

THE CONNECT FUND

Interim learning report

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FOREWORD BY CONNECT FUND

The Connect Fund was designed as a partnership between the Barrow Cadbury Trust and the Access Foundation to build a better social investment market in England—one that is open, focused on impact, and works for the bulk of the charities and social enterprises that make up the social sector.

Awareness of the challenges of social investment informed the Barrow Cadbury Trust's initial motivation to partner with Access on the Connect Fund. The Trust has carried out pioneering work on social investment to advance social impact over the last decade. The findings from two previous IVAR reports - the first looking at the fitness for purpose of the social investment market for charities and the second a follow up on the social sector's experience of the investee journey - inspired the Connect Fund to champion the social sector and address issues of trust raised in this report.

Launched in June 2017, this was the first £3 million of a £6 million grant and investment fund to support social investment intermediaries and voluntary sector organisations to strengthen market infrastructure. Reflecting the values of the social sector, the Connect Fund promoted collaboration, championed impact, and convened new voices to shape the future of social investment.

Over the past two years, the Connect Fund has disbursed £2.2 million in grants and investments to 52 projects across 9 regions in England. A further £500,000 was committed alongside the Connect Fund by external funders to match or part fund these projects. Of course, the major challenge of sustainability for social sector infrastructure and investment intermediaries will continue to be an issue requiring further resource.

The Connect Fund has built an ecosystem of effective organisations, boosting connections and partnerships between social investment intermediaries and voluntary sector infrastructure. These interventions have nudged the market through skill development, peer support, enterprise development, and convening events to foster an engaged learning community.

The early foundations are being laid for a voluntary sector that is informed and engaged with social investment. Connect Fund initiatives have the potential to underpin sector-specific enterprise development or place-based investment that Access champions together with Big Society Capital.

The Connect Fund has bridged gaps in the market by funding joint initiatives. The social investment sector is increasingly evolving to focus on blended, flexible or patient finance. In a fragmented market, the need for more inclusive and collaborative problem-solving is evident.

Across multiple issues, the Connect Fund provided the first risk finance to intermediaries and infrastructure organisations to solve challenges jointly. The Connect Fund also helped to convene The Gathering for 150+ social investors in March 2019. This was a co-created event for the sector, by the sector, chaired by the Connect Fund, as a key means of sharing learning and driving collaboration.

A priority for the Connect Fund was to increase the diversity of voices in social investment. This means regional diversity to broaden a London-centric market, and diversity in terms of the protected characteristics of race, gender, sexual orientation, and disability, among others. In addition to funding across the 9 regions, the Connect Fund actively supported multiple diversity projects.

Reflecting on insights and learning, our funding will continue to evolve. The Connect Fund will move to greater strategic alignment with the Access Foundation to embed the legacy of interventions. In partnership with Access, the Connect Fund has a role to champion infrastructure, to promote collaboration, to convene new voices and to catalyse enterprise development.

EXECUTIVE SUMMARY

The Connect Fund has an ambitious goal—to strengthen the social investment market in England through building the required infrastructure, enabling partnerships to provide solutions, and creating a more open and accessible market. It is early days for the Fund, which has been providing grants since June 2017, but now is an opportune moment to assess what’s working so far and how the Fund can improve over the remainder of its lifetime. This interim learning report examines the progress and views of Connect Fund grantees with reflections for the Connect Fund going forward and below is a brief summary of our findings.

The Connect Fund occupies a unique role

The Connect Fund clearly occupies a unique and important role in its focus on social investment infrastructure—working in particular with social investment intermediaries and voluntary sector infrastructure organisations. It was felt by several grantees that too much social investment in general is focused on front-line organisations and they appreciated the Connect Fund’s focus on building the necessary infrastructure for an efficiently functioning market.

The Connect Fund’s approach is valued by grantees

The Connect Fund’s approach to grantees is to provide iterative flexible funding and to encourage collaboration amongst grantees. This approach is highly valued by grantees who felt listened to by the ‘hugely supportive’ team, appreciated the lack of onerous reporting requirements and the ability to alter timing and costs of projects where necessary. But collaboration was one of the strongest elements—91% of grantees surveyed agreed that the Connect Fund supported collaborative working, and around two-fifths have made closer connections to other grantees.

But there are areas where the Connect Fund could improve its processes. In terms of sustainability of projects, 60% of completed projects show no obvious prospect for the project to continue sustainably. And only 6% of grantees surveyed believe their interventions are fully sustainable without further grant funding. This is clearly an on-going challenge for the market in general, not only faced by the Connect Fund, but could be an area of focus for the team going forward. Although grantees appreciated the team’s efforts to improve connections and share resources amongst grantees, it was felt that too much of this was online—whereas face-to-face introductions would be much better, and with more focus on thematic overlap between projects. It was also felt that Connect Fund’s profile could be higher.

The Connect Fund’s projects are contributing to important outcomes

The 52 projects the Connect Fund has funded up to end of March 2019, both completed and still operating, are making headway towards an improved social investment market, particularly in the following ways:

- **Improvement in knowledge and capacity.** Due to the nature of the fund, it is particularly the VCSE infrastructure bodies where this has increased, due in part to staff training, events and research publications. 79% of survey respondents agreed that there is now more support available for VCSEs considering social

investment compared with 18 months ago. And the Connect Fund's projects have targeted 'cold spots' within social investment—by region, demographic and sector.

- **Greater connections.** Relationships are being developed between all actors involved in the space—but the Fund's focus has been particularly on enhancing trust and connections between social investment intermediaries and VCSE infrastructure organisations. And 59% of survey respondents felt that there are now better connections between these two groups than previously. 241 new networks, collaborations or partnerships have been established through the Fund.
- **Shifts in attitudes and behaviour.** It is early days, but there were indications of shifting investor attitudes towards greater flexibility to suit VCSE needs, and also towards increasing diversity within the sector. There is certainly more awareness that diversity needs to improve and 41% of survey respondents felt the diversity of VCSE organisations accessing social investment has increased. 82% of respondents felt that social investment sector events and networks have become more diverse and inclusive.

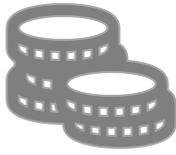
But issues still need addressing—by the Connect Fund and others

Despite the Connect Fund's progress, there is still considerable room for improvement to create a fully functioning social investment market. The specific areas highlighted by grantees in this review included:

- **The need for greater awareness of social investment among VCSEs.** Only 27% of survey respondents felt that social investment has become better understood by VCSEs over the past 18 months, although grantees we interviewed were more optimistic about the increase in knowledge. But even when VCSEs are aware of social investment, there appeared to be a gap in knowledge about whether it was appropriate or relevant to them.
- **Diversity.** The Connect Fund has done a great deal to improve awareness around the need for more diversity within the sector, but it was widely felt that more needs to be done before the market is fully inclusive for all groups, whether defined by race, gender, disability or socio-economic status.
- **Lack of trust.** Many grantees reflected on the deep-rooted mistrust of social investors, perceived to be primarily financially motivated. Related to this is the level of risk that boards or senior management teams within VCSEs are prepared to take—social investment is often considered '*too scary*'.
- **Language and terminology.** Language was raised as a key barrier when engaging VCSEs and that more could be done to cut down on financial terminology to make it easier to understand.
- **Making the application process easier for VCSEs.** It was felt that VCSEs ready to take on social investment still find the process daunting—including taking a long time, the wide variety of required paperwork, a lack of standardisation of forms and term sheets. There may be a greater role for the Connect Fund in educating investors to make the process more straightforward.

Some of these issues are within the Connect Fund's remit—others beyond, and some may be addressed as the Fund's projects continue. However, it provides some points for the Fund to consider going forward but also for other players interested in building a more robust, diverse, resilient and accessible social investment market.

Overview of Connect Fund (up to end of March 2019):



£2.18m distributed



52 projects (51 grants and one social investment)



Unlocked additional £500K from other funders

Highlights of the Connect Fund projects:



2,130 VCSEs reached directly



23 websites, portals or web platforms developed—receiving 123,663 visits



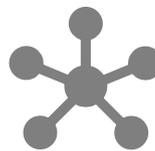
94 conferences or events held



153 peer support visits by VCSEs to learn about social investment



Almost 4,000 hours of enterprise development support delivered to VCSEs



241 new networks, collaborations or partnerships



266 social sector infrastructure staff trained

59% of grantees feel there are better connections between social investment intermediaries and VCSEs

82% of grantees feel that social investment sector events, networks and gatherings have become more diverse and inclusive over past 18 months

79% of grantees agree that there is more support available for VCSEs considering social investment than 18 months ago

1. INTRODUCTION

1.1 Connect Fund overview

Charities and social enterprises require small amounts of affordable finance to allow them to create more social impact, particularly as they develop new ways to earn income.

However, as it stands, the social investment market is immature. The type or structure of finance on offer often makes it too expensive for organisations. There are many information gaps and a lack of shared data. Social enterprises need capacity building before they are ready and able to take on social investment. Brokers with strong connections to specific places or sectors may be required to advance enterprise development.

The Connect Fund has been set up to strengthen the social investment market in England to better meet the needs of charities and social enterprises. Previously known as the ‘Social Investment Infrastructure Fund’, the Connect Fund is an initial £3 million fund of a total of £6 million commitment that the Barrow Cadbury Trust manages in partnership with Access – the Foundation for Social Investment. The Connect Fund provides grants and investments to develop shared resources for a market that supports mission. The overall vision is that ‘intermediaries and infrastructure organisations develop shared solutions, to prioritise impact in the social investment market’.

Connect Fund projects are working across eight themes:

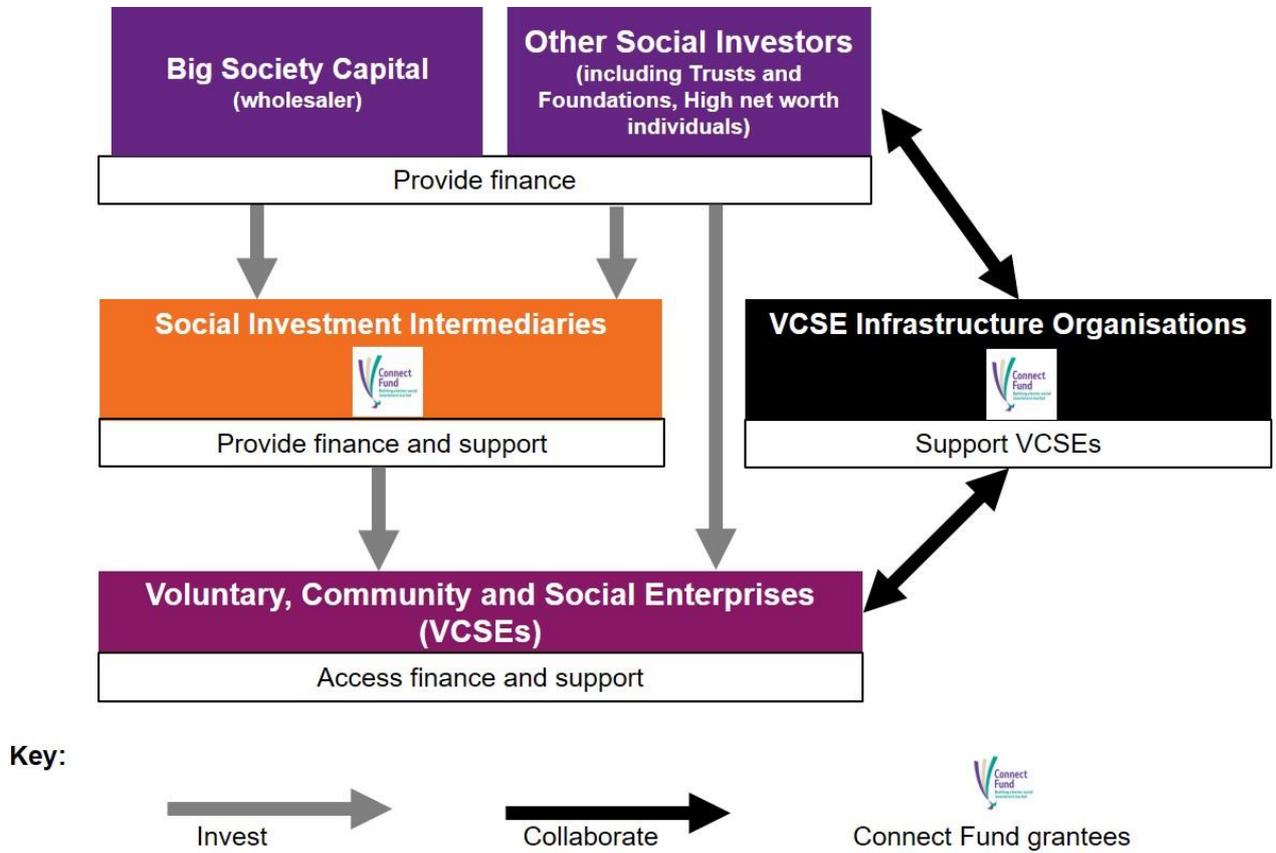
1. **Capacity building**—Enterprise development for financial resilience
2. **Networks**—Strengthening advocacy, learning and best practice
3. **Market information**—Fostering feedback and knowledge exchange
4. **Diversity**—Bringing new voices into the market
5. **Business development**—Supporting innovation, new products and regions
6. **Data Sharing**—Improving transparency in the market
7. **Standards and templates**—Building common norms for quality and growth
8. **Skill development**—Connecting the voluntary sector to social investment

The Social Investment market is complex, with a range of actors. Social investors, intermediaries and infrastructure organisations—including network or membership organisations- all play different roles in enabling voluntary, community and social enterprises (VCSEs) access repayable finance (Figure 1 on page 8).

Since launching in June 2017, 51 grants and one social investment have been made up to the end of March 2019 (Figure 2 on page 9). The first funding round ran between June and July 2017 and sought projects from existing social investment (SI) intermediaries. The second round, which ran from October 2017, was seeking to support local infrastructure organisations or network or membership organisations representing sectors or places to engage with social investment in England. Following the two initial funding rounds, the Connect Fund refined its funding strategy and launched the ‘Building Infrastructure Fund’ and the ‘Enterprising Ideas Fund’. The ‘Building Infrastructure Fund’ awards grants that aim to provide enterprise development solutions and explore new methods to engage VCSEs with social investment.

The 'Enterprising Ideas Fund' is focussed on providing flexible finance to catalyse new business ideas; in the form of small feasibility grants or social investment.¹

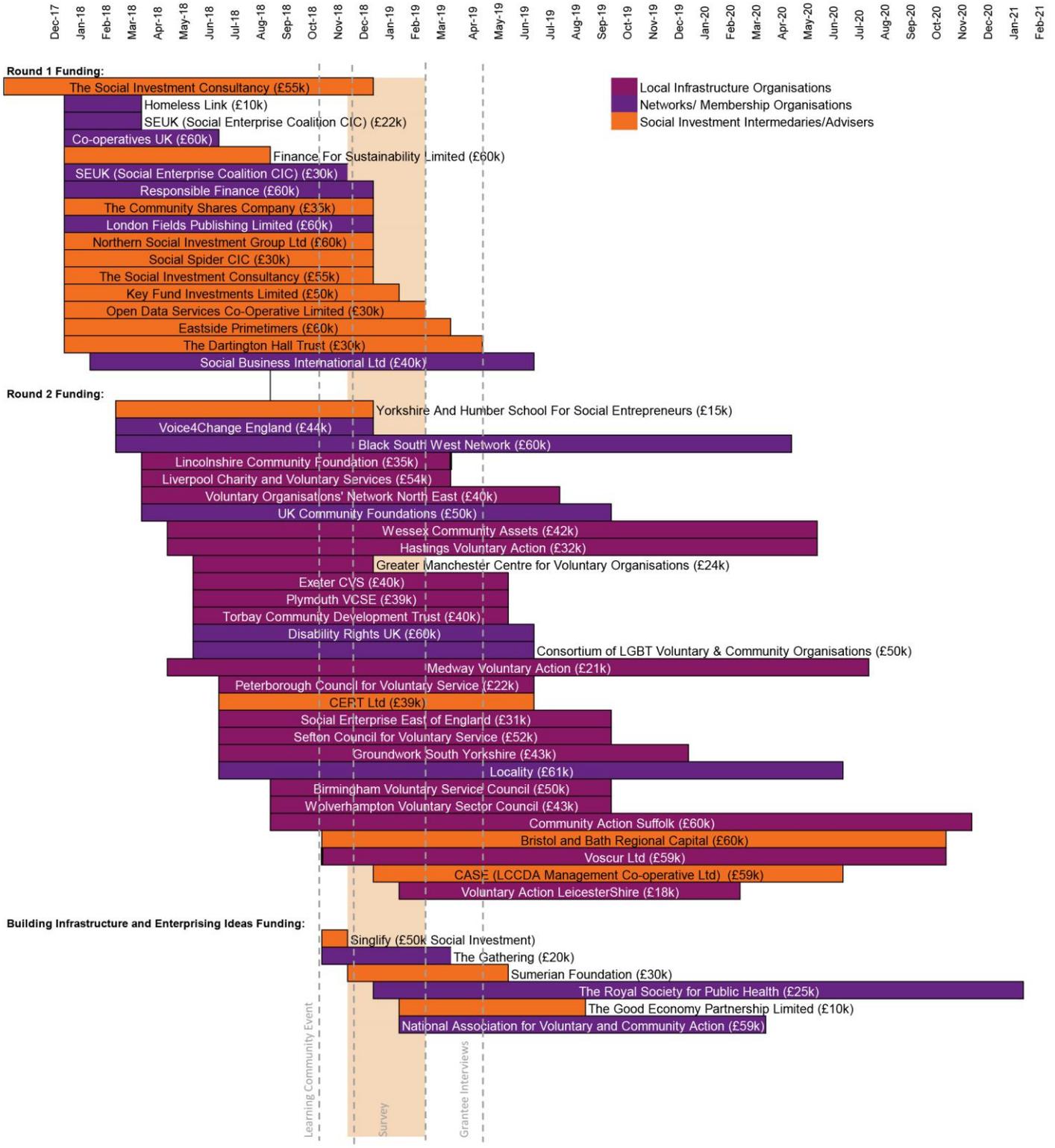
Figure 1: Social investment market and where Connect Fund invests²



¹ These pilot funds are open for one year until January 2020. Until September 2019 the 'Building Infrastructure Fund' is only accepting proposals from existing grantees.

² Diagram adapted from NPC (2014) [Smart Money: Understanding the impact of social investment](#)

Figure 2: Connect Fund overview



1.2 Aims of this research

The overarching aims of this research report are two-fold:

- **Impact:** Assess the impact of the Connect Fund to date and communicate the outcomes; and
- **Process:** Explore how the Connect Fund is working and identify ways to improve service design and programme delivery, including identification of barriers to strengthening the social investment market.

The Connect Fund will use the report to communicate the Fund's impact to date, and to inform learning and decision making for the remainder of the Fund's lifetime.

Following this introduction, section two sets out the process findings and section three details the impact findings. Section four contains a discussion of the barriers and future opportunities, and section five presents the conclusions and recommendations.

This is an interim learning report and many of the projects were on-going at the time the data was collected (Figure 2 on page 9). It is not yet possible to fully assess the programme outcomes. Based on grantee experiences to date this report captures the direction of travel and early indications of change.

It's also important to note the challenge of evaluating a programme of this kind—where the Connect Fund is just one of many players within the wider jigsaw of building an effective market place. Many of the outcomes that the Connect Fund is seeking are ambitious and rely on multiple organisations to play their role—the Connect Fund is merely contributing towards these outcomes. It is also very difficult to directly attribute improvements in the field to the Connect Fund—throughout the report we have merely attempted to highlight those improvements and suggest that the Connect Fund is, in some way, contributing to that change.

1.3 Research approaches

The Connect Fund commissioned New Philanthropy Capital (NPC) to undertake this research between October 2018 and May 2019.

This report draws on four data sources:

- Grantee output monitoring forms from 35 grantees (up to end of March 2019)
- An impact survey of grantees with 34 responses (open for responses November 2018-February 2019)
- Interviews with 14 grantees (April-May 2019)
- Feedback captured at the Connect Fund Learning Community event (October 2018).

The Connect Fund collected and collated the first two data sources, with support from NPC (eg development of the impact survey). Data was summarised in tables and text and shared with NPC for further analysis. The Grantee output monitoring forms use a standard template which all grantees are asked to complete as relevant to their projects. These forms were completed independently by grantees and there may be inconsistencies in how the data has been gathered by grantees (eg duplication of website visits) and how key terms have been interpreted (eg how direct and indirect engagement has been determined).

NPC then independently undertook the interviews and facilitated two focus groups with grantees at the Learning Community event. When undertaking the interviews NPC provided all interviewees with an 'information sheet' prior to the interviews and asked them to sign a 'consent form' to indicate their understanding of the research and giving their permission. Data was collected through comprehensive notes.

The quotes used throughout the report have been taken from either the impact survey or the grantee interviews as indicated.

The quantitative and qualitative data collected were analysed thematically and cross-referenced to strengthen the credibility and validity of the findings. In June 2019 the Connect Fund reviewed the draft report and provided written feedback to refine the conclusions and recommendations.

2. PROCESS: FINDINGS AND DISCUSSION

2.1 What is the Connect Fund doing well?

Grantees reported an overall positive experience through their work with the Connect Fund. Grantees appreciated the flexibility of the funding; the open channels of communication between themselves and the Connect Fund and the opportunity to work more strategically. Grantees also highlighted that more broadly, the work occupies a unique funding space and that the Connect Fund is viewed as a neutral convener.

Providing flexible, iterative and responsive grant funding to meet market needs

Grantees reported that on a grant-by-grant basis the Connect Fund enables learning and adaptation to enhance project outcomes. This flexibility allows grantees to change their previously agreed activities or outputs, based on new knowledge or challenges. For example, this ranged from agreeing no-cost time extensions to allow adequate time to prepare for events, to enabling round one grantees to amend their scope to prevent duplication of efforts in round two. Grantees highlighted that the Connect Fund *'are taking an iterative, flexible approach'* and they are seen to be *'very efficient funders'*.

Developing and maintaining open channels of communication with grantees

Open channels of communication between the Connect Fund and grantees underpinned the programme flexibility. Grantees said that it was *'very easy to engage with the team'* because there was *'a lot of communication and opportunities to feedback'*. The accessibility of the Connect Fund delivery team was widely appreciated by the grantees. Grantees felt listened to and supported.

Enabling grantees to work more strategically and effectively as a collective

One of the Connect Fund's key objectives is to create a more joined-up market through fostering collaboration and shared resources. There is such a wide range of actors in the space—investors, local and national infrastructure organisations, commissioners and VCSEs—and it is difficult for individual organisations to bring about the necessary change across the *'eco-system'*. But working with the Connect Fund has helped grantees feel that their individual projects contribute to a bigger whole. The Connect Fund has provided a broader strategy and framework so that grantees' individual contributions can be more effective, rather than *'ad-hoc and piecemeal'*. In the survey 91% of respondents strongly agreed or agreed that the Connect Fund supported collaborative working. Around two fifths of grantees that agreed have made closer connections to other grantees through the Connect Fund's online collaboration tool ('Trello') and through community learning events and begun to share resources with each other.

'The Connect fund community helps grantees share their knowledge in a very organic way and we were happy to benefit from meeting them.'

Anonymous, Impact survey

Occupying a unique space

Grantees highlighted that the Connect Fund plays a unique role by focussing on social investment infrastructure. The Connect Fund fills a gap by supporting capacity building and improved co-ordination, which enable sustainable market development, rather than focussing on VCSEs directly. The Fund has also been well-timed, and grantees reported that they are not aware of any other funds that address this infrastructure need.

Positioning themselves as a '*neutral*' convenor

The Connect Fund is perceived as a '*neutral*' convenor within the market. This is highly valued and a critical factor underpinning success, especially given the challenges around trust that exist between VCSEs and intermediaries or investors (see section 4.2 for additional detail). This position enables the Connect Fund to bring together different actors or initiate difficult conversations.

Individual Connect Fund project evaluation

It is still early days for the Connect Fund, but a number of the Fund's projects have been completed. The Connect Fund is evaluating each project with particular consideration given to the effectiveness of the project, its reach and sustainability, how successfully it has worked in partnership with others and the relevance to the objectives of the Fund.

Projects completed up to the end of March 2019 have successfully demonstrated their relevance to the Connect Fund objectives—all showing some or strong potential to develop learning and engagement with social investment. Sustainability is an ongoing challenge for organisations delivering in the sector. This was mirrored in the findings of this interim learning report (see section 4.2).

It is valuable to individually assess each project and as more projects are completed this will help paint a picture of the Fund's work overall.

3. IMPACT: FINDINGS AND DISCUSSION

3.1 What is the Connect Fund's theory of change?

For each of its eight themes the Connect Fund has identified a longer-term strategic aim and short-term, intermediate outcomes (Figure 3 below). Section 3.2 provides a discussion around how the Connect Fund projects are contributing to the intermediate outcomes that feed into the eight strategic outcomes.

Figure 3: Connect Fund theory of change

Theme	Intermediate outcomes	Strategic outcomes
Capacity building 	<ul style="list-style-type: none"> Voluntary, Community and Social Enterprise (VCSE) infrastructure organisations have knowledge and skills to support VCSE organisations taking on repayable finance Social Investment (SI) intermediaries are better equipped to foster/facilitate enterprise development* VCSE infrastructure organisations are better connected to SI intermediaries 	A more enterprising market
Networks 	<ul style="list-style-type: none"> Networks are open and accessible New/different organisations join networks and attend events Information is more effectively shared More/new connections are made Best practice is showcased 	A more collaborative market
Market Information 	<ul style="list-style-type: none"> The creation of a more efficient market by facilitating demand-side perspective SI intermediaries meet the finance needs of small and medium VCSE organisations Develop consensus around an impact-first approach Greater consensus on where gaps in the market / infrastructure exist VCSE organisations feel more confident about entering the SI market More partnerships developed to solve market problems* 	A better-informed market
Diversity 	<ul style="list-style-type: none"> Greater knowledge & evidence about cultural barriers to SI More actions taken by SI intermediaries or infrastructure orgs to increase diversity in SI sector Greater awareness of need for increased diversity in SI sector (unconscious bias) More diverse staff, boards and committees in SI intermediaries* VCSE organisations new to SI enter SI conversations Greater clarity around the need for products appropriate for diverse groups 	A more diverse market

<p>Business development</p> 	<ul style="list-style-type: none"> • Increase new products and services in the market to drive sustainability of business models • Increase in the number of cold spots stimulated to connect into the SI/repayable finance market 	<p>More resilient intermediary organisations</p>
<p>Data sharing</p> 	<ul style="list-style-type: none"> • Increased consensus around the importance and value of sharing transaction and impact data • Increase in number of intermediaries sharing SI data • Greater sharing of transaction information* • SI intermediaries have access to and make better use of new platforms to aid data sharing • Increase in # of stakeholders/institutions supporting and contributing to data sharing 	<p>A more transparent social investment market</p>
<p>Standards and templates</p> 	<ul style="list-style-type: none"> • Duplication of resources is reduced* • More standards and templates are openly available 	<p>A less complex social investment market</p>
<p>Skills development</p> 	<ul style="list-style-type: none"> • More VCSE infrastructure organisations increase their understanding of the SI market and engage with SI • VCSE infrastructure organisations increase internal capacity to address SI 	<p>A wider understanding of social investment</p>

Note: Where indicated with an Asterix (*), we didn't gather enough information to provide a clear indication as to whether these intermediate outcomes are being met or not.

In addition to the ones detailed in Figure 3, this interim learning report identifies the following intermediate outcomes that the Fund's projects are contributing towards:

- **Improving trust between social investors and VCSEs:** As discussed in section 2.3, VCSEs have a deep mistrust of social investors. Grantees reported that through their Connect Fund work they are supporting the development of '*trust networks*'; where infrastructure organisations that are already trusted by VCSEs bring them together, face-to-face with the investors and intermediaries and support positive engagement and dialogue. These face-to-face meetings are often most effective when they bring together investors and VCSEs whose work aligns, and they speak the same impact '*language*'. Grantees report that '*investors have improved direct contact with local groups*' and equally '*local groups feel more confident in approaching investors and working on their proposals*'.
- **VCSEs have increased awareness and knowledge of social investment:** In the interviews, Grantees highlighted that as a result of the Connect Fund there is an '*increase in knowledge*' about social investment. VCSEs increasingly understand the opportunities and risks associated with repayable finance and can make better, informed decisions about whether it is for them. This has been supported by Connect Fund training events, one-on-one meetings and standardisation of feedback or enquiry forms (eg asking VCSEs if they are interested in social investment). For example, Wessex Community Assets recruited mentors to form a peer-

to-peer network of capacity building support and Medway Voluntary Action which provided a mix of one-to-one support and website resources in order to promote best practice and share learning.

However, this finding from the interviews contrasts with the survey results which reported that only 27% of survey respondents felt that social investment has become better understood by VCSEs. This difference in viewpoints could be attributed to grantees feeling confident about the increased knowledge and awareness of the VCSEs that they have directly worked with, but also concerned that the sector is large and many VCSEs have not yet been engaged.

'First challenge is that boards need to know what social investment is; second challenge is thinking about it, reviewing if it is for them, enough knowledge to make good decisions; third challenge is acting on it, accepting and managing the risk. We are between one and two—need to raise awareness still.'

Social Investment Intermediary, Grantee Interview

- **VCSEs have increased capacity to apply for social investment:** Feedback from grantees indicated that through their work VCSEs are better able to make their case to investors. Some of this may be a result of over 3,800 hours of enterprise development support that has been delivered to VCSEs through Connect Fund projects. Grantees emphasised the importance of taking a holistic approach, working with the VCSE not just to seek social investment but to help them become *'robust in every sense of the word'* eg. effective business planning, strategy development, capacity building, governance etc. Grantees identified this as an area where additional funding and resources were required as there continues to be significant need.

3.2 What outcomes has the Fund contributed towards?

Capacity building—creating a more enterprising market



Under the capacity building theme, the Connect Fund has supported organisations such as Community Action Suffolk to deliver investment readiness training to local organisations and Liverpool Charity and Voluntary Services using established communities of practice learning partnerships to explore how social investment might help VCSEs meet their objectives. Through this work, the local infrastructure organisations and social investment intermediaries across the Connect Fund's entire portfolio of grants report to have worked with 2,130 VCSE organisations directly, and a further 78,806 indirectly through the duration of their project up to end of March 2019.

VCSE infrastructure organisations reported enhanced **knowledge and skills to support VCSE organisations taking on repayable finance**. Grantees highlighted that prior to the Connect Fund grants they had good levels of expertise and knowledge within their teams. The Connect Fund has enabled the grantees to take a more targeted, intensive approach and fine-tune their knowledge and service offerings: *'It is a sharpening of our tool set'*. The survey found that 79% of respondents agreed or strongly agreed that there is more support available for VCSEs considering social investment than 18 months ago, although it's not clear whether that support is sufficient or how useful it is—something for the Connect Fund to explore in a future learning report.

Grantees noted that **VCSE infrastructure organisations are better connected to SI intermediaries** and investors. Infrastructure organisations reported improved relationships, not just email contact, but regular and personal contact with intermediaries and investors. For example, grantees said that they better understand the needs, interests and priorities of investors and intermediaries and are kept up to date when new funding rounds

open. Grantees are also pleased that investors are approaching them and asking for support and feedback; they are being invited to speak at events and input into issues such as *'how to improve the pipeline'*. Equally, from a social investment intermediary perspective, *'local Infrastructure organisations have started to understand and lose their wariness'*. This was echoed in the survey where 59% of respondents agreed that there are better connections between SI intermediaries and VCSE infrastructure organisations.

Networks—strengthening advocacy, learning and best practice for a more collaborative market



The Connect Fund aims to support a more collaborative market. Since June 2017 241 new networks, collaborations or partnerships have been established through the Connect Fund. Connect Fund grantees are members of a wide range of networks. For example, grantees that completed the impact survey are members of 43 national (plus over 20 regional) networks. The most popular network is Social Enterprise UK (SEUK), of which eight grantees are members. However, most networks (36 of the 43 national networks) only showed one or two respondents as members. This finding illustrates the thin, broad spread of networks, and the challenge of influencing the sector.

The survey showed that:

- 17% of respondents answered 'yes' when asked if their networks have become more diverse and inclusive, a further 65% felt this was only true *'to some extent'*. No respondents felt they had become less diverse and inclusive.
- 85% of respondents felt that networks have become more open to new organisations, though of these, 56% felt this was only true *'to some extent'*. 6% of respondents felt they had become less open to new organisations.

Grantees also highlighted that to attend events or conferences, people don't typically travel far unless they are very motivated. As a result, networks, especially those associated with social investment can be very localised. These initial findings suggest that whilst the sector is moving in the right direction, there is a significant way to go **until networks are truly open and accessible, and that new/different organisations join networks and attend events.**

The Connect Fund was supporting **effective sharing of information** between grantees through a combination of Trello, learning community events and personal introductions (see section 2.1). However, this remains a sector wide challenge. Grantees reported that key sector websites were not always helpful for organisations new to social investment, the language was not accessible and that *'people get lost'* trying to find information. The Connect Fund has partnered with Locality and the National Association for Voluntary and Community Action (NAVCA) to champion existing resources in the market, minimise duplication and enhance peer networking.

'The organisation and personal connection has a value. Improved collaboration and informing practice has a value. The conversation has a value.'

Social Investment Intermediary, Grantee interview

The grantees stated that **more/new connections** have been made through their Connect Fund work. As discussed earlier, this includes between investors, intermediaries and VCSEs, but also between infrastructure organisations and VCSEs. Some grantees reported that connections between different VCSE infrastructure organisations have been made and sustained, in some cases leading to relationships that support further work beyond the Connect Fund.

The Connect Fund has supported **social investment best practice to be showcased** using a variety of different mediums. Grantees reported that case studies are the most useful format to share best practice as they provide inspiration, 'real-life' examples and help challenge some of the underlying trust issues by showcasing positive relationships between investors and VCSEs. Local infrastructure organisations have also facilitated 153 peer support visits between VCSEs to increase their understanding of social investment. An example of this work is CERT Ltd project, where medium sized charities that have traditionally relied on grant funding and fundraising met with six host organisations that have successfully used social investment to develop and grow their services through a range of business models.

Market information—fostering feedback and knowledge exchange for a better-informed social investment market



The Connect Fund has invested in supporting a better-informed social investment market. Grantees include Pioneers Post³—a magazine and website that functions as the trade news source for social enterprises, responsible business and social investment. The funding aims to support Pioneers Post to achieve financial sustainability, expand readership, and improve and increase its editorial offering.

As a result of the improved connections between VCSE infrastructure organisations and social investment intermediaries discussed earlier, the Connect Fund has supported the **development of a demand-side perspective**. The Connect Fund aims to ensure that the voice of potential investees is amplified and heard so that the suppliers of social investment can respond, and tailor products and support according to the needs of VCSEs—some grantees recognised the importance of this during our interviews. For example, grantees noted there is a demand for 'entry level' loans, around £10,000 to build confidence and test the water, and that this is something that can be promoted and supported through the Connect Fund. Overall, grantees recognised that it was '*still early days*' but are encouraged by their raised profiles with investors and intermediaries, and the positive working relationships.

Grantees had seen a shift in some social investment intermediaries' attitudes **to meet the finance needs of small and medium VCSE organisations**. Grantees reported some investors were more flexible. They had received feedback from events attended by investors and VCSEs where investors noted that they found the session useful to learn and adapt. There are still significant barriers however to operationalise this attitudinal shift. One example is the processing time. It can take a minimum of three months, or more commonly in excess of six months, to access repayable finance from the time the VCSE decides to apply until the moment they receive the funding; grantees expressed concerns that this puts the VCSE under significant pressure and is unnecessarily long. Despite these challenges, grantees have seen 137 financing/trading opportunities (including grants, technical investment, contracts) secured or developed by organisations they are working with during the period of their Connect Fund grant⁴.

³ Pioneers Post, the social enterprise magazine: <https://www.pioneerspost.com/>

⁴ Data correct up to end of March 2019

The survey highlighted that 68% of respondents felt the Connect Fund has encouraged intermediaries to adopt an **impact first approach**. However, a third of respondents commented either that it is still too early to tell, or that they don't know either way. In comments, some respondents noted that their specific sector is behind on impact measurement which makes it hard to build relationships with investors; others felt the sector is still finance led, while some argued that impact can't be a priority when not aligned with financial success and/or investor motivations.

Some grantees observed that there is **greater confidence amongst VCSEs about entering the social investment market**. This increased confidence is as a result of improved awareness and knowledge (see section 3.1). For example, one grantee—Groundwork South Yorkshire—aims to boost demand for social investment among smaller VCSEs and increase the supply of suitable social investment products locally. A key part of this is developing the skills of boards and senior management to make critical and informed decisions about social investment and expanding the number of VCSE organisations able to identify suitable social investment products and apply successfully for them.

'From very few knowing about social investment we now have a very active and engaged VCSE community and organisations are on waiting lists for support.'

Local Infrastructure Organisation, Impact survey

Grantees reported that investors have seen an increase in the number of enquiries from VCSEs seeking repayable finance: *'locally there has been a significant increase in awareness and some positive signs that a small number [of VCSEs] will ultimately apply for social investment'*. However, grantees also cautioned that whilst some VCSEs may feel *'more confident'* they still find it *'daunting'* and require support. This suggests that the behavioural change model of knowledge, attitude and behaviour (KAB) might be useful to consider in the refinement of the Connect Fund theory of change. Through unpacking each of the different elements it might be easier to articulate and measure the change the Connect Fund is aiming to make.

Case Study 1. Demand side perspective: Increasing the opportunities to share the demand side perspective with investors

Voluntary Organisations' Network North East (VONNE) acts as a support body for the VCSE sector in the North East.

Through its Connect Fund project, it has convened the North East Funders Forum network events, which have brought together local infrastructure organisations (LIOs), anchor institutions, trusts and foundations, the public sector and social investors to foster greater collaboration, explore the opportunities around social investment, and to share demand and supply-side perspectives. Alongside this work, it has developed a regional social investment strategy, with input from LIOs and social investors. The co-creation of a strategy means the document works as a practical action plan for both sides of the market.

VONNE has been working closely with the Good Finance team at Big Society Capital to increase the number of case studies available, focusing on the types of repayable finance available, how different organisations can make use of them and their experience of getting investment. It also hosted the first Good Finance live event, providing front-line VCSEs the chance to speak with lots of social investors in one place.

In addition, VONNE's Chief Executive has contributed to a number of key social investment sector events, including The Gathering, to represent and advocate on behalf of the LIOs and front-line VCSEs.

Diversity—bringing new voices to the sector for a more diversified social investment market



The Connect Fund has worked with several grantees who seek to improve diversity within the social investment market. For example the Consortium of LGBT Voluntary and Community Organisations is working to build staff knowledge in social investment finance and support VCSE members to achieve social investment; Disability Rights UK is researching and exploring practical means through which user-led organisations can better engage with social investment; and the Greater Manchester Centre for Voluntary Organisation is undertaking an action learning study that will explore the social investment support requirements of black, minority and ethnic (BME) VCSE groups.

Grantees highlighted that there is or there soon will be **greater knowledge and evidence about cultural barriers to social investment as a result of the Connect Fund**. That is because the grantees have been funded to undertake research in this field and share their findings. A few grantees flagged that their documents will be publicly available in the coming months. Grantees emphasised that as there are no other funders targeting this question of diversity there is limited information currently available, and that *'we are just starting'* to unpack the issue.

'The Connect Fund has enabled issues of diversity in the sector to be properly explored under one banner for the first time. That is an important step, but the start of the process, not the end.'

Social Investment Intermediary, Impact survey

The Connect Fund has awarded grants to eight **social investment intermediaries and infrastructure organisations to increase diversity** in the sector. In addition to the research, this has included activities such as meetings and events, the publication of a comprehensive report on equality impact investing, *'re-packaging'* social investment more appropriately for different audiences and network mapping. For example, one grantee—The Social Investment Consultancy—has supported the Diversity Forum⁵ to address inequalities and disadvantage in the UK social investment sector. The Diversity Forum comprises three sector-wide initiatives to improve diversity among social investors in the UK—a diversity working group, diversity champions and diversity training.

As a result of the Connect Fund there is **greater awareness of the need for increased diversity in the social investment sector**. Some of the most positive comments from the impact survey noted that the Connect Fund has increased the profile of diversity as an important issue for the sector, and got more people talking: *'The conversation about diversity and inclusion has been really useful'*. A small number of respondents noted that the issues of gender and race are being tackled more than other elements of diversity, like disability and socio-economic status. Greater definition and clarity around what is understood by 'diversity' might be helpful to inform the Connect Fund in the future. Grantees were keen to emphasise that whilst there was increased awareness and discussion, this has not yet translated to practice and there is *'a long way to go'*.

In the impact survey, when asked to consider diversity in the Social Investment sector over the past 18 months:

- 21% of respondents felt diversity of the employees of Social Investment Intermediaries has increased a little; 27% felt it has stayed the same.

⁵ The Diversity forum: www.diveristyforum.org.uk

- 3% of respondents felt diversity of the Social Investment decision-makers and committees has increased a little; 38% felt it has stayed the same and 6% felt it has decreased a little.

This suggests that there may be a shift in diversity and increased representation at junior staff level, but no significant change at a more senior or board level. Some grantees noted the route from banking and finance into social investment meant certain groups dominate decision making and result in a lack of lived VCSE experience at board level: *'A long way to go before social investment has representative boards'*.

There is evidence to suggest that **VCSEs new to social investment have been entering social investment conversations**. For example, the survey highlighted that 41% of respondents felt diversity of VCSEs accessing social investment has increased (a little or a lot); 18% felt it has stayed the same; none felt it has decreased (a little or a lot). The grantee monitoring data also captured that repayable finance offers were provided to three diverse groups as a result of the Connect Fund work.

Finally, there is some **clarity around the need for products appropriate for diverse groups**, although much of this will be detailed from the grantee research when published. Grantees however are certain that there is a need for different products and different marketing requirements to engage a more diverse range of VCSEs with social investment.

Business Development—supporting innovation, new products and regions for more resilient intermediary organisations



The Connect Fund made selected grants to support the development of more resilient intermediary organisations. Grantees include Key Fund which has explored the level of awareness and quality of connection to social investment in rural communities in the north of England; and the Royal Society for Public Health who are developing a blended finance fund for organisations tackling health inequalities and complex wellbeing issues in Birmingham.

Grantees have differing perspectives on whether there has been an **increase in new products and services in the market to drive sustainability of business models**. 59% of respondents in the survey agreed that there are new products or types of repayable finance funds available for VCSEs but 42% disagreed. This divide suggests that some grantees are seeing new types of products and others aren't—the reasons behind this might be a useful area for further investigation. Grantees that are seeing an increase in new products spoke positively of 'blended finance', 'social impact bonds' and 'community shares' and the opportunities to leverage these in the future. In particular, blended finance options (part grant, part loan) are seen to build trust between investors or intermediaries and VCSEs, as they are seen more as partners or traditional grant-makers, and less, in one grantee's words, like *'loan sharks'*. Grantees also reported that they were aware of 78 new unsecured repayable or blended finance options for VCSEs during the duration of their Connect Fund projects. Grantees also noted a wider sectoral shift of repayment periods for some investors or intermediaries—such as Social and Sustainable Capital (SASC)—which is welcomed by VCSEs, from 4-5 years, to up to 20 years. This represents a broader sectoral shift and is not possible to directly attribute to the Connect Fund although they may have played a role.

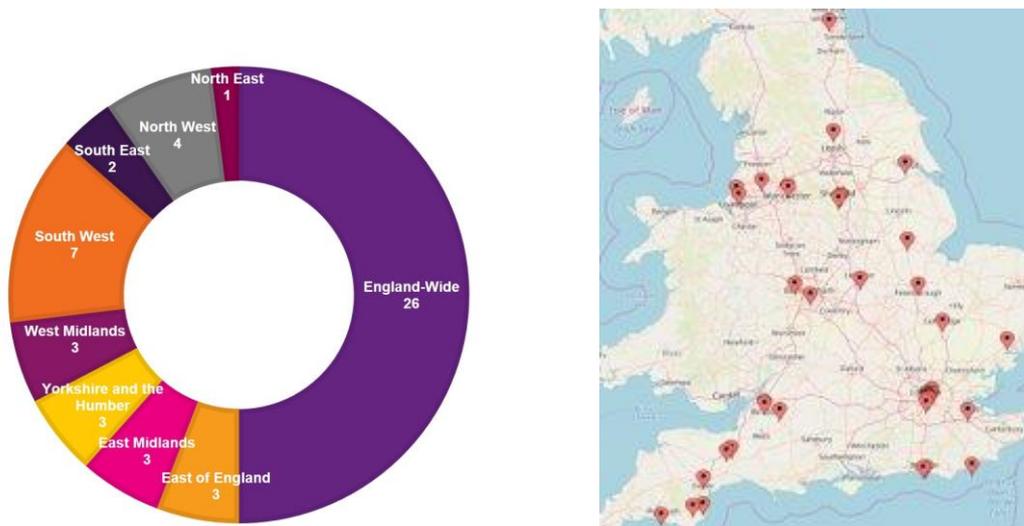
‘Connect Fund projects have created a buzz in their local areas and got people talking about social investment.’

Anonymous, Impact survey

The Connect Fund projects are spread out across all nine regions of England (figure 4 below). 62% of respondents in the survey agreed that the Connect Fund has helped to target social investment cold spots—including geographic (specifically: Lincolnshire, East Midlands, the south west, Wolverhampton, Torbay, Bristol and avoiding London / major financial zones), demographic (women and BME communities) and one respondent mentioned a sector (homelessness). Grantees highlighted the challenges of working in some cold spot areas, especially more rural areas with low population density.

They reported low turnout or sign up to events and limited interest. Grantees questioned the feasibility of social finance for VCSEs working in rural areas because it is more difficult to access a critical number of ‘service users’ in order to repay the loan.

Figure 4: Geographical spread of Connect Fund grants and social investments



Data Sharing—improving transparency in the social investment market



Grantees highlighted that whilst there was consensus **around the importance and value of sharing transaction and impact data**, *‘people are not doing it’*. This has been frustrating for grantees who said that it made their work more challenging because they cannot access the data that they need. However, some of the Connect Fund projects are directly seeking to address this. For example, Open Data Services (ODS) is a Connect Fund grantee whose project aims to improve transparency in the social investment market through supporting people to create, publish and use open data for social impact. They provide technologies, support, and services relating to the production, standardisation and use of open data.

The primary reason why there has not been an increase in **the number of intermediaries sharing social investment data** is the sense of competition in the sector. There is an '*inherent reluctance*' to share data because organisations perceive that it will give their competitors an advantage if they can access and analyse it. This leads to organisations either hoarding data, or '*productising*' the data—where it can be packaged and sold—limiting its use. Grantees are seeking ways to change this embedded culture but recognised that it will take a long time. For example, one grantee highlighted that they encourage the investors and intermediaries that they work with to look at the business case for increased data sharing, encouraging them to view it as '*an opportunity rather than a threat*'.

The data collected as part of this interim learning report does not give a clear indication whether there is **greater sharing of transaction information**. Grantees identified this as a useful area for future Connect Fund focus and advocacy. Especially around streamlining and speeding up the process of applying for repayable finance using automated digital technology to '*pull in*' data from different sources into an application. This automation could also be used for sharing transaction information.

Some of the Connect Fund grantees have used business development grants to adapt or create software products to support **social investment intermediaries to have access to and make better use of platforms** which will improve transparency and efficiency of operations. For example, Homeless Link helped to launch a new platform, now called Singlify, which if adopted widely could have the ancillary benefit of creating a standard model for collecting and sharing data. It has just been launched as a new product in the market and it will be useful for the Connect Fund to review this platform some months down the line to establish its impact.

Given the challenges outlined above, the Connect Fund has not seen a significant **increase in the number of stakeholders/institutions supporting and contributing to data sharing**. As discussed above, the cultural barriers around guarding data play a key role. The survey indicated some small signs of greater transparency. 18% of respondents felt that social investment sector events, networks and gatherings have become more transparent about their activities with a further 50% feeling they had done so to some extent.

Standards and templates—building common norms for quality and growth for a less complex social investment market



The Connect Fund supported one project under this theme. Given this limited intervention the Connect Fund is not likely to solve this problem. The data collected as part of this interim learning report does not give a clear indication whether **duplication of resources has been reduced** as a result of the Connect Fund projects. Up to end of March 2019, projects funded across the entire Connect Fund portfolio have developed 43 toolkits or resources, and 23 websites, portals or web platforms—between them hosting 123,663 visits. It may be useful to undertake an audit of these to ensure there is no duplication of resources, particularly standards and templates, and combine efforts as required (eg draw together learning from resources or toolkits; draw together communities of practice). The Connect Fund is working with Good Finance and NAVCA to ensure that outputs are collected and shared.

Grantees report that applying for repayable finance requires a great deal of paperwork and is resource intensive. There is limited standardisation of applications, and different investors and intermediaries require a wide variety of information. There remains a need for more **standards and templates** that are openly available to VCSEs seeking social investment.

Skill development—connecting the voluntary sector to social investment for a wider understanding of social investment



Many of the Connect Fund grantees are VCSE infrastructure organisations. As discussed earlier in this section (see ‘Capacity building’) they reported enhanced **understanding** and knowledge of the **social investment market**. An increase in the ability **to engage with social investment** is also linked to improved connections between infrastructure organisations and investors and/or intermediaries. Grantees highlighted that they have a greater awareness of the different types of investment opportunities available nationally and locally. There have been 94 conferences and events held so far, and 38 reports, research findings and/or mapping documents produced by Connect Fund projects.

Through the Connect Fund 266 social sector infrastructure staff have received training. This has supported **infrastructure organisations to increase their internal capacity to address social investment**. For example, one grantee—Birmingham Voluntary Service Council—is building their staff expertise on social investment in order to pilot VCSE enterprise development support through a mapping and training process. In addition to upskilling existing staff, grantees also employed additional team members to deliver the Connect Fund projects.

4. THE FUTURE OF THE CONNECT FUND

4.1 What are the broader barriers in the sector?

Grantees described the challenges they had experienced through their involvement with the social investment sector. Key barriers included: austerity and the increasing time and resource pressures for VCSEs; a deep-rooted mistrust of social investors and social investment; language and terminology used to discuss social investment and the level of acceptable risk that trustees and senior management within VCSEs feel comfortable with. The Connect Fund may want to consider addressing some of these barriers in its approach in future funding.

Austerity and on-going funding cuts resulting in VCSEs with limited time and resources

The Connect Fund is operating within a particularly challenging environment of on-going funding cuts and austerity. Senior management and trustees of VCSEs have limited capacity, time and resources to engage with new or unfamiliar approaches, such as social investment. Grantees expressed concerns that VCSEs find it difficult to plan for the future because they are over stretched, constantly *'firefighting'* and focussed on day-to-day survival.

Level of acceptable risk from the perspective of VCSE trustees and senior management

A number of grantees highlighted that trustees and senior management within VCSEs are *'risk averse'* and consider that social investment is *'too scary'*. However other grantees dispute this and instead suggest that as a result of the time and resource challenges associated with austerity, trustees have limited capacity to better understand repayable finance and undertake a meaningful assessment to understand if it is right for their organisations. As a result, for many VCSEs social investment feels like *'taking a leap into the unknown'*.

Mistrust of social investors and social investment

The survey and interviews suggested that VCSEs have a deep-rooted mistrust of social investors who are perceived to be primarily financially motivated. Social investment is perceived as a *'last resort'* by VCSEs who would prefer to access grants or fund-raise through alternative routes. There is a significant *'moral question'* about social investors making money from charities and the fundamental ethics surrounding this (eg repaying loans using donations etc). VCSE infrastructure organisation grantees highlighted that events that they ran for VCSEs addressing social investment were met with *'polite hostility'* and improved attendance if they did not focus only on social investment (eg re-naming events from 'Come and talk about Social Investment' to 'Talk about growth and sustainability'). Grantees emphasised that there is a *'long way to go'* to change this perspective. VCSE infrastructure organisations are in a good position to help build this trust, and 41% of survey respondents felt that there is increased trust between SI intermediaries and VCSE infrastructure organisations, but 21% of respondents disagreed on this.

'For some organisations, there will always be an ideological opposition to social investment; to go for social investment is giving up the fight.'

Local Infrastructure Organisation, Grantee interview

Social investment language and terminology

Grantees reported that *'language is a key barrier'* when engaging VCSEs with social investment. For example, even the word *'investment' makes people very cautious'* and raises concerns about defaults and loss of assets. There is a clash of language between VCSEs and social investment intermediaries and investors. It was felt that many websites that aim to introduce social investment to VCSEs are a good starting point but still use too much financial terminology that is unfamiliar to VCSEs, despite involving users in the design of the website. Grantees were not necessarily referring to projects funded by the Connect Fund but making a point about the sector more broadly.

4.2 Where could the Connect Fund focus in the future?

Grantees identified a number of key areas for the Connect Fund to focus on going forwards. This included sustaining programme outcomes once the funding has ended; improved networking and knowledge sharing between grantees; greater clarity on the intended outcomes and impact; framing social investment as one tool of many to build resilient and sustainable VCSEs and supporting grantees to use a unified and amplified voice.

How to sustain programme outcomes once the funding has ended

A number of grantees expressed concerns about how the Connect Fund outcomes will be sustained when their funding ends, and asked *'what is next?'* Grantees noted that the work undertaken through the Connect Fund has been the start of the *'journey'* building a knowledge base, establishing connections and initiating conversations. Grantees raised the need for additional funding to both continue this work (around increasing knowledge and changing attitudes) and to apply solutions (changing behaviour). The impact survey highlighted that:

- 6% of grantees believe their interventions are fully sustainable without further grant funding
- 62% of grantees believe their interventions are partially sustainable without further grant funding
- 32% of grantees believe their interventions are not sustainable at all without further grant funding.

Of those who felt their projects are partially or not sustainable, around half commented they would need further funding to continue delivering their project, and around a quarter hoped opportunities to develop capacity or new products would provide a route to future sustainability; lessons could be learnt and shared (Case Study 2 on page 27). Finally, grantees raised the challenges associated with wide-scale systemic change through one or two-year grants: *'A longer piece of funding would have been better'*.

How to support increased networking, collaboration and knowledge sharing between grantees

The grantees are interested in building relationships and learning from each other. The Connect Fund's online collaboration tool 'Trello' was considered a useful place to post information but was not a place of interaction or discussion. Grantees reported that on Trello it was difficult to find information and navigate around: *'It is burdensome to go and look there'*. Personal introductions between grantees by the Connect Fund team have been *'ten times more helpful than Trello!'*; it would be helpful if introductions were done routinely for projects that overlap or have mutual interests, especially for future grants.

Face-to-face events were considered valuable, with grantees increasing their networks at the Connect Fund Learning Community event and learning from others. Grantees requested additional events, workshops and/or discussions, these could be thematic or geographically focussed.

Finally, grantees suggested that increased collaboration amongst themselves would support sustained project outcomes when the funding came to an end. When commissioning future projects the Connect Fund could ask:

'how will you collaborate with other grantees?' or 'what would you find helpful from the Connect Fund to enable you to collaborate with other grantees?' as part of the application process to encourage greater 'value add'.

How to clearly communicate the outcomes and impact of the Connect Fund

Grantees reported some lack of clarity around the intended aims of the Connect Fund, for example one grantee felt that they understood *'generally, but not specifically'*. It is broadly understood that the Connect Fund is focussed on effectiveness and efficiency in the market, however grantees felt there was insufficient clarity about the extent to which the emphasis is on promoting social investment, creating sustainable infrastructure or both.

Case study 2. Sustaining project outcomes: Revenue generation to sustain project outcomes

Singlify has developed a Salesforce-based, affordable, software management product for the social investment sector, allowing social investment intermediaries to better manage their investment portfolios.

The initiative was originally incubated by Homeless Link, which received a feasibility grant to explore demand for an investment management product with a range of stakeholders, develop the prospective product and determine a revenue model for it.

Singlify incorporated as an independent, private limited company with a social purpose, and received its first social investment from the Connect Fund in the form of a Convertible Loan Note. Singlify uses a "software as a service" licensing and delivery model. In this model, product subscription and consulting fees are paid to Singlify by social investment intermediaries. The software product is designed to have a basic version, and bespoke options that can be tailored, at additional cost, to specific client needs.

It has committed to serving social investors, including finding ways to ensure the product is affordable to smaller clients, for example their fee structure is based on percentage of an investor's loan portfolio revenue. This allows Singlify to generate income to operate and develop the product, as well as pay back investors in the future.

How to place greater emphasis on social investment as only one tool, amongst many, to support resilient and sustainable VCSEs

Social investment is *'never a magic bullet,'* but rather it is *'one tool in the box'* to support resilient and sustainable VCSEs. Social investment will not be appropriate for all VCSEs. Grantees highlighted that it would be helpful for the Connect Fund to be more explicit about the limitations and risks associated with social investment and how they relate to the Connect Fund's Theory of Change (Figure 3, page 14). For example, one of the Connect Fund's intermediate outcomes is *'VCSE organisations feel more confident about entering the SI market'*, but a better way of framing this may be VCSEs *'are able to make better, informed decisions as to whether repayable finance is for them'*. There is currently limited guidance - documentation or training - on when social investment will or won't be appropriate for VCSEs; this is a gap that the Access Foundation is working to better understand through its support for enterprise development and focus on understanding the finance needs of business models in specific sectors.

How to further support grantees to use a 'unified, amplified voice'

Grantees felt part of a Connect Fund *'cohort'*. They were keen to explore ways of promoting lessons learnt about the social investment market based on good practice—how it could or should change—using a *'loud, unified amplified voice'* (see 'Emerging best practice' box below).

In particular grantees advocated for opportunities to share knowledge with investors and intermediaries ‘*so that they are brought up to speed about what was working, and they can change their approach*’. Thought pieces and face-to-face events were suggested as useful ways of influencing investors and intermediaries, such as Big Society Capital.

Emerging best practice: Lessons learnt from Connect Fund grantees

- **Plan to have focussed networking events:** Don't have a large, generalist social investment fair or event with lots of different investors, intermediaries and VCSEs. This can be intimidating for the VCSEs and does not help to build trust. A more targeted approach works best. For example, thematically matched events (where investors and VCSEs work in the same sector, such as sport); the outcomes are more commonly understood by all parties and there is less need for the VCSE to explain or justify their project and its value. The investors and the VCSEs will already speak the same ‘*language*’.
- **Consider bursary schemes to support small VCSEs to attend events:** When scheduling a networking event, asking a small VCSE with just a few members of staff to give up a whole day, or potentially travel and stay overnight can be too much of a drain on their resources. Grantees reported that a bursary scheme to support VCSEs to attend networking events would be one way of making them more inclusive.
- **Peer-to-peer VCSE learning is an effective way of sharing knowledge:** ‘Hear from a peer’ presentations or workshops are a ‘*powerful tool*’ when sharing case studies and best practice. The more relevant and tailored a case study is to a specific VCSE's own need, the easier it will be for them to process and absorb the information. Different formats are also helpful to increase accessibility to more diverse groups. For example, video or audio formats may be easier for someone who is blind or partially sighted.
- **Infrastructure organisations need to understand grant-making too:** In order to give the best advice to VCSEs, infrastructure organisations need to be familiar with funding opportunities and challenges so that they are in a better position to advise a VCSE whether or not to apply for repayable finance or grants. Understanding the grant-making and repayable finance landscape also helps build the ‘*trusted third party*’ role that infrastructure organisations are developing. They are not seen as ‘*selling*’ one approach or another, rather presenting a range of possibilities and the advantages and disadvantages for each.

5. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

There is clearly a great need for the Connect Fund's role in building a more effective social investment market, and the Fund has made significant progress in its first two years through its thoughtful approach. It is still early days in many regards, but it appears that many of the Fund's projects are contributing to the various outcomes that the Connect Fund is seeking.

But there are still issues to solve—some fall within the Connect Fund's remit (such as improving diversity or helping the development of more suitable products and standards) and some outside (such as VCSEs challenged by austerity and cuts, or the risk-averse nature of VCSE boards). Several of these issues are being addressed by current projects and it is too early to see their effects, but others could become focus areas for the Connect Fund in the future.

Recommendations

This report is intended to be a learning report to help the Connect Fund's impact over the rest of its lifetime. Our key recommendations highlight the areas where the Connect Fund could increase its focus to have greater impact:

- **Building greater awareness of social investment among VCSEs.** Although awareness is improving, more could be done, and there remains a gap in knowledge about whether social investment is appropriate or relevant to individual VCSEs even once they become aware of it.
- **Improving diversity.** It was widely felt that there is a way to go before the market is fully inclusive for all groups, whether defined by race, gender, disability or socio-economic status.
- **Creating more trust.** There remains a mistrust of social investors, perceived to be primarily financially motivated. Related to this is the level of risk that boards or senior management teams within VCSEs are prepared to take—social investment is often considered '*too scary*'.
- **Improving language and terminology.** Language was raised as a key barrier when engaging VCSEs and that financial terminology needs to be easier to understand.
- **Making the application process easier for VCSEs.** It was felt that VCSEs ready to take on social investment still find the process daunting—including taking a long time, wide variety of required paperwork, lack of standardisation of forms and term sheets. There may be a greater role for the Connect Fund in educating investors to make the process more straightforward
- **Supporting VCSEs around impact measurement.** It is widely understood that impact measurement provides significant challenges within the social investment market and is becoming ever more necessary as the field grows. Infrastructure organisations could play an important role, if better equipped and using the new and growing suite of measurement resources⁶, in supporting VCSEs with impact measurement as well as the business planning support that they currently provide.

⁶ Inspiring Impact website: www.inspiringimpact.org. It has free online measurement resources, peer learning networks and grant funding so that charities and social enterprises can plan, understand and improve their impact.

ABOUT NPC

NPC is a charity think tank and consultancy. Over the past 15 years we have worked with charities, funders, philanthropists and others, supporting them to deliver the greatest possible impact for the causes and beneficiaries they exist to serve.

NPC occupies a unique position at the nexus between charities and funders. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.