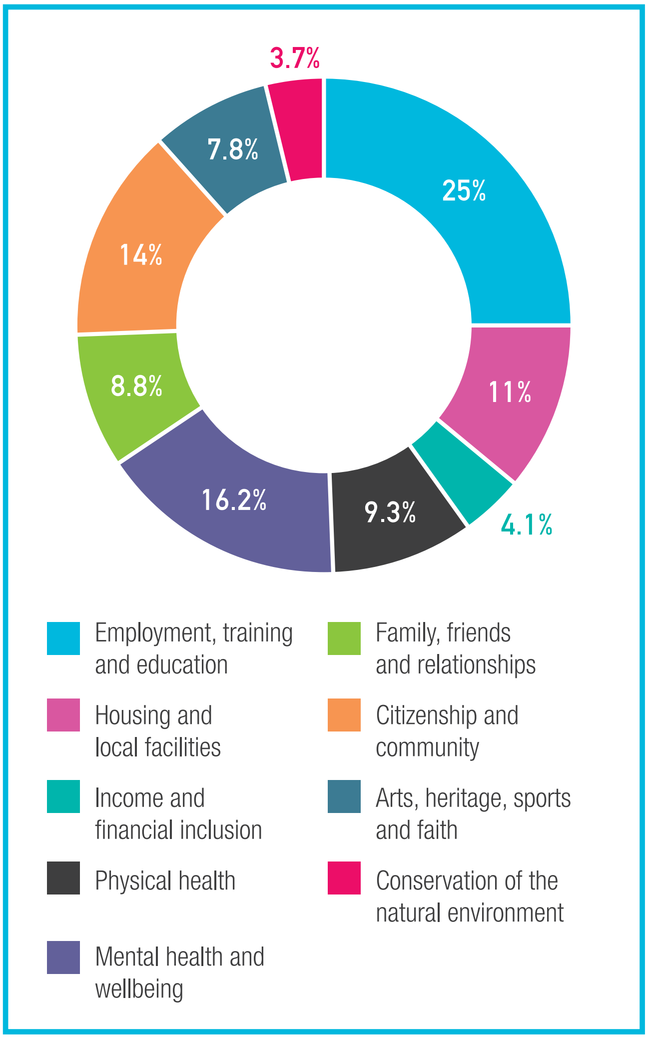


Nb. See Appendix D for the full satistical breakdown.

Figure 4.5 identifies that nearly two-thirds of BPA applicants are Companies Limited by Guarantee (CLG), with only 15.4% being Community Interest Companies (CIC). However, 85.1% of the CLG applicants are CLGs with charitable status, which means that 78% of VCSE applicants to the BPA have a social purpose built into their legal structure through either assets locks (Charities and CICs) or community ownership (IPS). In Year 3, the diversity of legal forms amongst applicants drastically dropped, with 84.6% of VCSEs being CLG/Community Interest Company Limited by Guarantee (CIC-G), and the remainder being 'Other' organisational types (12.1%) or Companies Limited by Share (3.3%). However, for the entirety of the programme it can be identified from the data that the vast majority of applicants had clearly defined social purposes within their legal organisational structures (as would be the intention when targeting the VCSE sector).

Finally, data related to sector of operation was also captured. Figure 4.6 below details this.

Figure 4.6 – VCSE Sector of Operation



Nb. See Appendix E for the full statistical breakdown.

Figure 4.6 shows that the largest sector of operation for applicant VCSEs is the employment, training and education. Indeed, 66.2% of the applicant VCSEs operated here and/or in housing and local facilities, mental health and wellbeing, and citizenship and community.

Once the VCSE applicants have registered for BPA they then begin the process of provider selection and then working with the provider to develop their application. As was identified in Years 1 and 2, the majority of the VCSE interviewees had previously worked with their Provider (including on ICRF; and the Mutuals Support Programme); and it was this relationship that had brought them to the BPA. Whilst in some cases this did not prevent the VCSEs from also interviewing other Provider organisations, the shared history, values and often sector alignment were seen as important in giving them the confidence that they could make the BPA journey a successful one[12] with their chosen Provider. Indeed, in Year 3 this remained the same, with personal networks and links to Providers being characteristic in the Provider selection process.

> "One of our trustees knew them [Provider]…so she knew them and they were on the list for BPA when we were looking, so they were known to people in the organisation, but [VCSE Name] hadn't worked with them before."
> (P31 – Unsuccessful VCSE)

Other VCSEs identified with the theme identified in the Year 2 report of Providers, their work, and the grant funding that pays for it not being the 'silver bullet' to success for VCSEs in becoming IR or CR. One VCSE argued that it was a difficult process to go through in that they were not sure whether the Provider they had selected would turn out to be the right one for them or not, but that they then had to give significant proportions of the grant to them for the work.

12 As with previous reports, a recurring theme to emerge from the data is the notion of what success constitutes on BPA, which is not always necessarily viewed by different stakeholders as being investment and contract wins. This will be explored throughout this report.

This VCSE argued that the option to utilise multiple Providers (or consultants) as they saw fit would give them maximum flexibility in getting the support that they needed.

> I was never really convinced that the silver bullet would be the Provider, and there was this weird double-edged sword in that I wasn't sure whether they were the right guys, but then why do we have to give them so much of the funding? I would much rather say ask for £150k of funding to deliver a 12-month programme…where we bring in different advisors as we see fit, depending on what we need help with. (P37 – Unsuccessful VCSE)

Two VCSEs, who were ultimately successful in securing a grant, also bemoaned what they argued was a non-collaborative culture between VCSEs and grant funders, and that the journey should be one that was more coproduced and personal, rather than being based on online forms and emails. This was based both in relation to the application itself, and also the time allocation that they argued was involved in preparing the application[13].

> The [application] process needs to be more of a conversation, it's really, really, hard to read between the lines of what the funder is actually looking for… the recommended time to spend on the application is 20 days I think, 15-20 days, which is obviously a huge amount of time for a tiny organisation like ours that are busy running our own operation. (P37 – Unsuccessful VCSE)

13 It should be noted that SIB makes no recommendation on the time required to complete an application.

> There is always this thing with grant funding, it's always about them and us, and I don't think that is a healthy environment to be in. So for example, if there was some paperwork that needed completing, and I understand that grant funders have to be detailed and particular and everything has to be accurate, but our finance lady in the office, she was scared stiff that she'd made mistakes, and I think the tone of emails and the communication methods that Big Potential adopted wasn't healthy. So yes we are grateful that there was some money, but we felt…at their beck and call, and that shouldn't be the case. If a grant is there to support an organisation the support should be broader than just money. (P33 – Successful VCSE)

Finally, an investor and panel member articulated a desire in the long-run for there to be a system for assessing Providers in relation to the quality of their services and their success rates with grant applications. This has been a recurring theme throughout the programme and such a platform would provide VCSEs with more information (and power) in the marketplace to make informed choices as to which Providers to choose. Conversely, such a platform would also provide a space for Providers to market themselves, respond to negative (and positive) feedback, and network with potential VCSE clients. The participant also related this back to the issue of Provider day rates that has also been an issue that has repeatedly emerged from the interviews.

> …We looked at a chart that showed what percentage of applications have been successfully approved by Provider, and [Provider Name] was right at the top I remember, and [Provider Name] was quite near the bottom I remember… now that could be an indication that they are just very good at writing proposals, but I think it's interesting to speak with advisors that you think have been better…… kind of creating a forum for what is the best sustainable future model, given that we don't think that those rates [day-rates charged by Providers] are sustainable… (P38 – Panel/Investor)

It should be noted however, that despite the issues outlined above, the overwhelming feedback across the three years to date on Provider selection and Provider working has been positive and a key success in the number of grant awards made throughout the period.

4.7 Grant application and panel feedback

In regards to the preparation and submission of the grant application, the VCSEs interviewed identified the significant time resources required to complete the application. This was seen as a limiting factor for BPA, especially for the SME-sized organisations that characterise the VCSE sector as a whole.

> …[You] need a meeting on who is doing what in the application, because it got to a point where I started it, but there was a bit of an overlap, and I think that the project management process could have been slightly better. Because, if I had known that it would involve quite so much of my time then I would have been able to allocate a lot more of my time to do it. I just think that when it is last minute and you have got to try and respond to something on a short deadline then things can get compromised, especially in SMEs when you have got three or four jobs anyway… (P33 – Successful VCSE)

Another VCSE argued that the process for the BPA as a whole, but particularly at the pre-application submission phase, was not always clear, with the VCSE unsure of when they would hear decisions. Whilst much of this information is available online, many participants did discuss the 'clunky' nature of the website and the lack of ease with which they could find such information, especially when compared with other grant funding programmes.

> I did not know what the outcomes would be of the different steps, so am I going to get an answer after this step or does that move us on to another step? And that wasn't as transparent as would have been helpful, and [other grant funder] was better in comparison. (P31 – Unsuccessful VCSE)

One interesting comment made during the interviews by an investor and BPA Panel member, related to whether BPA should have had an earlier engagement for VCSEs with investors/commissioners, to act as an early-warning to the VCSE and Provider as to what development was required for the VCSE to become IR and/or CR, so that this could be built into the grant application itself[14].

> Actually I wonder, there is definitely need for grant support, but actually sometimes there is just a need for overall clarity of communication…so that they get the input that they need before they design the programme that they are working on…so look, [investor name] would you be willing to read the application, but probably more evaluate the business and give us a sense of feedback of what is needed and that can be used as a sort of valuable context for the organisation to use when they write their application, because it will give them the perspective of the investor [or Commissioner].
> (P38 – Panel/Investor)

Following the completion of the grant application the VCSE then submits their application for scrutiny by the panel who then make a recommendation to Big Lottery for grant approval.

In relation to Year Three of the BPA, a total of 95 grant applications were submitted to the panel with an average value requested of just under £82,000. 50 grant awards were then made (including two accepted after resubmission) with an average value of just over £69,000 and 45 applications were rejected. Of the Year Three grant applications made, 40 related to investment readiness, 41 to contract readiness and 14 were for both investment and contract readiness.

When examining the dataset as a whole (Years One, Two and Three combined) the data reveals that for the 231 grant applications[15], the average grant requested was just under £78,000; with 137 grant awards being made[16] (59.3% success rate) to an average value of £70,000[17]. Figure 4.8 below provides an overview of this data.

Figure 4.8 – Grant Applications Overview

Nb. See Appendix F for the full statistical breakdown.

14 A question is raised here as to whether investors/commissioners could have been engaged to deliver this, set against the costs of doing so from a resource point of view (and the capacity of investors and commissioners themselves). However, it is an interesting point to consider in the design of future programmes similar to BPA.

15 23 VCSEs in Year 1; 113 VCSEs in Year 2; 95 VCSEs in Year 3. It should be noted that whilst SIB received 248 grant applications to BPA in total, 17 of these were resubmissions, hence the total number of VCSEs was 231.

16 136 grant awards were made in the end, as one VCSE declined the grant award offer.

17 This compares with the ICRF that had a success rate for grant applications of 54% and an average grant award of just over £84,000 (Ecorys, October 2015).

In the first two years of BPA, there was a trend for contract readiness applications (78%) to be more likely to succeed at Panel and be awarded a grant, than investment readiness applications (56%). This trend continued into Year 3, albeit the gap reduced, with CR applications being less likely to succeed than previously (51%), and IR applications remaining at similar success levels (55% success rate). The difference here was however, unlike in previous reports, not statistically significant (X = 2.5; p = .07). Nevertheless, CR proposals still had a higher chance of success than IR applications over the course of BPA[18] [see Appendix F for a full statistical breakdown]. As was reported last year, there are clear differences between IR and CR journeys that could impact perceptions of different applications as has been noted in prior research (Ronicle and Fox, October 2015)[19], but it does show that for whatever reason, CR applications are more likely to progress to grant awards than IR applications[20].

The interview data was inconclusive in this respect, as there were no clear biases towards CR proposals identified by the Panel interviewees. Indeed, one interviewee who had been on the BPA and ICRF panels before it, even commented that the balance of stakeholders on the BPA Panel was much less investment skewed than on ICRF. It is therefore difficult to ascertain why CR proposals were more likely to succeed.

> " I think that they learnt from ICRF where it was a lot of investors around a table, and there was definitely a much better balance of people with experience of different sectors…on [BPA] there are a lot more people with experience of healthcare commissioning…so it was a much better balance of people with experience of different backgrounds, and we were quote good at listening to what people were saying. "
> (P30 – Panel Member/Investor)

In last year's report it was also noted that panel members perceived a potential inability of some members to disassociate themselves from their day jobs when assessing grant applications (i.e. viewing the application as an IR proposal rather than a social investment deal). This was explored in the interviews this year and the data does not reveal this to be a significant issue. Indeed, the participants argued that the panels were well organised and chaired. However, some issues were identified in relation to the group dynamic maybe stifling debate about borderline applications (not in relation to the organisation of the Panel, more just human nature).

> " It [Panel] was very well run and very well convened. I think the opinions were frank… (P32 – Panel/Investor) "

18 A similar trend emerged on the ICRF programme with just over half of contract readiness applications being successful compared with just over one-third of investment readiness applications (Ecorys, October 2015).

19 Indeed, Ronicle and Fox (October 2015) note that on ICRF the applicant ventures were perceived to be closer to CR than IR, hence the greater proportion of CR applications accepted and the greater success rate of VCSE applicants securing contracts (50%) compared with those securing investments (33%).

20 It should be noted that these reasons could include: Panel favouring CR proposals; Providers being better equipped to support CR applications; clearer progression routes for CR applications; and/or CR VCSEs being more robust than IR VCSEs (or better at writing proposals).

"I did find that the Chair was good at managing time and that the Chair was good at trying to get opinions from different parts of the group. But I do find that when you think it's a no, and everyone else thinks it's a yes, you soften your no, and that means that certain risks or issues are not raised or are you know not given the prominence they might be if it was impartial opinion forming."
(P38 – Panel/Investor)

It was also noted that perhaps a more formalised approach to setting benchmarks in decision-making would have been better, to ensure consistency across the grant award decision-making process within the panel. This was based on a perception that with the Panel composition changing from meeting to meeting (with different people attending when available) and the often limited time to be able to assess applications, perhaps very similar applications might be accepted/rejected at different meetings[21].

21 Participants did acknowledge the role that SIB played here in trying to ensure consistency of decision-making across different panel meetings/members (institutional memory). However, some participants argued that this did not always prevent grant-award decisions being made that some panel members could not understand given their experiences of previous meetings.

"I think it's about reading across and applying consistency, so if you are saying no to one, then what is the yardstick that you then use to measure and then say well that applies to these across the board, or do you consciously say that was then and this is different now. So perhaps a bit more rigour around that…I don't know if you ever watch cricket, but when the light gets bad they take a reading and whatever the reading is when they go off one night is what then determines for the rest of the Test Match when they go off the ground. So clear standards are set…"
(P32 – Panel/Investor)

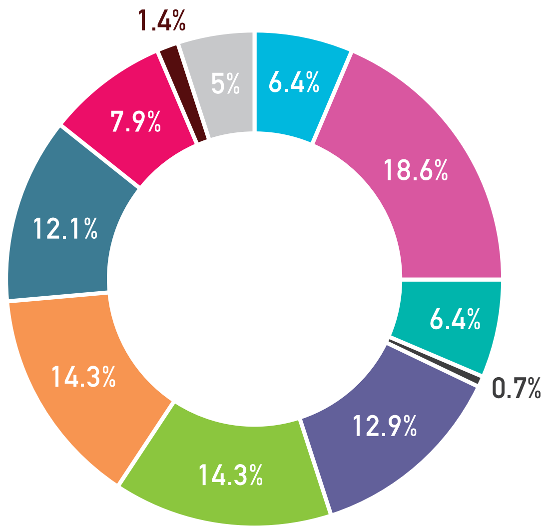
Nevertheless, the panel process, its design, organisation and feedback were generally well received and the VCSEs noted no issues in the feedback that they had been given, even if the rejections for the unsuccessful VCSEs were still understandable difficult.

In relation to the reasons given by the panel for the 94 rejected grant applications, figure 4.9 on the follwing page details these. The data reveals that the main reason for applications being rejected related to: poor financials; poor investment/contract readiness; poor activity breakdown; unclear social impact; and unclear contract, which accounted for nearly three-quarters (72.1%) of all rejection reasons. These results are broadly in-line with the findings from the Year 1 and Year 2 reports, although 'poor activity breakdown' and 'unclear contract' were more likely to appear in Year 3 as a rejection reason than in previous years. Furthermore, there remained the discrepancy identified in the first two years between the prevalence of 'unclear contract' and 'unclear investment' as rejection reasons within CR and IR applications respectively. Indeed, for CR applications 'unclear contract' was a rejection reason in 36.1%

of applications, whereas for IR applications 'unclear investment' was a rejection reason in only 12.4% of applications.

Finally, when examining the data related to VCSE organisational demographics (age; staffing; turnover; profitability; investment/ contract value being sought; and grant amount requested) and grant application success, no statistically significant differences were found.

Figure 4.9 – Grant Application Rejection Reasons



Nb. See Appendix G for the full statistical breakdown.

4.10 Post-grant development

In relation to the post-grant development phase, the data contained in the evaluation report to date (as of December 31st 2017) is beginning to evidence the long-term impact of the BPA programme on VCSE organisations, as more organisations complete the post-grant phase (beyond 12 months), and secure contracts and/ or investments. As of the end of Year 3 of the 137 grant awards made, 38 VCSEs have secured investments and contracts totalling nearly £460 million (£459,056,859) with an average deal value of £12.08 million (median value of £2.55 million)[22]. This breaks down to £15.19 million of investments (average deal of £1.52 million across 10 VCSEs); and £443.87 million of contracts across 30 contract awards (average contract value of £14.8 million)[23]. Clearly then, BPA has been more successful in leveraging contract wins than investment deals, in part due to the higher proportion of contract readiness grants provided.

This represents a significant increase on the investment and contract wins reported in Year 2 (£226 million) and demonstrates that BPA is now having significant impact on contract and investment wins as we travel further downstream in VCSEs post-grant journey. In addition, it should be noted that of these 137 grant awards, 52 were not yet 12 months' post-grant by December 31st 2017 and so further contract and investment wins are likely in the coming year (and will be explored in the Year 4 report).

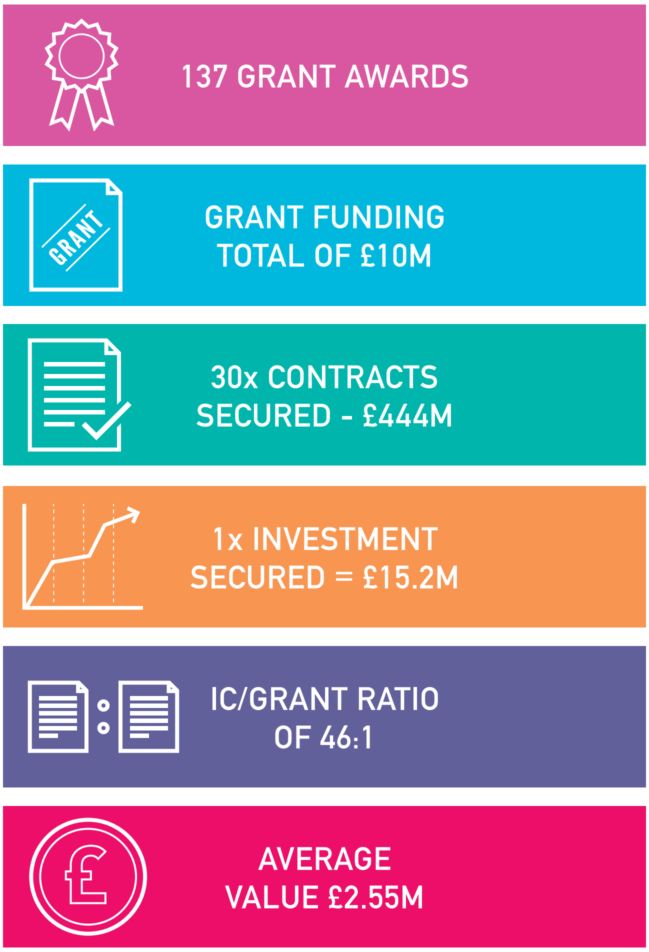
This total value of contracts and investments secured of £460 million, based upon 137 grant investments totalling a value of nearly £10m (£9,989,842), represents an investment-

22 This figure is skewed by a large contract win of £220m by one VCSE. If this is removed from the calculations, then the average deal value is £6.46 million.

23 This figure is skewed by the one large contract win of £220 million secured by one VCSE. If this is removed from the analysis the average contract value is £7.7 million.

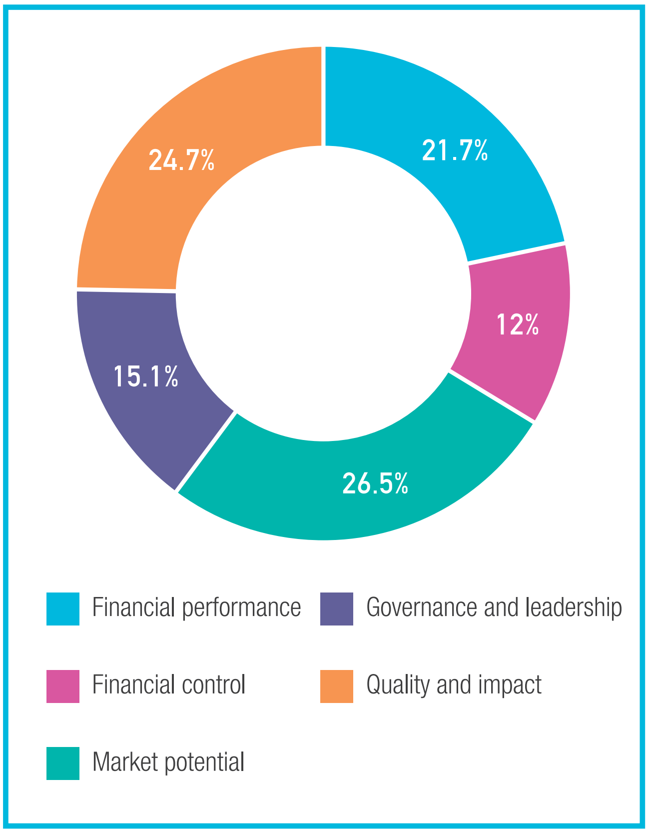
contract/grant ratio of nearly £46:1 in value (a 21% increase over the Year 2 value of £38:1). This represents a significant financial return that can be attributed to the BPA programme. In addition, if the 52 VCSEs that are not yet 12 months post-grant are removed from this calculation, then the 83 grant awards remaining (value of £6,516,593) set against the investment/contract wins produces an investment-contract/grant ratio of over £70:1. This compares with the ICRF programme, which returned a total of £233 million of contracts and investments (spread across 84 VCSEs at an average value of £2.8 million) from a total of £13.2 million in grant funding (giving an investment/contract grant ratio of £18:1) (Ecorys, October 2015). Figure 4.11 below provides an overview of BPA performance around investment and contract wins to date.

Figure 4.11 – Grant Investments and Investment/Contracts Secured



In Year 3 the post-grant work that was carried out by the VCSEs and Providers was very much in line with the findings from Years 1 and 2, The majority (over half) of the support provided to VCSEs post-grant was centred on: market potential (104 of the 137 awardees and 27% of all support requests); and quality and impact (97 of the 137 awardees and 25% of all support requests)[24]. However, all five categories were relatively significant in relation to VCSE need with even the lowest need (Financial Control) being identified by 47 of the 137 grant awardees). Figure 4.12 below illustrates this:

Figure 4.12 – Post-grant Award Support



Nb. See Appendix H for the full statistical breakdown.

24 As a VCSE applicant can identify more than one support need in its application, the 137 grant awardees identified a total of 392 support needs between them across 5 different areas. This represents an average of 2.86 support needs per VCSE.

The VCSEs that were post-grant award were all very positive about the support that the BPA programme had given them and what it had enabled them to do in collaboration with their Provider. However, both VCSEs and Providers raised the issue of delivering long-term outcomes within the grant phase and the difficulties of doing this. This in part was due to the ecosystem factors that limited the development of products and services as quickly as had been hoped (so outside of the control of all parties). This reflects the often difficult development journey of VCSEs, even on a more advanced programme like BPA, and reinforces the findings of the previous evaluations in relation to wider ecosystem factors (explored later in the report) and also that VCSE IR and CR development is not something that can be measured in months. Nevertheless, where outcomes were delayed, SIB's role in providing flexibility in the post-grant phase was acknowledged.

> “For the longer-term outcomes within the Big Potential project, half of them were achieved within the window, but [for] the other half [development of new product] it may be another 18 months before we achieve that one.”
> (P33 – Successful VCSE)

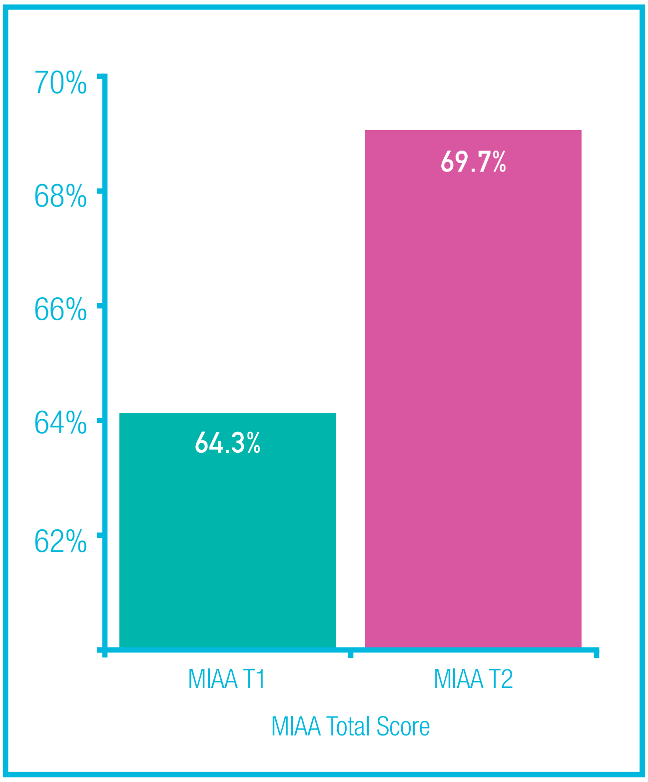
> “We have had some timing issues where tenders and contracts weren't released, but then SIB were very flexible and said well if you need a two or three month wait before you submit the next report that was okay. So I think that process has been fine and the draw-downs have been fine. (P35 - Provider)”

One area that was highlighted repeatedly by stakeholders was in relation to trustee risk-aversion amongst charitable VCSEs, with trustees lack of engagement/understanding/willingness with IR/CR development being seen as a key barrier to VCSEs developing through the grant phase. It was acknowledged that there might be good reasons for this given trustees responsibilities; however, it was also argued that early engagement with trustees was critical in developing IR/CR and producing successful outcomes.

> “I think there is a natural reticence from trustees who often are very senior people in the large charities, who are often good risk-takers in their day to day life, they become a trustee and suddenly they walk through a vortex and suddenly they can't take and risk whatsoever.”
> (P30 – Panel Member/Investor)

The impact of the BPA in relation to social impact and social impact measurement is an area that the research team (in collaboration with SIB) has been attempting to explore in this research. As part of this SIB developed the process for tracking the social impact of VCSE applicants, as well as how they measure this (the MIAA). The MIAA is carried out by SIB as an external assessment of VCSE social impact in relation to 15 questions that explore three categories: mission fulfilment; beneficiary perspective; and wider impacts. SIB conducts the MIAA with VCSEs at two stages: The first MIAA is conducted when a grant has been awarded to a VCSE; whilst the second MIAA is conducted when the post-grant work is completed and the monitoring of the grant with the VCSE is closed. The MIAA has a maximum score out of 30 and the tool is being used to understand how engagement with the BPA shapes VCSE social impact and its measurement over time. The data gathered to date identifies that VCSEs on entering the programme/ completing the grant, have an average MIAA score of 62.6% (n=133). The longitudinal analysis (n=37) also reveals that VCSEs perceive a small impact on their social impact through engaging with the BPA of +5.4% ($p < .001$), demonstrating a statistically significant positive impact on their delivery of social impact (see figure 4.13).

Figure 4.13 – MIAA Scores Longitudinally



Nb. See Appendix I for a full statistical breakdown. Longitudinal analysis based upon 37 VCSEs that completed the MIAA at Time 1 and Time 2.

In terms of the impacts of BPA on VCSEs, the interviewees saw clear benefits of engaging with BPA and going through the post-grant award phase. In particular, one VCSE identified the confidence that the process had given the organisation by increasing their knowledge and allowing them to understand precisely what they needed to develop. Whilst in the below instance the VCSE decided against pursuing a social impact bond ultimately, BPA had empowered them to make that decision with confidence.

> “As a result of this grant, and ICRF, and working with [Provider name] we are confident now that we can do it [Social Impact Bond] ourselves now and we are confident that we could make a decision on whether its viable and think about a legal structure. I do think that there will be situations like where you are working with partners, or lots of different things, where you might still need legal advice, but I don't think any grant would ever take that away I don't think, at least you know you need legal advice I suppose and where to get it from. (P36 – Successful VCSE)”

However, the impacts were not just confined to grant awardees, as VCSEs that had been rejected at the grant award phase still felt that the process had been positive. In one case it had led to the securing of grant funding elsewhere (and example of a funding win, even if not one directly related to IR/CR). Another VCSE had further developed their relationship with their Provider to become a tenant in the Provider's offices, which had provided them with resources (financial and non-financial) to allow them to focus 100% on the business and scaling up their products/services.

> “Now that [office sharing with Provider] means that we just have the focus and headspace to work on the business rather than running lots of freelance and part-time jobs. So I think that is probably the incredibly impactful and helpful by-product of forming that relationship with them [Provider] (P37 – Unsuccessful VCSE)”

One of the Panel member interviewees also acknowledged the need for programmes like BPA in helping VCSEs to develop the ‘boring’ but essential elements within organisations, that ultimately determine whether a VCSE is sustainable and/or IR/CR.

> “What we are talking about with Big Potential is largely the boring stuff, so I need £50k to sort my systems out, or I need £50k to get a Finance Director in who can do all of this, or whatever it is, but it’s the boring stuff that these organisations are very poor at that means that then they don’t get a contract or they don’t get investment, and the support of the [BPA] money, it transforms what they can do. I am really passionate about that and that’s why I think these schemes are so important because it actually gives the money to do the boring stuff.”
> (P30 – Panel Member/Investor)

However, one Panel member did raise concerns as to what the ultimate impact of BPA would be, and whether grant funding programmes in general act as a dressage for the wider problems of the VCSE sector, particularly if grant awardees did not win contracts and/or investment. It must be acknowledged that the lack of deal-flow witnessed in the first two years supported such a critique, but the deals emerging in the Year 3 data and outlined earlier in this report, show that the problems with programmes such as BPA might be more to do with the longer timescales than expected to drive IR/CR even in the advanced VCSE sector. Wider ecosystem factors (explored in the next section) are also an issue here.

> “My slight concern in a lot of this stuff and I worry in the same way with a lot of this softer funding, is are you giving drugs to an addict? Are we avoiding some of these organisations [VCSEs] taking the tough medicine? Because if we can clearly point to something else and that we have helped them address their issues and build on their strengths, very consistently then I think its fine, but we need to look at that and ask if we are really doing that or are we just kicking the can down the road, and in two years’ time these organisations are by and large not going to be investable. I think the proof of the pudding is in the eating and looking at what they have gone on to do on their journeys beyond getting these grants. Have they gone on to actually raise money and if not why not? Did they get the contract; did they get investment?”
> (P32 – Panel/Investor)

Finally, and continuing a theme to emerge in the previous evaluation, was the impact of BPA on the Provider market. This was seen by interviewees as critical in the development of the marketplace, both in encouraging more commercial consultants into the VCSE space and in scaling the sector as a whole.

> When we operated more commercially it was definitely more private sector companies [customers] so I think that the funded programmes [ICRF and BPA] probably have brought us into more contact with a much wider client base and a lot of those will be not-for-profits. I think it has made us more aware of their needs, so we are doing more grant funding applications and we are looking at our pricing structure to make it more sensitive to their [third sector] needs.
> (P35 - Provider)

> We need to grow the advisory market in the charity space, because most companies…can't run without buying in advice at some point, so I don't know why we think that charities can. Charities need more advice than anyone else quite frankly...If we build an advisory market where bigger firms see the benefit of having a team in this space and we get mid-size to large charities just seeing the benefit of paying the money and getting the advice, then I think we have done a good thing. So I know it's something of a secondary aim of BPA, but I think it's an equally worthy one.
> (P30 – Panel Member/Investor)

4.14 Ecosystem Factors and Deal-flow

Whilst in the Year 2 report the focus was on the lack of deal flow to date, the progress of VCSE grant awardees on BPA since has meant that the deal-flow picture is looking significantly improved in Year 3 (as was noted earlier). This upturn was explored in the qualitative interview data with VCSEs, as were the impacts of wider systemic factors on investment and contract wins within the VCSE ecosystem. One area that these wider factors impact on VCSEs is on their sustainability, with one VCSE acknowledging that there was a need for them to diversify their income streams in order to overcome ecosystem problems in their sector.

> We are limited there by the economic climate and our sales performance, so rather than be limited by that let's try and broaden our operating plan and try and help [beneficiaries] in other sectors.
> (P33 – Successful VCSE)

In relation to CR, there was an acknowledgement that the ecosystem around contracts was not overly supportive to VCSEs gaining market share. This was in part due to the behaviour of commissioners and commissioning bodies such as local authorities, as well as the difficulty in supporting VCSEs to become CR, as the concept itself was seen as heterogeneous and multifaceted.

> There is a lot of irrational behaviour, increasingly so, happening amongst Commissioners. We have projects that get postponed, dropped, picked up again, not talked about again. We find a lot of lumpiness in Commissioner behaviour, which…in a 12-month evaluation period can result in things falling out…
> (P38 – Panel/Investor)

> Contract readiness is very different as you don't have the same context and no two contracts are the same, no two procurement processes are the same…so I think it's a harder thing to gauge contract readiness, because obviously nobody is going to tell you we have only got one shot in a thousand at winning this contract, whereas you can much more objectively look at an investment readiness propositions. (P32 – Panel/Investor)

In addition, the need for post-contract award support was also acknowledged, and it was argued that future programmes similar to BPA should explore providing this, as many VCSEs that win contracts are poorly equipped to deal with sudden large contracts. Such support would in the main involve quality and compliance, policies and procedures and data returns/reporting (including social impact measurement).

> We had one organisation that was turning over something like £200,000 and they won a £4 million contract, so definitely even a follow-up programme, as they could grow even further. So they have the potential with this £4 million contract to, if they dig into that and deliver well, to grow again. Now not all organisations will, but I think there are some that if they win a big contract definitely need some implementation support.
> (P35 - Provider)

There were also problems identified in relation to securing social investment, in relation to cost and suitability. One participant argued that the lack of investments in VCSEs should be viewed in comparison with the traditional private sector, where investments in SMEs are also low. Given such a comparison why would we expect significant numbers of VCSEs to secure investment in any form, given that they are often less capitalised and profitable than private sector SMEs?

> Borrowing isn't for everybody, if you look at the mainstream SME marketplace, only about 8% of SMEs borrow money, so I think we need to see charities and social businesses borrowing within that context
> (P30 – Panel Member/Investor)

The issue of cost was also a factor, with one VCSE using their BPA grant to scope out a social impact bond. The result of this was to demonstrate to them that a bond was not a suitable mechanism for them to utilise in financing their new programme, whilst debt finance from a social investor was considered as too expensive. This didn't stop them securing investment, they just secured this instead through a traditional bank loan.

> I suppose the end result of us winning those things is that we didn't get any social investment in the end, we decided after all of the information that we had that and the advice that actually we are just going to borrow it from a bank… because that was the best option for us. We could borrow from our bank with a much lower interest rate…Our general feeling about it [social investment] is that the borrowing is expensive…when we set the first ones up [VCSE's first social investment] and looked at…and we had an SPV [Special Purpose Vehicle] everyone had to go on joint employment contracts…there was a VAT issue, the amount of stuff we did and the legal fees, and then setting up the way that we monitor it…it just feels wasteful, really, really, wasteful.
> (P36 – Successful VCSE)

It was not just BPA grant awardees that identified the lack of suitability of social investment for their development, with an unsuccessful applicant also using just their application phase to identify that securing investment was not the best way to scale their business, and that renting assets to achieve the same goals was actually more cost effective.

> It [application] really refined our thinking around what we did… it kind of makes you test the practicalities because you have to make a case for it and sort of tested some of the initial thoughts that we had…So the initial thought was that we would buy the properties…we are now at the point post-BPA that buying the properties seems deeply unlikely to us and we think that we would struggle to raise the funds to do it, but actually, a rental of the property would work.
> (P31 – Unsuccessful VCSE)

Finally, a panel member and investor also argued that if ecosystem factors are to be overcome, then there needs to be more early engagement of investors and commissioners with VCSEs to identify high potential organisations that can progress quickly to (and are suitable for) social investment or contracts. As was noted above, this would likely be a very small proportion of the VCSE sector as a whole.

> If we are trying to get these organisations investable, or potentially commissionable, what role is there for that investor or commissioner to kind of, you know, sort of articulate that they are actually close enough to a position where this funding would make the difference. (P38 – Panel/Investor)

4.15 Case studies

In the Year 2 report the research introduced case study analysis to identify VCSEs that had engaged on BPA journeys with differing outcomes. In the last report VCSE-A had successfully secured investment, whilst VCSE-B had secured a public sector contract. In this year's report two further case studies are presented: VCSE-C is an organisation that has secured investment (and is now seeking a contract), but interestingly is a VCSE that progressed from Big Potential Breakthrough (BPB), to BPA before going on to secure its investment deal. Therefore, it represents an interesting case of a VCSE journey that has traversed the entire Big Potential support programme. VCSE-D is an organisation that secured a BPA grant to pursue CR, but has yet failed to secure any contracts following the support (at the time of the interview the VCSE was 6 months' post-grant and still in the second stage of its grant delivery programme. The case studies are designed to tell the story of each VCSEs journey through Big Potential and to evidence the differing routes, experiences and outcomes that VCSEs can encounter with BPA support.

4.15.1 – VCSE-C (Investment Winner & BPB Graduate)[25]

VCSE-C operates in the housing sector and is based in the West Midlands (it also operates in the South West region). It is a Company Limited by Guarantee and when applying to BPA it had: been in operation for 9 years; employed 20 staff (16 FT and 4 PT) and had 10 volunteers; had a turnover of £1.9 million with a 13.2% profit margin on this turnover; VCSE-C won both a Preliminary grant and subsequently an Investment Plan grant whilst on BPB, and used this to secure £1 million in social investment (£500,000 up front and another £500,000 in principle) and is now on BPA exploring contract readiness with the view to securing contracts worth £1.2 million. In its application VCSE-C identified its CR needs as being related to financial performance, market potential and quality and impact. Having targeted a BPA grant however, VCSE-C decided to change Provider, based upon a desire to go in a different direction and the need to have someone more local.

> It [changing Provider] was about having more control over the relationship. So our initial Provider was London based, so we transferred to one where there was a local representative. It just made it easier for ongoing discussions……It wasn't a reflection of what we had done, more of a reflection of where we wanted to go, and what we wanted to create. (VCSE-C – Business Development Manager)

VCSE-C was also critical of the day rates being paid to Providers and did not feel that this was good value for money, especially as around 75% of the grant received went out to the Provider, leaving the organisation as under-resourced in its opinion[26]

Having secured the BPA grant VCSE-C used the money and the post-grant phase to work with the Provider to bring together value propositions that would allow them to access high value contracts related to the delivery

25 Elements of this case study have been taking from the Year 3 BPB report where the VCSE first appeared. However, all primary data including quotes is from a second interview held with the VCSE in February 2018.

26 This is an area that if SIB had been aware would have been tackled. Indeed, Providers should not have been charging more on BPA than they did in their core business.

of training and education. However, VCSE-C again felt that the Provider did not give them great value for money here, as the support and advice they received was too theoretical as opposed to practically enabling them to go on and win contracts.

> With a different provider we would have had a different result…because we are quite a high-speed dynamic business, but they were sat around with theories and they had obviously been to Cambridge and done MBAs or whatever so very nice, but were kind of short on practical experience. So I got quite a lot of nice theoretical background value propositions, but not a lot of usable operational stuff. (VCSE-C – Business Development Manager)

However, despite these issues VCSE-C still argued that they had developed internally as an organisation through BPA, and that whilst the large contracts that they had targeted had not yet been secured, they had secured other smaller contracts to a combined value of around £500,000. This in itself represents a significant return on a grant that was around 10% of these contract wins.

> It was useful to have the conversations with them [Provider] as it gave us the opportunity to bounce some ideas off them and gave us some critical thinking space…but the model that we have adopted ourselves has actually come from our thinking and our direction of travel, rather than the Provider actually helping us to get to that point. (VCSE-C – Business Development Manager)

Whilst no significant contracts have been won as of yet, this is still a focus as is securing further investment. However, further growth in debt finance will be limited and will have to keep pace (rather than outstripping it) with the growth in capacity of the organisation. In addition, VCSE-C is keen to ensure that risks to its ability to keep delivering high quality provision to its beneficiaries are kept low, but it wants to pursue growth of around 150% in turnover over the next five years.

> Over the next five years I don't think we will breach the £2 million mark [from social investment] and will remain at around £1.5 million in total debt, just because to build up the [estate management] we are developing existing staff so the finances and everything else to go with it needs investment in it as a business, so we need to be able to grow our staff to be able to be able to manage it and use it effectively……we have grown quite spectacularly over the last few years and we have won awards for what we have done, but you have still got to make sure that the risks for the [beneficiaries] is kept low. (VCSE-C – Business Development Manager)

Finally, VCSE-C was keen to stress that its overall experience of BPA, despite some of the problems outlined above, had been positive, stating:

> It's worked reasonably well for us…it's been quite a good growth journey for us to be honest. (VCSE-C – Business Development Manager)

4.15.2 – VCSE-D (Contract Readiness Grant Awardee)

VCSE-D operates in the employment and education sector and is based in London. It is a Company Limited by Guarantee with Charitable Status and when applying to BPA it had: been in operation for 17 years; employed 20 staff (15 FT and 5 PT) and had 45 volunteers; had a turnover of £1.02 million with a 23.1% profit margin on this turnover; and is now on BPA exploring contract readiness with the view to securing contracts worth £1.5 million. In its application VCSE-D identified its CR needs as being related to governance, financial performance, and market potential. VCSE-D applied to BPA as it needed support to diversify its income by winning contracts due to the ever diminishing amounts of grant funding that exist in the sector. BPA provided it with the finances required to gain the consultancy support that it needed to be in a position to have a realistic chance of securing contracts in the education and training sector.

> The pot [grant funding] was shrinking massively and over the last five years we reckon that pot has shrunk for us by say 75% I would say in terms of what we used to get compared to what we get now. So the idea was to access a direct source of funding that would feed into what we do with our training… (VCSE-D CEO)

Having worked with the Provider to secure the BPA grant, work then began on developing strategies for tendering, to formally enter into government portals for contract bidding, to work on the quality of the services provided (quality assurance) and to map out the tenders available now and/or potentially in the future.

> We've done tendering strategies, we've tried to get them on to bidding frameworks, we've done some quality implementation support, we've got them on to the apprenticeship register…we've started a tender library for them as well. (VCSE-D Provider)

VCSE-D is now halfway through its post-grant phase on BPA, but has experienced delays, which have to a small degree caused some issues with the Provider, in the main it seems to be a lack of clear communication between both parties. Indeed, VCSE-D is clear that these delays are the fault of commissioning bodies which have delayed the release of contracts or their form (another example of ecosystem factors interfering with a CR journey), but the Provider was not aware of this and had been wondering if the VCSE (or its Trustees) had got cold feet on the CR journey. Indeed, the Provider in an effort to overcome perceived Trustee risk-aversion had been and delivered a workshop with the Trustees to try and overcome this. However, the CEO stated that aside from a few individuals in the VCSE, the majority of the SMT and Trustees were on board with the new direction and CR journey.

> [Delays] are nothing to do with us, that is to do with the government [Department Name]…so we are there champing at the bit, but the door isn't open unfortunately." (VCSE-D CEO)

> It is a very lengthy process for something that for us is a no-brainer, but we can't see what the [problem is], maybe we need more empathy [with the VCSE]. But we can't see why it is taking so long to make their decision?!" (VCSE-D Provider)

"We have met the trustees and did a presentation, there is some risk-aversion from some of them…it is an issue and work has to be done with the trustees and we have been doing more of that. But I am not sure when I speak to the CEO whether he is reflecting their opinion, or whether it's his opinion and he's trying to make it seem like it's coming from the trustees. (VCSE-D Provider)"

These delays and the changes to the contracts has meant that VCSE-D has/will need to change the direction that it pursues in the second half of the grant, to focus on different contracts and training qualification frameworks in order to achieve its goals (the CEO was very clear however that the social mission and aims remained exactly the same as before). This represents a change in business strategy then rather than overall strategic direction.

"We are very good at what we do…but what we have to do is look at other [opportunities] outside of the [contract name], and still achieve the same results…we still achieve what we want to achieve but it will be a quite different route. (VCSE-D CEO)"

Whilst it is still a little early to assess the impact of BPA on VCSE-D, it is clear that the organisation is undergoing a drastic change in its business plan, income streams and future market potential, and so change will perhaps be inevitably slow. However, winning contracts remains a critical focus for the future sustainability of the organisation and will remain the aim in the second half of the grant delivery phase for VCSE-D.

"We are yet to feel it [BPA impact] because we haven't got to that commissioning point…from a point of repositioning ourselves…and now move and change direction that is now in the process of actually happening…so we need to get that commissioned work in and then deliver the next lot of programmes. (VCSE-D CEO)"

5. Summary & Recommendations

5.1 Overview of Performance

BPA is a programme that has delivered robust support to the VCSE sector around IR and CR support, and the results of this are starting to be identified through the increasing level of investment and contract wins being generated by VCSE grant awardees (especially in relation to contracts). By the end of the grant award phase of BPA, 231 grant applications were received[27] (23 VCSEs in Year 1; 113 VCSEs in Year 2; 95 VCSEs in Year 3) and 135 grant awards made. The breakdown of these applications is: 99 investment applications; 96 contract applications; and 36 investment and contract applications. Of these 231 applications, 137 grant awards were made (average value of £70,000; 64 x contract; 56 x investment; 17 x investment/contract), 94 were rejected, whilst one of the VCSEs offered a grant declined it. As of December 31st 2017 10 VCSEs had secured investment and 30 VCSEs had secured contracts totalling nearly £460 million. As to date only 62% of VCSE grant awardees are 12 months' post-grant award, the longitudinal impact in terms of investment and contract outcomes is likely to climb yet higher (and this will be explored in the Year 4 report).

Amongst these 231 grant applications the VCSE demographics were in line with the target organisation type with an average turnover of £2.1m; a low profitability rate on that turnover of 1.9%; the equivalent of 39 FTE 1.0 staff; an average age of 13 years; and seeking investment and/or contracts of £2m and £2.2m respectively. Whilst the BPA has strong programme engagement with London, Yorkshire and Humber and the North East; it struggled in relation to applications in the East Midlands (-3.5%), the East of England (-5.3%) and the West Midlands (-2.5%) when compared with national averages (NCVO, 2016). Nearly three-quarters (72.8%) of VCSE applicants operated at least on a regional basis in their service provision. Nearly two-thirds of applicants were Companies Limited by Guarantee, but 78% of all applicants had a formalised social purpose built into their legal and governance structures (charitable status/CIC/IPS). Finally, 66.2% of the applicant VCSEs operated in: employment, training and education, and/or in: housing and local facilities, mental health and wellbeing, and citizenship and community.

As was outlined in previous reports, most VCSEs it seems have an established relationship with their Providers prior to engaging with BPA, with personal networks and prior relationships being critical in establishing Provider relationships. However, a number of VCSEs were critical of Providers due to the day rates charged, Provider quality (an area that other stakeholders felt should be explored further), and also of a perceived lack of flexibility on BPA to use multiple Providers and have greater freedom in spending the grant funding[28]. The application itself was also critiqued as being overly time consuming and with an unclear process. Interestingly, one of the panel members (who is also an investor) argued that investors and

27 23 VCSEs in Year 1; 113 VCSEs in Year 2; 95 VCSEs in Year 3. It should be noted that whilst SIB received 248 grant applications to BPA in total, 17 of these were resubmissions, hence the total number of VCSEs was 231.

28 In relation to this last point, it should be noted that changes to the post-grant phase plans and spend were rarely rejected by SIB where they could be justified.

commissioners should be engaged to feedback on applications and business plans prior to their submission so that VCSEs could get feedback on what support they needed.

The Panel decision-making phase of the BPA was also viewed positively, albeit some panel members would have liked to see more debate over applications that were less clear accept/reject propositions. In relation to the reasons that applications were rejected, poor financials, poor investment/contract readiness, poor activity breakdown, unclear social impact, and unclear contract, accounted for nearly three-quarters (72.1%) of all rejection reasons.

The data does also present some interesting findings in relation to application type success, with contract readiness applications having an 67% success rate compared with an investment readiness application rate of 55%. A number of reasons are suggested for this including: Panel favouring CR proposals; Providers being better equipped to support CR applications; clearer progression routes for CR applications; and/or CR VCSEs being more robust than IR VCSEs (or better at writing proposals).

The effectiveness of the post-grant phase appears to be high, with stakeholder's positively commenting on the flexibility offered within this (something that was not the case in previous reports). However, a number of VCSEs experienced delays in reaching the desired outcomes as specified in their grant applications, often due to wider systemic factors in the ecosystem (i.e. contracts being withdrawn, delayed or changed) and it was recognised that CR and IR journeys can be lengthy even at the more developed end of the VCSE sector. In relation to the post-grant work, in the first two years the BPA has mainly focused on delivering support related to market potential (104 of the 137 awardees and 27% of all support requests); and quality and impact (97 of the 137 awardees and 25% of all support requests). The interview participants also all stated that the support received in this phase was impactful.

Finally, in relation to the now increasing deal-flow generated by BPA grant awardees, it is clear that BPA is beginning to deliver impact in this area. Whilst it has maybe taken longer than had been originally envisaged, this merely demonstrates the complicated nature of IR/CR journeys for VCSEs, and how they can be delayed by factors often out of the control of the VCSEs, Providers and programme funders/manager (BLF/SIB); as well as factors within organisations (i.e. risk-averse stakeholders such as trustees). Nevertheless, BPA is now delivering significant contract and investment deal-flow (in particular in relation to the former) and it will be interesting to see how this develops in the next 12 months as the remaining 52 VCSEs complete their post-grant award phases and move beyond 12 months of their grant award.

5.2 Recommendations

Whilst it is no longer practical to make recommendations as the BPA programme has now completed its grant making, wider recommendations for Investment Readiness (IR) and CR programmes can be gleaned from the data gathered to date, along with the performance of the BPA so far. These are:

1. **VCSE Engagement:** There remain entrenched regional engagement problems in relation to the East of England, the East Midlands and the West Midlands. This has been the case on both BPA and BPB (for the East of England and East Midlands) albeit BPA has had a higher level of engagement from the East of England than BPB (BPA = -5.3% versus BPB = -8.2% when compared with national averages). These regions have also historically been hard to reach for other funding programmes. Wider ecosystem development is required in these regions if

future funding programmes are to succeed (the North East provides an interesting case study of how infrastructure improvements can lead to improved engagement and deal flow, at least in relation to IR). This ecosystem development might include the following three core interventions:

a. Creation of VCSE owned/led networks within regions to promote communication and sharing of best practice.

b. Hubs of investors and support consultancies in major regional cities (as we have seen in Newcastle and Bristol, and to a degree Manchester).

c. Support from Local Government for the VCSE sector. Whilst in the current climate this might not include funding, other mechanisms such as policy, procurement/commissioning, and local enterprise engagement would be helpful.

2. **Post-grant impact:** Future programmes should consider additional types of grant or sub-grant that provide support to VCSEs after they have secured investment (but before the drawdown of funds) or following the securing of a contract. This additional funding support could be crucial in helping VCSEs make sustainable transitions to new business models or project delivery frameworks. Furthermore, monitoring and research should be extended beyond the 18 months' (monitoring) and 12 months (research) post-grant that is currently in place, to at least two years as it is clear that significant impacts are generally not felt over time periods of 12-18 months. This would likely have to be the responsibility of the Fund rather than the VCSE, due to the burdens already on VCSEs. However, VCSEs have a responsibility here to engage in data capture and actively report this back, an area that has not necessarily been the case on BPA or BPB.

3. **Provider Quality:** A number of stakeholders have articulated a desire to see more done to assess the quality of Providers, perhaps through an online platform that can be used by VCSEs to assess Provider performance, and by Providers to market their skills. This would also act as a networking space between the two stakeholder groups as well. VCSE and Provider fit was broadly articulated on the basis of Provider culture fit and understanding of the VCSE, as opposed to any technical skills deficit. VCSEs were also keen to know how proactive Providers were in the grant application phase and what their success rates were.

4. **Wider ecosystem:** There are clearly significant impacts on VCSE IR/CR journeys from wider ecosystem factors (e.g. unexplained commissioner behaviour; legal problems; 'investability' and why deals don't happen; affordability of social investment; and VCSE risk-aversion). In some respects, it is difficult for grant funding programmes to counter these, but awareness of the factors in the design of future programmes may help. In this respect there was a general desire amongst participants across the three years to see a BPA2 programme. Programme features that may assist with these wider ecosystem issues as articulated by VCSEs/Providers are:

   a. **Post-win funding:** Grant funding being allowed to be allocated to the post-investment/contract win, to help deal with capacity issues and the various problems that can occur after securing investment but before drawing-down the money.

b. **Subsidy of Investment:** Where there are issues of investment affordability, grant funding programmes could seek to offset some of the due-diligence costs (or directly subsidise products through blended deals) to improve affordability. The hope here would be that as the market grew and investor experience with it, innovative products and more affordable deals due to the increasing amounts of recycled capital, would begin to emerge.

c. VCSEs need to be supported/educated to take on some of the responsibility for this themselves, in researching the market and understanding the common problems that can arise, so as to be able to mitigate them as best as possible.

BPA has clearly performed well, with nearly £10m of grants awarded/offered to VCSEs. This grant support has to date leveraged in nearly £460 million of investment and contracts, across 38 VCSEs and 40 'deals'[29]. It will be interesting to see how these figures increase as the 52 remaining VCSE grant awardees who are not yet 12 months' post-grant, progress in Year 4. It seems that the impact intended to be delivered by BPA is now starting to emerge.

29 As has been noted in the main report, this figure is somewhat skewed by the large contract win of one VCSE of £220m.

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
CLS	Company Limited by Shares
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).
LLP	Limited Liability Partnership
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 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.
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 registration process and the grant application submissions. These captured organisational data (i.e. sector of operation, organisational reach, legal structure, financial data, staffing levels, and investment/contract readiness needs) from 231 VCSEs (23 VCSEs in Year 1; 113 VCSEs in Year 2; 95 VCSEs in Year 3). Data relating to social impact and its measurement was also captured from VCSEs both at the start of the grant application process, and again upon completion of the grant application. This was done utilising SIB's bespoke designed MIAA assessment tool and has to date engaged with 133 VCSEs at Time 1, and 37 VCSEs at Time 2. All data was analysed using the Statistics Package for the Social Sciences' (SPSS), with descriptive statistics sought, alongside ANOVAs and chi-squared cross-tabulations.

Qualitative data in the form of a semi-structured interview (see Appendices I-L for the interview schedules) was collected from nineteen VCSEs (thirteen successful, four unsuccessful and three that were rejected but then successfully reapplied); seven provider organisations; five panel members; four investors; and one commissioner] was gathered in the form of semi-structured interviews. For the VCSE participants two had completed their grant with no investment and/or contract secured; whilst three VCSEs had secured investment and one VCSE had secured a contract. The remaining VCSEs were all at different stages of their post-grant award phase. Therefore, a total of 39 interviews have been held with stakeholders by the end of year three. As of December 31st 2017 the BPA had received and made decisions on grant applications from 231 VCSEs, and the participant VCSEs in this research were selected randomly from these 231 organisations (with the caveat that there would be a purposeful split across different stages of the programme (i.e. successful and unsuccessful VCSEs). The interviews explored each VCSE's business model, their experience of the BPA and their future plans in relation to investment and contract readiness. 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 five stages of the BPA. This narrative approach was used to gather a rich picture of how change occurred within each organisation as they went through the BPA and their experience of the BPA. In particular, the analysis sought to understand what elements of the BPA 'enabled' or 'inhibited' their investment/contract readiness development, their knowledge of social investment and/or contracts and their future plans (Feldman et al., 2004). As with Feldman et al. (2004), the approach to data analysis was both inductive and iterative.

7.2 – Appendix B: VCSE Demographic Data

Table 7.1 – VCSE Age, Finance & Staffing Data							
Demographic Variable		N	Mean	Median	SD	Min.	Max
VCSE age (years)		218	17.79	13.00	18.42	1	144
Turnover		217	£7.44m	£2.09m	£16.68m	£1,211	£173m
Net profitability		208	£291,287	£38,863	£1.07m	£-462,192	£13.18m
Investment Need		134	£4.04m	£2m	£12.1m	£150,000	£135m
Contract Need		126	£7.26m	£2.2m	£15.4m	£100,000	£100m
Staffing	FT	214	135	33	378	0	3,600
	PT	210	111	20	346	0	4,639
	Volunteers	159	157	15	793	0	9,595

7.3 – Appendix C: VCSE Geographic Reach

Table 7.2 – VCSE Geographic Reach		
Reach	N	%
Neighbourhood	0	0
Local Authority	62	27.2
Regional	95	41.6
Multi-regional	30	13.2
National	36	15.8
International	5	2.2
Total	**231**	**100**

7.4 – Appendix D: Organisational Structure

Table 7.3 – VCSE legal structures		
Legal form	N	%
Unincorporated	2	0.9
CLG	148	65.2
CLS	3	1.3
CIO	10	4.4
CIC-S	11	4.8
CIC-G	24	10.6
IPS	9	4.0
Private Company	2	0.9
LLP	2	0.9
Other	16	7.0
Total	**227**	**100**
Charitable origins		
Origin	Yes	No
Origin	Yes	No
Registered charity	148 (64.1%)	83 (35.9%)
Total	**231**	

7.5 – Appendix E: VCSE Sector of Operation

Table 7.4 – Grant Application Rejection Reasons		
Rejection Reason	N	%
Employment, Training & Education	134	25.0
Housing & Local Facilities	59	11.0
Income & Financial Inclusion	22	4.1
Physical Health	50	9.3
Mental Health & Wellbeing	87	16.2
Family, Friends & Relationships	47	8.8
Citizenship & Community	**75**	**14.0**
Arts, Heritage, Sports & Faith	**42**	**7.8**
Conservation of the Natural Environment	**20**	**3.7**
Total	**536**	**100.0**

Nb. As 3 sectors can be given for each VCSE, the theoretical total for the data held on 231 applications can be 693. As not all VCSEs selected 3 separate sectors, N here equals 536.

7.6 – Appendix F: Grant Applications and Awards

Table 7.5 – Grant Application & Award Data						
Variable	N	Mean	Median	SD	Min.	Max
Contract Value	126	£7.26m	£2.2m	£15.37m	£100k	£100m
Investment Value	134	£4.04m	£2m	£12.11m	£150k	£135m
Grant Request	231	£82,234	£77,680	£26,538	£28,344	£150,000
Grant Award Value	137	£75,412	£70,000	£24,756	£28,344	£148,515

Application Success Rates					
Application Type	N	Yes	No	Accepted after Resubmission	Declined
Contract	96	62.5%	33.3%	4.2%	0%
Investment	99	45.0%	44.0%	10.0%	1.0%
Investment/Contract	36	50.0%	50.0%	0%	0%

Cross-tabulation Chi-squared Test				
Application Type	N	Yes	No	X
Contract	96	66.7%	33.3%	2.5
Investment	99	55.6%	44.4%	

Nb. The X-value represents the Pearson's Chi-square value. * = $p < .05$. The pending applications (n=2) have not been included in the analysis here.

7.7 – Appendix G: Grant Application Rejection Reasons

Table 7.6 – Grant Application Rejection Reasons		
Rejection Reason	N	%
Poor Market Analysis	9	6.4
Poor Financials	26	18.6
Too Early Stage	9	6.4
Poor Governance	1	0.7
Investment/Contract Readiness	18	12.9
Poor Activity Breakdown	20	14.3
Unclear Social Impact	20	14.3
Unclear Contract Deal	17	12.1
Unclear Investment Deal	11	7.9
Applicant Withdrew	2	1.4
Ineligible	7	5.0
Total	**140**	**100**

Nb. As 4 separate reasons can be given for an application rejection, the theoretical total for the data held on 94 rejections can be 376. However, 7 of these rejections were due to ineligibility, and 2 applicants withdrew, so the theoretical maximum is 340. As not all VCSEs are given 4 rejection reasons, N here equals 140.

7.8 – Appendix H: Post-grant Award Support Needs

Table 7.7 – Post-grant Award Support Needs		
Variable	%	N
Financial Performance	21.7%	85
Financial Control	12.0%	47
Market Potential	26.5%	104
Governance & Leadership	15.1%	59
Quality & Impact	24.7%	97
Total	**100.0%**	**392**

Nb. As 5 support needs were coded into the database, the theoretical total for the data held on 137 grant awards is 675 support needs. As not all VCSEs identified 5 support needs, N here equals 392.

7.9 – Appendix I: VCSE MIAA Scores

Table 7.8 – VCSE MIAA Scores at Time 1 and Time 2							
MIAA Category	MIAA Time 1			MIAA Time 2			t
	N	Time 1	SD	N	Mean	SD	
MIAA Overall Score	37	64.3%	9.9%	37	69.7%	9.8%	**9.83*** **

*** = $p < .001$. The t value is drawn from the paired-sample t-test to explore longitudinal changes in MIAA scores.

7.10 – Appendix J: VCSE Semi-Structured Interview Questions

1. Will you please tell me a bit about your SE and describe your role?
    a. Social mission?
    b. Entrepreneur/CEO?
    c. Legal and governance structure?
    d. Future?
2. What are your main sources of income?
    a. Sectors:
        i. Private sector.
        ii. Public sector.
        iii. 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?
5. What was your knowledge of investment readiness prior to engaging with Big Potential?
    a. How has this changed?
6. What do you see happening with your venture over the next 12 months?
    a. Expansion?
    b. Seek further investment?
    c. Social impact?
7. How has the Big Potential programme changed your organisation?
8. Did you encounter any barriers/problems with the Big Potential programme?
9. What do you think are the main barriers to you seeking investment from the private sector or contracts from the public sector?
    a. Has the Big Potential programme helped with any of this?
10. Is there anything else that I haven't asked that you think is important or wish to add?

7.11 – Appendix K: 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?

7.12 – Appendix L: Panel Semi-Structured Interview Questions

1. Will you please tell me a bit about yourself?
    a. Professional experience.
    b. Current role.
2. Why have you become a panel member for BP?
3. What has been your experience of the BIG Potential programme panel meetings?
    a. Application quality?
    b. Assessment?
    c. Grant awardee updates?
4. Did you see any barriers/problems with the BIG Potential programme?
    a. What could be improved?
5. How do you believe that BP has helped VCSEs?
    a. Awardees?
    b. Generally?
6. What do you think the impact of the BP is on the sector?
    a. Business planning?
    b. Investment readiness?
    c. Social impact?
7. Is there anything else that I haven't asked that you think is important or wish to add?

7.13 – Appendix M: Investor/Commissioner Semi-Structured Interview Questions

1. Will you please tell me a bit about yourself?
    a. Professional experience.
    b. Current role.
2. What is your perception of the UK social investment market/public services commissioning market?
3. What role do you see Big Potential having the UK SIM/PSCM?
4. Did you see any barriers/problems with the BIG Potential programme?
    a. What could be improved?
5. How do you believe that BP benefits VCSEs?
    a. Awardees?
    b. Generally?
6. What do you think the impact of the BP is on the sector?
    a. Business planning?
    b. Investment/Contract readiness?
    c. Social impact?
7. Is there anything else that I haven't asked that you think is important or wish to add?

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