Big Potential Breakthrough Evaluation Report:

Year 4 | July 2018

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Table of Contents

1. Foreword

Big Lottery Fund's Big Potential programme emerged from a clear understanding that charities and social enterprises needed the right kind of support to achieve their ambitions for the communities they work with.

This evaluation of the fourth year of Big Potential Breakthrough (BPB) demonstrates how the activity of this landmark initiative has supported that original vision and has helped those organisations do more.

This fourth year review is the first BPB evaluation that has taken place after the programme's completion in February 2018. It is, therefore, the first opportunity to look back at the programme in its entirety: the successes and the challenges in a time of rapid change for the whole of the social sector.

BPB engaged a wide variety of charities and social enterprise from across England and provided £9.54 million in grant funding (£6.89 million across 255 preliminary grants and £2.65 million across 64 investment plan grants). At the time of writing, the total social investment achieved (26 deals to date valued at £17.48 million) has been nearly double the grant funding provided: a total we expect to grow further.

As important as the investment, though, is the learning that this work provides. That learning comes particularly from the different perspectives that all those involved - from providers to panels, from funders to partners – and we hope this evaluation communicates more of that learning from all of these different standpoints.

At Social Investment Business, we continue to incorporate insights from this programme into our existing work seeking to build greater resilience and effectiveness in charities and social enterprises; and we hope that sharing this evaluation widely can help others do the same. It is a programme we remain hugely proud of playing a part in – in helping organisations use the tool of finance to improve people's lives.

2. Overview

Big Potential Breakthrough (BPB), was launched by the Big Lottery Fund in February 2014 with funds provided by the National Lottery. The programmes aim was to improve the sustainability, capacity and scale of 'Voluntary, Community and Social enterprise' (VCSE) organisations in order to enable them to deliver greater social impact in their communities and beyond. Big Potential supported organisations looking to grow through securing repayable investment, as well as to buy in specialist support from a range of expert 'providers' to improve their investment readiness. The programme closed to applications in September 2017 with final budget commitments being made in December 2017.

The programme had a £10 million fund that offered 'voluntary, community and social enterprises' (VCSEs) the opportunity to access grant funding of between £20,000 and £75,000. This was to undertake more in-depth investment readiness work with approved providers to help them develop their investment readiness and maybe go on to seek social investment in the future. The BPB sat alongside the Big Potential Advanced Programme (BPAP) that launched after BPB, and which also closed in December 2017. BPB sought to support social ventures aiming to raise at least £500,000 investment, or who want to bid for contracts over £1 million. We were looking to achieve the following outcomes from the BPB programme:

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

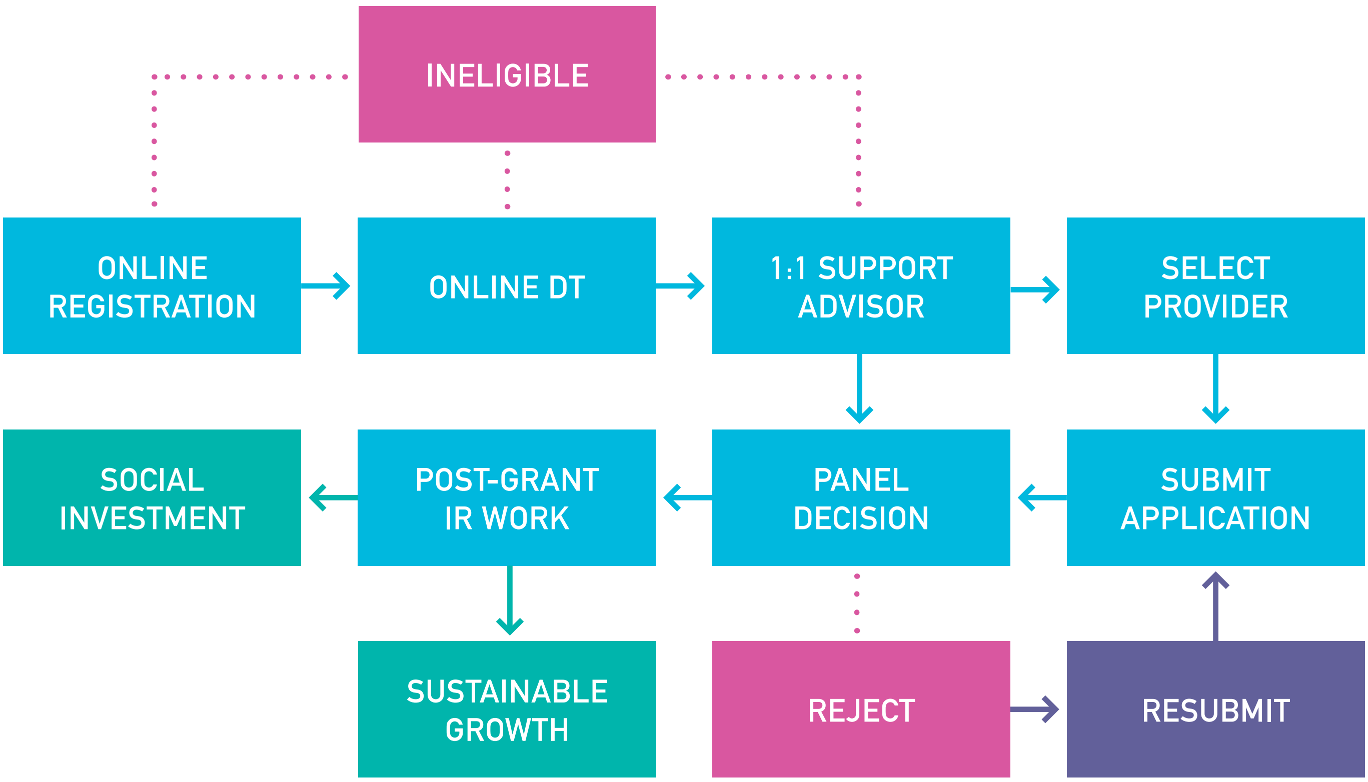
The BPB programme was delivered by the Social Investment Business (SIB), in partnership with Charity Bank, Locality and Social Enterprise UK (SEUK). The University of Northampton is the evaluation partner for the fund's research needs and the evaluation programme will continue until May 2020. The Big Potential Breakthrough Programme had seven distinct phases:

- online registration
- online diagnostic tool
- 1:1 support advisor sessions
- selecting a support provider
- submitting the grant application
- BPB panel assesses the application
- and post-grant work with the support provider (if successful)

In the online registration phase the VCSE registered for the programme. The VCSE then moved on to complete the online diagnostic tool (DT) in which they provided detailed information about their organisation's business model (i.e. sector of operation, organisational reach, legal structure, financial data, income streams, governance models, staffing levels, skillsets, product details, accounting practices, and investment needs). Following this, the 1:1 support advisor session involved the VCSE speaking face-to-face (usually through a video call) with an expert advisor to re-engage with the diagnostic tool and discuss their business model. The VCSE then followed this by selecting a support provider from the list of approved providers who worked with them in partnership to develop their grant application. The grant application was submitted following a period of work with the provider and the BPB panel decided if the application was successful or not. If unsuccessful the VCSE was able to reapply to the BPB if it desired. If successful, the VCSE was awarded the grant funding and used this to begin to work with its support provider to develop its investment readiness and to possibly go on to secure social investment (for preliminary grants; investment plan grants had a much clearer investment journey/proposition). It is important to note that this process is considered to be developmental for the VCSEs and (aside from eligibility checks) the process is not selective until the panel decided to make a recommendation on the grant applications to the Big Lottery Fund. These seven phases are outlined below in Figure 2.1.

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

Figure 2.1 – Seven Phases of the BPB



This paper represents the fourth annual evaluation report for the BPB covering the first 48 months of operation, up to February 23rd 2018. In doing so it covers the entire grant award period of the programme (with grant awards completed by December 2017). However, as the monitoring of VCSEs continues until 18 months' post-grant, the primary data collection phase for the research will not end until mid-2019 (or 18 months after the final disbursement of funding is made). This report provides an overview of the efficacy of the BPB, the types of VCSEs that are applying to it and the impact that it is having on the investment readiness (and knowledge of investment) of these VCSEs. In providing this overview the report draws upon data gathered from within the programme including: website data; application data (the Diagnostic Tool); event/workshop evaluation data; and an investment readiness knowledge questionnaire. In addition, interviews were also held with VCSE applicants. What is becoming apparent as the research progresses is that the impact lead-time for BPB is longer than expected, as VCSEs at the smaller end of the sector are perhaps further from being IR than was previously acknowledged. Therefore, the true impact of BPB may not be fully identifiable until well beyond the end of the programme. This research will seek to explore this impact on all VCSEs that have engaged with BPB as the evaluation draws to a close in 2020.

3. Executive Summary

All the data contained in this research reflects the performance of the BPB up to February 23rd 2018. A mixed-methods approach to data collection was adopted that involved the collection of quantitative and qualitative data. The quantitative data (collected from 1,125 VCSEs[1]) was collected through the online application process and the diagnostic tool (both online and one-to-one). These tools captured organisational data (i.e. sector of operation, organisational reach, legal structure, financial data, income streams, governance models, staffing levels, skillsets, product details, accounting practices, and investment needs). The qualitative data collected (from 23 VCSEs; 9 Provider Organisations; 6 Panel Members; and 5 investors) was in the form of 43 semi-structured interviews. For the VCSE participants:

- five had completed their grant applications
- three were in the post-grant delivery phase
- six had been unsuccessful
- three had been rejected but successfully reapplied to the programme
- five were twelve months' post-grant, and,
- one had withdrawn from BPB without making a grant application[2].

As in Years Two and Three, in Year Four no VCSEs had entered into dispute with the programme[3]. Therefore, a total of 45 interviews have been held with stakeholders by the end of Year Four of the BPB.

1 This figure includes eligible and ineligible VCSEs (994 eligible; 93 ineligibles; 5 withdrawn; and 33 under review).

2 Three interviewees had participated from the withdrawn VCSE.

3 See Appendix A for a full methodological overview.

3.1 Research Findings

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

- 16,811 sessions have been held on the website in the year (as opposed to Year 2's 49,983 and Year 3's 45,997). This brings the total sessions to date to 135,528 sessions. This Year 4 drop is due to the BPB closing to applications just over halfway through Year 4 of BPB[4].
- 893 VCSEs have been directly engaged through the regional events. These regional events (one-day workshops) have had a significant impact on VCSE knowledge of social investment, with participants scoring +10.2% on a social investment knowledge test that was administered at the beginning and end of the workshops.
- Of the 1,125 VCSEs that completed the online DT, 994 VCSEs were classed as eligible for BPB.
- 890 VCSEs completed their '1:1 Support Advisor Session'.
- 702 VCSEs submitted grant applications, of which:
    - Preliminary Grants:
        - 255 were successful.
        - 272 were rejected.
    - Investment Plan Grants:
        - 64 were successful.

4 BPB Year 4 commenced on February 23rd 2018.

    - 111 were rejected.
- Average grant value was:
    - £27,110 per organisation for Preliminary Grants.
    - £41,092 per organisation for Investment Plan Grants.
- £9.54 million of grant awards have been made
    - Total BPB grant spend of £9.45m[5].

- Across the 4 years of BPB engagement issues have been noted including:
    - VCSEs in the South East, South West and East of England regions are under-represented[6].
    - The engagement of women-led VCSEs is slightly below the national average of 43%, at 31.5% across all four years.
- The VCSEs that engaged with the BPB were:
    - Small in scale (average turnover of £275,000).
    - Local organisations (70.4% operate at community, local and regional levels).
    - Very limited in profitability (average £334), but with good asset bases (£92,000) and debt levels (£15,000) (relative to turnover).
- Provider selection for VCSEs remains critical to the success of the BPB, especially around personal/organisational values, and Provider experience/skillsets.
- The Panel and grant decision-making phase worked well, although there was some frustration at what was seen as moving goalposts in relation to Panel decision-making, and inconsistencies as to how this was fed back to Providers and VCSEs independently.
- To date, 20 VCSEs have gone on to secure social investment totalling £17.48 million across 26 separate investment deals, out of a current grant awardee pool of 319 VCSEs and total committed grant funding of £9.45 million. These finance deals were either community share investment or debt finance (loan) deals.
    - It could be argued that the investment statistics should only be compared against the 64 Investment Plan Grants awarded, as the Preliminary Grants were never explicitly aimed at raising immediate investment. On this basis, 26 investment deals from 64 IP Grants (40.6%) indicates a much better return.

5 £9.54 million in grants were approved, but ultimately £90,000 was returned to the BPB.

6 This data is based upon comparisons with data on the national proportions of VCSEs regionally contained in the 2017 NCVO Almanac, which utilises data gathered in 2015.

3.2 Recommendations & Learning

For the first three years of the BPB, recommendations for the development of the Programme moving forwards were made based on the research findings to date. However, as the BPB closed to grant applications on 15th September 2017, there is no remedial action to be undertaken in relation to the programme. The mechanisms of the fund seem to have operated well, with positive feedback being received from VCSEs, Providers and Investors/Panel members. The recommendations presented in this section are therefore aimed at understanding the long-term impact of the BPB (including monitoring investment outcomes) and more generally focused on similar IR programmes moving forwards. This can therefore be seen as a 'Learnings' section as recommendations for changes to BPB are no longer relevant.

Based on the conclusions outlined above, the following five key learning points are made for the BPB and other IR-focused programmes (as well as government and policy-makers) moving forwards. Some of these replicate what was identified in the Year 3 report, but have been updated slightly to also reflect nuances in the data from Year 4:

1. Engaging the Sector: Ensuring that programmes such as BPB reach different parts of the VCSE sector (geography; type; size) remains critical. Throughout the BPB, different geographic regions, most notably the South East and East of England have presented engagement challenges, as well as others periodically (the North East in Year 1 and the South West in Years 3 and 4)[7]. Whilst programmes such as BPB can seek to overcome these through the use of innovative marketing techniques and events such as the regional workshops, wider ecosystem factors such as networks and critical masses of VCSEs in a given area are much more powerful shapers of engagement. Future programmes should consider how they can facilitate networks growth and connections, especially in regions that remain challenging across a variety of funding programmes (the East of England being a prime example).
2. The Journey: The design of the BPB VCSE journey has been one of the Programme's biggest successes, as it has taken formative evaluations that allow VCSEs to learn throughout their applications as well as their post-grant work. This should be a model that is therefore adopted in future similar support programmes, as the ability to critically reflect on their sustainability and potential growth needs, without feeling that it might damage their application to BPB, was one that the VCSEs found empowering.
3. Provider Working: Provider/VCSE engagement and well-matched partnerships are key to the success of any IR or sustainability journey. BPB has been very successful in this area, but greater transparency of Provider performance, and mechanisms to avoid Providers 'cherry-picking' good VCSE application candidates should be considered (although this last point is not necessarily always a bad thing in programmes such as BPB, as such cherry-picking can lead to better grant applications and VCSEs more suited to the support aims of the programme).
4. Sustainability Focus: Sustainability for VCSEs is the main aim, certainly for VCSEs that engaged with BPB. The fact that only 8% of all VCSEs went on to secure social investment highlights both the issues of IR/sustainability in the VCSE sector, as well as the lack of fit of many social investment

7 It does not take into account areas of multiple deprivations nationally or within specific regions and so BIG may wish to tailor their response to this finding in relation to this.

products for VCSEs (although it should be noted that the investment figure for VCSEs receiving Investment Plan grants was 31.3%[8]). In addition, scaling is not always the right model for increasing sustainability, particularly if this reduces the community focus and embeddedness of VCSEs. Therefore, programmes that recognise this and don't have such an explicit message around social investment would be welcome in supporting the VCSE sector over what will be a very challenging next decade. For BPB this could be seen more as an issue of language rather than strategic aims, as whilst BPB was never intended to move all VCSEs down the path of receiving social investment, the language around 'investment readiness' in the programme meant that this was how it was perceived by many of the VCSE applicants.

5. Direct Engagement Works: The research has shown that 893 VCSEs were engaged through BPB workshops or associated events throughout the life of the BPB, during which they learnt about social investment, the Big Potential Programme, as well as hearing from social entrepreneurs who have successfully secured funding from both the Big Potential and/or other social investors. There is a close correlation between these figures and the total number of eligible applications received (n=994)[9], suggesting that engagement through the workshops was positively correlated with VCSEs then progressing to apply to BPB.

The BPB operated robustly and delivered genuine impact across the VCSE sector. The BPB engaged a wide variety of VCSEs from across England and provided £9.54 million in grant funding (£6.89 million across 255 preliminary grants and £2.65 million across 64 investment plan grants)[10]. The growth in social investment deals leveraged (26 deals to date valued at £17.48 million) means that the deals secured nearly double the grant funding provided (or a 6.6x return if only IP grants are considered). Given the long sustainability paths that BPB VCSEs are on, this deal flow will likely further increase in the future, as the nascent support provided through BPB leads to a rump of more sustainable (and hence IR) VCSEs emerging that require investment to scale, and show that what today looks like moderate success is in fact a significant impact on IR in the VCSE sector.

8 This is based upon 20 VCSEs receiving investment from 64 IP grants. If the number of deals (n=26) is used instead, then the success rate for IP grants rises to 40.6%.

9 Indeed, 890 VCSEs progressed to completing their 1:1 Support Advisor Session.

10 Albeit as was noted earlier, £90,000 of this was eventually returned to the fund giving a total grat spend of £9.45m.

4. Results

The data gathered to date in the form of website statistics, diagnostic tool completions, workshop knowledge outcomes and the participant interview data are presented in this section. The results are presented in relation to each stage of the programme, with the statistical data used to demonstrate trends from the BPB, whilst the interview data is used to explore participant perceptions of the BPB to date, as well as providing context and explanation (where applicable) to the quantitative data. All the quantitative data presented in this section relates to the BPB performance up to February 23rd 2018, whilst the qualitative data relates to VCSEs that either had received their grant application decisions or were already 12 months' post-grant award before this date. As the last grant awards were made in December 2017, the data presented here represents the final cohort of VCSE applicants. However, tracking of these runs up until up to 18 months' post-grant and so data collection remains ongoing until mid-2019.

4.1 Marketing, Online Registration and Events

The website demand statistics demonstrate the levels of online engagement with the BPB. The website captures a number of key indicators including website usage (per visitor page view); email statistics; and geographic reach. In addition, this section also reports the statistics for the BPB events held and all of these individual elements will be presented and discussed in turn. Table 4.1 below represents the website usage data for the period February 24th 2017 to February 23rd 2018.

Table 4.1 – Website Usage Data

Webpage	Page views	Total Sessions
Big Potential	21,944	16,811

Sub-page	Page Views
Learn	6,168
Prepare	653
Apply	5,122
Directory	3,142
Guide	2,625

In total there were 16,811 user sessions on the BPB website in Year 4 (compared with 49,983 in Year 2 and 45,997 in Year 3) with the majority of visitors seeking to learn more about the BPB or to apply to the programme. This lower number is unsurprising given that the application window closed halfway through the year and knowledge and awareness of the programme would have been at its highest point at the end of the BPB.

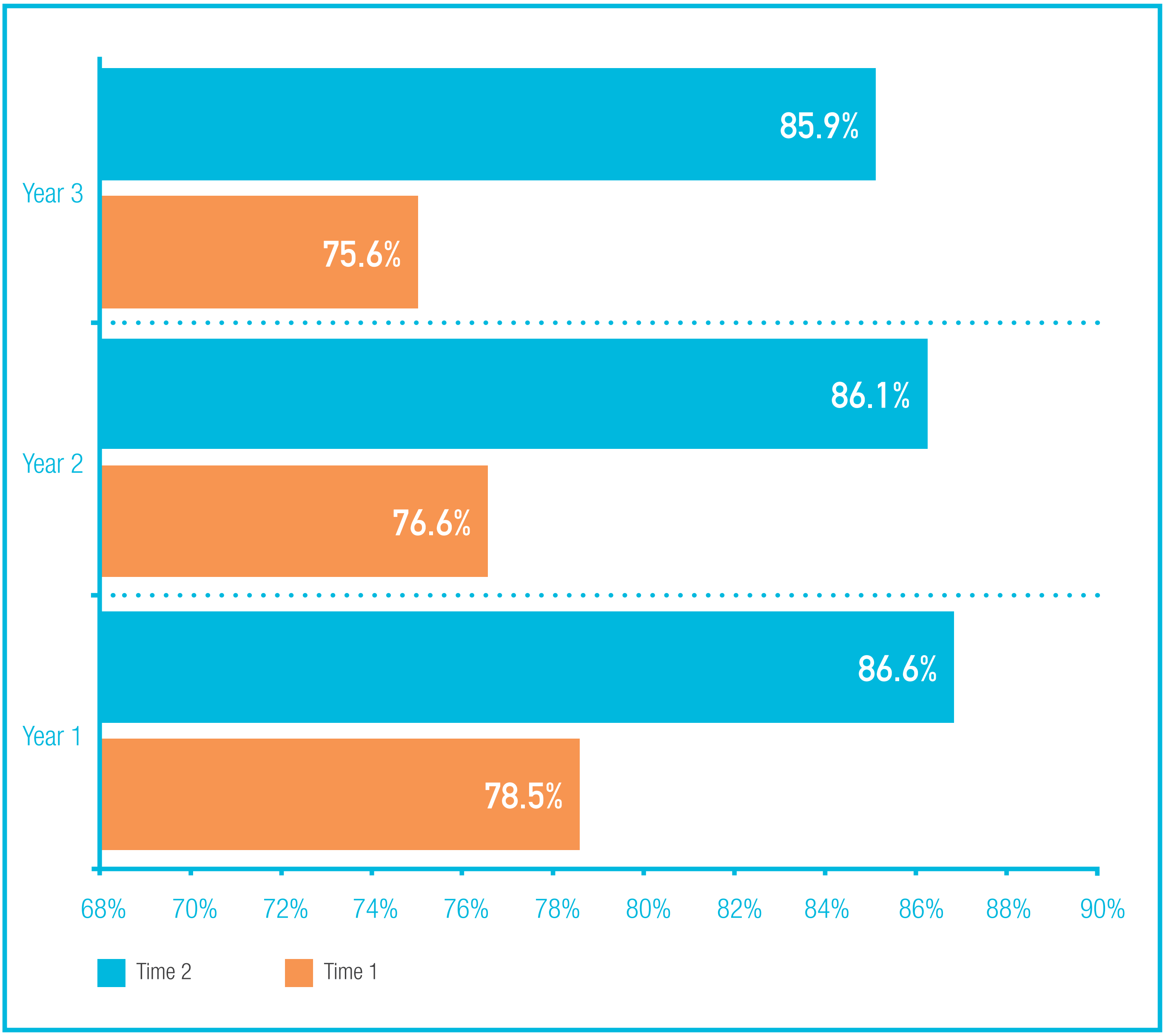
Table 4.2 below provides information on both the regional programme events provided around the country and the bespoke events at which a Big Potential presence was also involved. This details that 893 VCSEs have been engaged through the events (no events were held in Year 4 and so this represents the final total for the BPB and the same figures as the Year 3 report), during which they learnt about social investment, the Big Potential Programme, as well as hearing from social entrepreneurs who have successfully secured funding from both the Big Potential and/or other social investors. This also demonstrates that the workshop attendance and DT submission numbers are very similar, suggesting that engagement through the workshops was positively correlated with VCSEs then progressing to apply to BPB.

Table 4.2 –Events			
Regional Programme Events			
Location	Year	Bookings	Attendees
Walsall	1	115	85
Plymouth	1	70	50
London	1	96	60
Leeds	1	95	89
Cambridge	2	65	38
Ipswich	2	65	42
Salford	2	60	51
Gateshead	2	61	24
Swindon	2	41	21
Darlington	2	75	43
Lincoln	2	26	12
Chelmsford	2	60	45
Sheffield	3	61	31
Coventry	3	54	25
Preston	3	61	45
Kent	3	67	51
Bespoke Events			
Location	Year	Bookings	Attendees
Nuneaton (Homeless Link Annual Conference)	1	15	15
Derby (YMCA Network)	1	30	23
Northampton	2	100	40
Good Deals	2	N/A	18
Hastings	2	N/A	85
Total		**1,217**	**893**

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

Workshop attendees were also asked to complete a social investment knowledge questionnaire at both the beginning (Time 1) and end (Time 2) of the day, so that an understanding could be gleaned as to the impact that the workshop had on their knowledge of the Social Investment Market (SIM). This data is presented below in Figure 4.1 and identifies that the workshops had a positive impact on attendees' knowledge of social investment. The overall impact to the end of the BPB programme (+10.2%) demonstrates that the workshops raised social investment knowledge as measured by the survey to around 86%. In addition, when asked to rate the workshops' impact themselves the attendees scored the workshops effectiveness at 89.4% in improving their knowledge (Nb. 50% would have signalled no impact[11]). This demonstrates that the BPB workshops delivered strong impact on participant investment readiness knowledge and achieved good approval ratings from attendees.

Figure 4.1 – Workshop Social Investment Knowledge Test



Nb. See Appendix B for the full data breakdown.

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

Regional engagement was assessed using the data gathered in the Online Diagnostic Tool. Figure 4.2 below outlines the breakdown of BPB applicants by region.

Figure 4.2 – BPB Eligible DT Applicants by Region

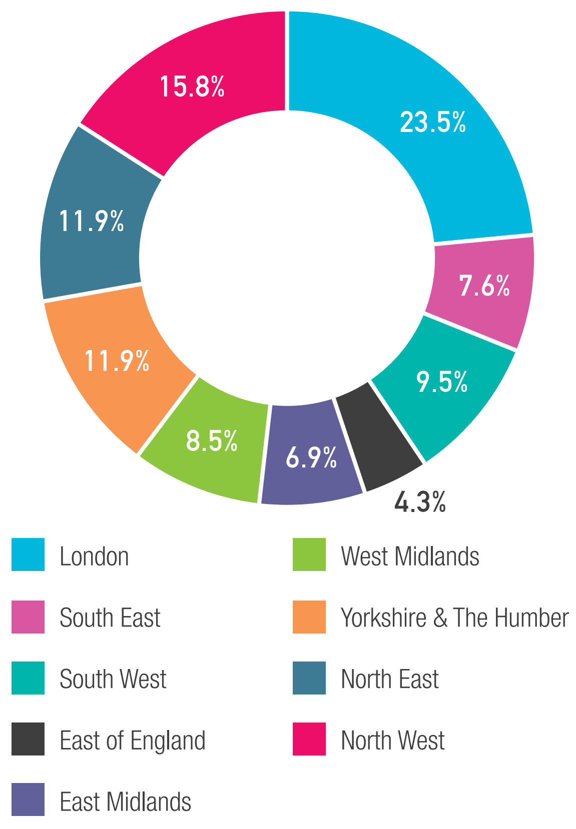


Figure 4.2 above demonstrates that just under one-quarter of the eligible BPB online DT applicants were based in London (23.5%). The other main geographic regions engaging with the BPB were: North West (15.8%); Yorkshire and Humber (11.9%); and the North East (11.9%).

In comparison with the average regional percentage of voluntary sector organisations as a proportion of the national total (see the 2018 NCVO data below in Table 4.3)[12], the representation from the regions on BPB was relatively in-line with regional averages. In London, the number of registered users was higher (23.5%) than the average of 18%, as was the case in the North East with 11.9% of registered users compared to a national proportion of 3.4%. The notable exceptions were the South East (7.6% / 18.6%); the East of England (4.3% / 12.5%); and the South West (9.5% / 13.1%), which were significantly lower than their respective national averages (NCVO, 2018). This data suggests that the BPB has struggled to engage with VCSEs from these three regions (South East, South West and the East of England) over the course of the programme[13].

It should be noted that these regions (and particularly the East of England and the South West) have traditionally been difficult areas to garner applications from on previous third sector programmes, and indeed there are limits to what programmes such as BPB can do to drive engagement. Examples such as the North East (a region that has significantly grown the VCSE ecosystem in recent years as previous BPB reports have shown), demonstrate that wider ecosystem factors are very powerful in driving engagement. As a social investor identified when discussing the difficulties in engaging certain regions:

> “So where there's more of a cold spot for social investment, not just in the east of England but in other areas as well, like in Cumbria or, sort of more rural areas, it's often harder, I think, to get social enterprise networks and clustering and to get, therefore, social investment. And it's more - the higher transaction costs to deliver social investment in those regions as well. (P39 – Social Investor)”

12 As noted in the Executive Summary, this is taken from the 2018 NCVO Almanac, which still utilises the 2015/2016 data.

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

Nevertheless, future funding programmes similar to BPB need to be aware of these systemic and structural issues in engaging these regions on grant funding programmes.

Table 4.3 – VCSE Regional Engagement at DT Stage

Region	Total for Years 1-4	Difference to NA	National Average
London	23.5%	+1.8 %	18.0%
South East	7.6%	-11%	18.6%
South West	9.5%	-3.6%	13.1%
East of England	4.3%	-8.2%	12.5%
East Midlands	6.9%	-1.2%	8.1%
West Midlands	8.5%	-0.1%	8.6%
Yorkshire & Humber	11.9%	+4.2%	7.7%
North East	11.9%	+8.5%	3.4%
North West	15.8%	+5.8%	10.0%

Nb. National average data taken from NCVO (2018). Those regions highlighted in red are more than 25% down on the national average figures.

This section has provided an overview of the BPB website engagement data and shown a high number of individual user sessions over the course of the BPB (135,528 in total). It has also shown that the BPB has been broadly successful in reaching the VCSE sector across the whole of England, albeit there remain problems with engagement (that have persisted throughout the programme) in engaging the South East, South West and East of England. However, it can be argued that this is more an issue of regional infrastructure than it is BPB engagement. The North East acts as an interesting case-study here, with applications from the region to BPB soaring since Year 1. There is no doubt that the efforts expended by SIB through the regional workshops and promotion of the BPB helped here, but the growth in the VCSE sector in the North East, along with the support infrastructure/ecosystem around it, has also contributed. Ongoing infrastructure building in the East of England (are almost certainly behind the historic low programme engagement rate of the region in BPB and similar programmes. The growth of Bristol as a regional hub for social enterprise (and indeed Plymouth also), may act to bolster the South West in the same way that Newcastle has for the North East, which may make engagement in these regions easier for future programmes.

4.2 The Online Diagnostic Tool

In total 1,025[14] diagnostic tools were completed and submitted by eligible applicant VCSEs (from the 1,125 DT submissions in total). This represents an eligibility percentage of 91.1%. From the 1,025 eligible DTs received, 890 VCSE progressed to and had their 1:1 Support Advisor Session. Throughout the programme, VCSEs have been largely positive about the DT and 1:1 Support Advisor Sessions, seeing them as developmental stages that allow them to test the assumptions they have about their investment readiness and to have these challenged/supported by one of the advisors. As has been noted in previous reports, this provided the applicants with the ability to 'critically reflect' on the sustainability and IR. Some found the online experience a little 'clunky', although it was also argued that the experience was generally positive and in-line with other grant funding programmes.

14 This includes 994 eligible VCSEs and 31 who are under review.

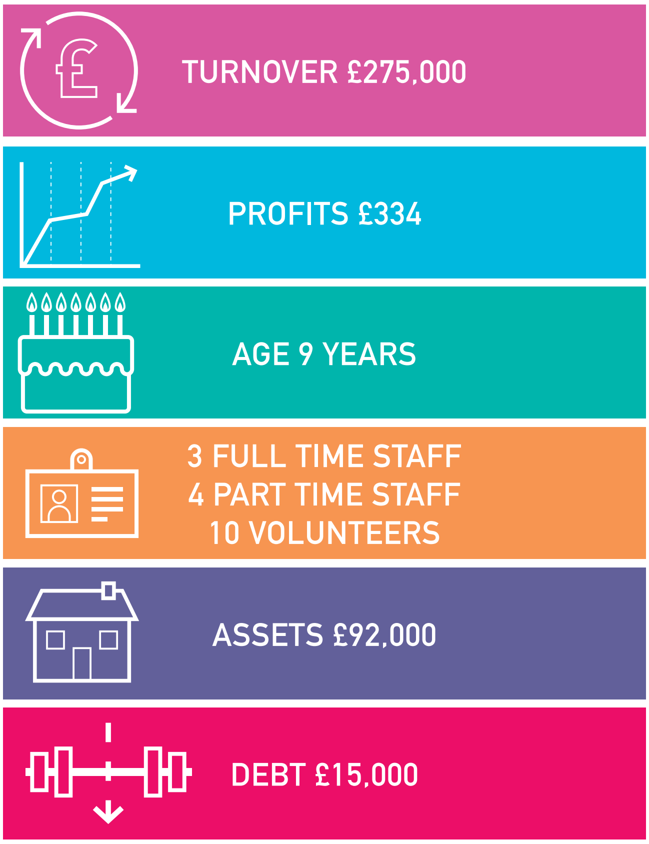
> One [benefit] was it [the DT and 1:1 Support Advisor Session] made us think more broadly about the organisation. Now, for me at the point I was at in my relationship with the organisation, I didn't know a lot of this information, so it was challenging for me to be able to complete the application. So, in essence I completed the application with the Business Development Director because I didn't know any of the answers. But the nature of who I am, and the nature of my role meant that all the answers were quite interesting and it helped as part of my induction basically to understand the broader leadership of governance, of the organisation.
> (P44 - Unsuccessful VCSE)

> I found that really difficult actually, I have to say the online process could do with being improved significantly, it just wasn't as intuitive as it needed to be, but there were also good things about it. The good things were that you could save your work and go back to it. The bad thing about it is you couldn't…upload a table into the online [form]
> (P42 – Unsuccessful VCSE)

> No, it's laborious when it's online… if you leave it and forget because someone's grabbed you off somewhere it times out on you and you lose things[15]. It drove me nuts, absolutely drove me nuts. But after the first time I learned my lesson. But other than that, it was okay, it was okay. It's fairly typical and perhaps happens on most online forms doesn't it.
> (P41 – Successful VCSE)

Demographic data relating to the VCSE applicants was also captured by the DT which allows for the evaluation to build a picture of the types of VCSEs that applied to BPB. By the end of Year 4 data had been collected through the DT from 1,025 VCSEs that were deemed eligible for BPB[16]/[17]. In relation to these VCSE organisational profiles the diagnostic tool revealed the following key organisational traits for the average VCSE applicant to BPB (see Figure 4.3):

Figure 4.3 – VCSE Organisational Demographics



Nb. See Appendix C for the full data breakdown. All averages presented here are median values.

15 It should be noted that the BPB website did not have the functionality to time people out, this was not a feature in the design. Therefore, this issue probably relates to the individual's own PC or internet connection timing out.

16 This means that the sample is skewed towards BPB eligibility and so is not wholly representative of the VCSE sector.

17 The overall research has access to a larger set of demographic data (n=1,475) and DT data (n=1,125), which will be utilised in academic reports/papers, but that are not relevant to this report here. There is also a commitment to make this dataset open access at the end of the BPB programme (subject to anonymization of the data).

In comparison to the data gathered in the first three years, the demographic data across the four years of the BPB is almost identical with few changes. Indeed, the smaller-end of the VCSE sector that engaged with BPB consisted of mainly micro-enterprises (less than 10 FT staff), with turnover of £250,000 per year and extremely low profitability (0.1% of turnover). These VCSEs were also significantly reliant on just two main income streams and derived half of their income from the public sector. Conversely, despite this the organisations are characterised by low debt-levels and decent asset bases, with an asset/debt ratio of over 6:1. The investment needs of VCSE applicants remains the same as reported in the first three years, with an average investment need of £250,000 (91% of annual turnover). The increasing size of the sample to date provides more confidence to the assertions made in the previous three reports that this segment of the VCSE sector has serious sustainability issues, and that support for the sector is still urgently needed if a serious retrenchment of the third sector is not to be experienced in the next decade.

The reasons for exploring/seeking investment articulated by the VCSEs in Year 4 were the same as those discussed by the VCSEs during the previous three years (social/commercial scaling; consolidation of previous growth; and organisational independence/flexibility; property/assets acquisition/renovation; income diversification). As with the previous reports, growth was viewed as part of a broader journey towards becoming more sustainable and increasing the resilience of the VCSE. However, VCSEs were naturally nervous about pushing on with scaling the organisation, as they wanted to also ensure that they could mitigate the risks involved. BPB was seen as an essential part of this mitigation as it provided external resources to test and approve expansion plans.

> “The diversification of income, I think, remains quite a significant priority……and that is happening at multiple levels, so there are new projects that we are looking at.”
> (P44 – Unsuccessful VCSE)

> “Going from an organisation like ourselves, we have a turnover of about £1.5 million, and the contract in question at the time was worth around £700,000, and going from that to a contract that was worth £1.5 million and that would nearly double our turnover, was something that we felt we shouldn’t do without support. Because as you know sometime if organisations run too fast then sometimes they fall over.”
> (P42 – Unsuccessful VCSE)

> “As a business we like to ensure that we mitigate the risk, because if you do it wrong you are putting people out on the street. So we have grown quite spectacularly over the last few years and we have won awards for the work that we have done, but you have still got to ensure that the risks for the [beneficiaries] is kept low. So the approach to taking debt on is that we will probably follow the same trajectory as our knowledge and confidence.”
> (P34 – Successful VCSE)

Sustainability has been a key feature of the data gathered within this research, as the support delivered by BPB is viewed by many of the VCSEs, and also critically Providers and Investors as being wider than just investment readiness. Indeed, capacity building, resilience and sustainability were all key issues discussed by the participants in relation to BPB, with the notion that this can often be achieved without scaling also being discussed as an issue.

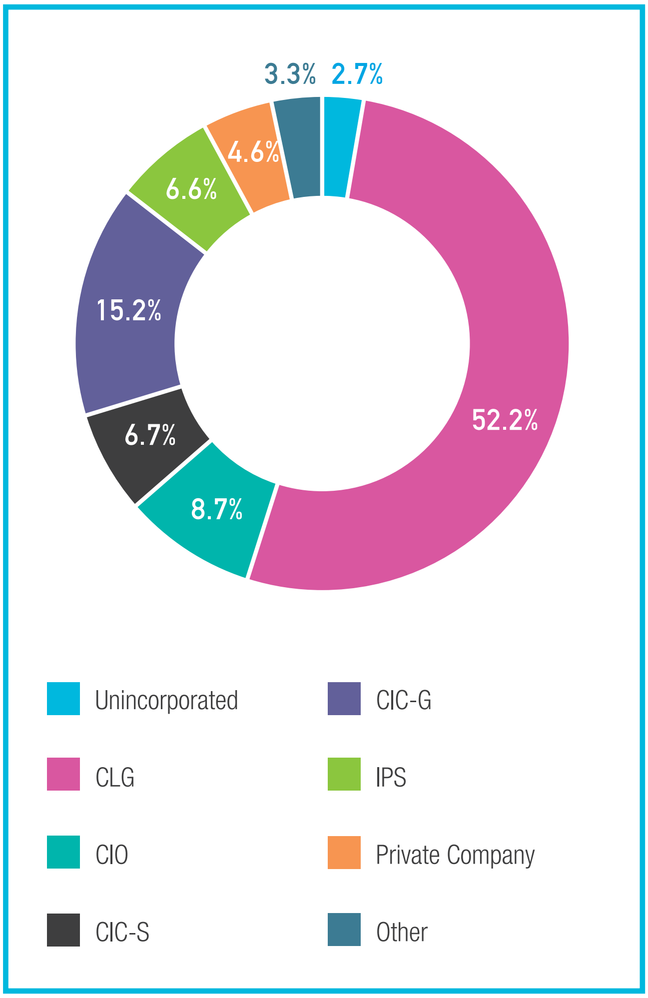
> "Yes, it's fantastic as a capacity programme because it was open, it was flexible. There was a broad general thing that said all the support being proposed should help, and how has does the support being proposed help them win over an investor subsequently, which is great. But actually, winning over an investor is not the same as what you need to be sustainable. (P38 – Provider)"

> "Ultimately we did what the programme [BPB] asked us to, but what we were really doing was we were helping them to become sustainable and I think quite a lot of the time we were giving them much broader advice, we weren't just focusing on how we could get them social investment. (P40 – Provider)"

> "I don't think that social investment is all about scale and I think that the focus on scale is a distraction and it drives this - it's often driven by a finance-first mentality. If you come in as an equity investor or a VC fund background you think you have to build scale and exist and get a return. And so it drives your whole way of analysing an investment opportunity… so achieving scale to do that is in some cases counter intuitive because you can sacrifice social impact when you scale. (P39 – Social Investor)"

The majority (52.2%) of VCSE applicants were Companies Limited by Guarantee (see Figure 4.4 below), with over one-third (37.2%) of applicants being social purpose organisations such as charities, social enterprises and cooperatives (Community Interest Companies, Industrial Provident Societies and Charitable Incorporated Organisations). In addition, 55.9% of all organisations were also registered charities showing that the majority of the organisations (irrespective of legal form) were the trading arms of charities. Whilst BPB experienced a downward trend in the number of registered charities applying in Years 2 and 3, there was an upturn in charitable applications in Year 4 back towards Year 1 levels [62% (Year 1); 49% (Year 2); 52% (Year 3); and 61.8% (Year 4)].

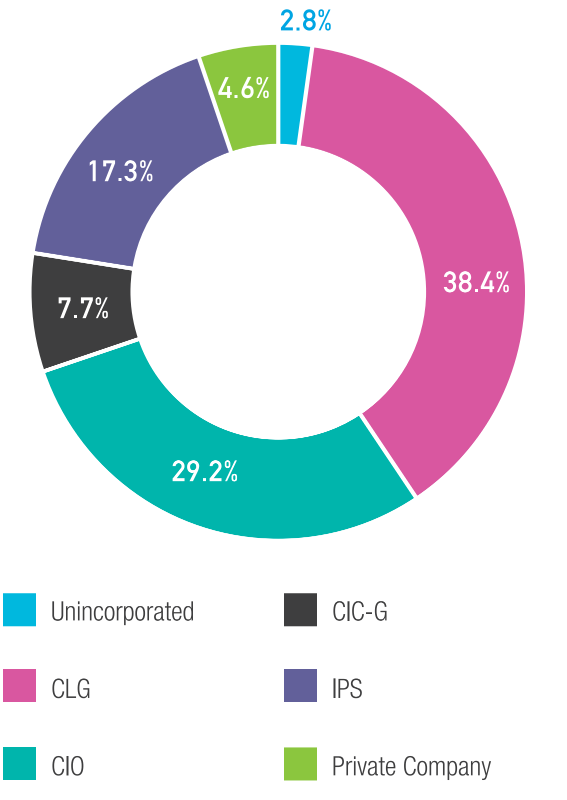
Figure 4.4 – Organisational Legal Form



Nb. See Appendix D for the full data breakdown.

In relation to geographic reach, 70.4% of all VCSE applicants operated at a localised level (neighbourhood, local authority and regional combined) (see Figure 4.5). A total of 17.3% of VCSEs operated at a national level. This compares with a sector trends of 78% of VCSEs operating locally and 22% of VCSEs operating nationally (NCVO, 2017).

Figure 4.5 – VCSE Geographic Reach



Nb. See Appendix E for the full data breakdown.

In relation to engagement with VCSEs that are women-, BME-, and disabled-led, engagement was mixed (see Figure 4.6 below). Women-led organisations represented just under one-third of the sample (31.5% across all four years of BPB) compared with annual breakdowns of: Year 1 = 34%; Year 2 = 30.6%; Year 3 = 27.8%; and Year 4 = 34.9%. As has been noted in previous reports, this is lower than the sector average of 50% provided by Teasdale et al. (2011) and 43% by NCVO (Lewis, 2010). However, despite four interviews (two in Year 4 to explore this further) with randomly selected women-led VCSEs no cause for this has been identified. Indeed, for the women-led VCSEs interviewed in Years 2, 3 and 4 the interviewees did not articulate any barriers to engagement based on gender.

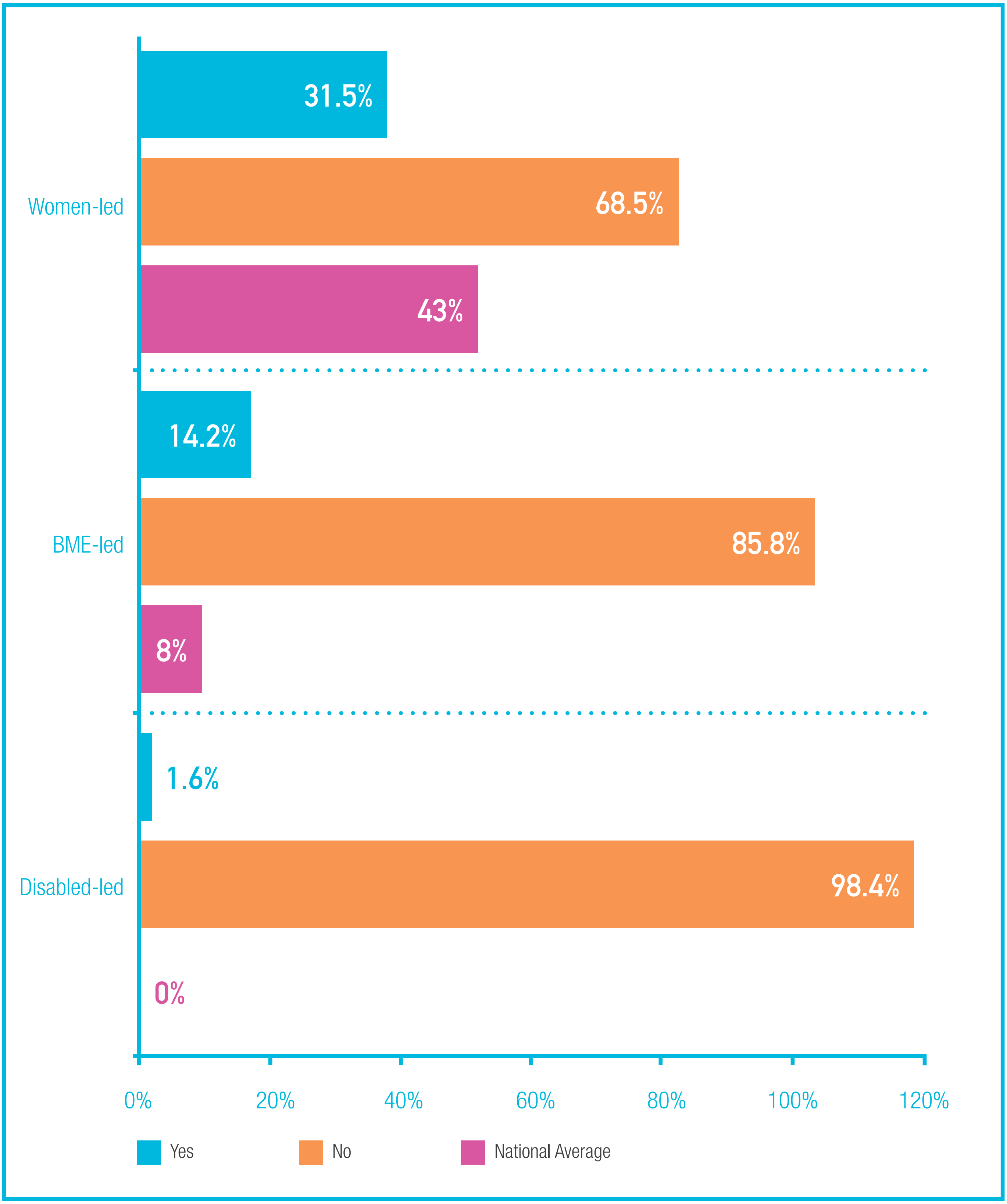
BME-led VCSEs accounted for 14.2% of the sample across all four years (Year 1 = 12%; Year 2 = 18.8%; Year 3 = 14.1%; and Year 4 = 12.7%) compared with a national rate of 7.7% of VCSEs that were primarily BME focused (NCVO, 2014a). As has been noted in previous reports, BME engagement has not been a problem area for BPB, as BME VCSEs have applied to the programme consistently in higher numbers than the sector national average.

There was a sharp spike in the number of VCSEs identifying as disabled-led in Year 4 (n=10), with 10 new applicants compared to the 6 that had applied across the first three years. As has been previously noted in prior BPB reports, this engagement rate of 1.7% of all applicants being disabled-led[18] could be significantly higher than a national average that could be as low as 1/800 (Hazenberg, 2017). This relates back to the discrepancy between organisations being disabled-led and disabled-focused that was identified in previous BPB reports. This also demonstrates though that BPB has engaged much more strongly with disabled-led organisations in Year 4[19]. Despite the research approaching 5 of these 16 disabled-led VCSEs to date to engage in the research through telephone interviews, none have agreed to participate. However, given the above this does not seem to be a major issue for BPB as a programme.

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

19 Indeed, SIB focused a significant amount of work in Year 4 to reach out to disabled-led VCSEs based upon the findings of previous research reports. This has clearly had a significant impact on engagement.

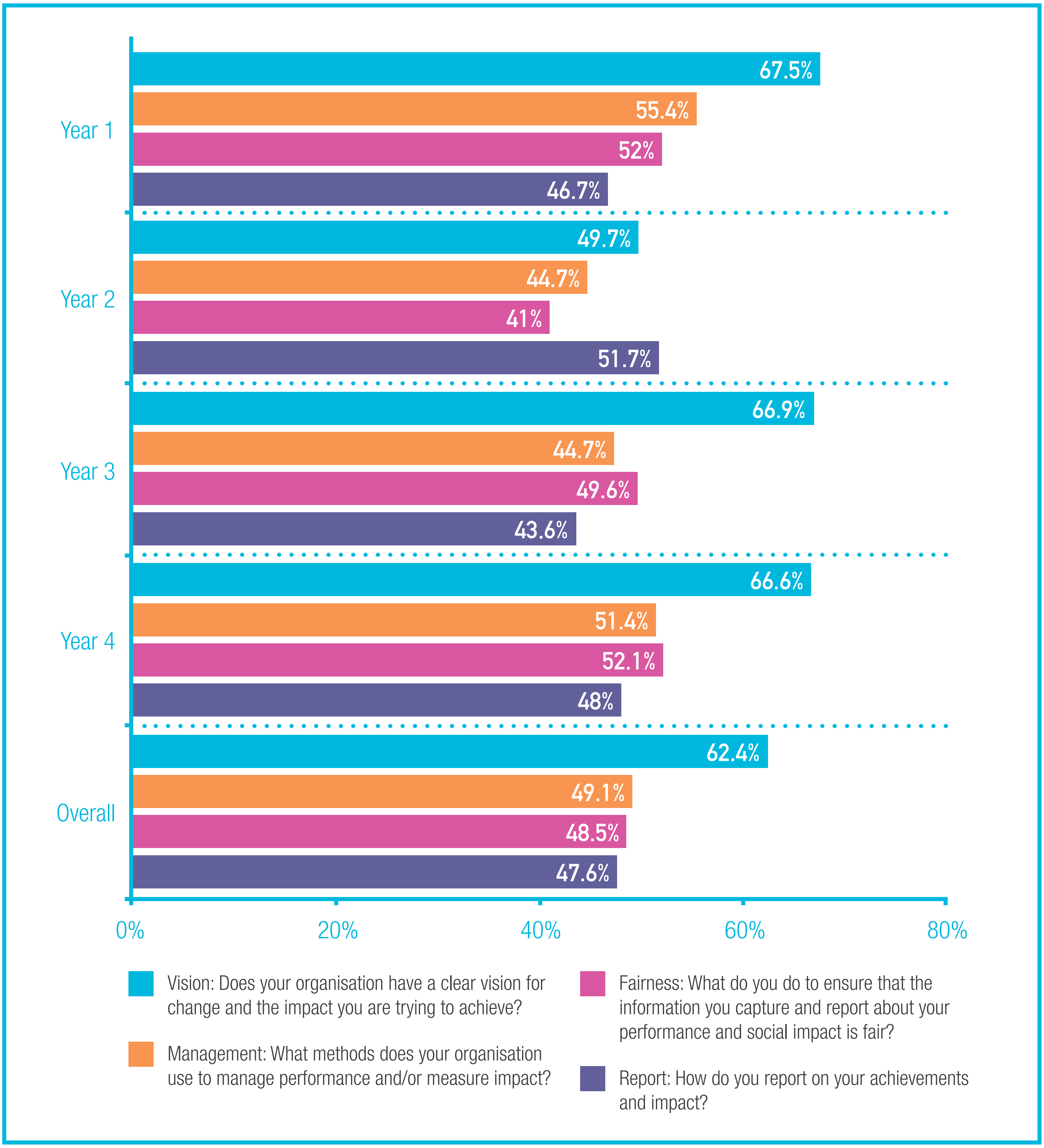
Figure 4.6 - Women-, BME- & disabled-led VCSEs



Nb. See Appendix F for the full data breakdown. The data here represents the proportions for Years 1, 2, 3 and 4 combined. As was outlined above, it is difficult to ascertain the true size of the disabled-led VCSE populations nationally and so the figure shown here is 0%. All national average data is taken from the 2015 NCVO Almanac, as the 2018 Almanac does not contain updates to this data.

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

Figure 4.7a – Social Impact Measurement Perceptions



Nb. See Appendix G (Table 7.6a) for the full data breakdown. The Likert ratings are represented here as percentages.

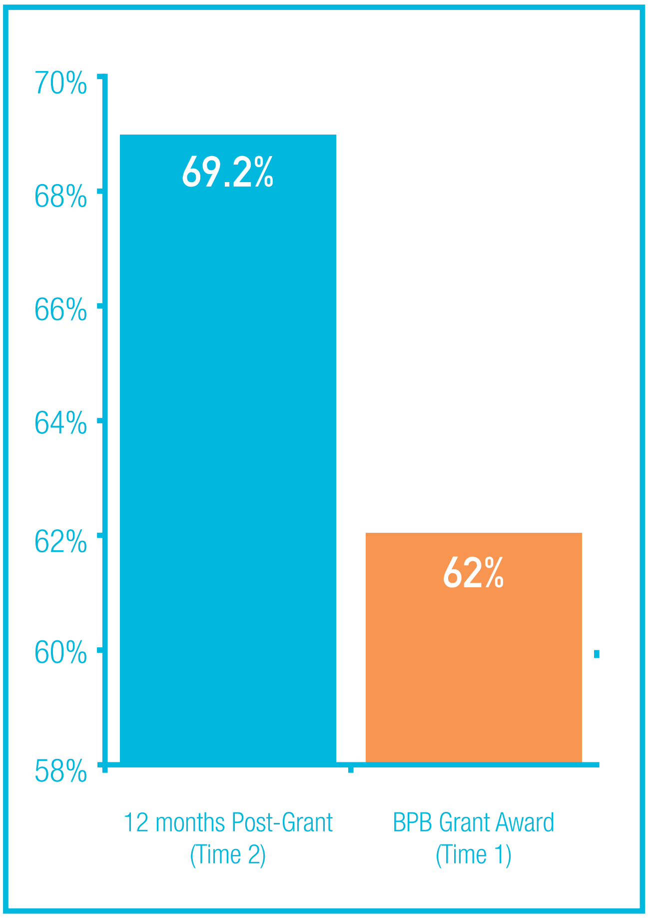
The overall data here is very similar here to that reported in Years 1, 2 and 3; namely that VCSEs can articulate their vision for change and how they deliver social impact, but that they struggle more to measure this accurately and disseminate it appropriately. Again, as with the interview data from the first three years, social impact measurement as a key issue emerged again in the Year 4 interviews, both as a form of market analysis and as a means to evaluate and understand products/services delivered by VCSEs:

> "Particular areas that we needed particular support with were market analysis and understanding more our social impact, as well as creating a social impact framework for the new service."
> (P43 – Successful VCSE)

The research is exploring the impact of BPB on the social impact of VCSE grant awardees, utilising SIB's Method for Impact Analysis and Assessment (MIAA) tool[20]. 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 BPB shapes VCSE social impact over time. The data for the longitudinal impact to date (some VCSEs are still not 18 months' post grant award) is displayed below in Figure 4.7b.

20 It should be noted that the MIAA solely seeks to explore VCSE perceptions of their social impact. It does not in any way actually measure social impact. The exploration of perceived social impact is gained in relation to three areas: mission fulfilment; beneficiary perspective; and wider impacts.

Figure 4.7b – Social Impact Measurement Perceptions



Nb. See Appendix G (Table 7.6b) for the full data breakdown. The MIAA scores out of 30 are represented here as percentages.

The data reveals that organisations are experiencing a statistically significant ($p < .001$) increase (+7.2%) in their MIAA scores during the post-grant phase of the BPB. This demonstrates that during this time VCSEs are increasing their impact according to the measures within the methodology. Whilst this data cannot solely be attributed to BPB, given the focus of many of the grants in part on social impact measurement (70 of the grants awarded had a social impact/social impact measurement element to the post-grant support), and the qualitative interview data that suggests the funded work around SIM is having a positive effect, it would seem that the BPB is having a significant effect on grant awardees ability to engage in social impact measurement.

Indeed, as some VCSE participants stated, the impact of BPB on social impact (and other areas) was significant:

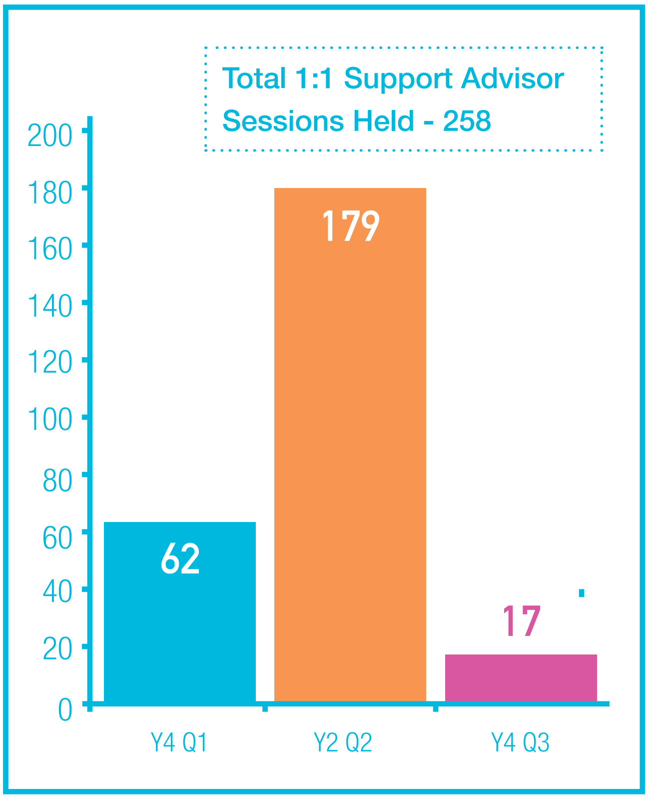
> Yes, we did target specific areas. It was around social impact. It was around the governance structures. Financial, obviously. We need to prove that we've got the correct financial modelling in place to be able to substantiate the expansion plan as we see it. And around marketing and the growth of that particular element of the business. So the delivery of the Big Potential work that we're doing at the moment is hugely around sustainability, hugely around financial modelling, you know, social impact, all of those things. (P41 – Successful VCSE)

By the end of Year 4, the data reveals that BPB applicants were in the vast majority: micro-enterprises (less than 10 employees); with limited turnover (£270,000); limited staff resources (3 FT staff); relatively high reliance on volunteers; extremely small profit margins (0.1%); a high reliance on a small number of contracts (<2); and on public sector income (50% of total income). The VCSEs also struggle to measure and report the social impact that they deliver, and so are limited in their ability to market the good work that they do. BPB is clearly having a positive impact on this ability to measure social impact within organisations. Nevertheless, from a sustainability and/or IR perspective, BPB VCSEs (i.e. the smaller end of the VCSE sector) clearly face significant sustainability challenges and there is substantial work to be done to raise the sustainability of this segment of the sector. This suggests that the support delivered by programmes similar to BPB, is (and will be) crucial to the health of micro-VCSEs moving forwards.

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

In Year 4, 258 1:1 Support Advisor Sessions (SASs) were held/booked with VCSEs, in addition to the 176 held in Year 1, the 225 held in Year 2, and the 231 held in Year 3 (890 in total, out of 994 1:1 invitations). This demonstrates how the applications and 1:1s increased over the final year of the programme, as the partners engaged in more 1:1 SAS in the 7 operational months of Year 4, than they did in the whole of Year 3 (and indeed 179 in one quarter alone!). Across the full four years of the programme, 93 VCSEs had been assessed as ineligible, 5 VCSEs had withdrawn and 33 VCSEs still have their status as under review (1,125 submitted DTs across the four years). Figure 4.8 below provides an overview of the 1:1 Support Advisor Session provision for each quarter of the BPB from 24th February 2017 to 23rd February 2018.

Figure 4.8 – 1:1 Support Advisor Sessions by Quarter



Nb. Provision of 1:1 SAS ended in September 2017, hence the lack of data for Y4 Q4.

Figure 4.8 identifies that the BPB held 37 1:1 Support Advisor Sessions per month in Year 4 (a significant increase over the average of 16 sessions per month in Year 1, 21 sessions per month in Year 2 and 20 sessions per month in Year 3). This is due to the fact that VCSEs realised that BPB was due to close to grant applications, and so inevitably led to a spike in applications and hence 1:1 SASs. Across the four years of the programme (41 operational months) BPB averaged just under 22 1:1 SAS per month. As was found in the previous reports, VCSEs valued the ability to test their DT audit of themselves with an external 'expert'.

> "Having got through the first part, which was really quite interesting, and having got the feedback from our external consultant [1:1 Support Advisor] and the areas that she identified and raised made a lot of sense to us…….I think the adviser report that we got back from Big Potential helped to refine some of the areas that we as an organisation were aware of, but maybe hadn't recognised how much we needed to improve at basically."
> (P44 – Unsuccessful VCSE)

The 1:1 Support Advisor Session also provided the opportunity to reassess (with the expert advisor's help) the VCSE's overall investment readiness score on the diagnostic tool (for more information on how investment readiness was assessed please see Appendix H). Figure 4.9 below outlines the scores of VCSEs in relation to their investment readiness when first engaging with BPB for Years 1, 2, 3, 4 and overall.

Figure 4.9 – Investment Readiness Scores (Online DT)

YEAR 1: SELF-ASSESSED SCORE (ONLINE DIAGNOSTIC TOOL)	59.3%
YEAR 2: SELF-ASSESSED SCORE (ONLINE DIAGNOSTIC TOOL)	49.5%
YEAR 3: SELF-ASSESSED SCORE (ONLINE DIAGNOSTIC TOOL)	57.3%
YEAR 4: SELF-ASSESSED SCORE (ONLINE DIAGNOSTIC TOOL)	59.5%
OVERALL: SELF-ASSESSED SCORE (ONLINE DIAGNOSTIC TOOL)	56%

Nb. See Appendix H for the full data breakdown. A score of 80% or higher on the diagnostic tool is viewed as being 'investment ready'.[21]

The data shows that during Year 4 applicant VCSEs scored higher in their overall DT investment readiness score than at any other time during the BPB programme. This shows that BPB was receiving applications in Year 4 from VCSEs that were (marginally) closer to IR than those that applied in Years 1 and 3, and significantly more IR than those that applied in Year 2. Nevertheless, this finding also continues the trend noted in previous reports across all four years of the BPB, that applicant VCSEs were well below the 80% threshold score deemed to indicate IR[22]. This demonstrates the significant and continuing IR and sustainability

21 The 80% threshold and the IR scores in general were never used by SIB in the assessment of grant applications, it was merely a feature of the research data collection design. The threshold of 80% is a feature of the tool as designed by Locality.

22 It should be noted that the use of this threshold figure is purely for research purposes and was not used by SIB in their management of the project or to assess applications. Indeed, the overall IR score for applicant VCSEs was irrelevant in the BPB itself.

issues that face the micro-enterprise segment of the VCSE sector that BPB seeks to support. Indeed, this acknowledgement of the lack of IR and sustainability in the micro-VCSE sector has been a feature of the BPB research throughout the data gathering and analysis phases.

When analysing the demographic data in relation to initial IR scores, there was also a statistically significant difference in VCSE IR scores both in relation to whether a VCSE was a registered charity and whether it was BME-led. Indeed, those organisations that were also registered charities scored on average +5.5% higher than those VCSEs that were not registered charities, whilst those VCSEs that were BME-led scored 3.6% lower than non-BME-led VCSEs (see Appendix H for an overview of this data). These findings suggest that there is more of a demand for IR support in the non-charitable and BME-led segments of the VCSE sector[23].

The interviewees in Year 4 identified how programmes like BPB provide VCSEs with the time to 'unpick' their business models and assumptions. Previous reports have also noted the 'journey' nature of investment readiness support, and the importance of 'critical reflection', and this remains a key theme emerging from the data. Indeed, as one Provider eloquently explained:

> "So programmes like Big Potential are great at giving individual enterprises time and space to properly unpick this and work out how does it best apply to them. And the best way to do that is to hold themselves against it. How have we designed and deliver programmes at the moment? (P38 – Provider)"

23 There is a caveat here that the data only relates to those VCSEs that applied to BPB and so were actively seeking IR, this could skew the data when compared to the sector as a whole.

The 1:1 Support Advisor Sessions continue to act as initial means for VCSEs to 'critically reflect' on their IR (and sustainability). It provides a lens with which to identify weakness and development needs, and to do so with the aid of an external critical friend. It is apparent from the data gathered across the four years that the VCSEs that are applying to BPB have general IR/ sustainability problems.

4.4 Preparing the Grant Application

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

The grant application phase remains a critical element in the BPB journey, and one that in the main seemed to work well, both in relation to the mechanics of building the application, and also in relation to the Provider selection and relationship in co-producing applications. Indeed, as has been seen in BPA, there was a tendency for organisations to select Providers that they knew or had worked with previously, and there was acknowledgement of how useful the Provider database on the BPB website was in demonstrating the various skillsets of different organisations. The co-production of applications was also critical, as it allowed the VCSEs and the Providers to ensure that they were on the same page regarding what was to be delivered and why.

> It wasn't a hard application. The monitoring element of it is fine for us as an organisation. As you said earlier, it's our bread and butter so it's us, what we do. (P41 – Successful VCSE)

> It [application] was actually really straightforward and quite supportive actually……the practicalities to apply were mostly straightforward… (P43 – Successful VCSE)

> To be honest, and I will be brutally honest - we filled out the application and we chose our provider. And the guy who we ended up choosing is a guy who I've known for many years, a guy called [Name], who actually used to work for me many, many moons ago. So I rated him, because you know you choose people who you think are going to be good for you and good for the organisation. And [Name] used to work for me as a business adviser in a past job I had. And I thought he was very good at the time so that's why we chose that provider, in all honesty. Because I just thought he delivered very well for me at the time, he's got a good reputation around. I'd seen his name, I thought, 'You'll do for me!' That's quite simply how we chose the provider. (P41 – Successful VCSE)

> I was aware of [Provider Name] anyway, but we did have a shortlist of two who were local to us…but there was a really helpful directory on the BP website as part of the application process that gave you a lot of detail about where the strengths of these different providers were… (P43 – Successful VCSE)

> I probably did about 70-75%, so he [Provider} did about 25% of it. He helped us with - because he's really good at financial stuff so - and the milestones, so he took my brain and broke it down into simple milestones, because I just talk and talk and talk and talk. (P41 – Successful VCSE)

Whilst previous reports have highlighted the importance of 'gut feeling' and personal value alignment between Providers and VCSEs, as well as 'knowledge fit', data from the Year 4 interviews (and interviews from Years 1-3) demonstrates that Providers having a broad skillset is also beneficial to VCSEs. Indeed, the ability to utilise multiple consultants with different skillsets is appreciated by the VCSEs, even if this does tend to favour the larger Providers (or individual consultants working together). However, this does not necessarily represent a problem for BPB, as Providers building critical masses of different expertise, either within their organisations or as a network of smaller consultants, is part of the market development mission that BP has had across both programmes. Whilst this developmental arc could create potential problems in relation to the growth of large 'prime-like' providers who then use smaller organisations/consultants to sub-contract delivery (as has been seen elsewhere in public service delivery), this could be viewed as part of the process of building a nascent marketplace.

> Then we have a team of lots of different consultants, well probably about 10 different consultants, that all do different specialisms, so like we had specialists in social impact, outcomes monitoring, specialists in the social finance side. We had specialists in marketing, assessing different markets, business planning, so you know we brought in these real specialists so that they were getting a real package from us.
> (P40 – Provider)

There remains however, an element to BPB in its design that Providers were keen to identify those VCSEs that they believe are most likely to be able to develop sustainability/IR and secure a grant to do so. This 'cherry-picking' of VCSEs is perhaps inevitable and by no means necessarily a bad thing, as it means that only the most suitable VCSEs end up preparing and submitting grant applications. Indeed, as one Provider noted:

> If I am being quite critical, we really selected the ones that were most likely to achieve sustainability in some way or raise investment or whatever you know. (P40 – Provider)

The data presented in this section has shown that the grant application phase, with its Provider selection and coproduction emphasis worked well on BPB. It allowed VCSEs to build upon the critical reflections that they undertook during the DT and 1:1 SAS stages, and provides a continuation in the IR journey being undertaken. Indeed, as Case-study F shows later in the report, this part of the journey can lead to positive social investment outcomes and the securing of investment, even when a grant application is ultimately not submitted.

4.5 The Panel & Grant Decision Phase

In relation to the Panel phase and the final decision as to whether to accept or reject grant applications, the research evaluation has access to both quantitative and qualitative data. In total there were 702 grant applications across all four years (66 in Year 1; 188 in Year 2; 189 in Year 3; and 259 in Year 4); of which 319 were successful, and 383 were unsuccessful/ withdrawn[24]. In relation to the types of grants that have been awarded, to date the BPB has provided £9.54 million in grant funding[25] (£6.91 million across 255 preliminary grants at an average of £26,852 per grant; and £2.63 million across 64 investment plan grants at an average of £41,092 per grant). The majority of preliminary grants (56%) have been used by VCSEs to measure social impact, with the remainder split between changing governance structures (18%) and developing new income streams (26%)[26]. For Investment Plan Grants the split was across changing governance structures (33%), developing new income streams (24%), and measuring social impact (43%)[27].

Figure 4.10 below outlines the main trends emerging from this data in relation to grant awards as a whole (Preliminary Grants and Investment Plan Grants). The IR score of a VCSE at the online 1:1 DT stage was not predictive of grant outcome, with no significant difference between the IR scores of unsuccessful and successful applicants for either Preliminary Grants or Investment Plan Grants. As has been noted in previous reports, the DT scores when first applying are not meant to discriminate, but rather as a means to identify weaknesses

24 27 of these applications were originally unsuccessful and accepted after resubmission.

25 £90,000 across 7 grant awards was returned to the BPB ultimately meaning as total spend of £9.45m.

26 Based upon available data from a sample of 171 Preliminary Grant Awards.

27 Based upon available data from a sample of 46 Investment Plan Grant Awards.

in the VCSE's business model that needs to be addressed. Indeed, given that the aim of the BPB was to raise IR in those that most needed it, it is intuitive that there would not be a link between these two variables. Figures 4.11a and 4.11b (also below) outline the specific and thematic reasons for grant application rejection.

Figure 4.10 – Grant Awards Offered

See Appendix I for the full data breakdown including Preliminary and IP Grants analysed separately.

32 GRANT AWARDS MADE → AVERAGE GRANT £29,940 → IR SCORE 57.3%

TOTAL GRANT AWARD VALUE = £9.54M

Figure 4.11a – Grant Application Detailed Rejection Reasons

Nb. See Appendix J for the full data breakdown.

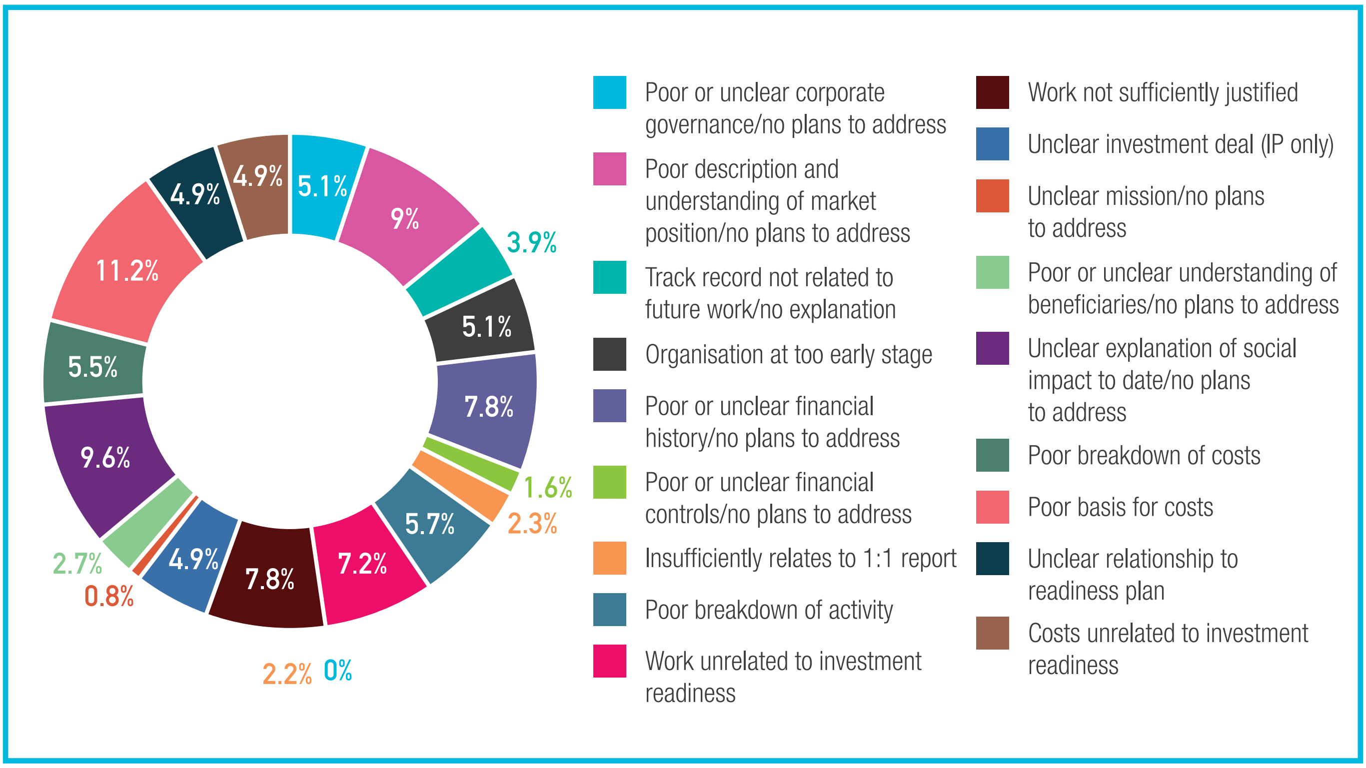
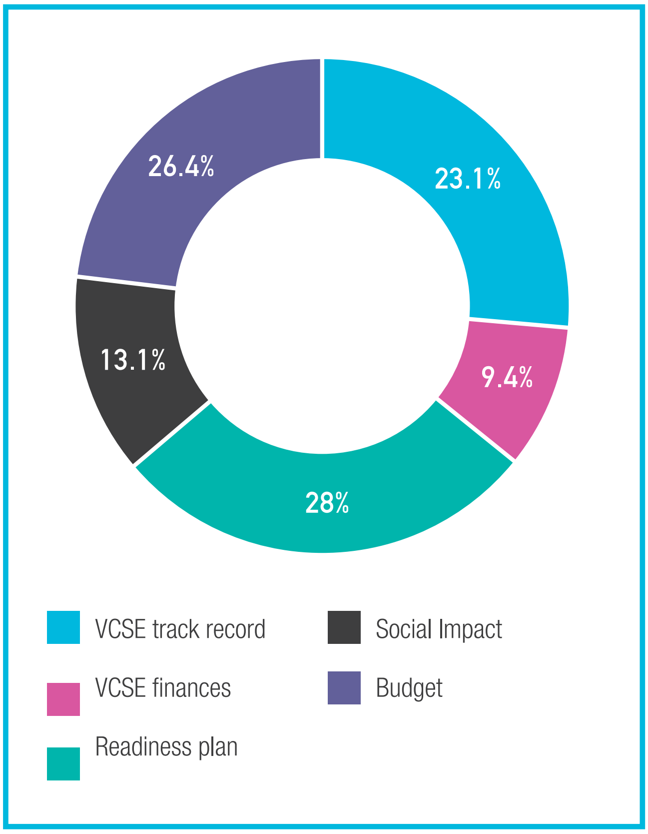


Figure 4.11b – Thematic Rejection Reasons



Nb. See Appendix J for the full data breakdown.

Figure 4.11a reveals that the largest rejection reasons given for grant applications being unsuccessful across the first four years were poor description/understanding of market position; unclear social impact; and poor basis for costs in the proposal. These accounted for 29.8% of all rejection reasons, despite only being 3/18 of the possible rejection reasons. In addition, across the thematic areas a poor investment readiness plan, a poor budget and a lack of track record accounted for 77.5% of all rejection reasons. It should also be noted that due to the surge in applications during Year 4 because of the imminent closure of BPB to new applications, rejections towards the end of BPB were shaped by the Panel being constrained by a high volume of applicants and a very limited remaining budget for grant awards.

In relation to the Panel process, whilst in the main throughout the 4 years of the evaluation this has been viewed positively, by Panel members, VCSEs and Providers, there were nevertheless frustrations in relation to what was perceived as moving goalposts in Panel criteria, and a mismatch between what was being informally cascaded from SIB to the Providers and what appeared on the website guidance.

This often undermined trust between Providers and VCSEs.

> "...it seemed that for about a six, eight-month period, every month the panel retrospectively changed their criteria. So we as providers then lost credibility with clients which made it hard for us to work with them in the future again, or word gets around. And that change of criteria wasn't necessarily that - it didn't get passed back up publicly. So it came to us as providers but then as far as the guidance went, that was publicly available to groups looking at it. 'Well the guidance says we don't need to worry about that'. 'Well actually, we do'. 'What do you know? We are going with what the funder's telling publicly'. Might just see it with Power to Change at the moment. Power to Change as a communication is shocking in that they actually contradicted. There's a programme that I represented a client to on the panel recently and they said, 'Oh yes, but these parts of the budget aren't eligible because they're capital'. We said, 'But the guidance your panel, you the panel published four weeks ago, publicly to all the Programme partners says it is'. 'Oh well, it's not now'. What the [expletive]. But that's the nature of the game. For all the good stuff that comes out there's messy stuff but that's the nature of - you know. My idea is that actually I reconcile that because of one of Newton's Laws of Thermodynamics - every action has an equal and opposite reaction. We live in a universe of a finite, fixed amount of energy so there's some good stuff that we get out of this and some flexibility, there's some openness, there's some responsiveness, that's some understanding from SIB, there's got to be some crap that comes with it to balance it out. (P38 – Provider)"

4.6 Post-Grant Phase

As was noted above, 319 grant awards were made throughout the BPB. As of February 23rd 2018 of these 319 grants awards (64 of which were IP grants) made, 20 VCSEs have secured social investment across 26 separate investment deals. Figure 4.12 below provides an overview of this secured investment.

Figure 4.12 – Investment Secured to Date

DEBT FINANCE	EQUITY FINANCE
£16,900,000	£582,735

TOTAL INVESTMENT RAISED = £17,482,735

Nb. This data is based on the 26 investment deals currently secured by 20 BPB grant awardees.

To date nearly £17.5m has been raised in social investment through a mix of debt finance (loans) and equity finance in the form of community shares, at an average investment amount of just over £672,000 per deal. Whilst it could be argued that 26 from 319 grant awards is low (8.2% investment success rate – a modest increase of 0.5% from Year 3), it should be recognised (and has been in previous reports), that the serious sustainability issues facing VCSEs, particularly those at the micro-enterprise end of the spectrum, precludes many of these from accessing investment. Indeed, the industry average for private sector SMEs accessing investment is not any higher as one participant points out below. Furthermore, VCSEs also face barriers to investment when they have reluctant Trustees or staff who do not see the value of investment or scaling and worry about the risks attached to it.

> "If you look at the mainstream SME marketplace, only about 8% of SMEs borrow money, so we need to see Charities and social enterprises borrowing money in that context. It isn't for everybody and only a small percentage of them should be borrowing. I think there is a natural reticence from Trustees…they are natural risk-takers in their day-to-day lives, but they become a trustee and they walk through a vortex that they can't take any risk whatsoever."
> (P45 – Panel Member)

> "Certainly in terms of the Executive [Team] and Head Office the people here are quite clued up and are looking strategically for 'okay what are the next steps?' [in relation to investment and scaling]. Whereas often people who are out on the ground in their local provision and in their local services they are focused on the [beneficiaries] as that is who they see day-in-day-out…"
> (P44 – Unsuccessful VCSE)

It could be argued that the investment statistics should only be compared against the 64 Investment Plan Grants, as the Preliminary Grants were never explicitly aimed at raising immediate investment. On this basis, 26 investment details from 64 IP Grants (40.6%) indicates a much better return.

In the first three years of the BPB, the evaluation identified five long-term impacts of engaging with BPB for VCSEs, namely: governance and leadership; market analysis; strategic planning;

legitimisation of the VCSE's future plans; and social impact measurement. In Year 4, the interviewees discussed the process of managing these journeys, and how the flexibility offered (by and large) within BPB and the programme management from SIB was extremely positive. In addition, the journeys were not just impactful for the VCSEs, but also for the Providers, who argued that their knowledge and capacity had grown by being part of the BPB. This shows that the programme is also having the desired effect of improving the sustainability of the entire social investment ecosystem.

> "It has been a very positive experience being contract managed by Big Potential[28], we found our relationship manager very flexible, responsive and yeah, really it's been great."
> (P43 – Successful VCSE)

> "Now in the context of it being a nine-month award window[29], okay it makes sense, but it wasn't quite flexible enough. Our three-way conversation between SIB, the provider and the client and then a couple of short weekly e-mail updates for a month should have covered that really. So as a result, we had to go back and request an extension of another quarter because the client didn't have the budget to do all the work properly to get back on track. But again, SIB were very open to doing that. You know, 'We need an extra quarter'. 'Yes fine, okay', and they're up for that. And off it went."
> (P38 – Provider)

28 This is the participant really referring to SIB, as BP is not an organisation that can manage a VCSE relationship.

29 It should be noted that this is a Provider referring to the grants that they worked on. The award window was at the VCSE/Provider's discretion and could be as long as 18 months.

> "Personally, my knowledge around the social investment market was virtually zero at the beginning……so I think it has been good for all of us really, I think it has generally been a good learning curve. Because it is quite a new area for the voluntary sector, loan finance."
> (P40 – Provider)

There was however, some critique from the participants of the social investment ecosystem more broadly, critiques that chime in with previous report findings centred on the issues of sustainability more broadly, and the desire and fit of social investment for VCSEs in general. One social investor provided an interesting critique of both sides of the social investment marketplace. The assertion that VCSE business models are too stretched to make investment viable also resonated with a VCSE as well, which argued that they did not have the capacity or profitability to scale.

> But from the demand side the critique was that none of this money, or not enough of this money is actually trickling down into the sector. So the bulk of the smaller to medium sized charities and social enterprises are not getting access to social finance, there's not enough of that blended finance, or unsecured finance or patient capital or equity available. Obviously, equity is more challenging, but even the unsecured lending wasn't happening. And from the supply side, the critique is that their business models are very stretched and it's very difficult for them to be sustainable. And that they therefore need this continued subsidy of we want to build the market and if we want them to serve that segment, the bulk of the market, which is the smaller to medium sized organisations.
> (P39 – Social Investor)

> We are in what I can only imagine is a completely typical situation [for VCSEs] which is where we make a, our margins of course are tight because we are a charity we aren't in it for the profit necessarily, however, we cannot afford to expand.
> (P42 – Unsuccessful VCSE)

Some participants also argued that the VCSE sector was facing significant challenges over the coming decade, as funding streams changed, and more pressure was put on VCSE sustainability and resilience. They also argued that this was to a degree a problem with the social investment market itself, with a lack of product innovation and affordability being identified as something that social investors and SIFIs needed to rectify.

> I think we will see that over the next 5-10 years, as some charities will simply go out of business, and the way that they will deal with that is that they will merge with someone else who aligns with many of their core values.
> (P44 – Unsuccessful VCSE)

> So I don't think that there isn't a pipeline of investment ready organisations out there, I think it's the finance that isn't fit for purpose. And that's certainly the line that [Foundation Name] would take as well, in that they tried to shift by, for example the [Fund Name] and by ceding new blended finance funds out there with the degree of subsidy, of grant subsidy there so that those loans can be made on more of an unsecured basis so that they could have a grant element to them. The higher loss rate, or the higher transaction costs can be subsidised by that grant element that's in the Fund.
> (P39 – Social Investor)

> What then also came out again, with the research, chimed with what I've seen and experience in chatting about informally with other people, which was social enterprises, whether they be rural or urban, if they are going to take on some kind of debt then by far their preferred first choice is their regular High Street Bank because it's quick, it's easy, there's an existing relationship, off they go. Then it becomes friends and family, whether that be corporate friends, so partner charities or others as well. And then a distant third are social investors. And the reasons that are cited - and again it goes for multiple research papers as well, so I'm quite confident in it, which is it's the cost of it; it's financially too expensive in terms of the interest rates, the arrangement fees. It's too expensive in the time it takes to arrange the application in the first place and it's too expensive in the terms of the time it take so to manage it and report back against it. (P38 – Provider)

This product immaturity in the marketplace was also identified as a political problem, as social investment and investment readiness have been pushed by successive governments as a means to scale the VCSE sector and make it more sustainable (as has been argued in previous reports IR and sustainability are effectively the same thing). The future threats to the VCSE sector was also seen to a degree as a result of the retrenchment of the state and reduced funding streams over the last decade, with a social investor arguing that ultimately VCSEs were left exposed with the 'tide pulling back'.

> I also think that there is a huge political push for social investment which we've seen from Big Potential Programme being formed; which we've seen in the formation of Big Society Capital, who are still struggling to get their money out; which we see in the formation of the Access Foundation who are still trying to figure out how you turn this key of getting it all going. (P38 – Provider)

> I think it's very difficult because I almost see it like a visually, a like a wave, like a mass, a large wave that's pulling, like the tide is pulling back and then you see, it exposes everyone on the beach, you see how fragile the business models are. So when it's receding it just exposes all of the financial fragilities, it exposes the risk, it exposes the over-dependency on specific contracts etc. And in the meantime there isn't anything else. Like, there isn't a wave behind it coming in to fill that in. And so you have a real - I do think a number of organisations are being pushed to the wall. I think that's true about the intermediary level of the advisors and I think it's also true with the actual delivery organisations on the ground. And I keep coming back to who pays, who's' going to pay for this? Especially if you're providing services for very vulnerable, under privileged, low income people with multiple complex challenges. (P39 – Social Investor)

However, BPB cannot be viewed as a standalone programme, independent of all the factors outlined above. Indeed, the wider ecosystem has been identified in previous reports as having a considerable impact on making investment deals happen. Ultimately, this isn't (and shouldn't be made) a blame game, as the social investment market itself is exposed to wider exogenous factors, and programmes such as BPB are then affected by external factors within the social investment ecosystem. This ecosystem is complex and filled with different actors all behaving in different ways, even if the end goal of growing social investment is the same. Viewed within this, the success of the BPB programme in leveraging out grant funding and supporting 26 social investment deals should not be underestimated, particularly at this end of the VCSE market (i.e. micro-enterprises).

> "I think the one thing I've learned is that the more you study this market the more complicated and complex it is. It's sort of - reality is very complex and so I wouldn't paint a dichotomous view of the sector. It's not 'this or that', or black and white. And sometimes when you talk to people their length of analysis gets a bit fixed and that is sometimes aligned with their political perspective or political philosophy. But I actually think the market is much more complex than that and it's dynamic and it's constantly evolving. And so I think there are no good actors or bad actors in this space; everyone is motivated by trying to find solutions, by trying to create social impact based on what their understanding of that is. And I think that's a good thing and a healthy thing and I think there will be more actors coming into the market. There will be more innovation and I think there will be more opportunities for partnering with the private sector as well, for example."
> (P39 – Social Investor)

Finally, one Provider also reflected on how positively they viewed a programme that evaluated itself annually, responded to critiques of the evaluation, and published this online for VCSEs and Providers to see.

> "I think it was a bold, grand experiment of support. I think it was incredibly enthusiastic, which was good and bad. I think the fact that it has every year done an open evaluation on itself is very commendable because for me, as a provider, that's had an immediate reflect on how I think about the programme, how I support groups through it, rather than just, 'Let's have a chat with the programme manager every once in a while'."
> (P38 – Provider)

4.7 Big Potential Breakthrough Case-studies

This section seeks to explore the experiences of VCSE organisations that are 12 months' post-grant and aims to provide short case-study overviews of VCSE journeys through BPB in order to provide a narrative of the experience. The purpose of these case-studies is not to present a uniform map of the journey or to suggest standardised pathways that can occur through BPB, but rather to provide a rich picture of the possible journeys and outcomes that a VCSE can go through in preparing a grant application, working together in the post-grant phase, and in securing or exploring social investment[30].

30 Please note, the case-studies in this section are labelled F-G, as A-E were in the Years 2 and 3 reports.

4.7.1 – Case-study Organisation F

VCSE-F operates in the citizenship and community sector (it also operates in the housing and mental health and wellbeing sectors) and is based in the Yorkshire and Humber region. It is an Industrial and Provident Society and when applying initially to BPB it had:

- been in operation for 11 years;
- employed 12 staff (6 FT and 6 PT);
- had a turnover of just over £400,000 and was non-profit;
- had an almost 1:1 asset/debt ratio;
- received only 2% of its income from the public sector (with 75% of its income coming from just two contracts).

VCSE-F provides an interesting case-study for this report, as whilst it was unsuccessful in applying for a BPB grant, it has nevertheless since raised investment of nearly £500,000.

VCSE-F applied to BPB as it wanted support to develop a community shares initiative (CSI), which it could use to grow the business by paying off an existing loan. This refinancing would allow VCSE-F to halve its interest rate and so be able to reinvest surplus into the organisation and pay a 2% dividend annually to its community lenders. However, having commenced its BPB journey (DT and 1:1 completed) and being paired with a Provider, VCSE-F made the decision to discontinue its BPB journey as it felt that the time required to complete a high-quality application would be too intensive and a distraction from its core focus on raising the CSI. As was stated at the time[31]:

> "...we needed to raise £400,000 through a CSI. [VCSE-F] has an existing loan with [social investor name] at 6% interest, and the new CSI will payback this loan and halve our interest rate, hence allowing us to then pay a 2% dividend to lenders."
> (VCSE-F – Vice-chair)

Having decided to not further pursue a BPB grant VCSE-F then began to build a comprehensive business plan (an experience that was found to be very intensive) and also familiarise themselves with the criteria for the Community Shares Standard Mark (more information can be found at https://communityshares.org.uk/standard-mark-0). The business plan included 30-year financial forecasts for the dividends and structure of the CSI, and an open board meeting was held to allow members of the IPS to come and question the senior management and board members about the implications of the CSI. Crucially, VCSE-F was supported by a Provider organisation through this process, despite there not being grant funding from BPB to finance this. This evidences how BPB can have an impact on VCSEs pre-grant by facilitating networking with Providers. The case-study also shows how social investment journeys can look, when grant funding is not available to support the development work.

> "[Provider Name] has helped us with sustainability and questioning our assumptions." (VCSE-F – Chair)

31 Due to the location of the interview, it was not recorded, hence the quotes presented in this case-study are paraphrased based on the notes taken during the interview.

However, the CSI was not launched merely to refinance existing debt, as only half of the targeted fund-raising was allocated to repay the existing debt. The other half of the funding was earmarked for potential investments and to assist with cashflow (at least for the first 9 months as after this the money has to generate a return for the dividends). The investment opportunities for VCSE-F included buying property (including a community library) that could be used for the housing element of its operations and as a 'spill-over' for its community work.

> …offers flexibility around cashflow, should other opportunities arise, including housing to let……we are exploring investment in the old [building name] and community library. We can use this for housing and spill-over space for [VCSE-F]
> (Vice-chair - VCSE-F)

The role of partnerships and networks were also acknowledged by VCSE-F as being critical to getting the CSI off the ground, both in strengthening the CSI offer, but also in allowing VCSE-F to draw in outside expertise and learn from other VCSEs that had gone through similar experiences. This was not just in relation to providers and funding bodies (25% of the investment was drawn from the Community Shares Booster Programme), but also in the form of local/regional third sector networks and local social enterprise start-ups. VCSE-F is also engaged with two local universities to support it to understand the social impact of its work and its community engagement model.

> Partnerships and collaboration were key. We are a member of Coops UK and had the support of our Provider. We are also plugged into regional third sector networks and have supported other local social enterprise start-ups as well.
> (VCSE-F – Chair)

As was noted above, the CSI offer has now closed, and the near £500,000 raised by VCSE-F is over 20% higher than their original target (they have effectively reached their best-case scenario 'top target'). The investment raised will allow VCSE-F to operate on a more solid commercial footing and hence enhance sustainability, whilst crucially delivering more social impact in the community. The fact that this has all been achieved without BPB grant funding provides an interesting model as to how it might be envisaged that the social investment ecosystem can work in the future. Nevertheless, the BPB, through the DT and 1:1 SAS stages, along with the Provider selection, demonstrates that support can still assist organisations such as VCSE-F to access social investment. As one social investor noted when discussing the role that Community Shares can play in delivering social investment and VCSE scaling, through embedding organisations within their communities:

> And I think there's an argument about being embedded in a local place and about knowing the community. And so I would include within the social investment spectrum things like community share offers and that that's a really viable, vibrant market that should be continued to be developed because it helps to sustain organisations to diversify their income stream, to help them become more embedded and more impactful within the place that they're operating.
> (P39 – Social Investor)

4.7.2 – Case-study Organisation G

VCSE-G is a charity that operates in the employment, education, wellbeing and community sectors (the organisation has a broad and holistic offer across multiple services) and is based in the North West region. The organisation works with children, young people and families; was 31 years old when applying to the BPB (32 years old now); has a turnover of just over £600,000 pounds per annum; and has over 19 staff (18 FT; 1 PT)[32] as well as 15 volunteers. VCSE-G is therefore relatively typical of the sector that BPB is targeting albeit still larger than the VCSE averages outlined earlier in this report.

> We're 32 years old as an organisation. And we deliver many things under our organisation. But it was established from a group of local women who wanted to do something for the community. It was in the 1980s and they wanted to invest in the community, create things for local people who were, at the time, we were back in austerity then, very similar to today, create facilities and services just for the local community. Today [VCSE-G] is a large organisation with 30 members of staff who deliver many things. (VCSE-G – CEO)

VCSE-G does have considerable assets (mainly property) of nearly £2 million and zero debt, hence as an organisation this assists with its sustainability and ability to leverage in investment. However, it also uses these assets to support other VCSEs through partnerships and commercial relationships (i.e. renting space), which provides it with both commercial revenue, but critically also organisations that can assist it to provide genuinely holistic services to its beneficiary groups.

> Yes, we own - we're based in the last Georgian terraced block of buildings in north Liverpool, so the Rotunda stands loud and proud. We own the whole block and it's all knocked into one. So it's a lot like Hogwarts, there's staircases and rooms everywhere. But within our buildings as well, I think it's really important to say, is we partner with like-minded organisations. So when people want to move in and rent space…we rent… (VCSE-G – CEO)

VCSE-G decided to explore social investment and BPB as they needed to expand their premises, to deal with the higher number of referrals that they were experiencing. The new space was to be found by renovating existing (but unusable) space, across multiple levels of the property, and VCSE-G saw BPB as the way to explore and increase their investment readiness and raise the £200,000 of social investment that they required.

> …what we were seeing was our referrals were increasing significantly. And in terms of the space we have…we needed to try and expand that space because of the numbers of people who were coming to us who needed that additional support…… equally the current year we are in now, they were highly complex, multi-complex problems and issues. Which we were saying, we can take them but we were running out of space. That's ultimately where it came from. (VCSE-G – CEO)

32 This is data gathered from the BPB DT data. The Charities Commission data also shows the organisation as having 19 employees, so the quote from the CEO below probably reflects discussions of the wider 'workforce' including volunteers.

When applying for the BPB grant VCSE-G's focus on sustainability, through targeted work on social impact measurement, finance, governance and marketing work was built into the grant application. Having been successful and awarded a grant of just over £25,000, VCSE-G is now six months into the post-grant phase and the work is progressing strongly. Indeed, they remain confident that they will be able to secure the investment required to scale their impact.

> Yes, we did target specific areas. It was around social impact. It was around the governance structures. Financial, obviously. We need to prove that we've got the correct financial modelling in place to be able to substantiate the expansion plan as we see it. And around marketing and the growth of that particular element of the business. So the delivery of the Big Potential work that we're doing at the moment is hugely around sustainability, hugely around financial modelling, you know, social impact, all of those things...... So we're getting there. Yes, so it's moving along, we're in the middle of a certain section, so we're in the middle of the financial performance section of the quality impact section (VCSE-G – CEO)

For VCSE-G, the issue of sustainability and how BPB and investment can help them to achieve this is clear, as to the organisation the ability to enhance sustainability is intrinsically linked to the ability to scale impact. They argued that this has knock-on effects for the sustainability of the local community and were clear that relatively small amounts of investment can lead to such impacts.

> It's all about sustainability. It's about impact and sustainability ultimately. The last year...it was in a loss-making position. This year we're looking to break even because of the demand for it [services]. And if we can get this [inaudible] investment right then it's going to see an increase in sustainability, it's going to keep people in jobs, we're going to see more young people with more outcomes, more positive outcomes and progression......It's hopefully going to see more regeneration for the area as well...... So the wider impact is there for us as well. You know, £200,000-£250,000 type of investment doesn't sound a lot but it's huge in terms of what it can deliver in a place like this (VCSE-G – CEO)

Whilst positive about BPB and clear that social investment in the next six months was an achievable goal, the outcomes for VCSE-G still (understandably) remain unclear. Irrespective of whether social investment was achieved, VCSE-G was clear that BPB had achieved a positive impact for them in relation to sustainability and investment readiness. However, they were concerned that with the ending of programmes like BPB, whether this would damage their ability to network and engage with social investors. The research will follow-up this case-study in Year 5 to see whether social investment was accessed by the end of 2018 as planned.

> I'll be really interested to see what the outcome at the end of this piece of work is, working with the provider that we've chosen. And I suppose for me it's the after care. Once this grant's gone and then I need to link in with all of these social investors, you know, Big Potential, Big Society Capital, all of those, is where's the networks for me to do that...to be out, meeting with these people [social investors] (VCSE-G – CEO)

5. Summary & Recommendations

5.1 Overview of Performance

The BPB launched in February 2014 and closed to applications 3½ years later in September 2017. The programme received:

- 1,125 completed online DTs, of which 994 were eligible for BPB.
- In relation to the 964 eligible online DTs:
    - 890 1:1 Support Advisor Sessions were held.
    - 702 grant applications were submitted, of which:
        - 319 were successful
        - 383 were unsuccessful[33]
- BPB has provided £9.54 million[34] in grant funding (£6.91 million across 255 preliminary grants at an average of £27,110 per grant; and £2.63 million across 64 investment plan grants at an average of £41,092 per grant).

The marketing of the BPB built upon the successes outlined in the Year 2 report, with 135,528 total user sessions on the BPB website; and 893 VCSEs engaged directly through the workshops held around the country. This has led to a broad-based engagement with the VCSE sector, although problems of engagement still persist in relation to the South East (7.6% / 18.6%); the East of England (4.3% / 12.5%); and the South West (9.5% / 13.1%) regions. The proportion of women-led VCSEs remained slightly below the national average as stated by NCVO (31.5% of applicants / 43% national average), although none of the women-led VCSEs interviewed identified any issues themselves with the BPB in this respect. Engagement with disabled-led VCSEs trebled in Year 4 to an overall proportion of 1.7% of all applicants, which is higher than the estimated 1/800 national ratio of disabled-led VCSEs identified in the Year 3 report. As was noted earlier, this is testament to the engagement work carried out by SIB in Year 4 with the disabled-led sector.

The turnover, profitability and asset/debt ratios within the Year 4 cohort were almost identical when compared to Years 1, 2 and 3, which suggests that the BPB still managed to reach its target audience of small-scale, locally based organisations that struggle with profitability and sustainability. The average IR scores as calculated by the DT in Year 4 was 59.5%, and increase of 2.2% over Year 3, and more in line with the Year 1 data (Year 2 represented the lowest average at 49%). Nevertheless, the 56% average score across the four years was still low, and demonstrates that most VCSEs are a significant distance away from being IR. This demonstrates a clear need for support across the sector in regard to IR/sustainability focused programmes.

As in the first three years, the online DT, 1:1 support advisor session, and grant application were all viewed positively and as constructive processes, and no major negative critique was received in the interviews. The grant application phase appeared to be working well, with VCSEs and Providers working together and co-producing applications. The Provider selection

33 21 of these applications were originally unsuccessful and accepted after resubmission.

34 £9.54 million in grants were approved, but ultimately £90,000 was returned to the BPB.

process was also viewed positively, although some VCSEs selected Providers that they had existing relationships with, whilst some Providers did admit to 'cherry picking' VCSEs that they thought had the ability to succeed through an IR journey.

VCSEs and Providers were broadly happy with Panel feedback, although some did bemoan what they saw as the moving goalposts of Panel decision-making. The main specific reasons for rejection across the four years of BPB were poor description/understanding of market position (9%); unclear social impact (9.6%); and poor basis for costs in the proposal (11.2%). Thematically, rejections were generally related to poor track record (23.1%), a poor IR plan (28%) and poor costing's (26.4%).

The post-grant work and the development of and impact on VCSEs in the 18 months' following the grant award was commended by the VCSEs, Providers and Investors as being very positive. This echoed the findings of the Years 1, 2 and 3 reports and was especially true in relation to: governance and leadership; market analysis; strategic planning; legitimisation of the VCSE's future plans; and social impact measurement. Indeed, in relation to the last area SIB's MIAA tool (that assesses an organisation's social impact), identified a +7.2% improvement for VCSEs that completed their post-grant phases. Wider sustainability and resilience remain critical factors however, as social investment is not for everyone (indeed Case-study F provides a good overview of how a VCSE identified an alternative, community-led means to raise investment, after being rejected for a BPB grant).

To date, 26 social investment deals have been secured across 20 BPB VCSEs, with a total value of £17.48 million. This evaluation argues that this represents a successful intervention, given the micro-enterprise[35] nature of BPB VCSEs, their lack of IR and the fact that only 64 IP grants have been awarded. Indeed, the data identified in this report around the wider sustainability impacts plus wider ecosystem factors (over and above IR that affect deal-flow) means that BPB needs to be judged differently to other similar initiatives that operated in different segments of the market (e.g. Investment and Contract Readiness Fund[36] and BPA). The progressive journey that some VCSEs travel (e.g. Preliminary Grant/Investment Plan Grant/BPA) also means that the lead times for developing IR at this end of the VCSE sector are significant. Whilst this finding replicates what has been presented in the first three years of BPB evaluations, the data from Year 4 only serves to further underline these earlier findings. IR in the micro-enterprise end of the VCSE sector remains extremely challenging, and innovative social investment products that understand these challenges are urgently required.

5.2 Recommendations

For the first three years of the BPB, recommendations for the development of the Programme moving forwards have been made based upon the research findings to date. However, given that the BPB closed to grant application submissions on 15th September 2017, there is no remedial action to be undertaken in relation to the programme. The mechanisms of the fund too, seem to have operated well, with positive feedback being received from VCSEs, Providers and Investors/Panel members. Therefore, the recommendations presented in this section are aimed at understanding the long-term impact of the BPB (including monitoring investment outcomes) and more generally focused on

35 Defined as less than 10 FTE employees.

36 The ICRF was a £13.2m fund that supported VCSEs to access investment and contract deals (Ronicle and Fox, 2015).

similar IR programmes moving forwards. This can therefore be seen as a 'Learnings' section as recommendations for changes to BPB are no longer relevant.

Based on the conclusions outlined above, the following five key learning points are made for the BPB and other IR-focused programmes (as well as government and policy-makers) moving forwards. Some of these replicate what was identified in the Year 3 report, but have been updated slightly to also reflect nuances in the data from Year 4:

1. Engaging the Sector: Ensuring that programmes such as BPB reach different parts of the VCSE sector (geography; type; size) remains critical. Throughout the BPB, different geographic regions, most notably the South East and East of England have presented engagement challenges, as well as others periodically (the North East in Year 1 and the South West in Years 3 and 4)[37]. Whilst programmes such as BPB can seek to overcome these through the use of innovative marketing techniques and events such as the regional workshops, wider ecosystem factors such as networks and critical masses of VCSEs in a given area are much more powerful shapers of engagement. Future programmes should consider how they can facilitate networks growth and connections, especially in regions that remain challenging across a variety of funding programmes (the East of England being a prime example).

37 It does not take into account areas of multiple deprivations nationally or within specific regions and so BIG may wish to tailor their response to this finding in relation to this.

2. The Journey: The design of the BPB VCSE journey has been one of the Programme's biggest successes, as it has taken formative evaluations that allow VCSEs to learn throughout their applications as well as their post-grant work. This should be a model that is therefore adopted in future similar support programmes, as the ability to critically reflect on their sustainability and potential growth needs, without feeling that it might damage their application to BPB, was one that the VCSEs found empowering.

3. Provider Working: Provider/VCSE engagement and well-matched partnerships are key to the success of any IR or sustainability journey. BPB has been very successful in this area, but greater transparency of Provider performance, and mechanisms to avoid Providers 'cherry-picking' good VCSE application candidates should be considered (although this last point is not necessarily always a bad thing in programmes such as BPB, as such cherry-picking can lead to better grant applications and VCSEs more suited to the support aims of the programme).

4. Sustainability Focus: Sustainability for VCSEs is the main aim, certainly for VCSEs that engaged with BPB. The fact that only 8% of all VCSEs went on to secure social investment highlights both the issues of IR/ sustainability in the VCSE sector, as well as the lack of fit of many social investment products for VCSEs. In addition, scaling is not always the right model for increasing sustainability, particularly if this reduces the community focus and embeddedness of VCSEs. Therefore, programmes that recognise this and don't have such an explicit message around social investment would be welcome in supporting the VCSE sector over what will be a very challenging next decade.

5. Direct Engagement Works: The research has shown that 893 VCSEs were engaged through BPB workshops or associated events throughout the life of the BPB, during which they learnt about social investment, the Big Potential Programme, as well as hearing from social entrepreneurs who have successfully secured funding from both the Big Potential and/or other social investors. There is a close correlation between these figures and the total number of eligible applications received (n=994)[38], suggesting that engagement through the workshops was positively correlated with VCSEs then progressing to apply to BPB.

The BPB operated robustly and delivered genuine impact across the VCSE sector. The BPB engaged a wide variety of VCSEs from across England and provided £9.54 million in grant funding (£6.89 million across 255 preliminary grants and £2.65 million across 64 investment plan grants)[39]. The growth in social investment deals leveraged (26 deals to date valued at £17.48 million) means that the deals secured nearly double the grant funding provided (or a 6.6x return if only IP grants are considered). Given the long sustainability paths that BPB VCSEs are on, this deal flow will likely further increase in the future, as the nascent support provided through BPB leads to a rump of more sustainable (and hence IR) VCSEs emerging that require investment to scale, and show that what today looks like moderate success is in fact a significant impact on IR in the VCSE sector.

38 Indeed, 890 VCSEs progressed to completing their 1:1 Support Advisor Session.

39 Albeit as was noted earlier, £90,000 of this was eventually returned to the fund giving a total grat spend of £9.45m.

6. Glossary of Terms

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

7. Appendices

7.1 – Appendix A: Methodology & Sample Data

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

Qualitative data in the form of a semi-structured interview (see Appendices L-O for the interview schedules) was collected from 23 VCSEs ; 9 Provider Organisations; 6 Panel Members; and 5 investors. For the VCSE participants five had completed their grant applications; three were in the post-grant delivery phase; six had been unsuccessful, three had been rejected but successfully reapplied to the programme, five were twelve months' post-grant and one had withdrawn from BPB without making a grant application . As in Years Two and Three, in Year Four no VCSEs had entered into dispute with the programme. Therefore, a total of 45 interviews have been held with stakeholders by the end of Year Four of the BPB.

As of February 23rd 2018 the BPB had received and made decisions on grant applications from 702 VCSEs, and the participant VCSEs in this research were selected randomly from these 702 organisations (with the caveat that there would be a purposeful split across different stages of the programme (i.e. successful and unsuccessful VCSEs; VCSE 12 months' post-grant). The interviews explored each VCSE's business model, their experience of the BPB and their future plans in relation to social investment and business scaling. For those VCSEs that were 12 months' post-grant award the interviews also explored the long-term impacts of the BPB on their organisations (not just in relation to social investment). However, the interviews were semi-structured in nature, which also allowed the participant VCSE to explore areas that they felt were important.

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

The website data gathered involved the collection of registered interest from VCSEs considering applying to the BPB. This stage of the quantitative data analysis led to the capture of data from 2,452 VCSEs. The second stage of data analysis (the online diagnostic tool) resulted in a total of 1,125 VCSE research participants and (as of February 23rd 2018) 994 of these VCSEs had been assessed as eligible and completed/booked their 1:1 Support Advisor Session with an advisor. The workshop social investment knowledge questionnaires have so far resulted in the capture of Time 1 and Time 2 data from 276 VCSEs.

7.2 – Appendix B: Workshop Knowledge Test Scores & Evaluation

Table 7.1 – VCSE Age, Finance & Staffing Data						
SI Knowledge Score		N	Mean Score	+/-	t	SD
Year 1	Time 1	58	78.5%	+8.1%	**6.54*** **	13.0%
	Time 2	58	86.6%			12.0%
Year 2	Time 1	183	76.6%	+9.5%	**12.94*** **	14.7%
	Time 2	183	86.1%			12.7%
Year 3	Time 1	276	75.7%	+10.2%	**16.14*** **	14.4%
	Time 2	276	85.9%			13.6%
Workshop Rating						
					N	Score
I believe that this workshop has enhanced my knowledge of investment readiness and the social investment market					275	894.%

Nb. * = p < .05; ** = p < .01; *** = p < .001. The totals presented here are cumulative for each year end i.e. the Year 3 figure represents the total number of workshop questionnaires collected across all three years.

7.3 – Appendix C: VCSE Demographic Data

Table 1 – VCSE Demographic Data							
Demographic Variable		N	Mean	Median	SD	Min.	Max
VCSE age (years)		985	15.07	8.50	19.0	<1	118
Turnover		971	£1.23m	£275,000	£5.72m	£0	£156.1m
Net profitability		835	£43,353	£334	£198,443	£-79,924	£2.65m
Total assets		981	£1.03m	£91,523	£4.88m	£0	£87.69m
Total debt		932	£308,562	£14,742	£1.71m	£0	£32.97m
Investment needs		988	£579,920	£250,000	£3.56m	£0	£90m
Income diversity (% of income from top 2 customers)		940	66.4%	70%	26.2%	1%	100%
Public sector reliance (% of income from public sector)		786	52.0%	50.0%	32.0%	0%	100%
Staffing	FT	996	15	3	61	0	1,394
	PT	994	14	4	50	0	890
	Volunteers	992	174	10	2,665	0	75,425

Nb. N < 1,025 as some organisations did not complete all parts of the diagnostic tool.

7.4 – Appendix D: Legal Organisational Structure

Table 7.3 – VCSE legal structures		
Legal form	N	%
CLG	499	52.2
CIC-G	145	15.2
CIO	83	8.7
CIC-S	64	6.7
IPS	63	6.6
Private Company	44	4.6
Other	32	3.3
Unincorporated	26	2.7
Total	**956**	**100**
Charitable origins		
Origin	Yes	No
Registered charity	557 (55.9%)	440 (44.1%)
Total	**997**	

N < 1,025 as some organisations did not complete all parts of the diagnostic tool.

7.5 – Appendix E: VCSE Geographic Reach

Table 7.2 – VCSE Geographic Reach		
Reach	N	%
Neighbourhood	27	2.8
Local Authority	369	38.4
Regional	281	29.2
Multi-regional	74	7.7
National	166	17.3
International	44	4.6
Total	**961**	**100**

N < 1,025 as some organisations did not complete all parts of the diagnostic tool.

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

Table 7.5 – Women-, BME- & disabled-led VCSEs			
Type	Yes	No	Total
Women-led	314 (31.5%)	682 (68.5%)	**996**
BME-led	141 (14.2%)	855 (85.8%)	**996**
Disabled-led	16 (1.7%)	950 (98.3%)	**966**

N < 1,025 as some organisations did not complete all parts of the diagnostic tool.

7.7 – Appendix G: Social Impact Measurement

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

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

Table 7.6a – Social impact

Question	Year	N	Mean	SD
Report	**Overall**	**995**	**47.6%**	**24.6%**
	Year 1	272	46.7%	22.5%
	Year 2	276	51.7%	31.4%
	Year 3	235	43.5%	21.1%
	Year 4	212	48.0%	20.3%
Fairness	**Overall**	**995**	**48.5%**	**20.8%**
	Year 1	272	52.2%	18.7%
	Year 2	276	41.5%	24.8%
	Year 3	235	49.4%	18.7%
	Year 4	212	52.1%	17.1%
Performance management	**Overall**	**995**	**49.1%**	**21.2%**
	Year 1	272	51.5%	20.6%
	Year 2	276	44.9%	23.6%
	Year 3	235	49.1%	20.1%
	Year 4	212	51.4%	18.9%
Vision	**Overall**	**995**	**62.4%**	**22.2%**
	Year 1	272	67.5%	20.4%
	Year 2	276	50.6%	24.2%
	Year 3	235	66.7%	19.0%
	Year 4	212	66.6%	19.2%

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

Table 7.6b – MIAA Longitudinal Scores				
Factor	N	Mean	t	SD
MIAA score (Time 1)	174	18.61	**17.8*** **	3.25
MIAA score (Time 2)		20.75		2.83

Nb. * = p < .05; ** = p < .01; *** = p < .001. Paired-sample t-tests were undertaken in order to test the longitudinal change. MIAA scores are out of 30.

7.8 – Appendix H: VCSE Investment Readiness Perceptions

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

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

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

Table 7.7a – Online DT final scores			
Factor	N	Mean (T1)	SD
Year 1			
Investment readiness score	220	59.3%	**12.8%**
Year 2			
Investment readiness score	277	49.5%	**21.5%**
Year 3			
Investment readiness score	235	57.3%	**11.6%**
Year 4			
Investment readiness score	212	59.5%	**10.4%**
Overall			
Investment readiness score	**944**	**56%**	**15.8%**

N < 1,025 for the overall data as some organisations did not complete all parts of the diagnostic tool and so a final overall score could not be calculated.

Table 7.7b – Online DT Scores Comparison by Year				
Factor	N	Mean	F	SD
Investment readiness score (Year 1)	220	59.3%	**24.9***	12.8%
Investment readiness score (Year 2)	277	49.5%		21.5%
Investment readiness score (Year 3)	235	57.3%		11.6%
Investment readiness score (Year 4)	212	59.5%		10.4%

Nb. * = p < .05; ** = p < .01; *** = p < .001. One-way ANOVAs were undertaken in order to test for the annual differences. N < 1,025 for the overall data as some organisations did not complete all parts of the diagnostic tool

Table 7.7c – Charitable Status Online DT Comparison				
VCSE	N	Mean	F	SD
Charitable Status				
Registered Charity	513	58.5%	**29.3***	15.4%
Not Registered Charity	429	53.0%		15.7%
BME-led				
BME-led	136	52.9%	**6.1***	17.8%
Not BME-led	805	56.5%		15.4%

Nb. * = p < .05; ** = p < .01; *** = p < .001. One-way ANOVAs were undertaken in order to test for the organisational differences. N < 1,025 for the overall data as some organisations did not complete all parts of the diagnostic tool

7.9 – Appendix I: Grant Awards Data

Table 7.8 – Grant Awards Data						
Variable	N	Mean	Median	SD	Min.	Max
Preliminary Grant Awards Made	255	£27,128	£28,499	£3,532	£4,500	£40,400
Investment Plan Grant Awards Made	64	£41,092	£43,312	£8,259	£19,848	£55,020

7.10 – Appendix J: Grant Application Rejection Reasons

Table 7.9 – Grant Application Rejection Reasons				
Rejection Reason		Prelim Grants	Invest Plan Grants	Total
Variable	Specific			
	Poor or unclear corporate governance/no plans to address	19	7	26
	Poor description and understanding of market position/no plans to address	35	11	46
	Track record not related to future work/no explanation	14	6	20
	Organisation at too early stage	23	3	26
	Poor or unclear financial history/no plans to address	32	8	40
	Poor or unclear financial controls/no plans to address	8	0	8
	Insufficiently relates to 1:1 report	10	2	12
	Poor breakdown of activity	21	8	29
	Work unrelated to investment readiness	29	8	37
	Work not sufficiently justified	27	13	40
	Unclear investment deal (IP Only)		25	25
	Unclear mission/no plans to address	3	1	4
	Poor or unclear understanding of beneficiaries/no plans to address	10	4	14
	Unclear explanation of social impact to date/no plans to address	36	13	49
	Poor breakdown of costs	19	9	28
	Poor basis for costs	34	23	57
	Unclear relationship to readiness plan	19	6	25
	Costs unrelated to investment readiness	17	8	25
Totals		**356**	**155**	**511**

Nb. As 4 separate reasons can be given for an application rejection, the theoretical total for the data held on 383 rejections is 1,532. However, not all VCSEs are given 4 rejection reasons, hence N here equals 511.

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

7.12 – Appendix L: 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?

7.13 – Appendix M: 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?

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