TSRC
THIRD SECTOR RESEARCH CENTRE

THE SOCIAL ENTERPRISE INVESTMENT FUND (SEIF) EVALUATION

Understanding the 'programme theory' of the Social Enterprise Investment Fund in health and social care: analysis of 'Phase One' stakeholder interviews

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Contents

Introduction

The £100 million Social Enterprise Investment Fund (SEIF) was established by the Department of Health (DH) to stimulate the development of social enterprise in health and social care delivery through the provision of start-up funding and long term investment.

The Department of Health Policy Research Programme commissioned our evaluation team to assess the impact of the Fund. This evaluation is based on three phases of research. Phase One maps the programme theories underpinning the SEIF. Phase Two analyses the impact of the SEIF using a national survey of successful and unsuccessful investees. Phase Three carries out in-depth case studies with a selection of successful and unsuccessful investees in order to further understand the processes and outcomes associated with the SEIF.

The aim of this document is to present extended empirical material of the Phase One 'stakeholder' interviews carried out in between September and November 2009. In support of the programme theory we identified in our Phase One report (see figure 1), it aims to analyse what stakeholders believed were the goals of the SEIF and how these goals would be achieved.

The document begins with a brief overview of the methods that we employed. It then presents findings about the goals and the 'theories of change' associated with the SEIF. In addition, the document presents additional findings that reflect some of the possible challenges to meeting SEIF goals. It concludes with a reflection on the implications of these findings for future stages of the evaluation.

Methods

Phase One of the evaluation aimed to establish the goals and the drivers underpinning the SEIF. The objectives for this phase were as followed:

- to build a detailed understanding of SEIF's operation and progress to date;
- to explore stakeholder expectations of the SEIF;
- to establish a common view of how the success of SEIF should be measured, and the mechanisms through which the SEIF is expected to achieve its outcomes;
- to refine the study design in the light of the programme theories underpinning the SEIF;
- to generate feedback, findings and learning about the SEIF.

A key aim of Phase One of our research was to explore the 'programme theories' associated with the SEIF in order to understand the logic behind how the SEIF was designed. To understand these programme theories, we utilised an approach used in programme and policy evaluation that analysed the 'theories of change' associated with the SEIF (see Weiss 1998). The theories of change approach aims to understand 'how and why a programme works'. It does so by analysing the causal assumptions of a policy or programme and turning these assumptions into a map of how the policy intends to achieve its goals. Connell and Kubisch state that:

> A theory of change approach would seek the agreement from all stakeholders that, for example, activities A1, A2, and A3, if properly implemented (and with the ongoing presence of contextual factors X1, X2 and X3) should lead to outcomes O1, O2 and O3; and if these activities, contextual supports, and outcomes all occur more or less as expected, the outcomes will be attributable to the interventions. (Connell and Kubisch, 1998: 19)

In order to understand these theories of change, our evaluation team carried out semi structured interviews with a range of stakeholders identified with a ‘structural commitment’ to the Fund. These included representatives from the Social Investment Business, the Department of Health, Office of the Third Sector, Local Partnerships and other Social Enterprise finance and support organisations (see Box 1). These stakeholders were asked to describe and explain what the SEIF aimed to achieve. This included asking interviewees about the desired outcomes of the SEIF, the types of activity associated with the SEIF and the measurement of these outcomes and activities. Lines of questioning also asked stakeholders about the unintended outcomes of the SEIF and the contextual factors likely to affect the SEIFs ability to achieve desired outcomes.

Data analysis of the interviews then looked to generate a map that articulated the short, medium and long term steps involved in the SEIF achieving its outcomes. In order to refine these programme theories, a half-day workshop was also held with a range of key stakeholders that we interviewed to discuss the emerging findings and assist in determining indicators to be used in the evaluation.

Box 1: Defining our ‘stakeholders’: sampling strategy

Our research selected individuals with a stake in the formulation and delivery of the SEIF. On this basis, it identified three groups of stakeholders that would obtain three different perspectives about the fund:

1. Policy maker perspectives

Our sample included those directly involved in formulating the SEIF. These were actors at central government level that were centrally involved in devising SEIF policy and centrally involved in devising its aims and goals. Within the report, these policy making perspectives will be annotated to ‘PM’ and numbered according to which perspective such as ‘**PM 1**’.

2. Social investment perspectives

Our sample identified representatives that were able to shed light on the formulation of the SEIF in the context of the wider social investment and social enterprise landscape. These individuals were identified on the basis that they acted as ‘opinion leaders’ in the social enterprise field. These were individuals active in the field of the SEIF with influence and insight that could shed light on the programme theory of the SEIF. Within the report, these social investment perspectives will be annotated to ‘SI’ and numbered according to which perspective such as ‘**SI 1**’.

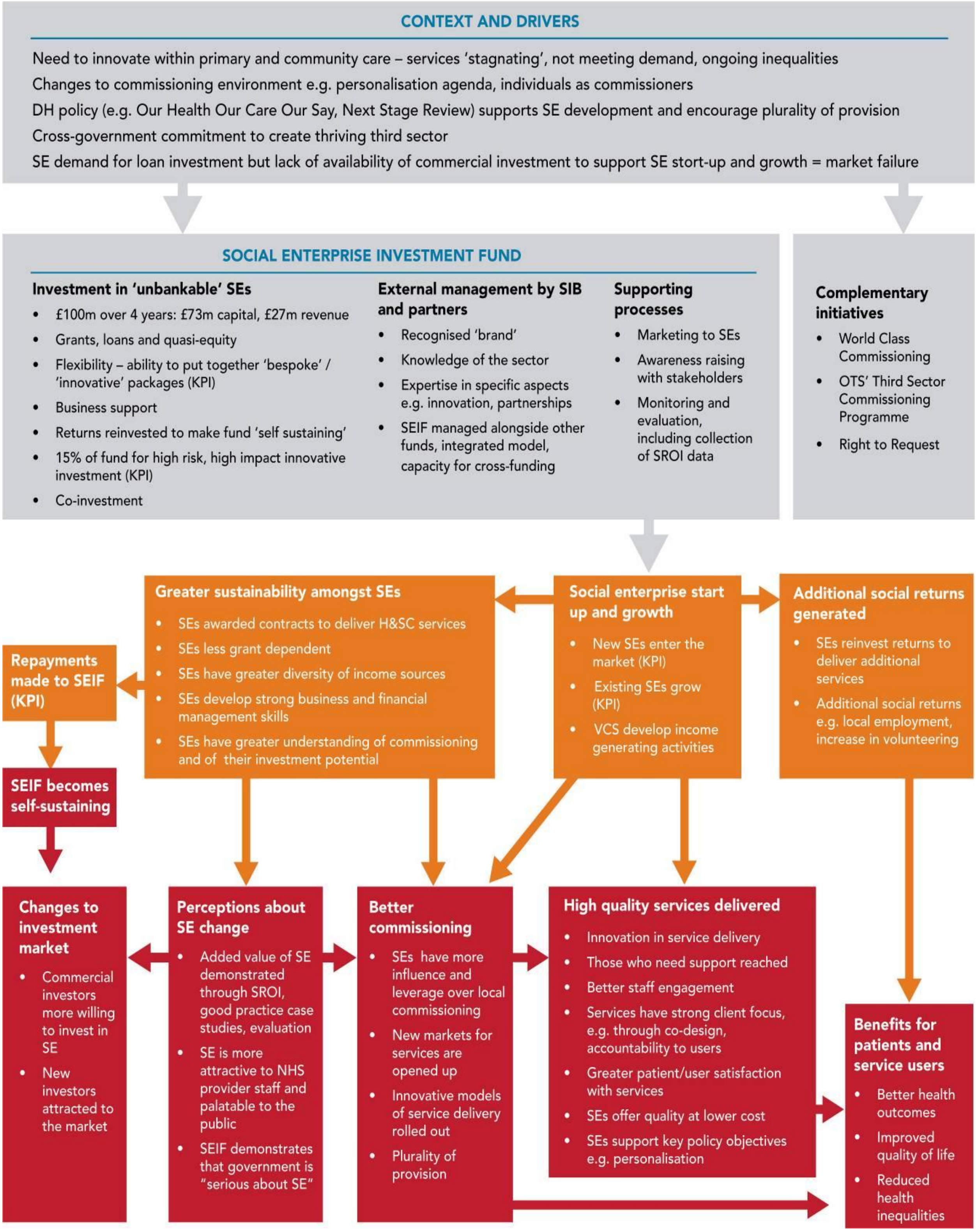
3. Fund manager perspectives

Our sample identified representatives that were able to shed light on the management and delivery of the fund. These perspectives were obtained in order to understand how the SEIF as a funding mechanism worked. Within the report, these policy making perspectives will be annotated to ‘FM’ and numbered according to which perspective such as ‘**FM 1**’.

Findings

In the following sections we present the extended results of our Phase One interviews. Building on the ‘programme theory’ we presented in Phase One of our report, this begins with the goals the SEIF was intending to achieve and is followed by the ‘theories of change’ underpinning these goals. In Section 3 we present some of the challenges stakeholders believed would affect the achievement of the programme theories underpinning the SEIF.

Figure 1: The programme theory of the Social Enterprise Investment Fund



Key:
Medium to longer term outcomes
Early outcomes
Outputs and context

1. Context and drivers for the Social Enterprise Investment Fund

Our interviews found that stakeholders supported the ‘programme intention’ of the SEIF as set out in policies of *Our Health, Our Care, Our Say* (DH 2006) and *High Quality Care for All* (DH 2008). Stakeholders aligned the SEIF with the government intention to create diversity and plurality in health service delivery. Within an increasingly diverse landscape, the SEIF formed part of a policy commitment that included social enterprise.

> The reason why it was set up was to do with the way that the health service is moving, health and social care services moving to more independent providers... Rather than private sector corporations coming in and grabbing all the contracts, they want to encourage community based organisations, you know, social enterprises to do it, which is, you know, it’s a good thing **(FM 1)**

A goal of the SEIF was to provide support for social enterprise organisations to deliver primary or community care services ‘in a businesslike way’. Within the changing landscape of commissioner and provider functions brought about by World Class Commissioning (DH 2007), the SEIF would support social enterprises in becoming recognised as a key player within local health systems. Within the ‘externalisation’ of NHS services, the fund would support social enterprises to win contracts and provide services.

> this is about getting that provider limb, either in total or parts thereof, outside of the PCT, so that the PCT itself can become a commissioning only organisation and they become, in inverted commas “uninterested” in who’s providing…
>
> …it’s all part of the World Class Commissioning view saying that this is really a confusion and a tension which we should move away from. **(FM 3)**

The support given to social enterprise was based on the belief that the nature of these organisations made them more responsive to those they served. Both communities and users would have greater opportunity to shape services from being directly involved in the governance and design of the organisation.

> if you’ve got three people competing for a contract and, you know, you’ve got the Third Sector which understands its beneficiaries very well, is connected to them, is a bit more fleet of foot than a public service, you should get better outcomes, because you’re going to read one tender and you’re going to read another tender and one’s just going to seem a whole lot better, so I genuinely believe that the basic logic of, essentially, creating a third competitive force is a good idea. **(FM 8)**
>
> In terms of the wider health agenda, SEIF is related to the choice agenda… People don’t always make choice on the basis of clinical decisions, it’s the add-ons about the service where it’s delivered, do they get a cup of tea etc that influences choice. I believe social enterprises are well placed to respond to these. **(PM 4)**

Connected to the empowering function of social enterprise, some stakeholders believed an additional driver for SEIF was that social enterprise organisations would provide an attractive option for NHS staff. Based on the ability of social enterprise to be more responsive to the communities they serve, a ‘pull’ towards becoming a social enterprise would occur as people were increasingly seeing the benefits of such employee owned forms of organisation. Staff would become motivated to set up social enterprises to deliver services.

> there's an increasing recognition with the "right to request" that there's many people within the health system who a) are socially driven and do care about what they're doing and that's why they went into it but b) that doesn't mean they don't know anything about business, they don't see opportunities for improving services, it doesn't mean that they don't want to set up a vehicle to exploit the way that commissioning market's been reformed. So, therefore, not quite private sector, not quite public sector but, actually a third option of a social enterprise sector **(FM 2)**

In the context of separating commissioner and provider functions, social enterprises provided an attractive option to NHS staff as the values underpinning social enterprise were more likely to be aligned with a public service ethos rather than a private sector motivation for profit.

2. Social Enterprise Investment Fund 'theories of change'

Following on from the goals of the SEIF, this section presents the theories of change that stakeholders believed would achieve the goals of the SEIF presented above. Our analysis found that the theories of change centred on providing access to a mixture of financial products, the proactive use of fund management, business support and marketing, and the promotion of innovative service delivery.

2.1 Access to a mixture of financial products

A theory of change underpinning the SEIF was that it provided a financial mechanism to support the market entry of social enterprises into health and social care. With 'little or no [other] sustainable funding available' (PM 2), the SEIF resolved a significant finance gap for social enterprises in providing financial products necessary to achieve growth and market entry. In doing so, the SEIF was expected to expand social enterprise within the health sector rather than displace existing social enterprises or sources of funding.

> it was clear that there was a significant finance gap for SEs… we looked at what was already out there at things like Unltd and Bridges but it was clear that there wasn't one provider that was providing everything that a social enterprise might need…. We needed something that used grants but also loans to offer much more flexibility… we needed to offer something in between grants and commercial finance **(PM 2)**

> In the social investment arena as a whole, there is a general view that there are a lot of good things that don't happen because the money isn't there. The ideas are there and probably the demand for social, ethical business is there but not the investment. **(PM 1)**

Rather than crowding out other social investment, the SEIF would 'crowd in' social investment as the fund encouraged demand and created innovative forms of organisation.

> With its range of financial products, the SEIF was a funding mechanism that looked to challenge 'grant dependency' by presenting a 'mix' of funds **(PM 4)**

> we know the sector is vastly undercapitalised and if we want it to grow and continue to provide a really robust sort of contribution into the way services are delivered, then it needs to be capitalised and moved forward. So it needs to be modernised in the sense that organisations need to use the best of business practices whilst, you know, hanging

> on to their ethos of third sector delivery… they need to grasp the fact that they're about running businesses, the only way that they will continue to deliver fantastic effects into the sectors is if they run themselves as decent organisations. And while loan funding is not for everybody there are a lot of organisations who can take a loan investment and really use it to deliver growth going forwards **(FM 5)**

By providing a range of financial products the SEIF would support third sector organisations to develop a willingness and organisational readiness to take on loans and other types of non-grant investment. For one stakeholder, the SEIF would have the potential to create culture change in the third sector. Its emphasis on loan repayment would not only 'replenish the fund' but it would also enable organisational growth and sustainability (FM 5). Stakeholders involved in SEIF fund management were particularly keen to promote loan based investment because of its potential to make 'the third sector more enterprising and more sustainable'. For example, despite mainly distributing grant based investment so far, the provision of development grants was likely to lead to further investment that included loans.

> If you're serious about transforming the Third Sector, there needs to be a powerful loan fund somewhere in the mix… the hope is, of course, that you create sustainable organisations that then, in time, can gain access to mainstream finance, because what you really want is a market which can be capitalised in a normal way… **(FM 8)**

> There is definitely a shift towards loan finance, because the whole point is the fund eventually becomes sustainable. But as I say we've come in a climate where particularly charities etc, maybe a bit nervous about taking on you know, that liability of loan repayments. So I would say that's one of the roles of the marketing team is to get the message across, obviously about social enterprises, businesses etc and as various flexible interest rates etc that we're using to ... Definitely because the idea of social enterprises and is that they need to be earning money and putting those services back in to the community, back in to the services and the better the business, the more good they can do. So and that's where the emphasis is coming from here, it's not just about giving out the grant finance **(FM 5)**

Despite this emphasis of loan based investment, some stakeholders also stated grant funding was important. Evidently, it was about providing a 'mix' of funding that mattered.

> We don't want to create a 'sub-prime' scenario with the third sector taking on investments that they can't repay. I think that's a real issue at the moment. **(PM 1)**

2.2. Fund management, business support and marketing

Stakeholders believed that the achievement of SEIF goals would be supported by Social Investment Business (SIB) fund management. Stakeholders from SIB believed their role was providing 'thought leadership' for the SEIF and supporting the SEIF in being an active, vocal player for the third sector in service delivery.

> we have a duty as the Social Investment Business of thought leadership, I suppose, really and marketing, all of the funds which we manage on behalf of various Government departments, to make them available to as many third sector organisations as possible and to make as many third sector organisations as possible aware of the kind of investment support that we provide. That's why we've rebranded as the Social Investment Business previously Future Builders of England - to make the stakeholders out there more aware of the complete range of funds and products that we've got, it may

be that an organisation may not be eligible for one fund, but could be for another and that's how we're trying to help them, to make all of our funds available to enquirers, rather than just one of the four or whatever. **(FM 5)**

Both SIB and other stakeholders believed that SIB's skills in managing financial products would be crucial to SEIF's success. Their experience of handling a variety of funds would support SEIF goals 'from beginning to end'. In addition, it was felt that SEIF applicants would experience 'added value' through SIB's fund management as it managed other funds that applicants may be able to access.

> We see ourselves very much as once they go to that investment fund we are co-advocates of the case for funding **(FM 4)**

Business support was central to the theories of change as a necessary 'ingredient' to achieving SEIF goals. A notable example of this was the SIB approach. By working with organisations at a variety of stages, SIB believed they offered a flexible, developmental approach that aimed 'to build up the case'.

> we have a business development team and we also have a team of advisers that are familiar with the eligibility requirements of the Social Enterprise Fund and if they identify a requirement for business support, which could be anything, really, from financial through governance, through strategy, through marketing, through a technical requirement, I will try to source it and provide it to ensure that an organisation that has approached us for investment under the Social Enterprise Investment Fund becomes investment ready as soon as possible. **(FM 5)**

> it's a question of not actually getting people to complete an application form, but getting them to provide us with all the essential information that's needed and then we make an assessment on whether it's, where it's at in terms of the funding that we've got. So it's more flexible, it's not, kind of, a rigid pot that people apply to, we, kind of, look at people's applications and decide whether it's, whether they need business support, whether they need business development grant, sometimes they're not at a stage where they're ready for a full investment, they need some more work **(FM 1)**

Marketing the SEIF was singled out as another way the business support function of SEIF would work. Within SIB, a marketing team proactively worked with a range of stakeholders through marketing activities such as conferences and networking events. The creation of sub funds for the SEIF was also intended to 'pull' people in.

> we have a responsible here for everything, through from deal origination to actually going out and doing your classic business development role or investment officer type role, talking to people, explaining to them what the SEIF is, …. So we're really, kind of, getting the flow of deals through, selecting, appraising, tailoring products accordingly. **(FM 2)**

> We created sub funds. So it's still the same pot of money but to entice people in, we've created like a grow fund, an innovation fund and an outreach fund so at least when people are looking from a marketing point of view, they think actually yeah I fit that…. it really works, because you produce nice little flash cards to give people and they go yeah I fit that one... Even though it's the same pot of money, but you know, it looks like it's different. **(FM 4)**

Those stakeholders who had a close working knowledge with SEIF's management arrangements commented that the combination of SIB working in collaboration with Partnerships UK (PUK) (now Local Partnerships) would also contribute to the success of the SEIF. Where SIB had the knowledge of social enterprise investment, fund management, business support and marketing, Local Partnerships brought an understanding of the healthcare landscape and an ability to support 'start ups' and the 'right to request' process.

2.3 Promoting innovation

A theory of change underpinning the SEIF was that it developed innovative forms of organisation that contributed to greater plurality and diversity in healthcare delivery. The SEIF would work not by 'mirroring NHS services', but by introducing innovative forms of service delivery. The SEIF would therefore promote new ways of organising.

> We are looking to work with social enterprises across the sector who were delivering innovative services… some of it is true innovation, if you like, completely new services, but of course some of that innovation can also be expanding good services into new areas and developing them. **(FM 6)**

SIB was proactively responding to the SEIF ethos by creating a specific group on innovation. Having innovation as a Key Performance Indicator (KPI) acted as 'a spur to thinking about how funds can be used in new ways'. For example, the innovation KPI had led to discussions about how to support personalised health budget pilots.

> innovation is quite a prominent feature, both in the application, but also to the extent that they are putting a business plan together… there's innovation also on the part of the fund or the fund manager, so you know, it makes us continually review what it is that we could be doing around the fund, how we might be able to re-badge certain elements of it… **(FM 9)**

While innovation was explicitly recognised as underpinning the goals of the SEIF, some stakeholders nevertheless did feel that the SEIF did not go far enough to promote innovation.

> [With the] Right to Request, on the whole they're getting people who want to leave the NHS, but do what they're currently doing. This isn't 'enterprise'…. I'd almost want to rename [SEIF] the Social Innovation Fund – as it is, it sounds like a fund to put into existing social enterprises. Why would you want to do this? Think of it as £100m investment – what do you get back from it? If it's just slightly different services delivered by slightly different people, then it's a waste of money **(SI 1)**

3. Challenges to the Social Enterprise Investment Fund

The following section aims to captures the challenges interviewees believed the SEIF faced in achieving its goals. In moving from 'programme theory' to 'implementation theory' (Weiss 1998: 58), this section details how stakeholders believed that existing government funding cycles, grant dependency, the social investment landscape, fund management transition, key performance indicators, commissioning environment and wider challenges to sustainability would act as key barriers to the SEIF in achieving its goals.

3.1 Implementing the SEIF within existing funding cycles

Stakeholders believed a key challenge facing the SEIF was fitting its financial products and ethos within existing government funding cycles. While the SEIF looked to support long term investment and different types of investment, government funding cycles challenged this ethos.

> Something to bear in mind about SEIF is the balance between getting the money out into individual social enterprises and having enough time and saving enough of the money to think, OK, what really needs our investment, what are those innovations or investments which will truly move the market on as opposed to simply giving someone a bit of cash and that's the difficulty of these Government programmes, which have specific, you know, amounts of money that have to be disbursed in each year. There's a danger that you don't spend the money on what you really should spend the money on, you simply spend the money on eligible projects. That's a particular issue for the SEIF. (**FM 8)**

> If you're just doing grants, getting the money out in a year isn't very difficult. If it's a large loan, you don't just want to give them £1m, you want to be able to give it in manageable chunks and these don't conveniently fall within Apr-Mar. Or if it's for capital expenditure, this isn't going to neatly fit within year ends either…. What it means, is that so far, there has been more of a focus on grants. **(PM 4)**

> This challenge meant the processes required to negotiate long term loan payments and investment was hugely challenging. The result of these funding constraints meant successful investments had been skewed towards grants rather than loans. If current funding cycles continued - if more loan investments were not made - the SEIF goal of sustainability was under threat as repayments would not be coming in at a large enough level to replenish the Fund.

> if you've got £100m and you put out, £100m every three years, say largely on ten year funding then you will be getting 10% of that back, what it does mean is even with the best will in the world, you're going to have a much smaller fund in year 4 than you've got in year 3, because it'll go, £30m/£30m/£30m broadly and then down to, you know, £10m, so if you're just trying to work out how you staff and resource that fund management and capability, there's a big precipice coming up in three year's time, which is basically this thing effectively stops. **(FM 3)**

Economic uncertainty and the status of public service contracts also affected SEIF funding cycles and social enterprise appetite for loan investment.

> I mean the recession itself has, you know caused some people to run scared if you like from any kind of investment. Others are much bolder and will seek opportunities, but we do foresee going forward that there will be challenges as the commissioning environment gets tougher. **(FM 4)**

3.2 'Grant dependency'

Despite the theory of change of the SEIF providing a range of financial products, stakeholders noted that the goals of providing loan based investment would be difficult as organisations tended to favour grant payments. Some suggested that the size of the organisation affected this decision making as smaller organisations were less likely to be able to take on loans.

> The problem is the having a feasibility fund and getting up to the point where they can trade, so they need £30-50K support for feasibility. But none of the smaller organisations will make the profit required to pay back the £50K loan. For example the user led projects

> I am working with will never have enough margin because they cannot take it out of people's social care – so it has to be grant based. It is different if it is large and with a guarantee of work- so they can have interest payments and repay the loan. **(FM 1)**

There was still work to be done at policy and delivery levels in challenging the grant dependency surrounding social enterprise.

> charities depend on grant funding because, you know, the charitable objective is to give money away and not make surplus, but social enterprises are commercial enterprises with just a slightly different distribution apparatus. So, social investment funding which is directed towards social enterprises shouldn't start from a grant funding basis, it is basically if there is a gap in the market because somehow there is a view that social enterprises may be fragile… well that's the gap you're trying to plug, but you don't plug it by, simply chucking grant funding at it, you plug the gap in the market with loan funding… I don't think people really understood at a policy level, but also delivery level, you know, what are social enterprise, what, how it was distinguishable from charities and sort of thing, they just, the pressure of getting money in the door, you know, making loans is quite hard, actually. **(FM 3)**

3.3 The Social Investment Landscape

The stakeholders we interviewed believed the SEIF provided financial support that did not previously exist. Despite this, some did foresee tensions between the SEIF and the wider social investment landscape. In particular, competition was envisaged between SEIF and SIB's other funds 'as a lot of what Futurebuilders did was around health and social care'. It was not 'out of the equation' for other investors to enter the marketplace and potentially affect SEIF's progress.

> there's a load of questions around how we work with existing, other funders in the trusts, philanthropy world, the banks and venture capitalists, so whether it's people like Impetus Trust or, Welcome Trust and big, traditional Foundations interested in the health and social care space, how we work with them… what if the Welcome Trusts sell off loads of their fancy artwork next year and decide to invest in social enterprises delivering healthcare, but they do it all in grant, then no-one will come to the SEIF and that's not nothing to do with the way that we've worked **(FM 2)**

There were also questions raised about whether the size and scale of the Fund was actually suited to the health and social care context.

> My own personal opinion is that maybe the fund is slightly too big for the sector. It's a lot of money we've got out there, so it'll be interesting to see how, we've got to progress things forward. Obviously we need to start targeting maybe some of the much larger organisations that are going to be taking bigger capital money, so the capital bills etc. because we do, you know, we have got a large fund. And I think because we have the grant element available still as well, that does help the sector. I know at the moment again in the current climate a lot of grant financing is drying up. People are less likely to give them out. At least we still have that revenue grant option in there that we can use. So no, I think we're sitting quite comfortably. **(FM 4)**

3.4 Fund management transition

Some stakeholders believed that the transition of fund management from Community Health Partnerships (CHP) (Rounds 1 and 2) and SIB starting up was a period of time where the momentum and marketing of the SEIF was lost.

> Obviously, we had to wind things down effectively. So we couldn't open another round when we would have effectively liked to have opened another round. So there was a period of inactivity I suppose, it was just dealing with what we had and making sure all the loose ends were tied up. It would have been nice if we could have come in on the 1 June a bit more running and got straight in to it, but obviously because of the way they operate without having an application process it wasn't that we could have pre-empted that and I think obviously contractually they probably couldn't start doing that before the 1 June anyway. So there was a few months of, you know, toing and froing. **(FM 4)**

Stakeholders reported capacity problems with SEIF in the earlier rounds with some suggesting CHP lacked the infrastructure to be a fund manager. A lack of resources to process applications was cited as an example where previous arrangements lacked rigour and efficiency.

> I mean the Social Enterprise Unit disbursed a lot of Round 2 funding without going through the Community Health Partnership process…the product mix wasn't right in Rounds 1 and 2. We've done a lot of work since then to bring clarity to where people sit on the developmental line **(FM 6)**

Prior to SIB management, some stakeholders also believed the SEIF lacked an effective strategy for engaging third sector organisations. It meant SIB as fund managers were 'starting from scratch' in terms of marketing and fund management:

> if previously the fund had been open all the time then there would have been a dialogue with lots and lots of people, we would have taken over a number of applications that were in progress, if you like but because of the way they'd done it previously, with these short windows, effectively, people got, you know, either accepted or rejected, and so there wasn't a legacy application portfolio. We were starting pretty much from zero and, moving from rest to momentum ain't that easy… we had anticipated a slightly more momentum in the whole programme than we actually inherited and what it did mean is in our marketing effort both needed to be and continues to need to be, more significant, more substantial than we'd anticipated. **(FM 3)**

Despite these problems, some stakeholders believed that the transition and the transfer of staff from CHP to SIB brought continuity and stability to the SEIF:

> the whole CHP stuff is very valuable, because it brings some consistency and calmness to the SEIF… the spirit of the SEIF represented in those individuals that used to work on it before and now still work on it… that's a great thing, because it provides some consistency in what would otherwise be probably not be there **(FM 2)**

3.5 Key Performance Indicators

Some fund management perspectives believed the KPIs were problematic in creating competing priorities as the targets for disbursement challenged the flexibility of the fund in responding to a commercial marketplace.

> I think there's a lot of focus on targets, and actually getting the money spent. And I think, at the minute, there are more resources going into that than there is actually getting the applications dealt with **(FM 1)**

> So I'm aware that they can sometimes have, kind of, they can work against each other, they can be massaged, they can be, all that kind of stuff… personally, probably take them

> slightly less seriously than others might, but that's not to say it doesn't stop me working towards them… as that's what I'll be judged on **(FM 2)**

> The SEIF fund has so many key performance indicators that if you ask me to list them all, I couldn't list them all immediately… that's just one of the characteristics of this fund in that the department of health want to measure different things and perhaps have somewhat less experience of this kind of fund management, than people like, obviously the third sector… this is a new endeavour for the department of health and it maybe that those, some of those KPIs get refined over a period of time. **(FM 6)**

However, some fund managers supported the KPIs surrounding SEIF investment decisions as they helped focus investment decisions:

> They're [KPIs] very complicated… I think they had an idea what the targets were, what we should be hitting for, and then finances and procurement people come into it and then they make everything into a mathematical equation which helps nobody, because nobody understands that… but I actually see the reasoning behind them in terms of what SEIF is trying to do **(FM 9)**

3.6 The challenge of diffusing innovation

The SEIF goal of creating innovative services was potentially challenged by an existing health and social care context not conducive to such models of organisation. A delicate balance needed to be struck between innovation and 'too much innovation' as ideas that challenged established ways of working were likely to struggle. As one stakeholder pointed out, SEIF investment that created large scale failure could damage the social enterprise movement as a whole (SI 3).

> There is no shortage of good ideas in the Third Sector, what the Third Sector lacks, and this is one thing that we are very keen to do in this company, is bring good ideas to scale quickly… we could fund 100 innovative projects but they might go nowhere, I'd much rather bring 10 of them to scale and make them mainstream, because that's what really counts, isn't it… there's got to be a balance between, yes, doing innovative things but then going for those we actually foresee as becoming mainstream services… Because innovation per se doesn't get you anywhere as long as the things which are successful **(FM 8)**

Some stakeholders believed a culture change was needed in order to deliver innovative services. Existing cultures lacked risk and knowledge about social innovation. A notable example of this was that for the SEIF to work, commissioning behaviour and attitudes towards social enterprise needed to change.

> I think the hardest thing for the sector is, you get commissioners that have been contracting for several years, you know, private, commercial business, track record etc. To get then a social enterprise come in, it is difficult for them to enter in to that, it's really hard and we're trying to convince them and that's what PUK does, no this is the right vehicle to be using to deliver your services. And I think that is going to take a while. **(FM 4)**

> This is difficult and often determined by personalities within PCTs and commissioners' attitudes – some commissioners are positively incubating Social Enterprises while some are conservative with a 'small c'... We do what we can within DH to create a more positive attitude towards social enterprise **(PM 4)**

3.8 Measuring impact

Social Return on Investment (SROI) was mentioned as an indicator that the SEIF incorporated into its approach. Stakeholders stressed that it was important SROI was incorporated into decision making but they also stressed that there was still work to done be in terms of both the SEIF using it and the effectiveness of the tool in measuring impact. There was a feeling that more emphasis could be made to incorporate SORI into SEIF goals

> It would have been good to have SROI at the start and then you can do a forward look and then see at the end what the impact has been. I am not sure how it will be used [in SEIF] as SROI should not be used to compare to another social enterprise because it is not scientific. I have had that drummed into my head **(PM 5)**

3.9 Defining 'Social Enterprise'

Fund management perspectives suggested a cautious approach to investment was required in relation to making sure all investees were 'genuine social enterprises'. Fund managers had encountered instances where applicants 'looked like private companies' in terms of how profits were distributed. There was also a lack of clarity about 'for how long' SEIF recipients needed to retain their social goals. One stakeholder was concerned that organisations could receive funding as a social enterprise, but could move to a different delivery model soon after funding was received.

> We have a working definition, but I'm not sure how well it's translated into legal reports and how the actual verbal descriptions are actually put into practice. And I think it's probably confused by the fact that there's all sorts of different ways of doing it, everybody's got their own interpretation… if they aren't social enterprises, they're more like partnerships or they're even individuals on their own and they've just gathered, you know, a relative or someone to join them and even to the point where they've got shareholding and there's an unequal shareholding balance… they can be supported to become a social enterprise but sometimes it might be an offshoot of a bigger charity or organisation. **(FM 3)**

One stakeholder believed that the criteria for defining social enterprise needed greater input from different perspectives, particularly from those from inside the NHS:

> The Social Investment Business needs a specialist view inside the organisation – clinical engagement. Clinical involvement is needed in advising the case officers and in explaining what healthcare is – some of the officers don't even know what acute care is! When the decisions go to the panel, there is nobody there with the clinical experience to say what the outcomes might be for patients. I wouldn't believe what a manager has to say about clinical outcomes **(SI 1)**

4. Next steps: implications for future research

This document has aimed to present an extended analysis of the stakeholder accounts into the formulation and delivery of the SEIF. It has used a 'theories of change' approach to understand 'how and why' (Weiss 1998) the SEIF would achieve its goals. When we look at the findings, they suggest that despite slight differences in the particular goals stakeholder perspectives are largely consistent and representative of the goals and outcomes the SEIF was aiming to achieve. By supporting policy goals of *Our Health, Our Care, and Our Say* (DH 2006) and *High Quality Care for All* (DH 2008) the

SEIF ‘worked’ by encouraging plurality of provision in primary and community care, by looking to empower users and staff and achieve better health outcomes. In achieving these goals, our analysis identified a number of theories of change underpinning the SEIF. These findings suggested that the SEIF would it achieve its goals through the provision of a mixture of financial products, the provision of business development and support, and its promotion of innovative service delivery.

These findings generated by Phase One of our analysis aim to surface the key themes and issues that will be pursued in future phases of our evaluation. Based on these findings, in Phase Two of our research we will carry out a survey of all successful and unsuccessful SEIF applicants. This will obtain detailed information about the effectiveness of the SEIF in achieving these goals. To achieve this it will ask survey respondents about their experience of the SEIF, the main benefits the SEIF brought to the organisation, the areas in which the SEIF could be improved as well as obtaining information about the organisation before and after the SEIF investment. In Phase Three of our research we will carry out further in-depth case studies of successful and unsuccessful SEIF organisations. We hope this will provide further detailed analysis of the extent to which the programme theory of the SEIF has been achieved.

The evidence presented in section three highlights the stakeholder perceptions about the potential challenges to the SEIF in achieving its goals. For example, the finding that government funding cycles are proving a barrier to the SEIF goal of sustainable investment raises important implications in relation to the SEIF achieving its aim to encourage a diverse range of investments. Our analysis will consider how the business support and marketing approaches being used by the SEIF have impacted. These findings, along with those drawing attention to the potential difficulties of innovation, sustainability and conceptual ambiguity surrounding social enterprise will be key themes that will be addressed in future phases of the research. Phase Three of our evaluation in particular will undertake in-depth case studies of successful and unsuccessful organisations who have applied to the SEIF. This will examine how the SEIF investment formed part of organisational activity by carrying out in-depth qualitative analysis of the factors enabling and challenging how the SEIF is being delivered. This in-depth work will also analyse how the SEIF contributes to social and economic impact of each organisation. By comparing the SEIF program theories with actual developments, it will aim to understand the impact and outcomes resulting from SEIF investment by gaining a number of organisational perspectives.

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