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THE SOCIAL ENTERPRISE INVESTMENT FUND (SEIF) EVALUATION

The 'Phase Two' Survey

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This is a joint paper between the Third Sector Research Centre and the Health Services Management Centre at the University of Birmingham

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Contents

Introduction

The £100m Social Enterprise Investment Fund (SEIF) was set up by the Department of Health in 2007. It aims to stimulate and increase the number of Social Enterprises (SEs) that are involved in the delivery of health and social care services via grants, loans and equity investments. The SEIF seeks to generate sufficient returns on its investments to become self-sustaining over the initial fund period (2007-2011).

The Third Sector Research Centre (TSRC) and Health Services Management Centre (HSMC) are currently leading an evaluation of the SEIF. This evaluation aims to:

- assess the effectiveness of the Fund in supporting SEs;
- identify the impact of the SEIF including some evidence of the types of social benefits produced through the activities of SEs; and
- identify lessons and make recommendations for the future improvement of the SEIF and the role of SEs in the delivery of health and social care services.

The following document presents emerging findings from the survey undertaken during Phase Two of the evaluation. This survey ran from January to August 2010 with all successful and unsuccessful applicants to SEIF during Rounds One and Two (Applicants from June 2007 to May 2009). It also presents a selection of some initial Round Three applicants[1] (See Table 1).

In the following sections we present an overview of the approach taken. This is followed by analysis of emerging themes in relation to organisational characteristics of applicants, the reasons for applying to the SEIF, the outcomes of the investment and the experiences of the application process. It concludes with a reflection on the themes emerging from the analysis and how these findings will be taken forward into Phase Three of the research.

Background to the survey of SEIF applicants

The purpose of the 'Phase Two' survey is to generate findings on the processes, outputs and early outcomes of the SEIF. It begins to look at the extent to which the SEIF meets its intended outcomes by comparing its findings with the 'programme theory' developed in Phase One of the evaluation (see Appendix 1). The purpose of the survey data is to begin to explore how far the theory of change reflects the actions and outcomes of the SEIF in practice. It begins to draw out some practical recommendations in relation to the administration of SEIF in achieving its intended outcomes.

The survey has been used to obtain detailed information from all applicants to the SEIF (both successful and unsuccessful). In essence, it gathers information using closed and open questions about the type of organisations applying to the SEIF, the extent of their activities and the impact of

[1] Further survey work will be undertaken in the next few months that will carry out in depth analysis of Round Three applicants.

receiving or not receiving the SEIF investment. The survey constructed questions in order to access information in the following areas:

- the nature of the organisation e.g. legal status, size;
- the reason for applying to the SEIF;
- impact of the SEIF investment;
- organisation's other sources of finance;
- experience of business support from the SEIF;
- satisfaction with the management of the SEIF and any areas in which it could be improved;
- the reason why SEIF funding was sought;
- the extent of the organisation's activities since applying to SEIF;
- also, for unsuccessful applicants why their application for funding was turned down and the impact of not receiving the SEIF investment.

The survey was conducted using Bristol Online Survey software (see http://www.survey.bris.ac.uk/). It was operationalised with an email invitation sent out to all applicants inviting them to participate. Applicants were invited to fill in the online survey but they were also given the option of completing the survey over the phone.

The survey was piloted with 10 successful organisations and 20 unsuccessful organisations (as the response rate was lower from unsuccessful organisations). These organisations were selected at random and asked to take part in the piloting process. The pilot provided an idea of response rates, tested the online software and identified some minor problems with the wording of questions. The pilot began in April 2010 and the survey was sent out to all organisations at the beginning of May 2010. A total of 59% of successful applicants and 25% of unsuccessful applicants have completed the survey either online or over the phone (see Table 1).

Table 1 – Survey Response Rate

Survey Stage	**No of applicants**	**No completed the survey**	**% response rate**
Rounds 1 and 2 Successful	147	96	65%
Round 3 Successful	138	73	53%
Rounds 1 and 2 Unsuccessful	363	89	25%

The survey was sent to a total of 648 organisations with an average response rate of 40%. However, approximately 5% of emails to successful applicants and 10% of emails to unsuccessful applicants were returned as undeliverable, either due to a change in email address, the contact person having left the organisation or the organisation closing down. In addition, 26 organisations (7% of unsuccessful) had been both unsuccessful and successful in applying to SEIF due to them putting in multiple applications. These people only completed the survey once. Therefore, when taking these issues into account, the actual response rate is higher than the above table suggests with 62% of successful and 30% of unsuccessful organisations completing the survey.

Analysing the survey results and comparing with programme theories

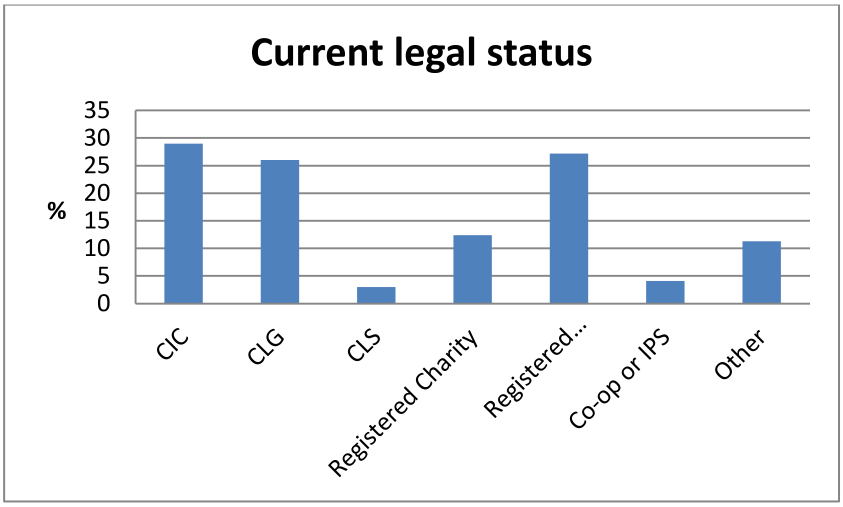
The survey was analysed in SPSS using both descriptive statistics and basic statistical tests. This is combined with basic qualitative data from the survey which was analysed thematically. More detailed analysis including multivariate analysis will be undertaken once all four stages of the survey have been completed.

Survey Results: 'Successful' SEIF investment

Organisational characteristics of successful SEIF respondents

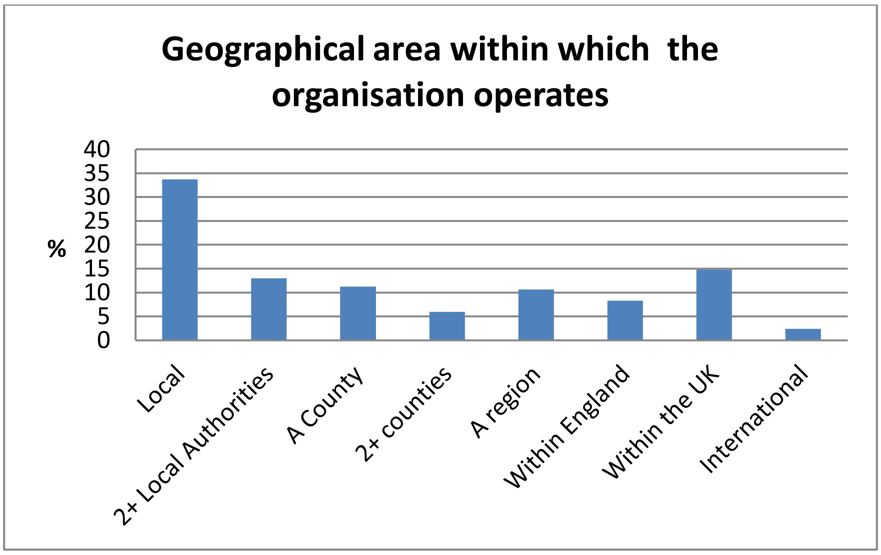
Organisational type

Our findings suggest that the organisations receiving SEIF investment were evenly split across three legal types. These were community interest company (CIC) (29%), company limited by guarantee (CLG) combined with being a registered charity (27%) and company limited by guarantee (CLG) (26%). There is some representation of registered charities (12%) and company limited by shares (CLS) (3%), however an interesting finding to emerge is the limited investment into 'mutual' forms of organisation. Co-operatives and IPS (4%) hardly featured as organisational forms receiving SEIF investment. Other legal forms also include trading arm of a charity (2%) and subsidiary of a larger/holding company (4%).



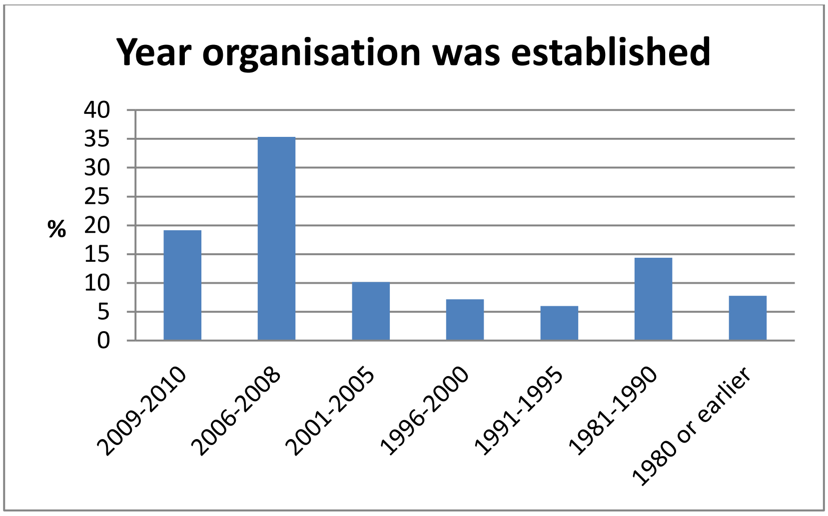
Geographical coverage

In support of the SEIF ethos, successful organisations were largely locally based (34%) operating within a LA or PCT boundary. Some were spread over two localities (13%) or across a region (e.g. SHA) (11%), with a significant proportion delivering national (8%) and UK (15%) services.

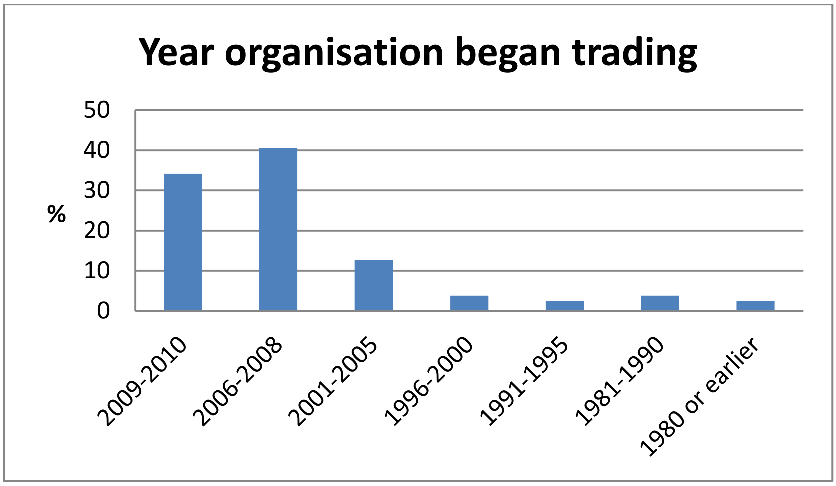


Organisational history

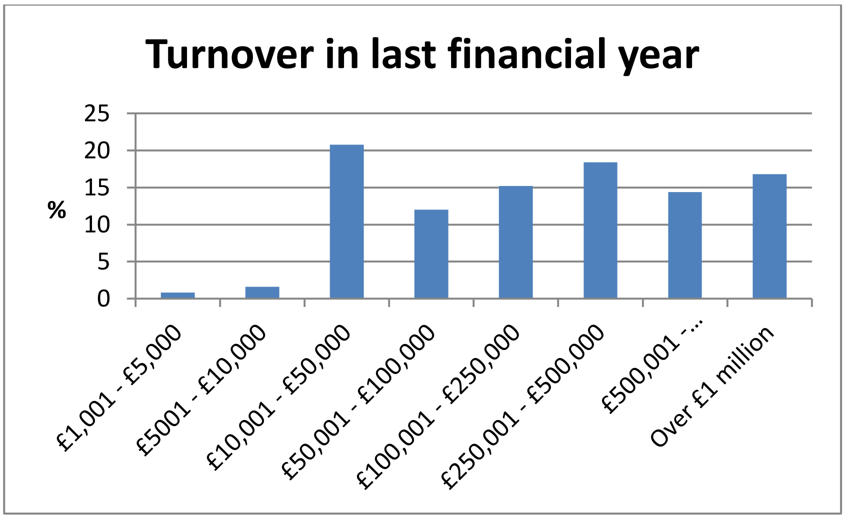
SEIF investments mostly went to organisations that were relatively new. We found that nearly two-thirds (65%) of organisations had been established since 2001, with a fifth (19%) starting in 2009 or 2010.



Most organisations had only started trading in the last few years, with a quarter (75%) beginning trading since 2006. This would therefore suggest that a significant number of SEIF recipients applied to SEIF when they were not trading. This is supported by 40% of organisations stating that they were not currently trading as a social enterprise.

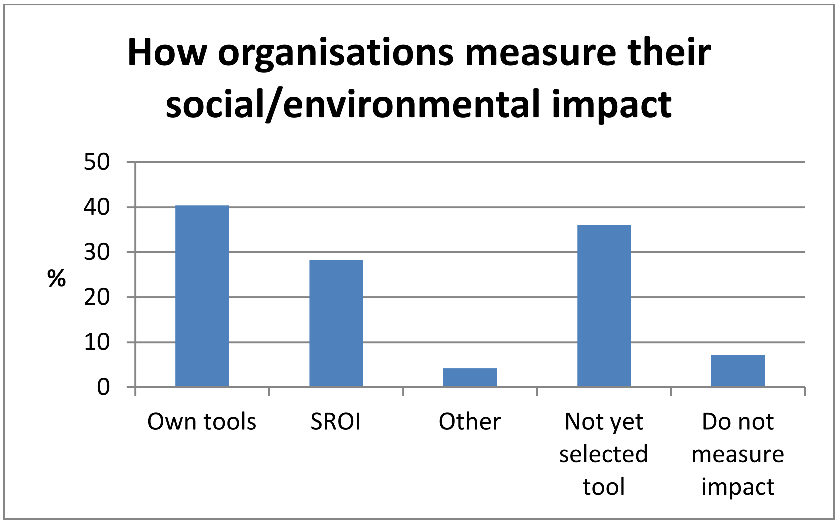


The turnover of successful SEIF applicants ranged considerably from £1,600 to £33 million. Whilst 35% of organisations had a turnover of less than £100,000, a significant number of large organisations had also been funded. Nearly a third (31%) had a turnover of more than £500,000 and 17% had a turnover of more than £1 million. This is further indicated by the average turnover being £1,518,597.



Measuring social/environmental impact

Most organisations (93%) measured their social and/or environmental impact. Nearly half of respondents stated that they used their own internal tools to measure impact (40%). Social Return on Investment (SROI) was less popular as it was being used by around a quarter (28%) of respondents, which is relatively low considering many successful organisations receive £3,500 from the SEIF for SROI training. There were a large percentage of respondents (36%) who were planning to measure their impact but had not yet selected a tool. Comments suggest that some of these were considering SROI.



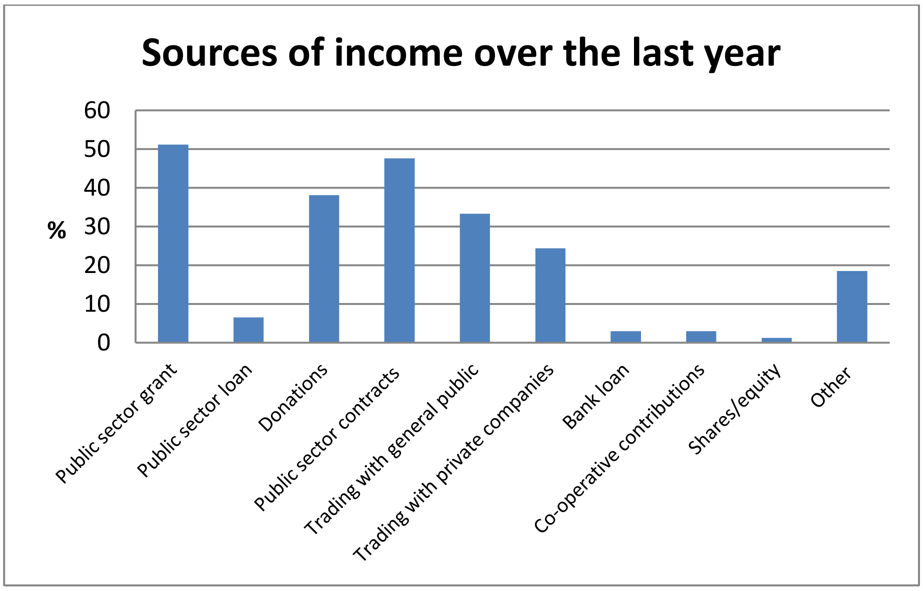
A condition of receiving the SEIF investment for many organisations was to undertake an SROI. The survey highlighted mixed responses to SROI, with some respondents providing negative feedback. Comments included that it was a very time consuming and complex process, which produced inaccurate results. Others felt that it was not possible to measure the social value of every aspect of their organisation and as such were only measuring a small part of what they do. Furthermore, many were surprised to find that upon completing an SROI, PCT commissioners did not understand it and so did not take it into account when allocating funds.

Organisation income streams

SEIF investment formed one part of organisation income streams. Many organisations were already receiving income through trading. A quarter (24%) were trading with private sector companies and a third (33%) were trading goods or services with the general public. There is also evidence of public service delivery with nearly half (48%) having contracts to provide public services, primarily with PCTs/SHAs/NHS organisations (14%) and LAs (14%). Approximately 50% of income for successful applicants came from contracts to provide public services.

Within the last year, over half (51%) of respondents also received grants from the public sector, predominantly from LAs (12%) and PCTs (8%). They also received third sector grants that included community support funding (5%), lottery (5%) and awards for all (2%). When asked about future funding, 41% intended to apply for a further grant from the public sector. Only 20% of successful applicants intended to reapply to SEIF. Donations were also a main income stream with 38% receiving donations from public/charitable foundations (e.g. from general fundraising, Trusts, Children in Need). There were limited co-operative contributions (3%), and limited shares/equity income (1%).

In relation to loans, the survey found that only 7% had previously received loans from the public sector. These were mostly obtained from sources such as Futurebuilders. When asked about future funding, only 19% would consider applying for a loan. This may be an indication of the low demand for loans among social enterprise organisations and the ongoing reliance on grants. This is further reflected in the small number of loan investments made by the SEIF to date and may have implications for future planning of the SEIF.



Bankability

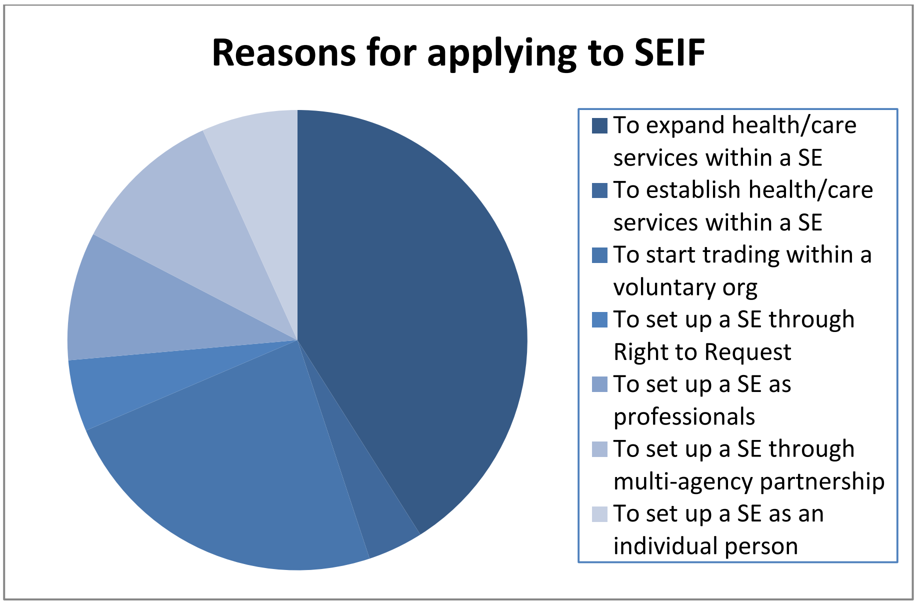
Although the SEIF was only supposed to invest in unbankable funds, our survey found 3% of successful organisations had received bank loans within the past year, and 6% within the past two years. A further 10% had applied for a bank loan but been unsuccessful. Unless they applied sometime before SEIF, these findings question the SEIF criteria of only investing in bankable organisations. Furthermore, only two of the 17 organisations who were turned down for a bank loan went on to receive a loan from the SEIF. This shows that most organisations willing to take on a bank loan are receiving a grant from the SEIF suggesting that the SEIF is a grant making vehicle rather than a loan fund.

Applying for SEIF investment

The decision to apply for SEIF investment

Respondents suggested that the decision to apply for SEIF investment was to expand and explore service delivery *within* a social enterprise model. The most frequent reason given for SEIF investment was to expand existing health and social care services within a social enterprise (43%).

For others, the decision to apply for SEIF was to explore the possibilities and opportunities of becoming an SE, with a significant number of respondents looking to set up income generating activities within an existing voluntary organisation (25%). Some respondents also wanted to set up social enterprise as individuals (7%) or through a multi-agency partnership (11%). Related to this, the decision to apply for SEIF investment for some was to support healthcare professionals 'spin out' of mainstream services to become social enterprises. Applications for SEIF investment supported organisations going through 'Right to Request' (5%)[2] and health or care professionals setting up their own social enterprise (10%).



Funding intentions (What the Investment was used for)

Our survey found that SEIF investment was primarily being used for capacity building purposes to support internal organisational development. As shown in the table below, a significant number of respondents were using SEIF investment to develop business in new areas (45%) and/or to engage in new or further research and development (41%) such as through feasibility studies, scoping exercises, piloting new ideas, business planning, market research and marketing materials. Although to lesser extent, the SEIF was also being used for 'structural' and 'workforce' purposes, with 33% using it to employ new staff, 21% on existing staff, 21% on buildings and 21% on equipment. There was also

[2] Based on survey respondents only.

some evidence of SEIF being used to sustain organisations in response to economic downturn (6%) and contribute to ongoing sustainability of organisations (2%).

Table 2 - Table to show what the SEIF investment is being used for

SEIF investment used for	% of respondents
To develop business in new areas	45
To engage in research and development	41
Equipment	21
Buildings	21
To employ new staff	33
To sustain or train existing staff	21
To sustain the organisation in economic downturn	6
Ongoing sustainability of the organisation	2

SEIF contribution to health and social care delivery

Our survey found that the majority of successful respondents were contributing to the 'health and social care' agenda. In support of current agendas around personalisation and holistic approaches to healthcare delivery, 50% of our survey were using SEIF to contribute to the development of community based services, followed by 20% primary care and 20% public health services.

SEIF covered a diverse range of health and social care areas, with 30% being health and well-being, 19% as social care and only 12% categorised as health care. Furthermore, respondents were using SEIF investment to contribute to mental health (41%), children's services (30%), older people (23%), carer service (19%), substance misuse (14%) and learning difficulties (7%). In support of SEIF being used to support holistic responses to healthcare, investment was being used for complementary/alternative medicine services (8%), housing (7%), education (23%) and arts and creative activities (1%)[3].

Our survey therefore found limited evidence of the SEIF supporting 'healthcare' delivery i.e. being used by healthcare professionals such as nurses or on interventions such as physiotherapy.

The intended beneficiaries of SEIF investment

Our survey responses suggest that the main beneficiaries of SEIF investment supported the social enterprise ethos of responding to hard to reach groups and communities, addressing health inequalities and the wider determinants of health. 40% of respondents believed their intended beneficiaries were the socially disadvantaged and 28% were for the economically disadvantaged/people on low incomes. Other groups included the mentally ill (31%), young people (29%), the physically ill (28%), older people (22%), people with drug/alcohol problems (15%), BME groups (12%), people with learning disabilities (10%), homeless people (10%), asylum seekers/refugees (5%), and people of a particular religion (2%).

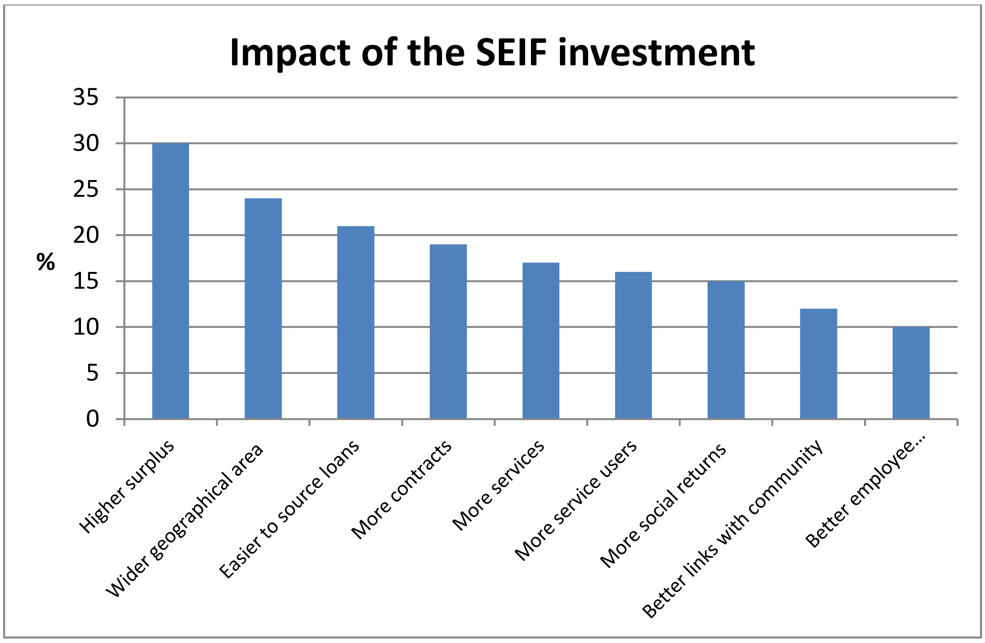
[3] Based on survey data only. Additional data on all SEIF investments is provided on Page 9.

The outcomes of SEIF investment

Organisational change resulting from the SEIF

The legal status of organisations remained largely unchanged following SEIF funding, as only 8% had changed legal status since applying to SEIF (with a further 5% setting up their organisation after the SEIF investment). Most changes had been from those who were set up as a private company or voluntary organisation before applying to SEIF and possibly into a social enterprise form such as a CIC.

Round One and Two survey respondents[4] believed the SEIF brought with it a change in activity producing a higher surplus (30%), services that operate within a wider geographical area (24%), an increased ability to source loans from other sources (21%), more contracts (19%), a greater number of services (17%), more service users/clients (16%), higher quality services (15%), more social returns (15%), better links with wider community (12%) and improved working relationships with employees (10%). These results suggest the SEIF brings with it a number of positive changes to organisational activity; however, these figures do show that this is the case for only a limited number of organisations with some respondents stating that none of the above had occurred as a result of the SEIF investment.

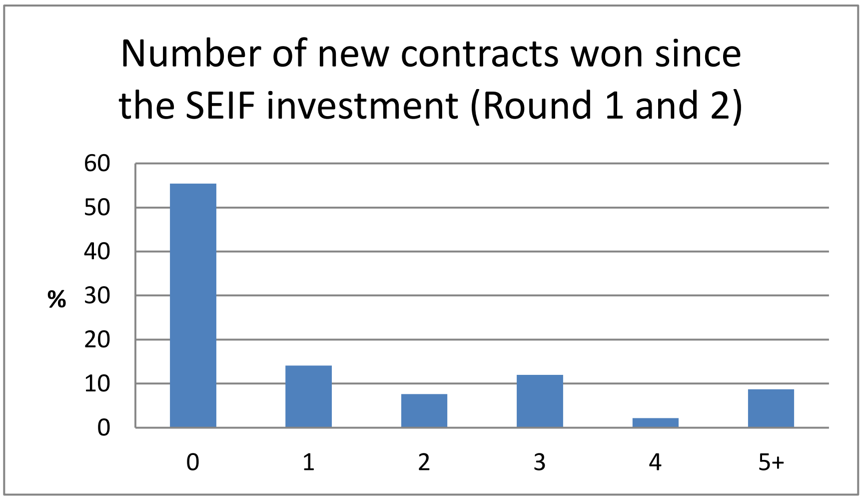


[4] The benefits of SEIF for Round 3 applicants will be covered in the second phase of the survey in January 2010.

Financial 'Change' resulting from SEIF investment

There was a notable improvement in the financial situation of SEIF Round One and Two investees as nearly half (44%) believed that their turnover had increased since the SEIF investment. In addition, over two-thirds (70%) of Round Three investees believed organisational turnover would increase next year[5]. This increase however may not be attributable to the SEIF investment as other factors have not been taken into account.

Our survey also found that as a result of SEIF investment, nearly two-thirds (63%) of Round One and Two organisations felt that they were in a better position to win contracts. Over half had not yet won new contracts (55%), but there was evidence of some respondents winning new contracts (see graph below) primarily with PCTs, LAs and private contracts with business and general public. The average number of new contracts won since the SEIF investment was 1.17.



Our survey found that 34% of respondents had made a surplus[6], however this was often quite small with half (50%) of respondents recording a surplus of £10k or less. Only 5% made a surplus of between £500k and £1 million. Respondents suggested that these surpluses were likely to be reinvested in organisational development/expansion (19%), retained as reserves (15%), staff training (12%), the provision of another service (7%) or research (2%).

SEIF investment brought changes to organisations and workforces with 56% of respondents believing that the SEIF brought social returns for the organisation e.g. greater job satisfaction. Our survey found an average increase in the number of full time employees before and after SEIF investment for Round One and Two respondents, with an average increase of 0.86 employees. This was also the case for part time employees with an average increase of 1.10 employees. Interestingly, SEIF investment brought a decrease in the number of volunteers, with an average decrease of 3.57 volunteers per organisation. There may be a number of possibilities for such changes but it could be due to the SEIF supporting the development of business-like structures in contrast with traditional third sector organisational structures with volunteers.

[5] Actual increases for Round 3 investees will be investigated in Phase 2 of the survey.
[6] These figures are based on only 25% of respondents who completed this survey question.

Sustainability resulting from SEIF investment

Our survey found that 19% of organisations from Rounds One and Two were not in operation, with 3% not yet being established and 16% closing down. Sustainability problems were explained by a lack of additional funding (8%), time limited projects (4%), lack of support from public bodies (e.g. PCT) (3%), and lack of community support (1%).

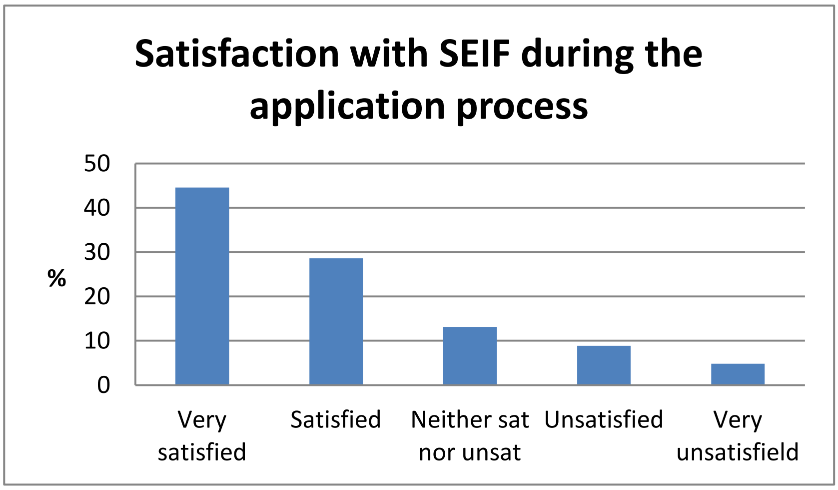
Despite this, 70% respondents believed that sustainability was a benefit of SEIF. Around the same (73%) also believed that the SEIF was beneficial for the start up and continuing growth of the organisation.

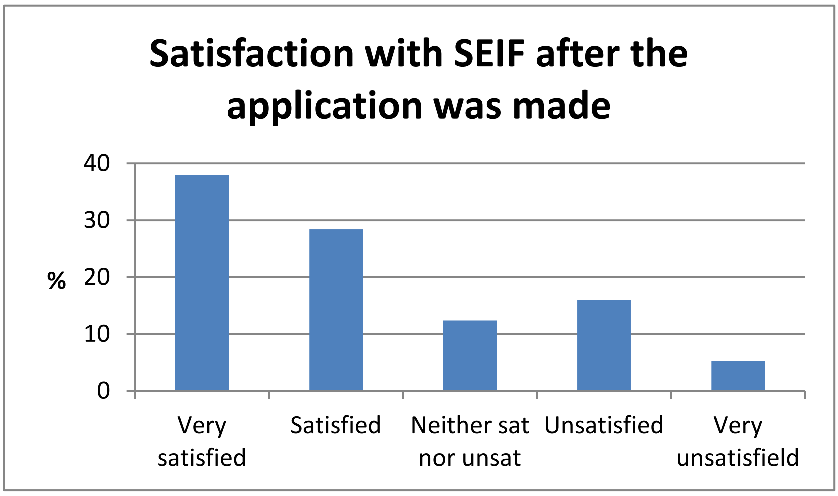
The counterfactual alternatives of SEIF investment

Our survey found that SEIF investment appeared to be crucial to the particular project it was intending to support. The survey found that 72% of respondents believed the project would not be able to go ahead in its current form without SEIF investment and 35% believed it would be completely abandoned. Without SEIF investment, the project was also more likely to be delayed (64%), would be spread over a longer period of time (57%), and/or would be reduced in scope (66%).

The SEIF application process

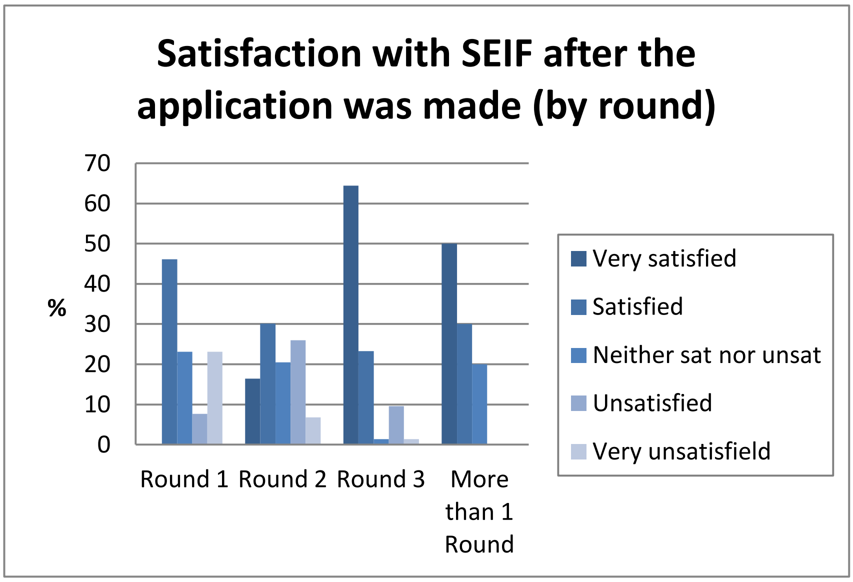
Overall, respondents were largely satisfied with the management of the SEIF. Three quarters (73%) of respondents were satisfied with the support and feedback from SEIF during the application process (with 45% being very satisfied). Only two thirds of respondents were satisfied (66%) with the support and feedback received from SEIF after the application was made indicating that more support is required in earlier stages of the application process. Almost everyone was satisfied (92%) with the loan/grant offered and based on their experience, 80% were likely to recommend SEIF to another similar organisation. Despite these favourable findings, successful respondents appeared to be less satisfied with the amount of time taken to receive a final decision from the SEIF. A satisfaction rate of 62% appeared to be significantly lower than for other aspects of the SEIF process.



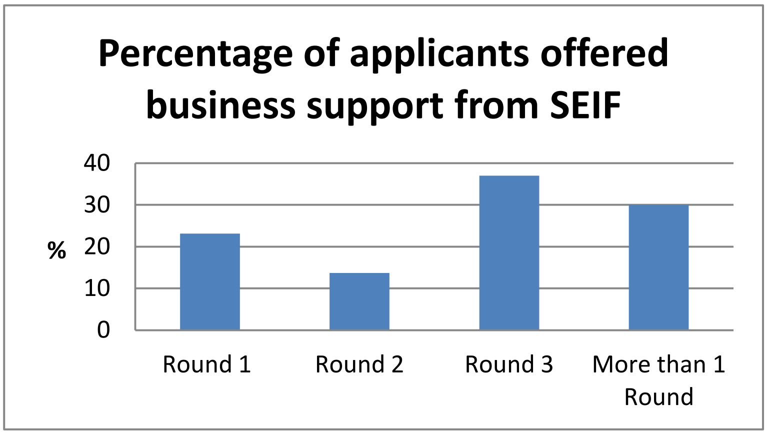


Overall, satisfaction with the SEIF increased over the rounds, with Round One applicants being considerably less satisfied than Round Three applicants. Round One and Two applicants were especially dissatisfied with the support and feedback that they received after their application had been made with 31% of Round One and 33% of Round Two applicants being unsatisfied. Round One applicants were also more unhappy with the loan/grant offered to them, with 23% of applicants being unsatisfied, compared with 6% of Round Two applicants and 3% of Round Three applicants.

Round One and Two applicants were also considerably less satisfied with the amount of time taken to receive a decision on their application with 38% of Round One and 40% of Round Two applicants being unsatisfied, compared with only 14% of Round Three applicants. Similarly, 23% of Round One applicants and 12% of Round Two applicants would be unlikely to recommend SEIF to another organisation, compared with only 1% of Round Three applicants. These findings indicate that more applicants were dissatisfied with the SEIF during Rounds One and Two when the fund was managed by CHP (Community Health Partnerships). Therefore, whilst there are still some areas for improvement, the management of the SEIF by SIB (Social Investment Business) is perceived by applicants as better than when it was managed by CHP.



It appears that business support was an aspect of the application process that was most problematic. Of particular note, 67% of respondents were offered no business support at all and only 15% have used business support from SEIF since receiving the funding. Business support from SEIF was offered to 37% of Round Three applicants, but only 23% of Round One and 14% of Round Two applicants. This therefore indicates that SIB is more likely to offer business support to applicants than CHP were. Business support did appear to be needed as many respondents sought alternative business support from other sources. Nearly two thirds (63%) of respondents had sought business support or advice in the past two years from other sources. These included Business Link (21%), private consultants (18%), local social enterprise support organisations e.g. business community partnerships (15%). Other sources of support included Futurebuilders (2%), development agencies (2%), as well as PCTs, local authorities, banks, chamber of commerce etc.

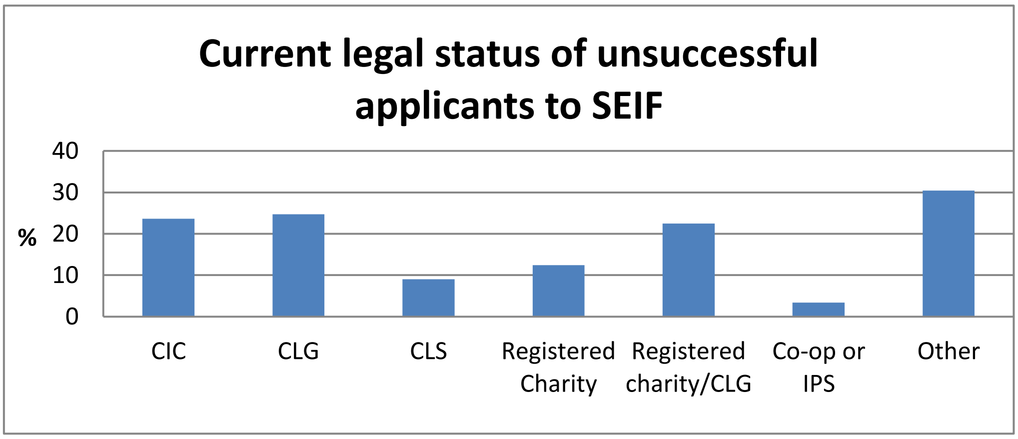


Survey Results: Rounds 1 and 2 'Unsuccessful'

Organisational characteristics

Organisation type and history

Despite being 'unsuccessful', our survey found a number of similarities with successful applicants. As with successful, the three main organisational types to apply were CLG (25%), CIC (24%) and registered charity combined with CLG (23%). There was a similar representation of registered charities (12%) and co-operatives (3%), but a greater representation of subsidiaries of larger holding companies (9%) and trading arms of charities (3%).

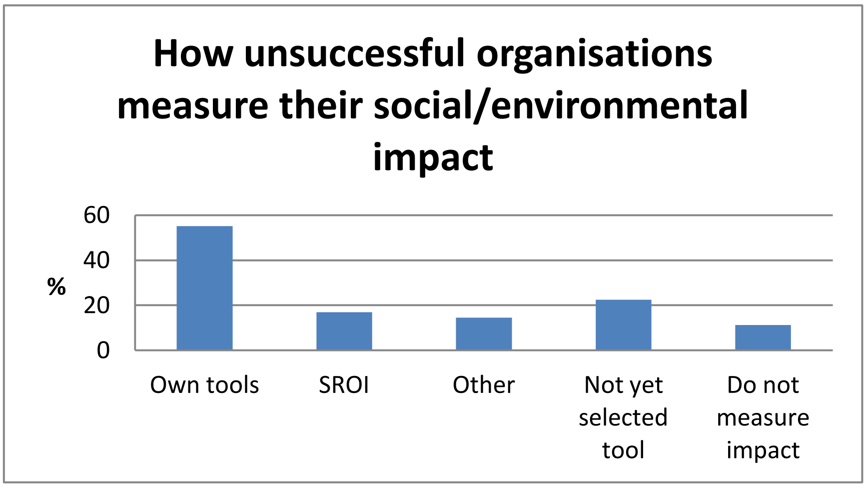


Over half of unsuccessful applicants (56%) were currently trading as a social enterprise. When asked why they were not trading, our survey found some organisations were charities that did not trade (8%), some organisations were being set up and will begin trading soon (11%), some organisations had closed down due to lack of funding (10%) and some organisations were not sure if they will set up (7%).

Similarly to the successful organisations, most unsuccessful organisations were quite newly established, with 63% being established since 2001 and 38% being established from 2006 onwards.

Social/Environmental impact

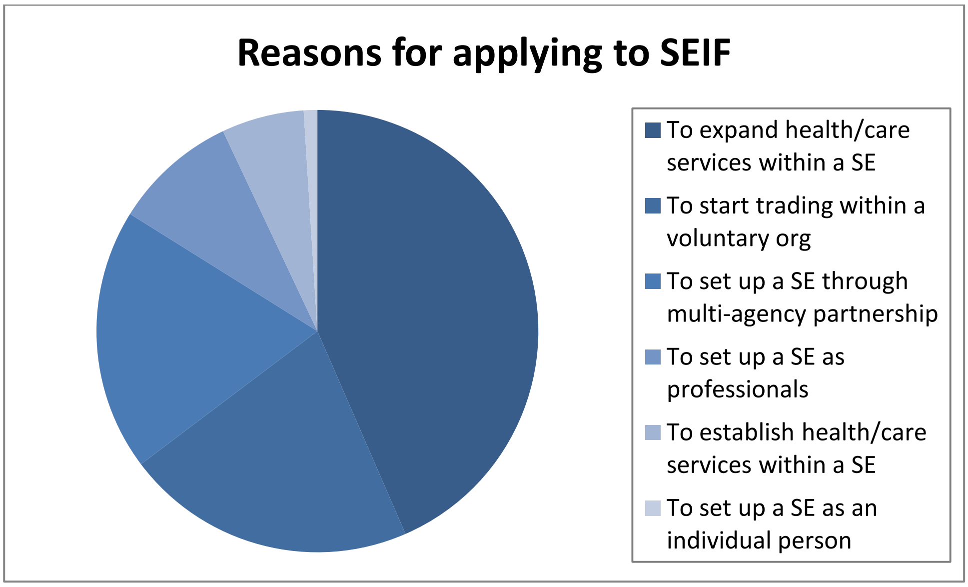
Our survey found that 89% of unsuccessful organisations did already or were intending to measure social and environmental impact. The majority 55% used their own internal tools or systems to measure impact whilst only 17% use SORI. Nearly a fifth (23%) have not yet selected a tool but are planning to measure their impact.



Applying for SEIF investment

The decision to apply for SEIF investment

When asked why they applied to SEIF, in similarity to successful respondents, unsuccessful respondents also suggested it was mainly to expand existing health/social care within a social enterprise (48%). Other reasons were to set up income generating activities within an existing voluntary organisation (24%), to set up a SE through a multi agency partnership (21%), to set up a social enterprise as a group of health and social care professionals (10%), to establish health and social care services within an existing social enterprise (6.7%), and to set up a social enterprise as an individual person (1%). The reasons for applying were therefore very similar to successful applicants; however, unsuccessful applicants were more likely to apply to SEIF to set up a SE as a multi-agency partnership.



Funding intentions (what the SEIF investment would have been used for)

Respondents were asked what they had intended to use the SEIF investment for, again we find that it would primarily be used for capacity building purposes to support internal organisational development. The main reasons for applying were to develop business in new areas (64%), to employ new staff (44%), to gain new/expand existing buildings (28%), research and development 28%, equipment (20%), to improve the skills of existing staff (18%), and finally to sustain through economic downturn (8%). Unsuccessful applicants were therefore more likely to want to develop the business in new areas and employ new staff than successful applicants, whilst successful applicants were more likely to engage in research and development.

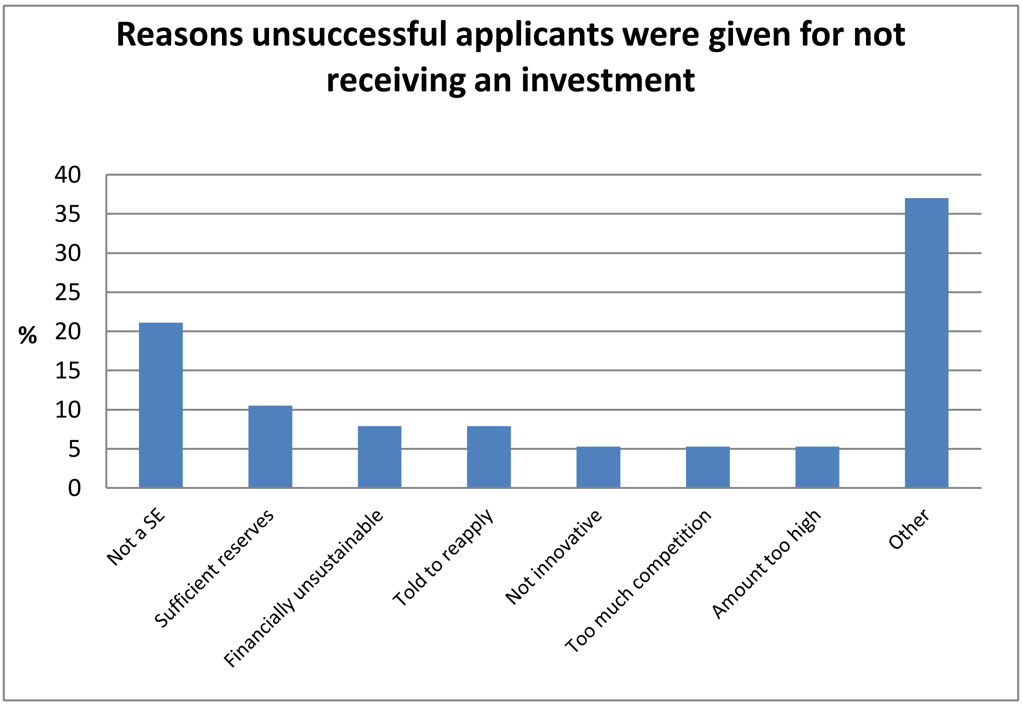
Table 3 - Table to show what the SEIF investment would have been used for

SEIF investment used for	% of respondents
To develop business in new areas	64
To engage in research and development	28
Equipment	20
Buildings	28
To employ new staff	44
To sustain or train existing staff	18
To sustain the organisation in economic downturn	8

Reasons why application for a SEIF investment was turned down

We found that nearly half (43%) of unsuccessful respondents were not actually told the reason why their application was turned down. Round Two applicants were more likely to be told, with 63% of applicants being given a reason, compared with only 46% of Round One applicants.

Of those that were given the reasons, we found that one of the main reasons was that they were not considered a social enterprise (21%), indicating that a number of non SE organisations are applying and being turned down for SEIF investment. Other reasons included having sufficient reserves to fund the project (11%), the project not being financially sustainable/having a poor business plan (8%), being told that they should reapply after making some changes to the project/organisation (8%), the project not being innovative enough (5%), there were too many similar services so too much competition (5%) or the investment amount being too high (5%). 'Other' reasons included having insufficient support from PCTs, not wanting to take on a loan or providing insufficient detail on the application form.



The Impact of not receiving SEIF investment

The counterfactual alternatives of SEIF investment

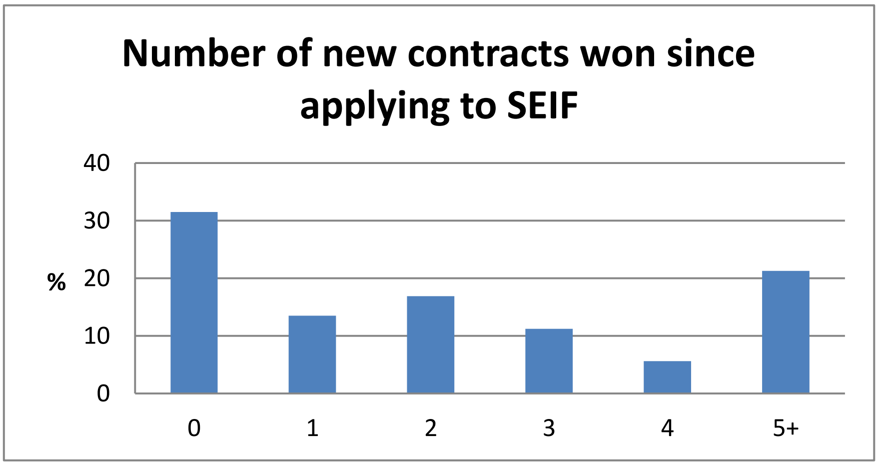
When we explored the counterfactual alternatives of not receiving SEIF investment we found that 72% of unsuccessful projects were able to establish or continue in some form, whilst 28% of projects were abandoned. Obtaining other funding streams was a struggle and as a result many of the projects have been reduced in scope (32%), delayed (30%) or spread over a longer period of time (11%). These findings indicate that not receiving SEIF investment led to a significant number of projects being disrupted or abandoned, and therefore highlights the positive impact that a SEIF investment may have made.

Organisation income streams and bankability

Nearly half of unsuccessful organisations (47%) made a surplus over the last year. Interestingly, this figure is higher than for those who did receive a SEIF investment, perhaps suggesting that these organisations did not need SEIF investment as they already had a sufficient income and reserves.

When asked about other sources of finance, the survey shows that a quarter (25%) of unsuccessful respondents obtained no other sources of finance. This supports the above finding that obtaining funding is a struggle for SEs. The remaining 75% obtained grants from the public sector (30%), donations (36%), cooperative contributions (2%) and shares/equity (2%). Like successful respondents, income was also being obtained from the Lottery, grants from charitable foundations and personal loans. Only 9% of projects went ahead without other public sector funding and 7% of projects went ahead using other sources of public sector funding.

There was evidence that organisations were trading goods or services with private sector companies (19%) and the general public (24%). Unsuccessful organisations have been quite successful in gaining new contracts to provide public services since applying to SEIF with 69% having won one or more contract since applying to SEIF. The average number of contracts won is 2.1, a figure significantly higher than for successful organisations. This may suggest that those receiving a SEIF investment are less well established (and possibly smaller organisations) than those who are unsuccessful. Despite not receiving SEIF investment, these survey findings therefore suggest organisations appear to be drawing on a number of funding streams.



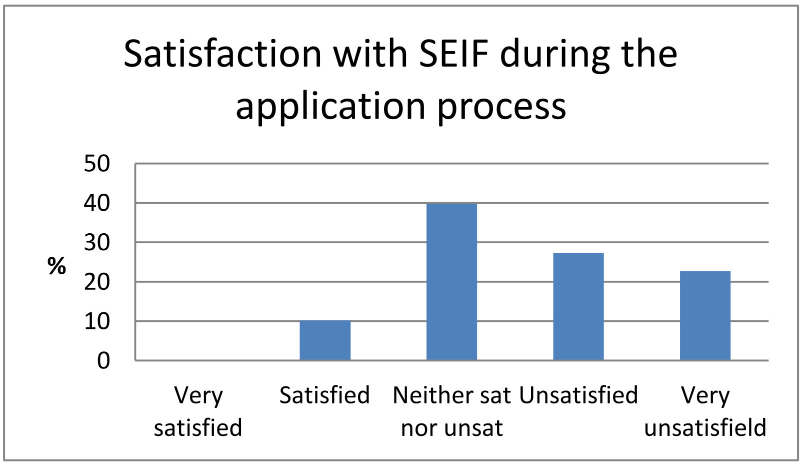
Nearly a fifth (18%) had applied for a bank loan, with 11% being successful and 6% being unsuccessful. There was therefore some success in achieving bank loans which may support the view that they were unsuccessful because they were bankable. There was limited evidence of organisations receiving public sector loans (5%).

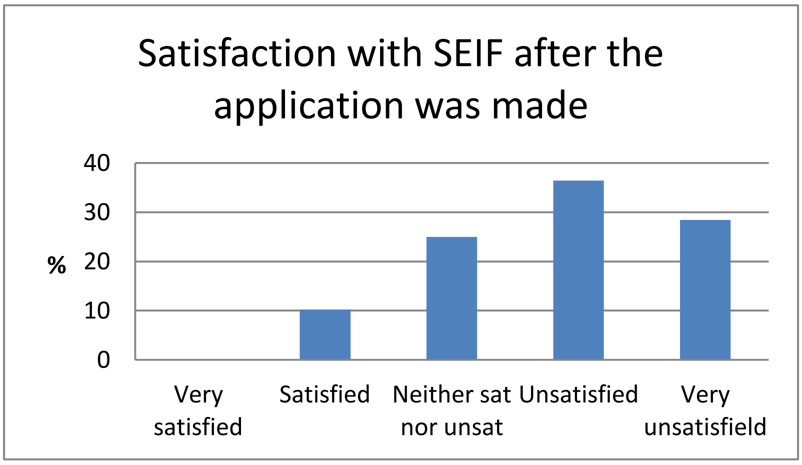
In terms of future funding, 38% of respondents intend to apply for further grants from the public sector. Only 19% of respondents would also consider applying for a loan. When asked where they would apply, 6% said they would apply to PCTs with a selection of others also applying to Futurebuilders, banks and local authorities.

The SEIF application process

Overall, unsuccessful respondents had a poor experience of the application process. A lack of feedback was a central issue, and as mentioned above, 43% of respondents were not told why their application was turned down.

Half (50%) were unsatisfied with the support and feedback received from SEIF during the application process. This dissatisfaction increased (65%) with the support and feedback received from SEIF after the application was made. Satisfaction slightly increases in relation to the amount of time taken to receive a final decision from the SEIF but dissatisfaction with time taken was evident (47%). Unsuccessful applicants were less likely to recommend SEIF to another similar organisation with 57% unlikely to do so. Round One applicants were more dissatisfied than Round Two applicants, again indicating problems with the early management of the SEIF.





Only 10% of applicants were offered business support and of those that did receive help only 5% believed that it was helpful. Fewer unsuccessful applicants from Rounds One and Two were therefore offered business support than Round One and Two successful applicants. A limited amount of support was offered to unsuccessful respondents after their application was turned down, with a few (5%) being advised to re-apply to the SEIF and given support to do so, whilst the majority (76%) were offered no support at all. As a result, only 29% said they would consider re-applying to the SEIF, however for most this would be with a different or substantially changed project.

Qualitative feedback was also generated regarding the strengths of the SEIF as well as the areas in which it can be improved, the findings of which are presented below.

Strengths and weaknesses of the SEIF: qualitative feedback

Strengths of the SEIF

A number of respondents in our survey emphasised the importance of the SEIF in encouraging and developing social enterprise. The SEIF approach and funding was crucial in enabling organisations to promote a bottom up, flexible approach to service delivery:

> '*I think this is a far better way of funding the third sector as your future is in your own hands and is a softer way of payment by results'*

Such an approach had a 'knock on' effect in providing 'confidence' for organisations using a social enterprise model for the first time:

> '*Being successful in receiving a SEIF grant gave the general practices the confidence to invest their own monies into establishing the enterprise'.*

Many believed that without the SEIF, their work, project and organisation would not have been possible:

> '*This project would never have got off the ground if it wasn't for SEIF.'*

> *'SEIF has been instrumental in taking a vision, and making it a possibility. We would never have been able to obtain an unsecured loan of several million pounds.'*

The SEIF provided an excellent way of allowing social activities with the potential for growth and long term sustainability to receive essential investment at a crucial stage in their development. This was particularly important in the current economic climate:

> *'In these hard economic times we need support like this to help us to develop more sustainable forms of income.'*

Strengths of SEIF business support

Many respondents believed that the business support and the application process of working with CHP and SIB was a key enabling factor to the SEIF. Business support was 'invaluable' in contributing to the projects. Moreover, the experience of working one-to-one with advisors was also crucial:

> '*We have found the process of working with SIB extremely valuable on so many levels – the staff are interested and committed in developing social enterprise and we have developed in leaps and bounds through the rigours of the process'.*

> ‘*The application process was clear and the people who I spoke to whilst completing the forms were knowledgeable and friendly’*.

There was some positive feedback about the application process. This included the amount of support they received, especially from investment officers who were considered to be personable, approachable and knowledgeable:

> ‘*[they] were fantastic at helping turn our ideas into a format that we could use in the SEIF application’*.

Weaknesses of the SEIF

Application process

Some respondents pointed to the challenges presented during the SEIF application process. Some found it a ‘stressful process’ with numerous delays and frustrations. These frustrations related to problems with the administration of the fund. A distinct lack of communication, information and feedback were the main problems mentioned:

> ‘*The administration of the fund has been severely lacking. We have been unable to speak to an individual officer as their staff are always ‘stressed out’. It has been very unsatisfactory.*’

Many were disheartened by the time and effort taken to apply to SEIF, especially for unsuccessful applicants and the result was a feeling of wasted time. Some also felt there was a lack of clarity about what constitutes a social enterprise with assessors and support staff not having sufficient knowledge and understanding:

> ‘*The first SEIF application was for a large loan and the fund managers had no understanding of what we wanted to achieve or how to manage a loan application’.*
>
> *‘[The investment officer] seemed not to understand the nature of the business we were establishing’*.

Applying to SEIF was sometimes a complex process with some applicants finding that they were ‘*left to our own devices’*. There were a number of examples of information having to be resent and stories of having insufficient time to submit the requirements. This often coincided with the change in fund managers from CHP to Futurebuilders/SIB:

> ‘*Unfortunately we were caught in the middle of SEIF being relocated and new management, which led to us having little to no contact, advice, information or guidance given’.*
>
> *‘Administration was very poor indeed… the officer dealing with our application changed several times. They did not keep track of our paper and I had to resubmit more than once. The office seems chaotic and unprofessional.’*

During periods of transition, it appears that staff turnover was very high, leaving some applicants with little support and applications taking a long time to process. There was also a perception that despite the rhetoric of being open to all, the SEIF was directed at large, established organisations and often to support ‘internal NHS applications’, so funding opportunities were not widely available to smaller or not yet established SEs:

> *'I feel that SEIF has become an unofficial way of expanding NHS services'.*

> *'There was an appalling lack of transparency and total disregard and arrogance in dealing with small voluntary sector organisations'.*

> *'The SEIF mechanism didn't seem to be oriented towards helping to set up new social enterprises. It seemed more applicable to existing social enterprises wishing to receive loan funding. Even the application form required information that was just not applicable to early stage start ups'.*

> *'It would be great if the form did not appear aimed at large bodies/institutions but for small charities and social enterprises who don't have 'service contracts delivery etc'. It would be very helpful to de-jargonise the forms and simplify the terminology for the 'little guys' who are not professional fundraisers/grant seekers but people with other roles and jobs with less experience of seeking grants'.*

Interestingly, this contradicts our findings that there have been a limited number of large healthcare organisations applying to SEIF, especially through Right to Request and instead the majority of organisations applying are small and often un-established voluntary or community organisations. There are also relatively few healthcare services applying to and being funded by SEIF, with social care and healthy living/wellbeing services being the most common.

Business support

A lack of business support is also something that needed to be addressed. Whilst business support was provided to some applicants during the application process, this would also have been beneficial after the investment was made:

> '*The SEIF grant encouraged us to devote considerable time, effort and financial resources then left us 'high and dry' when the promised business support did not materialise'.*

> *'Please can you arrange for us to be contacted as we need extra support and cannot get the fund contacts – they are very difficult to track down!'*

Application forms were often considered over complicated and required too much information. Without any business support, some applicants found this a very stressful process.

Environmental factors

Economic and organisational uncertainty

Our survey found a high degree of uncertainty surrounding some of the SEIF investment. This was especially the case when working with LAs and PCTs in the context of economic downturn and impending restructuring and cuts:

> '*In this economic downturn accessing funding has become a nightmare and it would have been useful to have had help and advice on an exit strategy for the culmination of the funding, as we are now in dire straights'.*

> *'Restructuring in the PCT plus the economic downturn has made this extremely difficult to achieve'.*

The context was therefore uncertain and securing contracts was often very difficult. Some had not yet began trading and some organisations were closing down due to lack of additional funding and the inability to secure contracts.

Improving the SEIF

The following presents a series of recommendations to the SEIF based on applicant feedback. Making business support available to all applicants before, during and after the application is made is a crucial recommendation. More transparency and clarity is needed, particularly at the outset about what the support entails, as many did not even know business support existed. Applicants also requested the following to be made available:

- Some clearer eligibility guidelines and more clarity around chances of success.
- More online support e.g. an online application would be helpful.
- SEIF could use a stage 1 and stage 2 application process so that only the stronger bids take the time to complete a stage 2 (more time consuming) form.
- More advisors with knowledge of social enterprise.
- Provide a named key liaison person, who can update on progress and offer advice/support.
- To improve transparency of decision making and detailed feedback on applications for unsuccessful applicants.
- More ongoing contact with advisors, including face-to-face contact.
- Introducing interest-free loans.
- More time needs to be allocated to complete forms and for assessment.
- Decisions on applications need to be made quickly with regular updates on application progress.

Reflecting on the emerging findings from the 'phase two' survey

The results presented above show survey findings about the organisational types, organisational activities, the impact of receiving and not receiving SEIF investment and the experience of applying to the Fund.

In the following section we reflect on these findings in relation to implications these have for the evaluation. More specifically, we reflect on these emerging findings against the programme theory of the SEIF as formulated in Phase One. This reflects on the extent to which the SEIF is supporting the goals of the Department of Health, has enabled social enterprise entry in health and social care, and has provided an effective funding mechanism. It also examines some of the challenges emerging from the Fund.

Is SEIF investment supporting the policy goals of the Department of Health?

Our survey findings suggest that respondents believed the SEIF was supporting the entry of social enterprises into health and social care. On this basis, they do suggest that SEIF investment is supporting the policy goals that underpinned its creation in terms of *Our Health, Our Care, Our Say* (DH 2006) and *High Quality Care For All* (DH 2008). These findings suggest SEIF investment is supporting the policy goals of better prevention and earlier intervention in its support of services and projects delivering social care and 'well being' services. As a result, SEIF investment also appears to be supporting policy goals to tackle health inequalities and improve access to community services for hard to reach groups. Following on from these policy goals, these emerging findings also suggest the SEIF is supporting the new policy goals set out by the new Coalition Government. When we look at the policy agenda set out by the Coalition Government, these goals resonate with the new White Paper calling for greater emphasis on improving health and wellbeing and tackling inequalities (DH 2010a). Responding to Professor Sir Michael Marmot's Fair Society, Healthy Lives report (SRHI 2010), the Coalition's strategy for public health (DH 2010b) promotes a 'life course framework' for tackling the wider social determinants of health (DH 2010b).

Whilst the SEIF is supporting these policy goals, our survey does point to areas where it may not be supporting these goals to the same degree. For example, these emerging findings suggest limited evidence of the SEIF supporting the creation of diverse and plural 'healthcare' services, instead supporting primarily 'health and well being' services. There is also a lack of employee-owned, NHS 'work transfer' or mutual forms of organisation applying to SEIF. It presents an interesting finding particularly in the context of current interest in mutual forms of NHS organisation and the previous Right to Request policy in the 'externalisation' of PCT provider services. The findings suggest that more work may be needed to realise the policy goals associated with the SEIF to encourage NHS professionals to 'spin out' in forming different forms of organisations.

The organisational status of SEIF applicants is something that we will also pursue in Phase Three of our research. Case studies have been selected to capture this diversity. We have selected a range of organisations, including new start ups, existing social enterprises and Right to Request spin outs delivering healthcare and also well-being services.

How has the SEIF enabled social enterprise entry into health and social care?

Our emerging findings suggest that the SEIF has supported social enterprises entering into the health and social care market. In particular, the SEIF is enabling organisations to enter into new areas through its provision of feasibility studies and funding for research and development. The findings also suggest the SEIF investment has enhanced quality, user responsiveness and user empowerment (and to a lesser extent workforce empowerment).

On further inspection, when we look at the organisations and how they are intending to use SEIF investment, these survey findings bring into question the innovation brought about by SEIF investment. It appears that many organisations may be using the SEIF to support 'more of the same' in relation to building on their current services. For example, many of the organisations are already delivering public sector contracts and are already delivering health and social care services. At this stage, such findings are only tentative however the extent to which the SEIF has brought about innovation in service organisation and delivery is something we will be pursuing in the next stage of our research.

Further lines of inquiry may also follow from the findings of our survey that the majority of successful and unsuccessful organisations appeared to be accessing lots of diverse income streams. For example, based on the findings identified here, there appears to be 'bankable' organisations that have received SEIF investment. The lack of attempts to apply for bank loans is also something of note in relation to the extent to which SEIF recipients are ‘bankable’ or ‘unbankable’ organisations.

Has the SEIF provided an effective funding mechanism?

Overall our findings suggest recipients are satisfied with the SEIF application process. Despite this, both successful and unsuccessful respondents suggest communication and feedback, especially in relation to business support, is an area that requires further attention. These negative findings about SEIF business development appear to improve when it is taken over by SIB management (Round Three), however they challenge the claims made about the SEIF in providing a developmental approach to investment.

As many of the investees are measuring or planning to measure their additional social returns on investment, a line of inquiry in Phase Three will be to analyse the outcome data of the social enterprise organisations to analyse the extent to which the SEIF has brought about greater sustainability. It will also analyse whether the fund has enabled the commissioning of social enterprises and whether it has brought about resulting quality improvements, innovation, and patient and user benefits/ empowerment.

What are the challenges to SEIF programme theory?

We wait to see whether or not the challenges identified in Phase One (funding cycles, intra/inter organisational barriers and performance measurement) will affect the implementation of SEIF and the capacity of organisations to deliver health and social care services. However, what appears to be an emerging theme from the survey findings is the possible ambiguity associated with the conceptual criteria of defining ‘social enterprise’ and receiving ‘social enterprise’ investment. With nearly 40% not yet trading as social enterprises it is not clear whether the criteria and organisation history of successful organisations actually fit with the SEIF criteria of being unbankable organisations with social enterprise characteristics. Further research into SIB decision making processes is needed to ascertain how they have defined ‘social enterprise’ investment. Further work is also needed on how the investees of the SEIF interpret this investment and whether or not they define their work resulting from the SEIF as social enterprise activity.

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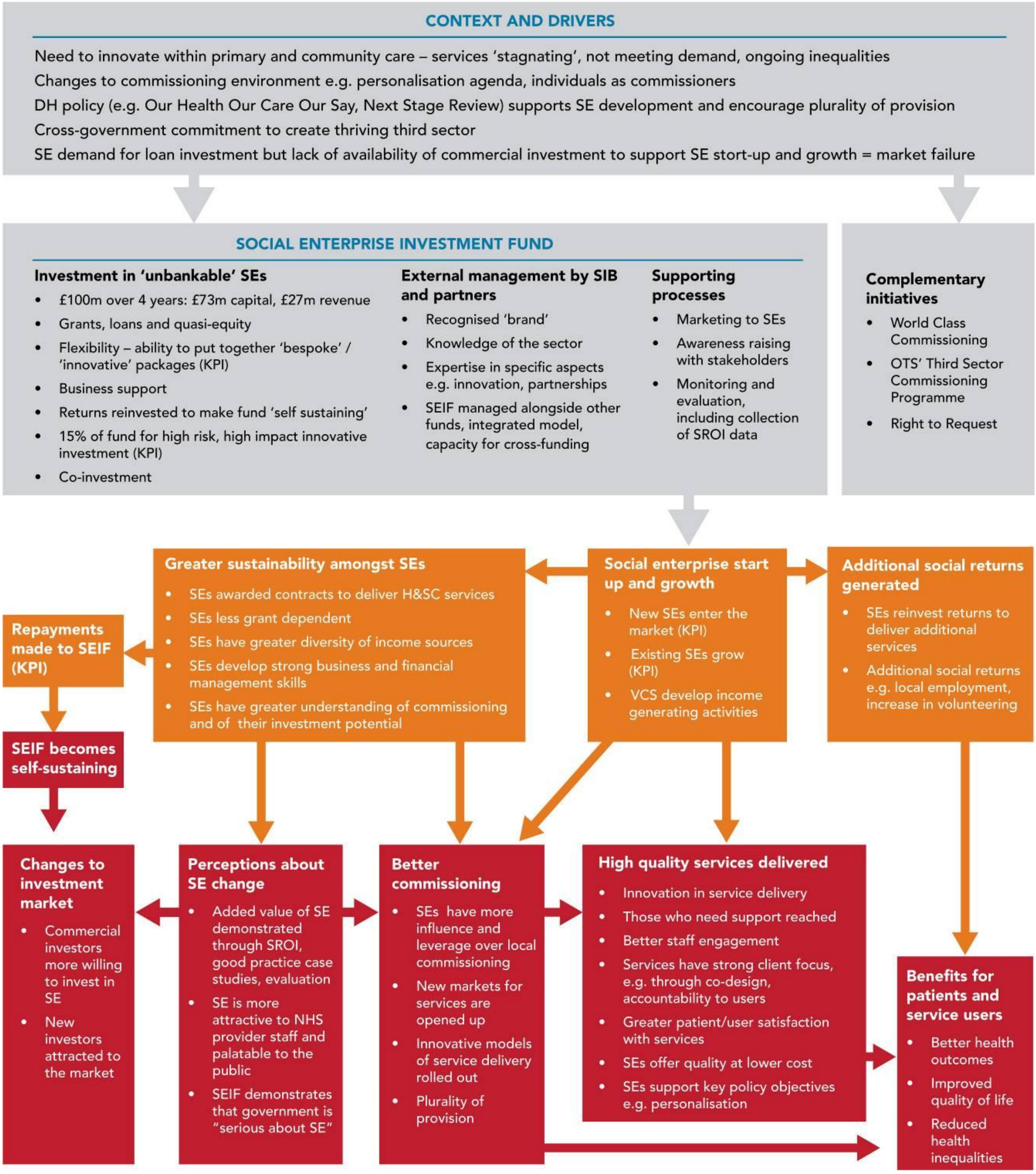
Appendix 1 - Programme theory: Social Enterprise Investment Fund



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

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HSMC has been one of the leading UK centres for research, personal and organisational development in health care for nearly 40 years. Commissioning of healthcare and provision of healthcare outside hospitals have become specific areas of expertise in recent years, underpinned by a continuing commitment to issues of quality improvement and public and patient engagement. This reputation has also started to extend to adult social care services. HSMC has also developed a national reputation for both organisational and leadership development across all health settings. For further information visit **www.hsmc.bham.ac.uk**.

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