ESRC Public Policy Seminar Series:

CHANGING REALITIES OF THE THIRD SECTOR

TSRC
Informing civil society

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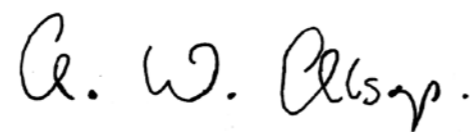ECONOMIC
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Foreword

We have been very pleased to support the Public Policy Seminar Series organised with the Third Sector Research Centre in partnership with NCVO, ACEVO, GMCVO, and NESTA. The seminars brought the best social science concepts and evidence into the policy and practice arena and stimulated discussion on how policy could be developed. They also provided an excellent opportunity to bring together a range of stakeholders and opinion-formers to discuss the challenges facing the third sector in contemporary society.

One of our strategic priorities is to facilitate research into the drivers and issues related to a vibrant and fair society. The Public Policy Seminars are an invaluable asset in this work by showing how citizens, voluntary sector organisations, and social enterprise can all play a role. The seminars extended the evidence base, enhanced partnerships between key organisations in the civil society sector, and enabled knowledge exchange between sectors.

As well as providing a critical reappraisal of the "Big Society", the seminars also offered a detailed analysis of how service delivery is marrying scale and responsiveness, provided grassroots reflections of different models for citizen engagement - from community organising to community development - and assessed the promises and possibilities of social investment. Feedback indicates that these seminars were timely, relevant and useful, and offered an opportunity to debate and network on key issues of concern across organisations.

These Public Policy Seminars enabled academic knowledge to inform the wider debate and sparked new reflections on how to tackle key challenges for the future. This publication offers an insight into the academic perspectives presented at the seminars. In a complex and changing economic and social environment, a space to listen, learn and reflect on key themes with fellow stakeholders is invaluable for generating impact.

Adrian Alsop
Director of Research, Partnerships
and International Directorate
Economic and Social Research Council

Big Society – a critical reappraisal
12 December 2011
Seminar One

This ESRC seminar built on the TSRC and NCVO jointly organised Big Society Evidence Seminar in October 2010 which explored the evidence base for three key areas of the Big Society agenda: participation, service delivery and funding. Professors Pete Alcock and Anne Power undertook a critical reappraisal of the Big Society which covered the Coalition government and the Big Society policy agenda. The seminar reviewed the impact of Big Society politics and policies eighteen months on from the 2010 election; in particular focusing on the implications of the Big Society for third sector practice, and the relationships between third sector organisations and the state. The research and policy questions included:

• What have been the main features of the Big Society policy agenda, and to what extent do they provide a new policy context for the third sector?

• How are the new policy programmes being implemented?

• What is the evidence from research and practice about the impact of policy change?

• What are the major remaining policy challenges?

The Big Society: new direction or empty space?

Professor Pete Alcock,
Third Sector Research Centre, University of Birmingham

The Big Society has been one of the major political and policy initiatives of the new Coalition government. It has been promoted in particular by the Prime Minister, David Cameron, first mentioned in his Hugo Young lecture in 2009 and described in a speech in Liverpool in July 2010 as his 'great passion'. In part, the Big Society is an example of political rhetoric, aiming to provide a new narrative for Cameron's centre-right Conservatism by distancing this from the neo-liberal free market

approach of the Thatcher years and the 'Big State' social democracy of the recent Labour governments – although some critics have pointed out that it could also be seen as a convenient accompanying narrative to the major cutbacks in public provision following the autumn 2010 Spending Review.

Whatever the political rhetoric, however, the Big Society agenda does include a range of potentially significant policy programmes, and in particular ones with potentially important implications for the third sector organisations that it is expected will be at the centre of the Big Society project. These include the National Citizens Service, Community Organiser Training and Big Society Capital being delivered by the (re-titled) Office for Civil Society in the Cabinet Office, and the Localism reforms led by the Department for Communities and Local Government. There are some new initiatives here, and it will be important to monitor how successful they are in promoting and expanding Big Society activity.

However, despite the attempts to distance the new government from the previous government, in practice much of the policy agenda which underpins the Big Society rhetoric actually builds on policies which were being developed and delivered under Labour. The role that voluntary and community organisations can play in promoting community engagement and empowerment was recognised and supported by Labour, as was more general encouragement and facilitation for volunteering and giving. Labour was supportive of social enterprises and mutuals, including where these could be created out of public sector 'spin-offs', for instance through its 'Right to Request' initiative. Labour was committed to introducing what is now to be called Big Society Capital in more or less the form that this will take. Most

importantly, perhaps, the encouragement of third sector organisations to bid for, and take over provision of public services, has been a government policy objective since at least the 1990s and was central to Labour's strategy for the sector. And the Office for Civil Society may have been re-titled, but its roles in co-ordinating departmental policy and practice across government and liaising with the sector and its representatives remain.

It should be encouraging for the sector that government policy does in practice reveal such consistency, and this confirms our research on the 2010 General Election, which found that there was much political consensus over the role and value of the sector. However, this also means that these Big Society policies are likely in practice to face much the same delivery challenges that previous programmes have. What is more, some of these challenges may be accentuated by the reductions in support and funding for third sector organisations flowing from the public expenditure cuts contained in the Spending Review. The Big Society will, still, be expecting the third sector to do more; but the sector will have to do so with less in the way of direct government support.

The Third Sector Research Centre (TSRC) has been undertaking research on the organisational context in which these policies are implemented, and the evidence from this suggests that these challenges are indeed significant. TSRC is developing an ability to monitor long-term changes in a range of indicators of the extent and character of third sector activity. Initial work on these points highlight two significant issues. Firstly, so far, there is no evidence of a change in the level of third sector activity. For example, the increase in the third sector workforce, which had been growing more rapidly than the private and public sectors, is now in decline. So too are the year on year increases in the incomes of charities, with an increased proportion reporting year-on-year declines of more than 25% up to the end of 2010. Levels of volunteering reported in surveys are more or less static over the recent past, and evidence on charitable giving suggests no significant upturns or downturns. Secondly, Big Society policies will be implemented on an uneven socioeconomic landscape. Looking at the distribution of voluntary activity our evidence shows that the 'Civic Core', who provide the largest share of volunteering and giving, can be found in greater proportions in the areas of least material deprivation, where arguably the need for Big Society action is least pressing. And third sector organisations operating in deprived areas are much more likely to rely on public sector funding than their counterparts in more prosperous regions.

In conclusion then, to what extent is the Big Society a new direction in third sector policy? Not significantly – although there are some new initiatives, the broad expectations of government about the role and contribution of the sector remain largely similar to those being developed over the previous decade; and they will face similar challenges in practice. To what extent therefore is the Big Society an empty space to be filled by competing discourses about the appropriate balance between public, private and third sector activity? This is very much the case, and it is important that those with concerns about this balance should enter this space and contribute to a dialogue about what the Big Society should mean in practice. And finally, in our now devolved United Kingdom, it is worth remembering that the Big Society discourse is very much an English debate. Similar policies are being developed by the separate administrations in Scotland, Wales and Northern Ireland; but without recourse to the Big Society rhetoric – indeed largely rejecting it.

Third sector service delivery: marrying scale and responsiveness
8 March 2012
Seminar Two

Seminar Two addressed emerging issues from new developments in policy and practice on service delivery models involving third sector organisations (TSOs) resulting from the Localism Bill, the Commissioning Green Paper and the Public Sector Reform White Paper, including learning transfer between sectors and community engagement in co-production.

Professor Tony Bovaird and Dan Finn contributed to our understanding of recent attempts to improve economic performance and increase the efficiency of public service delivery through service delivery partnerships, improved supply chain management, spin-outs and co-production. The seminar critically examined the impact of these new inter-organisational relationships on the capacity, influence and impact of third sector organisations, in relation to service delivery and organisational missions (and cost-effectiveness). It assessed the success of these new arrangements in marrying scale with local accountability and responsiveness, and in promoting community engagement through co-production. Policy and implementation questions for this seminar drew on TSRC's Service Delivery (SD) research, and discussions held with the policy and practice community through the SD Reference Group with whom the final seminar programme was developed. Potential questions included:

- How can scale and efficiency best be married with local accountability and responsiveness?

- Partnerships and consortia – what works for third sector organisations (TSOs)?

- The Prime Contractor model – what lessons are emerging for supply chain management involving different types of TSOs – what are the impacts on mission, capacity and influence?

- How can TSOs best configure themselves to promote community engagement and co-production with service users?

- Employment services – what does success look like in commissioning employment services?

- Housing and health TSOs – what lessons can be learned from different models of 'spinning out' service delivery to the third sector?

Third sector service delivery: conceptual approaches to marrying scale and responsiveness?
Professor Tony Bovaird,
INLOGOV and TSRC, University of Birmingham

The conventional wisdom on public services is that:

- **Transactional services** (such as the payment of housing benefits) have major economies of scale, so should be concentrated in big providers but be subject to competition and regulation, whichever sector delivers them.

- **Personal services** (such as social care) have few, if any, economies of scale, and should be 'commissioned' to appropriate organisations close to service users (often small and private or third sector, rather than public sector) able to deliver the service cheaply.

However, the analytical goalposts have moved – it is now recognised that these arguments are either seriously flawed or only applicable in limited cases. For example, transactional services often have multiple contacts with users, which can be used for relationship building – but only if done with 'the human touch', not on a mass scale. Again, personal services can sometimes be delivered very cheaply through ICT, especially e-health solutions. This shift opens up the possibility that the balance between 'responsiveness' and economies of scale now needs to be redrawn.

We need to be clear what we mean by 'responsiveness':

- Conventionally, 'responsiveness' refers to **citizen's individual** desired outcomes, self-identified needs, expressed satisfaction (and complaints).

- But in a political setting we also expect 'responsiveness' of public sector at a **collective level** to citizens' outcomes, needs and satisfaction with services which they collectively experience, e.g. alcohol licensing hours or control of anti-social behaviour.

Again, we also have to be clear what we mean by 'scale':

- **Economies of scale:** where an increase in inputs brings a larger increase in returns.

- Up to now, there has been major focus upon the **inputs by public agencies** in delivering public services and outcomes.

- Where citizens make significant inputs to the quality of the service or its outcomes ('**co-production**'), this results in a misleading estimate of the 'cost-to-outcome' ratio of public services and the economies of scale they produce – to counteract this, we need to **measure user and community inputs**.

Interestingly, many empirical studies suggest constant returns to scale, while others find diseconomies of scale, so we should beware assuming that economies of scale do exist.

It is essential to recognise that there are OTHER types of economies, too – particularly 'economies of scope' and 'economies of learning'. Only in the 1980s did the importance of economies of scope become widely appreciated – savings occurring when the range of activities undertaken by an organisation (or partnership) increases, because they have joint costs or joint outcomes – e.g. where the 'meals on wheels' staff check and report back on wellbeing of meals' recipients. More recently, we have started to explore economies of learning – where savings occur over time as staff and users

learn how to produce services better. For example, GPs learn how to motivate their patients with long-term conditions to use self-diagnosis and patients learning to administer self-treatment through advanced technology. In public policy terms, a key lesson from economies of learning is that we should avoid disruption – 'churn', 'initiativitis'.

The figure below shows that cost-effective market arrangements are likely to differ significantly, depending on whether the commissioner wishes to consider demand as a 'mass market' (as in the welfare state up to the last 10 to 15 years) or a set of 'niche markets' and on whether provision is characterised by economies of scale, economies of scope or both.

	Economies of scale	Economies of scope	Both
Differentiated demand – niche markets	Large-scale providers of single services to specific client groups	Niche providers with client-specific packages (going as far as 'personalisation')	Large-scale multi-service packages for specific client groups ('Mass customisation' à la Toyota) Multi-service consortia for specific client groups
Undifferentiated demand – mass markets	Mass production ('McDonaldisation' – 'Easy-Barnet')	Multi-purpose partner-ships (e.g. HWBs) for wide range of client groups	'Tescoisation' (Capita, SERCO?)

This analysis suggests that we need to be more sophisticated in how we influence the structure of provision of public services in the future. For example, in dealing with children and families, recent government figures note that, nationally, just 120,000 problem families cost nearly £8bn to the national public purse (Eric Pickles, 17.10.2011). It has been suggested that, by spending £14,000 per family on a more co-ordinated service, the state could save £70,000 per household. One policy approach would then be to design, let and monitor contracts one at a time (or perhaps in small local networks) to support such families – emphasising scope and responsiveness rather than scale. Then, the argument goes, the rest of the budget might be spent on remaining families, with more regard to scale rather than responsiveness, given the large scale needs involved.

The lesson is that the old certainties around economies of scale in public services must now be regarded with strong scepticism. We should avoid a priori assumptions about relative strengths of economies of scale and scope. Instead, we will need to learn quickly what the empirical realities are, through experimentation ('fail early, fail fast, fail cheap – and learn fast'). The inevitable failures in public services – exacerbated by the current public spending cuts – will require that resilience is designed into communities and public services, with strong emphasis on user and community co-production. Economies of scale will play a role in this new world of public service commission and provision – but a smaller role than in the last few decades.

The design and delivery of the Work Programme: implications for third sector organisations

Professor Dan Finn,
University of Portsmouth

The Coalition government has placed welfare to work reforms and the Work Programme (WP) at the heart of its plans to reduce worklessness and public expenditure. The WP is also the 'flagship' for the 'payment by results' funding system through which ministers seek to deliver a wide range of social programmes that impact widely on third sector organisations (TSOs).

There are eighteen 'prime contractors' delivering some 40 individual WP contracts with an estimated

worth of between £10 and £50 million a year and it is expected that between two and three million people will participate over the five year contract period. The prime providers have considerable flexibility in service delivery and are funded largely on the basis of securing sustained employment with their income comprised of an initial 'attachment fee', job outcome payments (at 13 or 26 weeks) and then longer term 'sustainment payments' payable for up to two years. Prime providers are expected to deliver some or all of their services through subcontractors and

in doing so maintain a network of suppliers capable of meeting the diverse needs of disadvantaged jobseekers.

Much controversy surrounds the impact of WP contracting on the third sector. There are criticisms of the design of prime contracts, which effectively excluded all but the largest voluntary organisations; the terms of the contracts offered by prime providers; the exclusion of some TSOs from prime supply chains; and the low number of referrals to specialist providers. Government ministers reject such criticism and point to safeguards, such as the 'Merlin Standard', that requires primes to have positive relationships with non-profit subcontractors. They also place particular emphasis on the potentially positive role of TSOs and point out that there are two voluntary sector led prime providers, with over 400 other voluntary and community sector organisations delivering subcontracts.

The future of TSOs in the 'welfare market' is unclear. Comparative evidence from Australia and the USA, however, gives some insight into the longer term impacts of outcome and performance based funding systems.

In both comparator countries, as in Britain, non-profit organisations play a key role in the delivery of employment and training programmes especially in periods of high unemployment. Such non-profit involvement grew significantly until the 1990s when the introduction of 'work first' welfare reforms, falling unemployment and new contracting systems signalled a significant 'shake out' of such providers and greater involvement by for-profit companies. Officials in each country suggest this change removed less effective providers and made the remaining non-profits more efficient and 'business-like'. Others perceive a loss of important community assets and social capital with negative impacts especially on disadvantaged communities.

A detailed US study of larger non-profit organisations with major contracts found that while some struggled with the challenge, others improved their performance and 'developed services consistent with their social mission'. As in Australia such organisations had comparative disadvantages, such as their restricted capacity to take financial risks and raise capital on financial markets, but this was offset in part by their ability to raise funds from individuals and foundations to enhance their service provision.

The experience of smaller non-profit organisations in both countries has been equally mixed. Many studies report how some have exited the market, either because they failed to win contracts or chose not to compete. Other organisations continue to criticise the new contracting regimes on equity and service quality issues due to the transition from grants to contract and performance incentives. Some, providers of specialised services have been able to win contracts directly. In Australia and the US cities that use prime contractors smaller organisations frequently bid as partners or named subcontractors. The larger for-profit or non-profit organisations provide capital and management, financial and programme expertise, while the smaller community based organisations offer specialised knowledge of particular client groups and credibility with hard to reach communities.

In Australia non-profit involvement has been critical for government to ensure provision in areas less attractive to for-profit providers, either due to location or the particular characteristics of client groups. One feature of non-profit delivery in both countries is that involvement has not appeared to generate the levels of political opposition experienced by the for-profits.

There are few rigorous studies of the differences between non-profit and for-profit service delivery. Case study and anecdotal evidence suggests they have different management styles, and that staff employment conditions, incentives and training vary in important ways. Some studies report, for example, that for-profits appear to work closely to the conditions of the contract and are driven by performance outcomes. In contrast, non-profit providers were more likely to meet the needs of their clients despite their contract obligations. In Australia, for example, some studies suggest that even within a competitive environment non-profits remained committed to providing more intensive services, had higher staff to caseload ratios, and sought to minimise the impacts of sanction policies. By contrast other studies suggest that there has been convergence, with non-profit delivery indistinguishable from that of for-profits, and with a muting of the advocacy role of non-profits.

These findings suggest wider concerns for TSOs beyond the number, terms and value of any contracts with primes. It may be as important to monitor the impact of WP contracting on the composition of the non-profit organisations involved and to understand the impact that outcome based contracting and a harsher welfare regime have on their social purpose and their claim to distinctiveness in service delivery.

Grassroots: learning from community organisers, community development and community engagement
28 June 2012
Seminar Three

The continued trend towards increasing the voluntary sector's role in mainstream policy initiatives has recently extended outwards towards smaller third sector groups and activities; arguably, the least known about and larger part of the third sector. Their increasing importance is reflected in the continued (furthering) drive towards localism and the Coalition government's recent £15 million investment in the Community Organising Programme to train local leaders to (re)build their communities.

Reflecting on current policy and the pervasive aim towards building a 'Big Society', this seminar contributed towards furthering our understanding of local grassroots organisations – frequently referred to as under- and below-the-radar (BTR) organisations; but, in the current climate might be considered 'little Big Society'.

Professor Marilyn Taylor and Angus McCabe explored the theoretical input around the models and value base of community development and the role of occupational standards in the field in 2012. They also looked at the impact of BTR groups on the implementation of localism two years on in the Big Society.

By drawing on data from TSRC's pilot 'street-walking mapping' project that aimed to identify unregistered third sector activity, this seminar offered a picture of the types of groups and activities that constitute the larger part of the third sector, and included discussion and debate on:

• How and where small grassroots organisations operate?

• The extent to which they offer services to the public (as opposed to delivering public services).

• Challenges and issues that grassroots organisations face.

• Are policy interventions helping or hindering small grassroots organisations?

Working with the grassroots: learning from community organisers, community development and community engagement
Professor Marilyn Taylor,
University of the West of England, Institute for Voluntary Action
Angus McCabe,
Third Sector Research Centre, University of Birmingham

This presentation addressed four themes:

• communities – and working with communities – in the policy context

• models of work with communities (strengths and weaknesses)

• what works in working with communities

• future challenges

The materials used draw both on research findings and on the presenters' experiences of working in, and with, grassroots community based organisations.

Policy context

There has been a period of rapid policy change relating to communities since the May 2010 election and the emergence of the Coalition government. Localism, open public services and community organising have become the three 'pillars' integral to delivering on the 'Big Society' agenda. Yet there are remarkable consistencies between the current direction of policy and the New Labour years. Localism can be related back to 'communities in control' and concepts of double devolution. Open public services bears more than a passing resemblance to the modernisation agenda and the promotion of a mixed economy of welfare between 1997 and 2010 and community organising could be seen in the previous government context of promoting active citizenship and building the capacity of civil society organisations. And there are other continuities – in the promotion of social enterprise, asset transfer and an emphasis on loan finance – to name but a few.

What is different is the cuts, and the speed of their implementation – and while the Labour Election Manifesto also envisaged substantial (though unspecified) reductions in public spending, where the Coalition parts company with New Labour is in its commitment to shrinking the state: for them, a Big Society is only possible without a small state.

The full impact of the recession and subsequent deficit reduction strategies has yet to be fully played out – or understood – in terms of the voluntary sector in general and community groups in particular. For those with no income from public institutions there may be no apparent impact, although early research findings suggest that a range of such community based activities are suffering from increased costs (for venues, utility bills etc.), the loss of access to pro-bono or low cost advice, support and, indeed, premises, and that they are finding it harder to recruit volunteers and active members. Other small organisations, more reliant on public funds (and

in particular area regeneration money) are closing down. The position of larger, national, charities is unclear: they may be in a position – at some point – to bid for public service contracts and thereby grow and expand – though if the experience of contracting out the Work Programme is anything to go by, they will face increased private sector competition and will have to adjust, rapidly, to 'payment by results' regimes. As funding shifts from grants to contracts, access to this funding for smaller organisations is unlikely – public procurement tends to favour larger contracts and markets tend to go to scale.

Models of working with communities

Perhaps the other continuity over the past two decades has been the increasing expectations placed by successive Governments on communities and community groups. They are to play a greater role in the delivery of public services, take on the management of community assets, address democratic deficit and reconnect people with political processes and public institutions whilst acting as a buffer between the individual, families and the impact of globalisation.

Community is an attractive idea for politicians, suggesting strong ties and shared values which can oil the wheels of the wider society. But it can be a problematic concept too. Community excludes as well as includes – we define ourselves by who we are not as well as who we are – and the resources available to communities vary considerably, which means that relying on communities to take on the responsibilities of the state can be divisive and inequitable. There is a danger, that expecting too much of communities will place too great a burden on them, killing the golden goose. For while research suggests that there is a huge amount of informal

community activity and participation – more than the concept of a 'broken Britain' that drove the Big Society agenda suggests – most of the responsibility falls on the few. And much of what goes on locally is just that – small and local and won't address the bigger issues that face many communities today.

Having said this, there is a lot to learn from the past. A number of models have emerged over the years of what might be referred to as community practice. The most common are:

- Community development – both as self help and in its more radical guise as a means for collectively addressing oppression and building social justice.

- Community (or social) enterprise – as a means of building community owned economies.

- Community engagement – as a way of negotiating relationships between 'the public', institutions and regeneration initiatives.

- Community organising – a power-based approach drawing particularly on the work of Saul Alinsky in the US, with an emphasis on building grassroots movements to effect change both within communities and in the accountability of the public and corporate sectors.

Each model (and there are overlaps rather than, always, clear distinctions between each) have their strengths – and can point to successes: Development and Community Land Trusts, challenging planning decisions, regenerating neighbourhoods, etc. Equally each approach has been criticised. Many feel that community development was incorporated by the state and became a mechanism for managing partnerships/'customer relations' rather than being

a radical change agent. Community organising, as a nation-wide movement, in the USA has all but collapsed (or at least been seriously weakened) with the closure of ACORN as a national organising agency; community engagement was, with all the meetings involved between 'stakeholders', often dull, procedural and unexciting. Community businesses (like any small to medium enterprise) are just as likely to fail as succeed and may never replace the number of jobs lost as major local employers close or reduce their workforce. Indeed, it could be argued that each approach has effected change – but at the margins rather than in the mainstream of social and economic policy and practice.

What works?

Whether we believe that these models of community practice are core to developing and promoting community wellbeing and a just and fair society – or simply marginal and token gestures to community which sustain the existing status quo – a body of research and practice knowledge has been built up over the decades as to 'what works' in working with communities (both of geography and interest):

- Change in communities takes time: yet community development and, now, community organising remain reliant on short term funding.

- Building community action depends on a shared cause (often a common enemy) identified by communities themselves – rather than imposed agendas from above.

- The social element of community activity is as (if not more) important as the cause. People come together for social reasons as well as to take action – and the process needs to involve some element of fun and social interaction 'for its own sake' – otherwise action becomes unsustainable.

- Success – and celebrating success – is key to sustaining community action.

- There are only, ever, a finite number of activists; community practice which both supports and challenges those activists is critical.

- Working with communities is not only a set of (professional) skills, but has a value base – it is not a neutral/value free 'occupation'.

- Resources – even 'light touch' resources – are critical if the most disadvantaged communities are to reach their potential.

Challenges for the future

It could be argued that community practice (of whatever kind) is at a crossroads – if not, actually, in crisis. Will it, indeed should it, deliver on current and past political agendas? Can it really affect change in neighbourhoods, communities of interest and the wider society? Will achievements remain marginal – bringing about small scale changes to local services and environments rather than tackling 'the big issues' that impact on people's lives: from the financial crisis through to global warming? Or as recession continues to bite and public services are increasingly under threat, will it find its soul and become more radical? Maybe it is time to ask some fundamental questions of each of the models of working with communities:

- Do we need a radical re-imagining of the values which underpin community practice?

- Do we need to move from 'starting where people are at' to a more visionary approach which asks – where do rapidly changing and often super-diverse communities need to be in 15 or 20 years time if we are to build a just and sustainable society?

- Can community practice create new independent spaces where people can find their voice and organise in new ways?

- Do we, as practitioners, need to develop skills that are not only about working with individuals and groups but also building powerful alliances and movements to affect change?

But perhaps there is, with cuts to services, to welfare and a prolonged recession, an even bigger and more immediate challenge to those of us working with communities and grassroots groups. What we are witnessing is a 'pragmatic despair' in many communities in the face of current difficulties. We need to work to an agenda of, and create a belief in, 'radical hope' if we are to truly bring about positive changes for and with communities and combine – following Antonio Gramsci – pessimism of the intellect but optimism of the will.

Nesta...

Social investment: promise and possibility
27 November 2011
Seminar Four

As the social investment market grows and with government initiatives becoming established, there is a need to reflect on the changing social investment environment. There is particular interest in the changing patterns of supply of social investment, with new forms of investment and new suppliers emerging. There are also changing patterns of demand although there is still a lack of evidence on the types of finance required and the 'investment readiness' of social enterprises and other third sector organisations. Professor Fergus Lyon and Dr Alex Nicholls addressed the following questions:

- What are the types of social investment emerging and growing?

- How do they relate to the mainstream financial sector?

- What evidence is there of the social investment sector having an impact?

- What challenges are social investors facing and how are these being overcome?

Investment for social value – overcoming challenges for measuring

Professor Fergus Lyon,
Third Sector Research Centre, Middlesex University

There is a growing interest in lending for a social purpose amongst philanthropic funds, the government and growth-oriented social enterprises. There are new sources of 'social investment' with the arrival of Big Society Capital acting as a wholesale bank for social investors developing innovative sources of finance. While the supply may be expanding, there remain two key questions: what is the nature of the demand, and how do you measure the social value underpinning such loans? A large proportion of social enterprises are showing evidence of desire for growth and entrepreneurship through using loan finance. In 2011, a survey found that 25% of social enterprises sought finance and

half were successful (SEUK, 2011). This compares to a similar figure of all SMEs with 26% seeking finance and half being unsuccessful or getting less that requested (BIS, 2011). This shows that a sizable number of organisations (up to 13%) are seeking finance but being thwarted. This group of loan seekers is the market for social investment as the successful borrowers may be expected to find investment from existing mainstream sources such as banks, or existing social investment. However, little is known about this 13%. Are they proposing social enterprise opportunities but are rejected due to investors' lack of understanding of their 'double or triple bottom line' objectives? An alternative view is that they are not proposing investable propositions that can repay loans. Some refer to this as not being 'investor ready'.

This has a number of implications for the practice and policy related to social investment. Firstly, there are only 13% of organisations for whom lack of access to loan finance is an issue. The remaining 87% may need other forms of support and encouragement to help them maximise their social value. Secondly, there may be lots of organisations seeking loan finance in sectors that are risky and where markets are emerging. While this may be evidence of entrepreneurialism, there is a need to distinguish between those organisations able to repay loans and identifying where lending is not suitable. Existing funds have struggled with finding investment ready social enterprises and have avoided 'sub-prime' lending in the social investment sector.

The second challenge for social investment relates to measuring the social value, and going beyond purely looking at financial returns. The current state of social impact measurement shows there are a wide range of approaches and little consistency. While this allows for innovation and organisation specific approaches, it cannot be used by investors to compare proposal against proposal. Nor can these individual measures of social value be used to assess the social value of an investment fund. The challenge for a wholesale bank, like Big Society Capital is even greater, as it will need to report back on the social value of its investments to other social investors. There may be an argument for having more common forms of measurement, but this will need to be combined with allowing organisations to develop their own impact measurement process as an empowering tool for staff, beneficiaries and others.

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SEUK (2011) Fight back Britain: a report on the State of Social Enterprise survey 2011, Social Enterprise UK, London
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Biographies

Seminar One

Professor Pete Alcock

Professor of Social Policy and Administration; Director, Third Sector Research Centre,
University of Birmingham

Pete Alcock's research has covered the fields of poverty and anti-poverty policy, social security, and the role of the third sector. As director of TSRC he leads the development and delivery of the Centre's research programmes. He is also stream leader for the 'Theory and Policy' and 'Economic and Social Impact' research streams.

Professor Alcock has over thirty years of experience of academic work in Social Policy. He was Head of the Department of Social Policy and Social Work in Birmingham from January 2000 to June 2003, and Head of the School of Social Sciences from 2003-2008. He is an elected Academician of the Academy of Social Sciences and a Fellow of the Royal Society of Arts.

Professor Alcock is a member of the Steering Group of the Voluntary Sector Studies Network, and is Chair of the Editorial Management Board of Voluntary Sector Review. He is a former Chair of the Social Policy Association and of the Editorial Board of the Journal of Social Policy. He is also a member of the Editorial Boards of the Journal of Poverty and Social Justice, and Public Management Review.

Seminar Two

Professor Tony Bovaird

Professor of Public Management and Policy, Third Sector Research Centre, University of Birmingham

Tony Bovaird is professor of Public Management and Policy at the University of Birmingham, and works on the Third Sector Research Centre's Service Delivery Stream. He is a member of the Institute of Local Government Studies (INLOGOV) in the School of Government and Society within the University of Birmingham. Tony recently led TSRC's contribution to the evaluation of the ChangeUp Programme, commissioned by Capacity Builders. He is currently working with a number of public and third sector agencies on radical new configurations of the English public services system to achieve better use of resources, more democratic decision-making and improved local governance. He is currently a member of the Demos/University of Birmingham Policy Commission on the Big Society.

Tony worked in the UK Civil Service and several universities before moving back to the University of Birmingham in 2006. He was a member of the OECD e-Governance Task Force, chaired the Evaluation Partnership set up by the UK government to co-ordinate evaluation of the Local Government Modernisation Agenda from 2002-2008 and was a member of the CLG Expert Panel on Local Governance. Tony undertook evaluation case studies of the Civil Service Reform Programme, commissioned by the Cabinet Office and recently led the UK contribution to an EU project on user and community co-production of public services in five European countries. He is currently directing a project funded by the Arts and Humanities Research Council on using 'nudge' techniques to influence individual service co-producers to participate in community co-production. He helped to organise the European Public Sector Award, was on the Strategy Board of the Local Authorities Research Council Initiative and is currently on the council of the Local Areas Research and Intelligence Association. He is co-editor of Public Management and Governance (Routledge, second edition, 2009).

Professor Dan Finn

Professor of Social Inclusion, University of Portsmouth

Dan Finn has written extensively on labour market programmes, reform of public employment services and the implementation of welfare to work strategies. He has a particular research interest in the role that third and private sector organisations are now playing in delivering welfare to work programmes and has completed comparative studies of such developments in Australia, the USA and the Netherlands. Throughout his career Dan has undertaken, supervised, and managed a broad range of research projects, and has generated substantial grant income. He has extensive research and policy contacts in Europe, the USA and Australia and has been a Visiting Professor at the University of Melbourne.

Professor Finn has been a special adviser for many parliamentary inquiries and for other UK bodies. He has also been a consultant for a wide range of organisations including the National Audit Office and the World Bank and through his comparative research has worked with specialist research organisations in Europe, the USA and Australia.

Seminar Three
Angus McCabe
Senior Research Fellow, Third Sector Research Centre, University of Birmingham

Angus McCabe leads on the 'below the radar' work stream at TSRC, researching small community based organisations and activities. The current focus for this research is equalities 'below the radar', learning for community action and the impact of policy change on community groups. He has a background in community development in both urban and rural settings and in voluntary sector management.

Professor Marilyn Taylor
Emeritus Professor, University of the West of England

Marilyn Taylor is Visiting Research Fellow at the Institute for Voluntary Action Research and Visiting Professor at Birkbeck, University of London. She has been involved in research on community development and community participation for many years and currently has a learning advisory role with the Community Organisers Programme and Big Local. She is a Trustee of Involve and Chair of the Advisory Group for the Institute for Volunteering Research, as well as being a member of the NCVO Advisory Council.

Seminar Four
Professor Fergus Lyon
Professor of Enterprise and Organisations, Middlesex University

Director, Social Enterprise Capacity Building Cluster (CBC)

Fergus Lyon's research interests include social and community enterprises, the role of enterprise in the provision of public services, networks of enterprises, ethnic minority enterprise, innovation, business needs assessment, and enterprise support policy. Recent funders include the Economic and Social Research Council, DEFRA, DFES, ODPM, Small Business Service, One NorthEast, South East of England Development Agency, Commission for Rural Communities, and Department for International Development.

In 2007 Fergus was seconded to the Prime Ministers' Strategy Unit in the Cabinet Office. He is on the editorial board of the Social Enterprise Journal and is also a founder and director of a social enterprise preschool.

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