Sustainable futures:

investing in community-based organisations

Adventure Capital Fund | 2

nef is an independent think-and-do tank that inspires and demonstrates real economic well-being.

We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environmental and social issues. We work in partnership and put people and the planet first.

As **nef** is one of the ACF delivery partners, we could not undertake the evaluation project. This has been commissioned from the Centre of Social and Evaluation Research at London Metropolitan University.

economics
real wealth
means well-being

environment
lifestyles must
become sustainable

society
communities need
power and influence

nef (the new economics foundation) is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G7/G8 summit meetings. We have taken a lead in helping establish new coalitions and organisations, such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and environmental well-being.

Above and front cover: Moving the finished compost at Fairfields Waste Management Ltd, Manchester. The vertical composters can be seen in the background.

The £2.5 million Adventure Capital Fund (ACF) programme was launched in December 2002 as a demonstration programme to run from April 2003 through to March 2004. Designed to test the effectiveness of making direct investments in independent community-based organisations that were working in disadvantaged neighbourhoods or with marginalised communities, the programme aimed to foster an enterprising culture within the participating organisations and increase their capacity, accelerate their growth and improve their sustainability. This report reviews the progress of the ACF programme from its origins in early 2002 through to the end of June 2004.

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It is not possible to thank all by name but it is possible to list the organisations that they represent: the Active Communities Unit (ACU) and the Civil Renewal Unit (CRU) within the Home Office; the Neighbourhood Renewal Unit (NRU) within the Office for the Deputy Prime Minister (ODPM); the Social Enterprise Unit (SEnU) within the Department of Trade and Industry (DTI), the Enterprise Team within HM Treasury; Development Trusts Association (DTA), Scarman Trust, **nef** (the new economics foundation), Local Investment Fund (LIF); regional development agencies (RDAs) and the staff, committee members, users and partners of organisations awarded Bursary Grants or Patient Capital investments.

Evaluation is never an easy task. The evaluator is always on the outside looking in and his/her task is to make an assessment. The participants therefore can be wary of what they disclose and what they withhold – especially, as in the Adventure Capital Fund (ACF) programme, if the programme is highly innovative and expectations are high.

The ACF evaluation, like the programme it has shadowed, has broken new ground.[1] My particular thanks go to the representatives of the delivery partners – DTA, Scarman Trust, LIF and **nef**. They had most at risk from the 'real time' evaluation approach adopted for the ACF programme. Also my thanks to Charles Woodd, the chair of the Steering Group: he has been both assiduous and courteous throughout the process.

Although I take responsibility for the report, it is not the product of a single hand. A team of assistants and readers has supported me: Melanie Nock, Sam Armitt, Robert Wood, and Kamila Zahno. Without them the evaluation project would not have been able to take place.

Finally, I have benefited enormously from the advice and guidance of the Evaluation Panel, chaired by Duncan Prime of the Research and Policy Section of the Civil Renewal Unit within the Home Office.

Stephen Thake
Reader in Urban Policy
London Metropolitan University
London

25 October 2004

Glossary

Community Sector Organisations

ABL	Action for Bradford Limited
BCUDA	Birmingham Credit Union Development Agency
Bassac	British Association of Settlements and Social Action Centres
CAB	Citizens Advice Bureau
Cdfi	Community development finance institution
CU	Credit union
CDCU	Community development credit union
CDT	Community development trust
CVL	Community Ventures Ltd (Middlesboro)
DTA	Development Trusts Association
ICE	Ibstock Community Enterprises Ltd
LIF	Local Investment Fund
nef	the new economics foundation
Scarman Trust	National charity committed to helping citizen's bring about positive change in their communities
SECBU	South East Birmingham Credit Union
STEP	Stocksbridge Training and Enterprise Partnership

Government Departments

ACU	Active Communities Unit, Home Office
ACF	Adventure Capital Fund
CRU	Civil Renewal Unit, Home Office
DTI	Department of Trade and Industry
HMT	HM Treasury
NRU	Neighbourhood Renewal Unit, ODPM
ODPM	Office of the Deputy Prime minister
SEnU	Social Enterprise Unit, DTI
SEU	Social Enterprise Unit, Cabinet Office now transferred to ODPM

Regional Government

RDA	Regional Development Agency
EEDA	East of England Development Agency
emda	East Midlands Development Agency
LDA	London Development Agency
Yorkshire Forward	Regional development agency covering Yorkshire and Humberside

Local Authorities

LSP	Local Strategic Partnership

Government Programmes

SRB	Single Regeneration Budget
NDC	New Deal for Communities

European Union (EU) Programmes

ESF	European Social Fund
ERDF	European Regional Development Fund

Concepts associated with the ACF programme

ACF Bursary	Grant to undertake organisational development initiatives prior to embarking upon significant capital investment business development projects
ACF patient capital	Long-term investment taking the form of loans, loans and grants and in some instances gift capital
Balanced scorecard	A mechanism for establishing the current, short- and medium-term plans of a community-based organisation in four important fields of activity: financial, business, organisational and social
Community-based organisation	Organisations located within communities or spaces of interest and designed to meet the needs of those communities
Community enterprise	Community-based organisations that engage in income earning activity as part of a portfolio of activities
Deep discount	Interest on loans calculated at sub-market rates
Gift capital	Investment of funds, without interest or repayment schedules, designed to increase the sustainability of fragile community-based organisations and assist in their transition to becoming community enterprises
In kind repayment	Interest and/or capital repayment calculated as either monetary donations or the gift of consultancy time to other community-based organisations or enterprises
Repayment holiday	Deferring capital repayment and/or interest on loan for up to five years
Social enterprise	Economic activity that generates surplus wealth but not for private of personal gain.
SROI	Social return on investment is a mechanism for capturing the social benefit of investing in non-commercial organisations/enterprises

Executive summary
ACF creates both a major splash and significant ripples

Introduction
The Adventure Capital Fund was designed as an experimental programme to provide investment finance for independent community-based organisations seeking to increase the scale and sustainability of their operations through engaging in enterprise initiatives.

Three forms of investment were on offer:

- Revenue funding in the form of Bursaries to strengthen the organisational base of organisations intending to embark upon significant enterprise activity.
- Patient Capital in the form of long-term, sub-market loans that can also be blended with gift capital.
- Time in the form of dedicated Supporters to work alongside participating organisations as they make the transition from financial and organisational fragility to sustainability.

A consortium of three central government departments and four regional development agencies financed the £2.5 million programme. And a specifically established consortium, comprising organisations with national reach and strong links to the community sector, delivered it.[2]

If successful, the ACF programme will have helped pioneer:

- Processes, products, and structures capable of facilitating the planned growth of substantial and sustainable community anchor organisations in areas and communities experiencing severe stress.
- A new model for the delivery of publicly funded programmes.
- An investment vehicle that is attractive to a range of non-governmental funding bodies ranging from charitable foundations through to commercial businesses.

The ACF programme, therefore, offers significant benefits to the many constituencies with an interest in strong and vibrant communities. In order to assess the contribution of the programme, an independent evaluation project, undertaken by London Metropolitan University, was commissioned to run in parallel with the implementation of the programme.

This is the second report of the evaluation project[3] and covers the two-year period from the programme's inception through to June 2004.

Hard driven programme

All those involved in the ACF programme – participating organisations, delivery partners, regional development agencies, and central government departments – can look back over the first two years of its existence with genuine satisfaction.

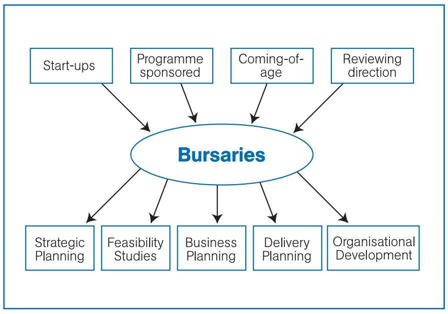
The programme, first formulated in June and launched in December 2002, had by the end of March 2003, issued letters of commitment to 29 participating organisations: 19 Bursary Award winners and 10 Patient Capital investees. In June, the response to the ACF programme, when linked with developments in policy within the Home Office and support for the Patient Capital investment approach from the Bank of England, enabled David Blunkett, the Home Secretary, to announce a further allocation of £4 million to establish an ACF Round 2 programme.

In July, the three sponsoring departments co-hosted a national seminar to raise the awareness of the benefits of Patient Capital. A year later virtually all the Bursary Awards had completed their course and half the Patient Capital investees had drawn down their funds. In addition, although outside the remit of this report, the ACF Round 2 programme had been launched and the Bursary/Business Development Grants and Patient Capital investments awarded.

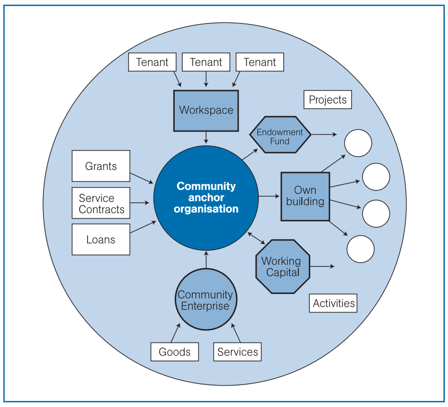
Simply measured in terms of logistics, this represents a significant achievement. The processes, products, structures and personnel, all of which had to be brought together for the programme, have been tested and stretched. All have matured and strengthened during the period. They have provided the grounding for the programme.

Core components

The evidence to date on ACF Round 1 indicates that it has more than met its objectives in its three core areas:



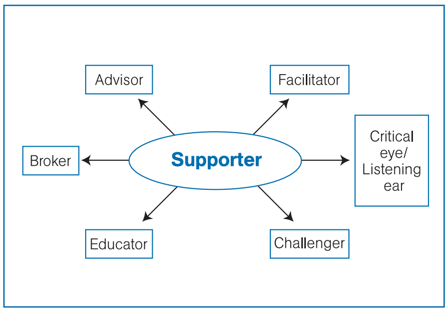
- The Bursary programme has provided a simple mechanism that has enabled community-based organisations in different stages of development to access high-level inputs to strengthen critical aspects of their organisation and to quantify/reduce the risks associated with their proposed income earning initiatives.
- The Patient Capital programme has supported a range of workspace and community enterprise initiatives with the potential of generating significant income streams. The programme has also identified the crucial ways in which these income streams underpin the financial and organisational stability of the participating organisations and the contribution they make to the wider community.



- The Supporter programme, particularly with respect to the Bursary participants, was seen as very positive. Each Supporter provided a blend of inputs depending upon their own skills and the requirements of the participating organisations. The Patient Capital Supporters came on stream later and it is too early to assess the full potential of their contribution. Nevertheless, where there has been significant engagement, their contribution has been appreciated.

Culture change

In addition, the ACF programme has also contributed to a step-change within the participating organisations. The scale of the cultural change involved has been a revelation to the programme sponsors and participating organisations alike. At the end of the Bursary programme, all the participants had a much better appreciation of the scale of undertaking and the scale of change that was necessary to achieve sustainability.



Patient Capital investees have also crossed an important threshold. First, they were able to offer potential funders a strategy that moves beyond the familiar 'grant giving/supplicant' model. Secondly, the ACF programme has also established disciplines such that in order to transform aspirations into realities,

Ibstock Community Enterprises (ICE), Leicestershire

Ibstock is a small town/large village of around 7000 people in the coalfields area that suffered from the catastrophic loss of jobs in mining between 1984 and 1991. Unemployment is no longer a major issue but the workforce has very low qualifications, average pay is low, and there is a high rate of long-term limiting illnesses. There is a thriving village spirit and the town supports a wide range of independent traders many of which are quite fragile. There are significant pockets of physical decay.

Ibstock Community Enterprises was formed in 1996 following the closure of the local bank and, as a consequence, the withdrawal of the last ATM cash machine in the town. This had had serious implications for the local economy as 35 local traders only accepted cash. In 1997, ICE bought the former bank building and reinstalled a cash machine. The organisation now runs the bank building as a one-stop information and advice shop. They also offer a variety of community activities.

ICE is also a non-governmental focal point for regeneration in the town. In 1999, ICE purchased and secured against the elements a large dilapidated building on the high street. The progressive deterioration of this building, which in former times had been the old school house, both blighted the high street and was a symbol of slow decline of the area. The purchase of the building was funded using ICE's own funds and a commercial loan. However, ICE did not have the resources to renovate it and the commercial loan represented a permanent drain on its limited resources.

The ACF programme provided Patient Capital investment to enable ICE to put together a financial package, involving both the regional development agency and the Coalfields Regeneration Trust, to convert the building to provide managed workspace units with a training suite. This provides affordable, high quality business space to local businesses thus strengthening the economy of Ibstock and allowing local people to run their businesses locally but also generating a sufficient surplus to allow ICE to become financially independent. In particular, it is hoped that this will enable them to pay their co-ordinator to focus on their activities rather than to undertake consultancy to generate income.

Nature and amount of investment: £100,000 gift capital

Repayment terms: None

The building is now complete and has achieved the occupancy levels predicted in the business plan (approximately 70 per cent). The Community College is running training from the training suite, which is also being used by private businesses. The manager has been recruited and is now in post. Consideration is being given to how best develop business support services to the tenants.

The primary impact at this stage has been the burden on the organisation of managing a project of this size and complexity. For the last three months, there have been pressures on cash flow that have also been demanding on management time and capacity.

Externally, they believe that it has had an impact on potential external funders who are now prepared to believe that an organisation of their size can handle a project of this nature; it has enhanced their credibility as major players. Within the local community they believe it has had a positive impact but it is very early days and they are not yet in a position to evaluate that belief objectively.

the projects had to be fully funded not only during the capital-intensive development phases but also during the revenue-demanding day-to-day implementation phases.

It is possible that the offer of a long-term partnership and an incremental and supported journey provides an important alternative to the 'carrot and stick' and 'financial inducement' models of initiating culture change programmes.

Learning programme

The ACF programme has also provided a number of important insights into the dynamics of the community sector. The Bursary and Patient Capital programmes have broadened the understanding of the diversity and ambition of community-based organisations engaged in the search for sustainability. They have particularly highlighted the problems facing community-based organisations active in small isolated towns.

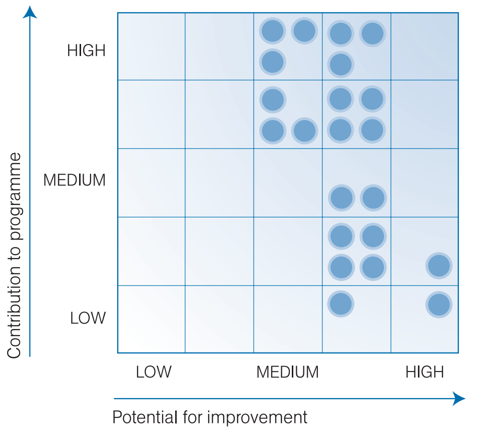
The evaluation fieldwork has confirmed the organisational and financial fragility of participating organisations. Although some larger well-established organisations have acquired or been endowed with buildings, none of the participating organisations have been able to generate independent streams of income or establish financial reserves in the current funding environment. The small amounts of unrestricted funds available to these organisations have had to be earmarked to cover core costs that cannot be covered through project funding, erratic cash flow, bad debts, unfundable activities, and losses on projects that turn sour. This makes even the most well-established organisations highly risk averse.

Although the ACF programme can lay claim to a range of substantial achievements, it was, nevertheless, conceived as an experimental programme. As a consequence, there are several lessons that have emerged during the life of the programme. First, the review of procedures, which was undertaken in summer 2003, identified a number of improvements that were incorporated in the run-up to the launch of the ACF Round 2 programme. The evaluation fieldwork phase for the Bursary and Patient Capital programmes also identified a number of areas that can benefit from further development. The main areas identified for a future work programme are:

- **Programme branding and marketing**
  The ACF programme has achieved a significant profile but further work needs to be undertaken to refine and make contact with its target audience.
- **Programme integration**
  The full potential of the ACF programme would be enhanced if there was greater co-ordination of activity between the various strands of the programme both nationally and regionally.
- **Programme development**
  Without a longer funding commitment it will be difficult to establish robust products, processes, and structures, to identify the long-term outcomes, or to engage non-governmental funding agencies in the process.
- **Programme delivery**
  Two of the toolkits used in the ACF programme – the Balanced Scorecard and the Social Return on Investment – would benefit from further development. In addition, the fieldwork identified the need to develop two other programme management tools – an Organisational Development toolkit and a Project Preparedness toolkit.

Overall assessment

The ACF programme has tested the relevance and effectiveness of a range of new concepts, approaches, products, processes, and structures. The evaluation project has assessed 22 individual elements of the programme ranking their contribution to the overall programme and their potential to make an increased contribution in the future.



A summary of the assessment of these 22 elements against these two criteria indicates that nearly two-thirds achieved a better-than-medium score for their contribution to the programme and over two-thirds have a better-than-medium potential for making an enhanced contribution. A third achieved a low score with regard to their contribution to the programme but all of these had a better-than-medium potential for further improvement.

Perhaps the most pertinent result of this portfolio approach to the evaluation of the ACF programme is the number of elements that have achieved a high score for their contribution to the overall programme and for their potential for further development; a third of the elements fall into this category.

Taken together, the assessment of the 22 elements of the ACF programme indicates not that it has achieved a great deal in a relatively short period but that there is scope for further growth and development.

Nevertheless, the future is not risk free. Many of the Patient Capital investees are still operating with the benefit of capital and interest payment holidays: they have yet to make any substantial repayments on their loans. In addition, further work needs to be undertaken to establish the depth of the market for Bursaries/ Business Development Grants and Patient Capital investment as well as how to develop the capacity of community-based organisations in neighbourhoods and communities where the local infrastructure has been severely eroded.

Introduction

Government, at central, regional and local levels, and organisations representing the community sector share a common objective to create a vibrant and sustainable community sector.

Background

The £2.5 million Adventure Capital Fund (ACF), launched in December 2002 by the Home Office Minister, Lord Filkin, provides investment finance to enable independent community-based organisations, active in disadvantaged neighbourhoods or marginalised communities, to improve their sustainability through engaging in enterprise initiatives.

The investment products offered by the ACF were:

- Revenue Bursaries of up to £15,000 designed to strengthen the organisational capacity of the selected community organisations or to enhance their investment readiness.
- Patient Capital of up to £400,000 designed to establish/strengthen the enterprise activity within selected community organisation and in doing so strengthen its balance sheet and increase its resilience and sustainability.

The ACF programme was also intended to be culture change programme. Evidence from the community and social entrepreneurs, who have helped establish the trailblazing community-based and social enterprises over the last 25 years, indicates that they have developed new skills and embedded a more sophisticated attitude to the development and management of assets – financial, physical, and human. This change in culture has been seen as an important contributor to the enhanced sustainability of these organisations. It was envisaged that the ACF programme, by fostering the development of enterprise activity, would bring about changes within participating organisations such that they would, over time, transform themselves from being community-based organisations to become community enterprises.

Recognising this change element of the ACF programme was critical. The ACF Bursary and Patient Capital investment programmes were also conditional upon the appointment of a dedicated Supporter to work alongside selected community organisations to advise, support, and challenge them on their journey of transition.

Funding for the ACF programme came from a consortium of government departments (Home Office, Office of the Deputy Prime Minister, and Department of Trade and Industry) and regional development agencies (London Development Agency, East of England Development Agency, East Midlands Development Agency, and Yorkshire Forward). The allocation of the funds was conditional upon commitments to individual community-based

Independent community-based organisations are organisations established to meet the needs of communities defined by space (e.g. neighbourhoods or districts) or identity (e.g. ethnicity or disability) and are located within those communities. Their independence stems from their governance: they are free standing entities that are not dominated by external bodies.

Community enterprises are independent community-based organisations that undertake social and economic activity as part of a portfolio of activities. The social enterprises they establish are designed to generate surpluses that are then invested in the communities they serve or in the parent organisation such that it is better able to carry out its mission.

organisations being formally completed by 31 March 2003. It was also anticipated that all the funds would have been drawn down by 31 March 2004.

An independent Evaluation Project was commissioned to run in parallel with the ACF programme. The Evaluation Project was expected to generate three reports:

- A Baseline Report that described the position at the outset of the programme.
- An Interim Report that detailed progress at the six-month stage.
- A Final Report that reported at the completion of the programme.

Although the ACF was, in effect, established as a one-off, 12-month experimental programme with a 4-month lead-in period, it soon took on a different complexion. The diversity and level of response to the initial invitation to apply for Bursary and Patient Capital investment, when coupled with the confirmation by the Bank of England[4] that highlighted the lack of Patient Capital for the crucial start-up and expansion phases of social enterprises and advances in policy thinking within the Home Office,[5] prompted Home Secretary David Blunkett to announce a further allocation of £4 million, taken from the Requisitioned Assets Fund, to support a Round 2 of the ACF programme.

The addition of Round 2 changed the nature of the ACF programme. In addition to being an experimental programme designed to test a number of assertions, Round 1 was now also expected to become a development programme, capable of identifying improvements in processes and products for the benefit of Round 2. Preparation for Round 2, while at the same time as delivering Round 1, had an impact upon the delivery team and the other funders.

It also had an impact upon on the Evaluation Project. The Baseline Report was published in July 2003[6] as planned. However, in place of the proposed Interim Report and in order to inform the launch of the ACF Round 2 programme, a review of the ACF set-up and early implementation phases was undertaken between August and October.

With the advent of the ACF Round 2, the current report will not provide a ‘final' statement on Round 1 processes, outputs, and outcomes. Such a ‘final' statement will form part of the Round 2 Report, which is scheduled for the summer/autumn of 2005. This will allow an assessment of the longer-term Round 1 outputs and outcomes to be incorporated into the ACF learning and dissemination processes.

If, as is anticipated, funding is made available for further rounds, the concept of ‘final' reports will diminish in importance. The first, second, and subsequent rounds can then be seen as cohorts in a longer running programme and each report published will become part of a rolling programme of progress reports on work in different stages of development.

Structure

This report is designed to be a stand-alone document. It does not set out to describe in detail the content of the ACF programme or the organisations and projects included in the programme: that was one of the functions of the baseline report.[7] However, it is intended that the report include sufficient explanation to allow it to be read without reference to the baseline report.

The report is divided into three sections.

- The first section sets the scene. It has two elements. The first rehearses the components of the ACF programme; the second provides the context within which the ACF programme is placed.

- The second section forms the main body of the report. It has six elements. The first draws together a number of overall findings. The next two cover the ACF sub-programmes: Bursary grants and Patient Capital investments. The following two elements report on the Processes and Structures developed to manage and deliver the ACF programme. The last element outlines a number of Strategic Issues that warrant further consideration.
- The third section draws together the Conclusions and Recommendations included in the body of the report.

Approach to assessment

The primary objective of the Round 1 evaluation report has been to assess the performance of the ACF programme as whole. The ACF programme is innovative and multi-faceted. It is testing the relevance and effectiveness of a number of new concepts, approaches, products, processes, and structures. The evaluation process has to assess the extent to which these component parts of the programme contributed to or hindered the achievement of the overall performance. It is not sensible, therefore, to accord such a programme a single measurement of success or to rely upon the evidence of individual case studies. The ACF programme warrants a more reflective form of assessment.

The approach used in this report builds upon one that has been developed by the Audit Commission.[8] In this approach, each element of a programme can be assessed against two broad criteria. One criterion assesses the contribution that an element made to the overall programme; the other assesses the scope for further improvement. An element can perform well on the contribution scale and as a consequence might have a limited potential for further development. Another element could score relatively poorly on the contribution scale but have significant scope for further development.

This method of evaluation allows the assessments of individual elements to be plotted on a single chart (see Table 1). This has the advantage of allowing a bundle of associated but dissimilar issues to be brought together within a matrix framework. The chart provides both a snapshot at a particular point in time and also a template against which further development can be measured.

This approach is particularly appropriate to a programme, such as the ACF programme, that contains both a demonstration and a developmental strand.

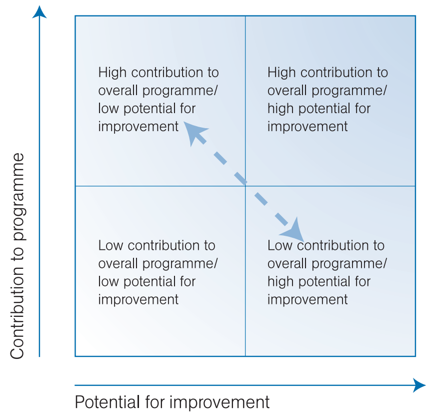
The expectation would be that the distribution of assessments of individual elements would cluster along the NW/SE diagonal from ‘high contribution/low potential’ through to ‘low contribution/high potential.

Clearly there is also scope for an element to score well on the contribution scale and yet have significant potential for further improvement. The more of these elements in the programme, the better the potential for further development and continuing investment. Similarly, there can be those elements where the contribution has been poor and the scope for improvement is limited.

The greater proportion of elements falling in the high-contribution sectors the better. However, even those elements which have a low contribution measurement need not be cause for immediate concern, if there is scope for improvement. Elements that have a low score for both contribution and potential would, however, give rise for serious concern if they represented key aspects of the programme.

In implementing this approach to the ACF programme, each of the main elements of the programme has been described in the report and then assessed against its contribution to the overall programme and its potential for improvement in the future. Both the ‘contribution to the overall programme’ and potential for improvement’ criteria have been measured on a scale of 1–5. A score of ‘3’ represents a medium level for both ‘contribution’ and ‘potential’.

Table 1: Contribution to programme/ Potential for improvement matrix



A score box (see Figure 1) for each element of the programme is included in the text as each element is considered.

A total of 22 separate elements of the programme have been assessed in this way. This is an indication of the highly crafted nature of the ACF programme.

An overall summary and analysis of all the individual elements reviewed has been brought together in the Conclusions and Recommendations section at the end of the report.

Although the report draws on evidence from individual organisations participating in the programme, it does not undertake a detailed evaluation of the participating organisations or their projects. First, the Bursary holders were at the early stages on their journey towards undertaking major capital and/or business developments. There will be many twists and turns before it will be known whether they have successfully achieved their goal. It was, therefore, inappropriate to make a judgement based upon a snapshot frozen in time. Secondly, half the Patient Capital investees had not drawn down their funds by the time the fieldwork for this report was undertaken. For those that had, it was too early to establish what the longer-term outcomes – both planned and unplanned - might be. These issues will be covered in subsequent ACF evaluation reports.

Thirdly, the ACF programme was set up to establish whether there are major gaps in the financial support available to community-based organisations seeking to become financially and organisationally sustainable and to test the applicability of a number of new approaches and products. It was not a test of the organisations participating in the programme. The extent to which they benefited from the programme and the extent to which they were ready to participate in the programme needs to be viewed in the context of the overall programme and also what it says about the community sector as a whole rather than what it says about individual organisations.

Nevertheless, the experience of the participating organisations, in both the Bursaries and the Patient Capital strands of the ACF programme, provides valuable information on their achievements and the difficulties that they have had to overcome. It also provides an important measure of the changes within these organisations that have taken place as a consequence of participating in the ACF programme. This evidence, which is relevant to decisions relating to future funding of the ACF programme, has been built into the report.

The findings from the Bursary programme are presented anonymously. In those instances where specific comment has been made, this has been checked with the participating organisation for accuracy. It was not possible to adopt the same approach for the Patient Capital investees; there are only ten of them and, although it is possible to divide them into clusters, they are so different from each other that it would not be possible to preserve anonymity. Again where reference is made to Patient Capital investees, a check has been made to confirm accuracy.

In addition, examples of two organisations participating in the Bursary programme and three organisations participating in Patient Capital programmes have been highlighted in text boxes. This allows the report to include concrete examples of the organisations supported, the environment within which they are operating, the projects that they are undertaking, the type of investment packages developed and the progress and impact that has been made without detracting from the evaluation of the overall programme.

Figure 1: Example of scoring for an individual element within the ACF programme

Section 1
Setting the scene

1.1 ACF components

The ACF programme was conceived as a straightforward intervention, designed to test a number of simple assertions. In order of hierarchy, these assertions were as follows:

- The lack of capital assets was a major limiting factor to stability and sustainability of community enterprises.
- The absence of suitable investment products presented a significant barrier to the acquisition of such capital assets.
- Two of the most pressing of these investment products were funding to support the organisational development for community-based organisations that were on the brink of being 'investment ready' and patient capital for those that were.

The Adventure Capital Fund therefore offered revenue 'Bursaries', capped at £15,000, to strengthen the organisational capacity of a participating organisation and Patient Capital investments, with a ceiling of £400,000, designed to establish/strengthen the asset base and/or increase the scale of operations of the selected community-based organisation.

Beneath this level of simplicity, however, the ACF has shown itself to be a far more complex and sophisticated form of intervention.

The Bursaries and Patient Capital investments differed not only in scale but also in form. The Bursaries took the form of one-off grants while the Patient Capital investments were designed to explore the applicability of a range of products. Each investment package was tailored to the requirements of each applicant. Although the main focus was on the provision of a variety of deeply discounted, 10-year loans, the ACF sponsors were willing to vary the ratio of loan to grant, negotiate different levels of discount, and experiment with alternative methods of calculating the nature and timing of the interest and capital repayments.

The ACF programme was also highly targeted.

First, the offer was focused on multi-purpose organisations located in disadvantaged neighbourhoods or serving marginalised communities.

Secondly, within this group, it focused on those organisations that wished to provide or already provided an anchor role within their neighbourhood or community and wished to achieve sustainability through developing social enterprises. Furthermore, these organisations were expected to be near to or at the point of investment readiness.

In addition, the ACF programme was not seen simply as a technical programme. It was envisaged as a potential culture-change programme supporting a shift away from a reliance on grant funding towards the use of loan and equity finance. The ACF programme was designed to assist in this change process not only through the investment packages on offer but also through the provision of Supporters to work alongside participating organisations.

The ACF programme also included a significant number of other innovations.

- **Investment in advance of need**
  The ACF programme not only challenged market failure, it was also designed to play a role in market making. Both the Bursary programme and the Patient Capital investment programme were examples of anticipatory interventions. They were not designed to tackle immediate, on-the-ground need. Instead, they were designed to enable the selected organisations to become stronger in order that they could meet existing, emerging or anticipated need. This represented a fundamental break with previous funding regimes.

- **Funding**
  Although the ACF Round 1 programme was small, it required contributions from six different funding bodies: the Home Office, the ODPM and four regional development authorities. Subsequently, the DTI also contributed a small amount to the programme. This degree of joint sponsorship and joined up government is unusual.

- **Delivery**
  The delivery mechanism for the programme also broke new ground. It was not delivered through existing delivery infrastructures such as those established for the Single Regeneration Budget (SRB), Local Strategic Partnerships (LSPs), or New Deal for Communities (NDCs) programmes. A specifically created consortium of organisations committed to the development of the community sector – DTA, Scarman Trust, **nef** and LIF – was established to deliver the programme.

- **Partnerships**
  The ACF programme has depended on a number of interlocking partnerships. In addition to the delivery partnership of community-orientated organisations, the ACF programme has also included partnerships of central and regional government bodies as funders and a partnership between the funding partners and the delivery partners to oversee its programme-management aspects. Although a background of co-operation already existed between the participants, all of these partnerships were brought into being and formalised specifically for the ACF programme.

- **Structures**
  The ACF has created a unique set of structures to administer the programme. A Steering Group comprising representatives of central government departments, regional government agencies, and delivery partners and, more recently, a number of independent agencies, has overseen the strategic management and development of the programme. A Partners' Group, comprising the delivery partners, has been responsible for the day-to-day implementation of the programme. The Partners' Group established quasi-autonomous Selection Panels, comprising both funders and delivery partners, to oversee the processes by which the Bursary grants and Patient Capital investments were allocated.

- **Learning**
  When the ACF programme was announced in December 2002, it was seen as a one-off, one-year programme. However, in July 2003, a second round

was announced. This transformed the ACF programme from being a simple demonstration programme to being a demonstration and development programme. As a consequence, many of the lessons learned from the practice in Round 1 have been captured for the benefit of Round 2.

On the evidence of the ACF programme, changing the status quo, even in the highly focused area of the introduction of two relatively simple financial products, such as Bursary grants and Patient Capital investments, has required a highly crafted set of interventions that incorporate a significant number of innovations.

1.2 Context

Central government programmes are usually announced with their funding streams in place and their objectives fully formed. Often the preparatory work that has preceded their announcement has been extensive. Yet the hinterland from which these programmes have emerged is often taken for granted and remains unexplained.

In the case of the ACF programme this context is of particular relevance. First, although sponsored by central government, it was initiated by the community sector. Secondly, it has had the support of the Home Secretary and was funded by three central government departments and four regional development agencies. Thirdly, it has a decision-making structure that is far more developed than a programme of its size would appear to warrant.

The reasons why the ACF programme has attracted the support and attention that it has lie deeper in a wider evolution of policy and programme development.

In 1997, the incoming government faced a double challenge. First, it promised to reform the delivery of publicly funded services such that they regained the confidence of middle-income families. The energy and commitment required to deliver against this promise has been prodigious and is ongoing. It has required not simply additional resources to make good the lack of investment over past decades: it has also required a fundamental rethinking and reengineering of how those services are delivered.

Secondly, it has committed itself to reverse the polarity that had emerged between the richest and poorest sections of society and address the needs of those living in communities and neighbourhoods experiencing severe and inter-generational deprivation.

The work of the Social Exclusion Unit[9], building on the work of the Joseph Rowntree Foundation[10] and many others, identified that, at the end of the twentieth century and after 50 years of the welfare state, there are neighbourhoods and communities throughout the UK where the quality of life – in terms of physical and mental health, financial poverty, degraded environments, low expectations, and abuse – gives rise to severe stress.

The existence of such concentrations of multiple-deprivation is not just a question of social justice; it is also an issue of economic efficiency. Meeting the social needs of these neighbourhoods and marginalised communities is expensive. The concentration of such levels of deprivation is also potentially destabilising in terms of crime, violence, and civil unrest.

The findings of the Social Exclusion Unit established that neither the private sector nor the public sector – separately or together – have been able to maintain a tolerable quality of life for significant sections of society. Indeed their actions and inactions have, in a number of situations, compounded the problem. This represents a systems failure of significant proportions.

The response has been profound. The plethora of area-based initiatives to counter social exclusion; the modernising government agenda and the development of the social responsibility agenda in the private sector are all testaments to the need for change. However, when external agencies fail, communities are thrown back on their own resources. It is not by chance, therefore, that a consensus has also emerged across central government to promote a strong and sustainable social sector.

The contribution of the social sector, in rebuilding social networks and engaging with those who view public and private sector agencies as an irrelevance, has been recognised. For the first time, a landscape is being established where there can be a plurality of legitimate responses to meeting local needs – a reformed public sector, a re-engaged private sector, and an enhanced social sector. Each has a role to play.

The focus on the social sector has brought about a better understanding of its breadth and depth. There are at least three main groupings: the traditional voluntary sector, the community sector, and social enterprises.

The emergence of the community sector, as a distinct grouping, is not coincidental.

In many low-income neighbourhoods, workplace networks and organisations have provided the social infrastructure. However, where local economies have collapsed, these networks, along with their associated social and physical capital, have been under severe strain. In many instances they have disappeared, their assets dispersed. In these situations, communities are thrown back on local non-work-based organisations for support. Where there are barriers to participation in the mainstream economy, non-work-based organisations have provided the primary support networks for many marginalised communities.

The evidence of the trailblazing work in disadvantaged communities undertaken by new style community-based organisations – such as Community Links in Newham or the Inner City Trust in Londonderry – has been impressive. Secondly, a connection has been made between the work of this generation of social entrepreneurs and that of those who are working in Settlements, such as Toynbee Hall and Cambridge House, and social action centres which represent the legacy of the community-based activity of previous generations. Thirdly, organisations such as **nef**, have been responsible for mapping out the territory of the social sector from the global to local. This has provided a broader conceptual framework for community-based activity.

The community sector is not a homogenous grouping. At one extreme there are sizeable multi-purpose organisations that act as important physical and psychological anchors for their communities – whether they are communities of space or communities of interest. At the other extreme there are small groups that form to meet a particular need and then disband as quickly as they were formed.

However, they share a number of common features that give them a competitive advantage over external agencies. They are based in communities and, as a consequence, they have local knowledge and networks. This means that they are able to build up a bank of social capital, which in turn engenders trust. That trust can help overcome amazing obstacles and allow these organisations to hold up a mirror to the public, private, and traditional voluntary sector service providers and provide another avenue of accountability when others fail.

There are also other important factors. Community-based organisations have developed a range of practical skills that enable them to work effectively in their particular environments and respond to emerging needs before they become acute. They also have access to resources that are not available to either public or private sector actors and they involve users as volunteers. This enables a small amount of external funding to go a long way.

From the outside they can appear to be a hive of activity run by alchemists who appear to conjure resources out of nowhere. They have attracted a great deal of attention because it is appreciated that their methods of working might represent a new approach to working with and working in communities which are experiencing severe stress.

Although there is evidence of the substantial and lasting contribution that community-based organisations have made, experience has shown that they are highly vulnerable.

Unlike local authorities, they do not have an independent tax base or revenue support from central government. Unlike traditional voluntary sector organisations, they have to generate their incomes from within their own neighbourhoods and communities. In order to survive, they depend upon the often limited financial resources within their own communities, discretionary grants from local authorities and charitable foundations or short-term service contracts.

The capacity and income stream of these organisations can be extremely fragile. Funding has to be assembled from a wide variety of sources. It can dry up at short notice, not because the need has disappeared or the activities have been poorly carried out, but because programmes, priorities, and even personnel change. This leaves organisations, working with some of the most vulnerable sections of society, also very vulnerable.

The unsatisfactory nature of this environment has been broadly accepted and a two-pronged approach has been adopted to remedy it. HM Treasury has, through its cross-cutting review of the community and voluntary sector, initiated a number of important changes in the way in which publicly financed services are purchased.[11] A key element in the Government's response has been the creation of the Futurebuilders programme.

E5 Enterprise, Hackney

E5 developed out of a network of projects owned by the Clapton Park United Reformed Church which had been evolving since 1997. The area has a very diverse inner city population. The Church had owned a Grade 2* listed round church but had given that to the Hackney Historic Buildings Trust, leaving E5 Enterprise to occupy and manage the ancillary buildings as a base for 40 community groups, its own community activities, and church services.

The Bursary funded a six-month appointment of an enterprise manager to develop business plans for the refurbishment of the building. The refurbishment was intended to expand lettings within a higher quality environment and to develop proposals for a catering business. The objective of these projects was to secure the long-term future of the building as a community venue; generate surplus funds to support E5's own community work; develop a business in line with E5's own ethos of involvement; and celebration.

Since the Bursary activity was completed, E5 has recruited a part-time centre manager who is also taking responsibility for business management and who has successfully presided over a substantial increase in lettings. Some refurbishment of the building has already taken place and more is planned.

The catering business, based on event catering, has begun on a very small-scale basis, providing some additional hours of work to two members of staff already within E5. In addition, E5 has been successful in obtaining ACF Round 2 Patient Capital investment. The loan element of this has funded the refurbishment of the kitchen and the grant element has covered lost revenue during the building works. The building work is nearing completion and E5 is about to launch the business formally, although it is still looking to recruit a catering manager. This has taken time as E5 recognises that it is more important to find the right person than to do it quickly.

The Bursary process has had an impact on the organisation which is now able to talk more confidently about its business needs as well as its immediate social objectives and thus to plan more effectively for a long-term future. This new approach has had an impact on the community groups who use the building. They now recognise the need to meet new-hire targets and have developed their own capacity to do so. During this time there have been intense struggles as some have felt that the demands of achieving sustainability needed to be balanced by continuing to ask for only a nominal payment from unfunded groups. However, the whole community is gradually becoming more comfortable with the language of enterprise and the concept of a mixed economy.

The more business-like approach of E5 is attractive to other funders who see an organisation making real efforts to secure its own sustainability. External funders support the organisation in encouraging all the groups using these premises to become investors in the longer-term future of the building.

The Futurebuilders programme, launched formally in July 2004, is a £125 million investment fund intended to create a step change within the capacity of front-line voluntary and community sector (VCS) organisations to deliver improved and sustainable services for users. It is delivered through an independent voluntary sector consortium, led by the Charity Bank, and service providing organisations. The Futurebuilders programme has the advantage of enabling significant income streams to flow into the community and voluntary sectors.

The community-sector has an important and continuing role to respond to emerging and non-statutory needs and, therefore, maintains a wider remit than simply providing publicly funded services. Leading organisations representing the community sector, while welcoming this top-down support, have also championed a more bottom-up approach.

Many of the larger community-based organisations, which manage significant budgets and numerous projects, have recognised the need to address the vulnerability and the volatility in their income streams that are the bi-products of a reliance on grant and project funding. This has required the senior managers and management committees to join together in order to re-orient the organisation. Many have sought to secure their organisational and financial sustainability through the development of a range of social enterprises.[12]

Social enterprises create wealth but not for private or personal gain. They can be embedded in the private sector but differ from their more traditional counterparts in that they are not designed to extract surplus value for the owners. The John Lewis Partnership and the remaining mutually owned building societies are examples of private sector social enterprises. They can be embedded in the public sector and the newly formed body to replace Railtrack can be seen as a public sector social enterprise. In the social sector, although seen as 'the new kids on the block', they have a long history. The Peabody Trust, established in 1862, owns or manages 19,000 properties across London with an asset value measured at over £2.6 billion. It is also a social enterprise.

The ACF programme has been able to demonstrate that social enterprises serve a number of important functions for community-based organisations. First, the surpluses they generate can, even though they are small, dramatically increase the level of discretionary funds at their disposal. This increases their ability to cover core costs, undertake research and development, prepare funding applications, support unfundable projects, invest in organisational and systems development, cover losses on individual projects, and invest in local community groups. Secondly, the social enterprise has a value that can be included on the organisation's balance sheet. That asset can be pledged to support an overdraft facility to cover negative and erratic cash flows that are endemic in post-event public and charitable sector funding regimes. It can also support the raising of further capital funds to invest in other aspects of the organisation's development. Thirdly, the social enterprise can help meet the needs of the communities that the organisation seeks to serve. Here there can be an overlap between the top-down, cross-cutting approach championed by HM Treasury and the complementary bottom-up approach sponsored by the community sector.

However, there is a Catch-22 for community-based organisations. Few have either a substantial asset base or a significant trading surplus, yet they need both in order to raise the funds necessary to develop the social enterprises that will enable them to become financially and organisationally sustainable.

The experience of many of the trailblazing community-based organisations shows that they have operated largely independently from mainstream funding regimes and have acquired their assets and development income streams as a consequence of exceptional one-off events. An important policy question is how to grow similar organisations as a matter of policy and with the support of mainstream programmes.

It is this simple but fundamental question that the Adventure Capital Fund was established to address.

Section 2
ACF Assessment

2.1 Introduction

The evaluation process has created a structured opportunity to witness the ACF programme at close hand and also share the experience of those people running community-based organisations and working on projects that lie at the heart of developing a sustainable future for their organisations.

The evaluation contains three strands.

- The Evaluation Team has been able to shadow the delivery of the ACF programme through attendance at meetings of the Steering Group, Partners' Group, and Selection Panels, as well as other gatherings.
- The Evaluation Team has assembled and analysed a database of the organisations participating in the Bursary and Patient Capital programmes.
- The Evaluation Team has undertaken two rounds of fieldwork that involved visiting each of the Bursary and Patient Capital programme participants.

The fieldwork visits (see Appendix 5) provided a mechanism for crossing the boundary from being on the outside to being on the inside. The visits have shed important light on the change that is taking place close-to-the-ground within organisations working in or with disadvantaged communities.

The assessment of the ACF programme draws on each of these three strands and is divided into six sections.

The first section summarises the findings that are common to both the Bursary and Patient Capital programmes. The next two sections focus on the different elements of the Bursary and Patient Capital programmes: these are the 'what' aspects of the ACF programme. These are followed by two sections that consider the 'how' aspects: the processes and structures.
These 'how' aspects have been as influential as the 'what' aspects in determining the success of the programme. The final section examines a number of strategic issues that warrant further consideration by the Steering Group and Partners' Group.

Although the ACF was branded as a single programme, in reality, the Bursary and Patient Capital programmes were semi-autonomous. The Bursary programme was delivered regionally and covered four out of the nine English regions. The Patient Capital programme was delivered nationally and was open to community-based organisations in all nine English regions. The content of the programmes also differed. Bursaries offered short-term, small grants: the Patient Capital programme included the offer of long-term, large loans. The evaluations of the Bursary and Patient Capital programmes have, therefore, been undertaken as separate exercises

2.2 Overall findings

Although evaluated separately, there are a number of important findings that are common to both the Bursary and Patient Capital programmes.

Approaches to sustainability

All the Bursary and Patient Capital participants placed a high priority on achieving sustainability and shared a common understanding of the routes to achieve it.

Sustainability was defined as the development of revenue earning income streams. These were intended to be under their direct control, to cover a significant part of their core costs, and/or support their unfunded community orientated activities.

The Bursary and Patient Capital investees adopted one of three models to achieve sustainability: all centred upon incorporating a social enterprise approach into the way in which the organisation operated.

The first approach entailed the acquisition/refurbishment of a building of sufficient size to allow the host organisation to derive income from renting surplus capacity either as office or workspace. The second approach entailed the development of a new business proposal, which would in turn generate revenue surpluses. The third approach involved investing in an already-established but under-capitalised community enterprise.

The presumption had been that acquisition/refurbishment of a building represented the obvious, the most straightforward, and the lowest risk option. However, the significant proportion of business propositions for Bursary and Patient Capital investment could indicate the beginnings of a longer-term shift.

Many community-based organisations have had unsatisfactory or difficult experiences with the land and buildings approach to asset development. Some owned, leased, or managed buildings that required significant work to be undertaken before they could be used effectively. Others had been exploring new-build, refurbishment, and 'Portacabin/container' options for a number of years but without success. Even when funds and sites were available, the mindset among both public sector and private sector agencies had been averse to supporting the transfer of assets to community-based organisations.

In addition, although buildings provide a physical presence, they can take a long time to come on stream and require the host organisation to learn a new set of skills. These are not always easy to harness effectively, even by those experienced in the field. The option of expanding an existing or developing a new business solution that grows out of an organisation's own experience, and within a shorter timeframe, is therefore attractive.

The business proposals exhibited significant diversity. They included arts, childcare, bookshop/education, crime-reduction business, catering companies, and the expansion of community development credit unions. However, the largest concentration focused on green businesses: horticulture, recycling, wind farm, green consultancy, and a farm offering rural experiences to people living in inner city neighbourhoods. Whether this is a short-term phenomenon or not is unclear. It is, however, consistent with both the government's and the EU's long-term objectives.

It is clear that community-based organisations are exploring a wide and relevant range of approaches to developing independent income streams to cover all or part of their core costs. The projects being developed by Bursary and Patient Capital investees provide convincing evidence of the existence of a social enterprise culture within the community sector. Some of the proposals are ambitious in their scale. For instance, among the organisations in receipt of Bursary grants, one envisaged that its building project would be carried out over a 10-year period at a cost of £17 million (2003 prices) and one had plans to expand its green business to 60 wind turbines and provide an income source for the community sector across the region. Among those in receipt of Patient Capital investment, two were actively considering regional franchising arrangements; another had created the equivalent of an endowment of £1 million to support community-based activities in the surrounding area.

Fragility

The fieldwork confirmed that all the Bursary and Patient Capital investees were financially fragile. The large majority, including the larger and more-well established, have not been able to generate significant independent sources of income, revenue surpluses, financial reserves, or capital assets in the current funding environment.

The financial and associated organisational fragility of participating organisations provided the spur to achieve some degree of sustainability through the process of seeking to establish control over their own independent sources of income. Between them, Bursary and Patient Capital investees identified a number of triggers to their decision to engage with the sustainability agenda.

Some participants anticipated either an insecure funding future or a severe reduction of funds. The Single Regeneration Budget (SRB), which has provided an important funding source, has been transferred to the RDAs and will be phased out in 2006. The Neighbourhood Renewal Fund (NRF) has not filtered through to the community sector as many anticipated. The funds available from charitable foundations and the National Lottery are unlikely to increase significantly over the next few years and the enlargement of the EU could result in a significant reduction of funds available through the ESF and ERDF programmes.

If fear of the future provided the spur for some, frustration with the past was the motivation for others. Many of the investees had been in existence for a number of years and the senior managers and committee members had been in place from the outset. Between them they had survived the rites of passage of a new, small, community-based organisation. They had established a sound track record and had begun to realise their worth and potential. They were frustrated with the cap-in-hand, hand-to-mouth existence they were obliged to eke out. Running an important community resource on such a basis was exhausting and de-energising. They wanted to cross the threshold from grant dependency and bring significant elements of their business under their direct control.

Another group of organisations had experienced significant withdrawal of funding in the past. Although these organisations had provided good account for the funding they had received and the demand for their service/activities remained, changes in funder priorities, changes within decision-making structures, the run down of programmes, or the switch of programmes between programme managers had left them with having to cope with dramatic fluctuations of income at very short notice. The knock-on effects in terms of loss of staff, internal stress, and breakdown of trust with users and client groups had been traumatic. These organisations were determined that they should not have to deal with such situations ever again.

Some of smaller and younger organisations had emerged in a period during which the terms 'social enterprise' and 'social entrepreneur' had entered the vocabulary of the community sector. They did not need to address the legacy of grant dependency that had been built into the culture of other older organisations. For them, the opportunity to create a community enterprise was the opportunity to meet local needs and establish independent income streams at the same time.

Culture change

The fieldwork also confirmed that the organisations participating in the Bursary and Patient Capital programmes were engaged in significant programmes of organisational and cultural change. All the participants recognised that they had embarked upon a journey of transformation. For many the Bursary and Patient Capital programmes have come 'along at just the right time'. They have provided a framework that has helped focus, prioritise, and accelerate the changes taking place.

The Bursaries were not seen as a just technical 'add-on'. They had a profound and positive psychological element. The fact that the ACF was offering the potential of a long-term, incremental approach helped them to think strategically and develop realistic long-term plans.

Like the Bursaries, Patient Capital investment was also associated with a step-change in the mindset of the participating organisations. The selection and subsequent implementation phase required all the participating organisations to 'own' their projects. The capital expenditure aspects had to be fully funded, including debt charges accrued during the development period. The subsequent running costs had to be covered by known income streams. Cash flow forecasts had to be reliable and manageable. In short, the project had to be a viable business proposition that would make a significant contribution to the financial and organisational stability of the parent organisation.

The Patient Capital investment process allowed organisations not experienced in loan finance to learn its disciplines. It provided an important stepping-stone in their development and, in many cases, has created the confidence to take on near to or at market loan finance.

2.3 Bursaries

The Bursary programme was launched alongside the Patient Capital investment programme and funded by the regional development agencies in four regions – London Development Agency (LDA), East of England Development Agency (EEDA), East Midlands Development Agency, and Yorkshire Forward covering the Yorkshire and Humberside region. The Bursary programme had two elements:

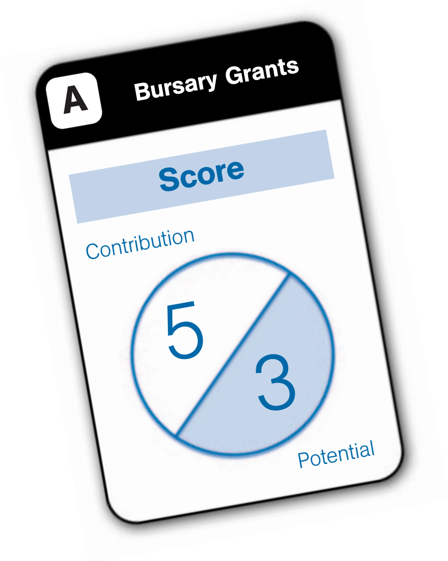
- A grant of up to £15,000 to enable up to 24 community-based organisations develop their organisation in preparation for embarking on major capital/business development programmes.
- £2,500 to pay for the input of a Supporter who would work alongside each of the successful Bursary investees, advising and, where appropriate, challenging them as they implemented their proposals.

A total of 58 Bursary applications were received. This represents an over-subscription of over 2:1 and confirms the demand for this type of intervention. A total of 20 applicants were offered Bursaries in three regions.[13] In the event, only 19 Bursaries were taken up: one of the initial offers was declined as the organisation ceased to trade before the Bursary could be confirmed.

The evaluation of the Bursary programme indicates that is has more than met its objectives in confirming the worth of the organisational development grants and Supporter networks that were on offer. It has also provided an important vehicle for obtaining an appreciation of those community-based organisations that have embarked on the journey towards sustainability, as well as the nature of that journey.

Value of the Bursaries

None of the Bursary applicants were aware of another source of funding for organisational and project development. The DTI's Business Link, Social Enterprise and Small Firms programmes have yet to extend into this area of activity. On the capital investment side, SRB and ERDF and National Lottery will fund investment in land, buildings and equipment but will not fund the set-up phases or feasibility studies. The applicants also saw the Bursaries as a recognition by a funder that that they were on a journey. They welcomed the fact that the Bursary was not seen as a one-off event but as a stepping-stone to the next stage.



The majority of Bursary participants would not have been able to proceed along their chosen path without the Bursary. Some would not have had the resources to undertake the work. Others would not have had the confidence to continue with their intended work programme: it would have remained aspirational. Others would have continued but at a slower pace, producing less well researched solutions and would not have reached the tipping point that they achieved with the benefit of the Bursary.

For those that claimed that they would have soldiered on, there was a recognition that the work they would have to undertake would, of necessity, take place alongside all the other items on their agenda. Doing things 'on the hoof' is normal practice for community-based organisations. When it is applied to the strategic direction of an organisation, however, or a significant element within in it, it can have uncertain outcomes. There is always an underlying anxiety as to the quality and comprehensiveness of what has been undertaken – 'if it is done on the hoof, you can get caught on the hop'.

The Bursary programme allowed many of the participants to buy-in specialist advice for the first time. They had the knowledge that the work undertaken could be properly resourced and professionally executed. They could, therefore, have confidence in the outputs. As a consequence, their organisations or proposals were stronger; the risks that they faced were lower, better understood, and more manageable.

Use of the Bursaries

The Bursaries were put to productive purpose.

The large majority of the Bursaries were used to acquire high-level skilled inputs. This took three major forms. Some organisations used the Bursary to buy out some or all of the time of existing members of staff. Others used it to employ consultants. Others used it to employ additional specialist staff.[14]

The skills acquired or released were employed on a wide range of activities. In the large majority of instances, they were used for high-level organisational development exercises. These included one or more of the following:

- **Strategic planning for the whole organisation**
  Reviewing existing strategic plan/direction; evaluating priorities, structure, culture, activities, governance, funding sources and viability; and developing options.
- **Feasibility study for a particular business or building proposal**
  Developing the initial concept, proposals, technical specifications, income and expenditure calculations; undertaking consultation and risk analysis exercises.
- **Business planning for the whole organisation, a particular business or building project**
  Identifying markets, users and funders; strengthening structures, partnerships and systems; developing revenue and capital income and expenditure budgets and cash flows; risk analysis.
- **Delivery/project plan for a particular business or building project**
  Assistance with site identification, planning permission and major funding applications, and timetables.
- **Systems development**
  Improving management systems and procedures; reviewing legal structures; strengthening book keeping and accounting practices; updating databases; improving marketing and communications.

All of these are important elements within an organisational development programme of a community-based organisation proposing to make the important step of establishing or expanding a social business or developing a major workspace project. The Bursary grants offer a 'low risk/high potential return' for both the applicant and the funder. They clearly provide a model that has significant relevance for future interventions. The Bursary grant component has been allocated a score of '5' for its contribution to the overall programme and a score of '3' for its potential for its further development.

Supporters

A key element of the Bursary programme was the appointment of Supporters to work alongside successful applicants as they developed their proposals.

The Supporters were to help the participants review their priorities, clarify the content of their work programmes, select their consultants, and review the output of the Bursary exercise. They also provided a quality assurance service for the ACF programme, as their initial task was to review and sign off the plan of action envisaged in the Bursary applications and report back on progress.

All the Bursary participants had access to the services of a Supporter and by mid-January 2004 all but one had taken up that offer in one form or another. The overall response to contributions made by the Supporters was extremely positive. Their input was variously described as 'excellent', 'spectacularly good', 'very effective', and 'exactly the kind of support needed'. Although their contribution was 'constructive', it could be 'ruthless'.

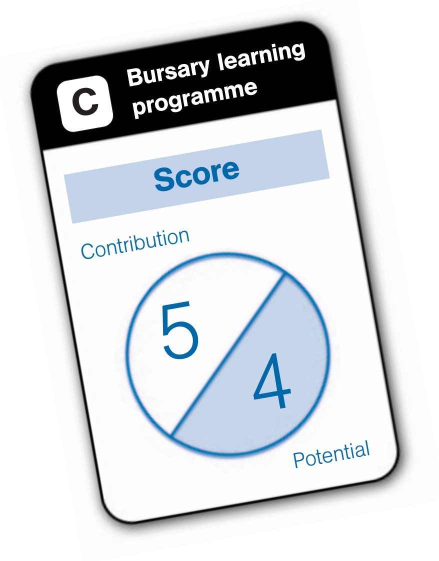
Each Supporter provided a particular blend of inputs. These depended, in part, upon their own skills and backgrounds and, in part, upon the requirements and opportunities presented by the Bursary participants. The range of functions offered by the Supporters can be summarised as follows:

Adviser	Advising on legal structures; appointment of consultants; offering specialist knowledge
Facilitator	Arranging 'away days' for staff and/or board members; helping to clarify issues; assistance in resolving conflicts.
Critical eye/ listening ear	Giving strategic advice; spotting problems ahead of time; reviewing proposals; coming up with solutions; attending internal management meetings.
Challenger	Identifying key issues; editing out unrealistic aspirations; ensuring the financial validity of assumptions.
Educator	Giving guidance about the field of endeavour; providing regional/national policy context.
Broker	Establishing linkages with other agencies, groups, institutions and networks; assistance in forming partnerships.

These are high-level inputs and show evidence of clear additionality.

The very existence of a Supporter provided a boost. Their presence confirmed to the applicants, and their partners, that someone had put their organisation centre stage. The Supporters provided an independent, third-person – not them, not us – assessment of their worth. Also the Supporters came to them rather than the other way round. It was, for many Bursary holders, the first time that they had been taken this seriously. They were no longer on their own: they had someone to discuss matters with as they evolved.

For many Bursary participants, the Supporter provided a link to a wider world. Many community organisations are locked into their local environment. Their most important reference point is often the local authority or other statutory service provider. These institutional service providers, however, tend to view community-based organisations as marginal to their core activities. They see themselves as grappling with much larger problems. Some feel threatened by community-based organisations that appear to be closer to the user groups to which they also have a responsibility.



In a number of instances the Supporters have helped their Bursary participants to join regional and national networks and for the first time to travel outside their own familiar territories, both physically and metaphorically.

Nevertheless there is scope for improvement. The pool of Supporters assembled at the outset of the Bursary programme was not large enough or diverse enough to meet the demands of the participants. The lack of suitable Supporters resulted in many applicants being offered the opportunity to identify and appoint their own Supporters.

In the eyes of some of the participants a number of Supporters had not been sufficiently briefed on their role or on the project they were to advise upon. Given the limited amount of Supporter time allocated to an organisation, a high proportion of that time available had to be set aside to bring them up to speed. Also, because the Bursary assignment was not a major piece of work for the Supporter and many were busily engaged on other projects, it was difficult for some participants to secure the attention of their Supporter when they needed it.

In some instances, the role of the Supporter was not fully appreciated by the Bursary holder. Although having the Supporter appointed/recommended by the ACF was not a guarantee of a successful relationship or a successful output, it would appear that those organisations which selected their own Supporter were less clear about his/her role.

Some viewed the Supporter as an additional pair of hands who would undertake the client's line management functions or provide services that would be undertaken normally in-house or by external consultants. Indeed, in one instance, the Supporter was also the consultant engaged under the terms of the Bursary agreement. Although the outcomes were not necessarily deficient, the recipient did not have the advantage of the independent critical eye that others found so useful.

Some Supporters were unsure about the boundaries of their intervention. Some found it difficult to put himself or herself in place of the client and provide advice accordingly: they appeared to take the view that they would not have started from here.

Bursary as a learning programme

In addition to confirming the importance of organisational development grants and establishing the worth of the Supporter input, the Bursary programme has also made a significant contribution as a learning programme. As a consequence, the ACF sponsors have a better appreciation of community-based organisations that have embarked on the journey towards organisational and financial sustainability. Four issues warrant specific comment.

- **Communities of space and interest**
  Community-based organisations represent a heterogeneous constituency. The Bursary Award winners worked in and with a diverse range of communities – whether defined by geographical area/neighbourhood or shared interest/identity. The communities defined by geographical area included wards within large towns and conurbations as well as the entirety of a number of small towns/large villages. The communities of interest/identity included mental health, physical disabilities, young people, young children, ex-offenders, black and minority ethnic communities, as well as environmental management. All but one of the Bursary participants was or had the potential of becoming an anchor organisation for their particular neighbourhood or communities of interest.

- **Organisational maturity**
  The organisations were spread fairly evenly across a number of developmental stages. A relatively small number of Bursary participants were substantial, well-established organisations in the process of reviewing their direction in order to address past, current, or anticipated difficulties. A second group had been in existence for around the 10-year mark. They had survived many rounds of funding uncertainty and had established a clear identity and 'product range'. They were in the process of coming of age. A third group had benefited from regeneration funding and were in the process of establishing themselves as stand-alone organisations now that funding was winding down or had wound down.

  However, a significant number of organisations had been recently formed and were, therefore, very small. Although they were evidently meeting an important need within their communities, they were not on the verge of establishing a significant social business or developing a substantial workspace project: the target groups of the ACF programme. Many were quite fragile. In addition to the organisation that was unable to take up the Bursary Award offered, two others ceased to trade after the Bursaries were taken up and one other has merged its interests with a much larger initiative.

- **Locational spread**
  The locational spread was also diverse. As would be expected a significant proportion were to be found in the major conurbations. However, half were located in large and small towns. The most telling experience was to visit community-based organisations active in small isolated industrial towns. These are low down on the list of national policy and programme priorities and the funding available is, as a consequence, extremely limited. Yet the social and economic situations with which these community organisations are grappling can be dire. The problems are often compounded by the inexperience and lack of capacity within the statutory authorities and other local institutional players.

- **Lack of unrestricted funds**
  The Bursary programme has also given an important insight into why such an apparently small programme can have such a profound effect. For smaller organisations the answer was quite simple: a Bursary grant represents a significant amount of funding – indeed for one recipient it was the first grant that they had applied for.

  For the larger organisations the answer was more complicated. The visits helped articulate a fundamental problem facing larger organisations. These larger organisations are mainly project funded. At the same time, they have to maintain their organisational base – offices, administrative staff, management committees etc. Given that many funders are reluctant to cover these core costs, they strive to keep these core costs to a minimum and defray them over as many projects as possible. It is a balancing act. If the core functions are cut too fine and the projects are too many, an organisation can rapidly unravel. If the core costs are high and the projects too few, the organisation is saddled with unfunded core services and can bleed to death.

  As most of their activities are funded on a project-by-project basis, most of their income is restricted in its use. For many of the Bursary participants their unrestricted income amounts to no more than 10 per cent of the total. A sizeable organisation, with a turnover in the region of £1 million per annum, therefore, is unlikely to have an unrestricted income in excess of £100,000: for many it will be much smaller. From this sum the organisation has to meet the core costs that cannot be passed onto individual projects and carry the negative cash flow that is the product of being paid in arrears. In addition it has to cover bad debts, unfundable activities, redundancy payments etc. Finally, an organisation with £1 million turnover could be running between 10 and 20 projects. There is always a risk that one of them could turn sour. The threat of a potential deficit arising in any one of these projects is a major deterrent to using any of the unrestricted funds for forward planning purposes.

Birmingham Credit Union Development Agency (BCUDA)

BCUDA was set up in 1987 to develop a network of credit unions across the city of Birmingham at a time when there was virtually no credit union (CU) presence. There are now 28, each of which is independent and autonomous but with access to the legal advice, training, support and back office functions which BCUDA offers. They are also currently piloting a financial advice service – Factor 4 – offering money advice, energy efficiency advice, bill paying and access to credit.

The ACF programme has provided Patient Capital investment in three activities: capital investment in back office IT and a fund to allow BCUDA to build on an existing project where they buy and staff shops to enable local CUs to offer members a high street access point; a fund held by one of the member credit unions to enable CUs to borrow from each other at times of peak demand; and a city-wide guarantee fund to allow CUs to take bigger risks with their lending. All of this is a direct investment in their core business. It is intended to enable them to develop the services they offer member unions and thus to ensure Birmingham's credit unions are both sustainable and able to meet their social objectives.

Nature and amount of investment: 25k at 1% for IT; 25K at 1% for shops; 50k at 1% for loan guarantee. 50k gift capital for inter-CU loan fund

Repayment terms: 10 years with capital repayment holiday for first 5 years

Since calling down the investment, BCUDA has been working on the implementation of all three aspects of the project. Back office technology has proved more complex than originally envisaged but it is about to pilot a system for electronic bill payment for customers. It is also developing systems for electronic transfer of benefits, including housing benefit. A further shop has opened in the Handsworth area of Birmingham, its first inner city presence. Development work is continuing on the inter-CU loan fund and the loan guarantee fund.

To date, the ACF funding has resulted in the appointment of a new manager and a part-time cashier to the shop in Handsworth. The shop itself has proved popular and has resulted in the recruitment of many new CU members.

The impact on the organisation itself is considerable and is taking it into a new era of development. BCUDA is becoming more service driven as it focuses on the changing and more sophisticated needs of a new generation of bigger credit unions. It is expected that the dynamic of this relationship will move from BCUDA taking the lead to BCUDA providing essential back office functions with CUs having the stronger public face. The impact on external stakeholders is equally significant. BCUDA is now forging relationships with, for example, Job Centre + and Housing Associations. They find the combination of basic bank accounts, access to credit, access to modern banking facilities and the financial advice provided by BCUDA's allied service Factor 4 very useful for their clients (and their staff). This in turn is widening the customer base for CUs and itself, contributing to their long-term sustainability. A future is opening up of more partnership working between BCUDA and other public agencies, underpinned by Service Level Agreements rather than grants offering a business like 'proper' banking service but based on co-operative, mutual aid principles.

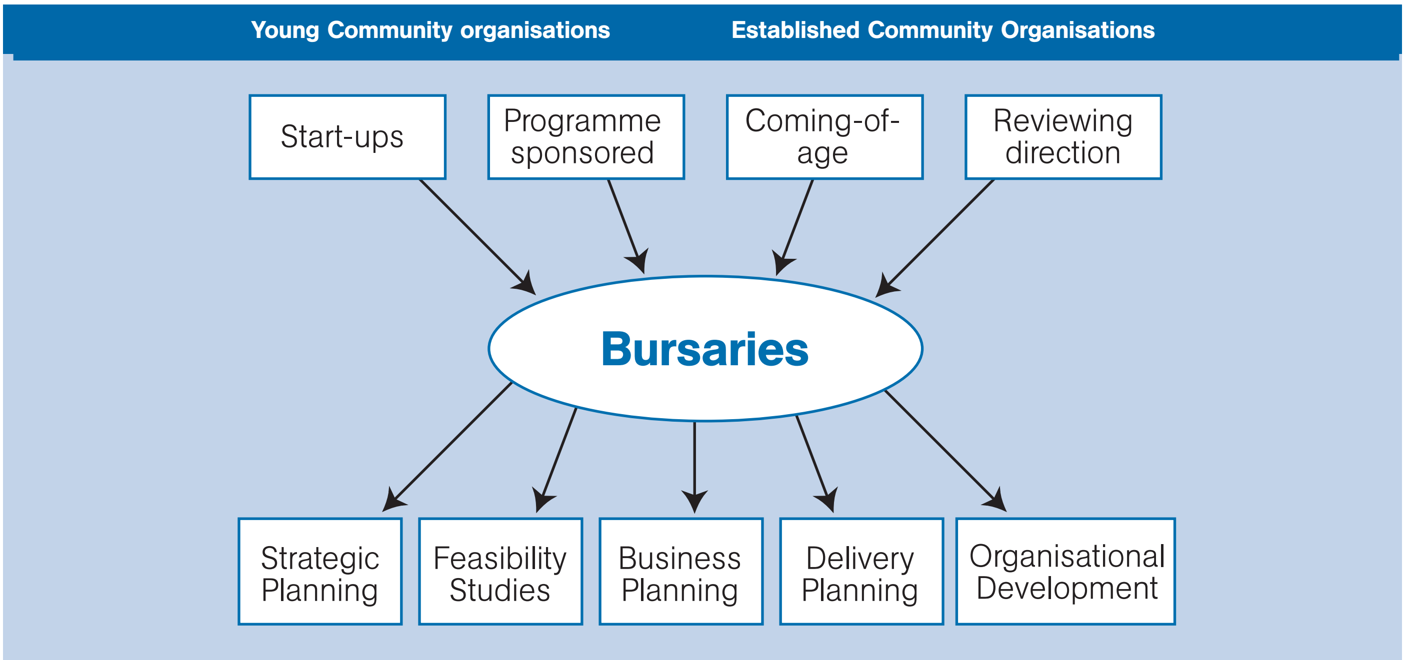
Under these circumstances expenditure of £15,000, even for an organisation with a turnover of £1 million per annum, represents a high-risk investment. This highlights the importance of the Bursary programme as one of the very few sources of funding that will invest in the future of an organisation without immediate measurable outcomes.

Overall assessment

The Bursary programme has provided a simple mechanism whereby a range of well- and newly established community-based organisations in different stages of development have been able to access high-level inputs to strengthen critical aspects of their organisation; to improve their sustainability and to reduce the risks associated with the projects they are seeking to develop (see Figure 2).

The evaluation feedback indicates that participation in the Bursary programme has helped participants to cross the threshold from being tentative to being confident about their future direction and priorities. One senior manager responded by saying "I now feel like a professional person, no longer a supplicant." The Bursary programme has assisted organisations in moving to the next stage of development. The process has facilitated a change in the way organisations think about themselves. That change in perception has also been associated with a sense of 'anything is possible' and an acceleration of the pace of change. There was also a much better appreciation of the scale of operation that an organisation needed to achieve if it was to become sustainable. This, in turn, has had an impact on their determination to see the change process through, as well as on the ambitions that they have for the future.

Figure 2: Bursaries: meeting a wide variety of needs for a wide range of organisations



However, the Bursary programme did not proceed as rapidly as anticipated at the outset. By the end of September – six months after the Bursaries had been allocated - half of the participants had not drawn down the funds to undertake the activities outlined in their applications. Three explanations for the delay stand out.

First, many Bursary applicants were not active in putting pressure on the regional teams to make progress. Some were grappling with the scale of what they had taken on and were not ready to engage in early dialogue (see Strategic Issues: Scale of Undertaking). Others had to address more immediate problems, such as securing ongoing funding for their core existing business: for them the Bursary dropped down the agenda.

Secondly, the delay in appointing Supporters was also a contributing factor to the slippage in the programme. It also meant that the central administrative team of the ACF was not fully aware of issues on the ground.

Thirdly, the programme management responsibility of the Bursary programme was diffuse. This responsibility had been devolved to regional teams. The central administrative team was not resourced and did not have the remit to manage the programme proactively.

In the absence of a strong programme management function and a full understanding of the intensity of change taking place on the ground, the Bursary programme was liable to slippage.

2.4 Patient Capital

The Bank of England, in its report on the financing of social enterprises, concluded that the barriers to the use of equity finance for the development of social enterprises would mean that it would remain of limited relevance.[15] As an alternative, it outlined the need for 'patient capital' and cited the Adventure Capital Fund as an example.

The concept of patient capital has its origins in the United States where it refers to capital that is offered over the longer-term with no or heavily discounted short-term repayments. It can be structured as loan or equity. In the UK it has occupied the space between grant giving and near-to or at-market forms of finance. The ACF programme has made a significant contribution to practice in this area.

The ACF programme offered a total of £2 million Patient Capital investment to up to 10 community-based organisations with a ceiling of £400,000 to any single organisation.[16]

Table 2: ACF Round 1 Patient Capital Investments by Type of Product

Loan/Grant mix	ACF Patient Capital Product	Call on ACF Patient Capital Fund (£)		Total
Loans	1% pa interest, 3 yr repayment holiday	100,000	750,000 (37.5%)	£2,000,000
	1% pa interest, 5 yr repayment holiday	300,000		
	1% pa interest: 50% in kind, 3 yr repayment holiday	200,000		
	1% pa for first 4 yrs and 2% thereafter: 40% in kind, 3 yr repayment holiday	250,000		
Loans/Capital Grant	66% loan at 1% pa interest, 5yr repayment holiday	150,000	850,000 (42.5%)	
	60% loan at 2% pa interest, capital and interest taken as royalties on sales	200,000		
	50% loan at 2% pa interest, grant repayable via in-kind investment	200,000		
	50% loan at 1% pa interest, 5yr repayment holiday, grant repayable via in-kind investment	300,000		
Grants	50% grant repayable via in-kind investment, 50% near-to-market loan provided by LIF	200,000 call on ACF	300,000 (15.0%)	
	100% gift capital	100,000		

A total of 38 applications were received. This represents an over-subscription of almost 4:1. The aggregate call on the ACF programme, if all the proposals were funded, was £10.5 million: an over-subscription of more than 5:1.

Although the ACF Patient Capital investments could be used to fund the entirety of a project, none of the successful applicants saw it in this way. The projects were funded by a mixture of grants and, in some instances, commercial loans from other sources. The aggregate value of the projects included in the 38 applications was in excess of £45 million and had the ACF programme been in a position to fund them all, the ACF contribution would have generated a gearing of over 1:4.

Although patient capital can take the form of loan finance or equity, as the Bank of England report noted,[17] there is little history of equity investment in social enterprises. The ACF programme focused, therefore, on developing a range of loan finance products, where there is far greater familiarity. Nevertheless, it was evident that the Patient Capital investment offer made by the ACF programme was in advance of the community sector mindset at the time. The grant culture was so deeply embedded in the community sector that, even among those who considered themselves to be at the entrepreneurial cutting edge, there was an aversion to taking on any greater debt than was absolutely necessary. As a consequence a smaller proportion of the Round 1 ACF Patient Capital investments took the form of loans (37.5 per cent) and a larger proportion (42.5 per cent) took the form of part loan and part grant (see Table 2). In this and other respects, the Patient Capital investment programme provided a vehicle for facilitating the transition from grant to other forms of funding.

In two instances, ACF Patient Capital investment took the form of grant. One formed part of a broader investment package that included a near-to-market loan funded by LIF independently of the ACF programme. The other, Ibstock Community Enterprises, took the form of 'gift capital' that attracted no interest or debt repayment schedule. In this example, the ACF programme considered that the projected cash flow of the organisation was not sufficient to support interest or debt repayment and the staff resources were so committed already that any form of 'in kind' repayment plans (see below) would have put the organisation under unsustainable pressure.

All the loans were for a 10-year period but, within that time horizon, each of the investment packages was tailored to the specific needs of the project under consideration. Table 2 details the funding packages negotiated.

The ACF loan finance products have a number of important features.

The ACF offered loans at deep discounts against the prevailing market rates. The ACF loans attracted interest rates of 2 per cent or 1 per cent per annum, significantly reducing the cost of borrowing.

However, the ACF went further. Recognising that many community-based organisations do not generate significant trading surpluses and that the investments were designed to generate income for the parent organisation, the ACF also introduced alternative ways of calculating and paying the interest on the loans offered.

Two forms alternative of 'in kind' payment were accepted: financial donations and pro bono consultation and mentoring – both had to be given to other community-based organisations. An example of an acceptable financial donation would be where an organisation distributed gifts to a value of £8,000 per annum in support of community-based activity. This could be taken as the 'in kind' equivalent to a 2 per cent per annum interest payment on a loan of £400,000. Similarly, if an organisation offered 15 days pro bono activity and charged it out at a notional rate of £400 per diem, it could be taken as a donation of £6,000 worth of services. This could be taken as the 'in kind' equivalent to a 2 per cent interest payment on a loan of £300,000.

It was recognised that the cash flow of an enterprise in its early years could be negative. In the commercial sector, those early revenue losses can be capitalised or covered through overdraft arrangements. In the community sector, that is far more difficult. In order to accommodate these uncertainties, the ACF offered three- or five-year repayment holidays at the beginning of the loan.

Deep discounts, 'in kind' interest payments, and significant repayment holidays represent a major benefit to the recipient. The reason for making these benefits available to such a group of organisations reverts back to the wider reasons for introducing the ACF in the first place: the importance of creating substantial and sustainable community sector organisations that make a significant contribution in disadvantaged neighbourhoods and marginalised communities. The evidence of Round 1 Patient Capital investments indicates that attention was focused more on ensuring that the projects were sustainable than to linking the terms of the financial package to the social return offered. This is an issue that will need to be taken up in subsequent evaluation reports.

Value of Patient Capital Investment

Like the Bursary Award winners, the Patient Capital investees were not aware of any other programme that offered this type of funding. Also like the Bursaries, the Patient Capital investments offered a number of important additional benefits to the award winners.

First, the scale of a Patient Capital investment was important. An investment of up to £400,000 offered a sizeable injection of funds. That in turn allowed the investees to use the funds in association with other funding streams to fund capital investment or business development projects of considerable size. ABL (Bradford), for instance, used its £300,000 loan to support a funding package to purchase a building with a freehold value of £3 million. Such projects had the advantage of offering the prospect of being sustainable in the short term and of generating significant revenue income, thereby making a meaningful contribution to the sustainability of the parent organisation.

Secondly, where the community-based organisation was in partnership with other agencies, the offer of Patient Capital investment allowed it to bring to the table additional funding to which it had sole access. The selection process also provided an independent and external assessment of the worth of a project and the parent organisation. In the often largely hidden world of neighbourhood and community renewal, where local authorities and other institutional bodies have control over access to and the allocation of funds, this has been of critical importance. The ACF programme had the additional cachet of coming with central government support and funding.

Thirdly, the Patient Capital investment made the difference between a project going ahead or not. For some projects, available sources of grant funding had been exhausted. For others, the ACF Patient Capital investment represented the matched funding required by their other funders. For others, the Patient Capital investment moderated the costs of commercial loans and lowered the exposure of commercial lenders.

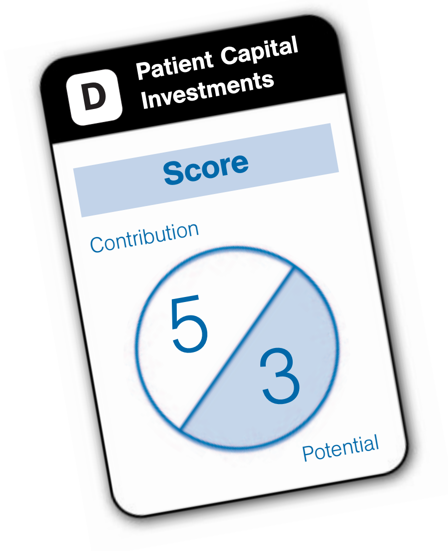
Use of Patient Capital Investment

Each of the Patient Capital investments supported a substantial and relevant social enterprise focusing on local needs and exploiting local opportunities.

Half the Patient Capital investments supported workspace projects.

Often, workspace projects are seen as an end in themselves: they create an asset that strengthens the balance sheet of the parent organisation. These assets can be used as collateral for overdraft facilities or for raising additional capital to support new investment opportunities.

However, the ACF programme confirms that workspace projects are also social enterprises. The rents receivable cover not only the running costs and any debt repayments but can also generate revenue surpluses that can contribute to the core costs of the parent company and its community-based activities. Workspace projects also provide a secure 'home' for the parent organisation



and accommodation and meeting places for other local groups, community businesses and local service providers. They can be the social and economic hubs of a neighbourhood.

The workspace projects were in different stages of development. One project was already a going concern and managed by the applicant, ABL (Bradford). Ibstock Community Enterprises already owned the building that it proposed to refurbish. Moss-Side and Hulme CDT had the benefit of a long lease on the land on which they intended to build their workspace and community development project. Only two organisations, Environment Trust and STEP, proposed to build on land where they did not already have an interest: even then the Environment Trust had the in principle agreement of the land owner and had already obtained outline planning permission for its scheme.

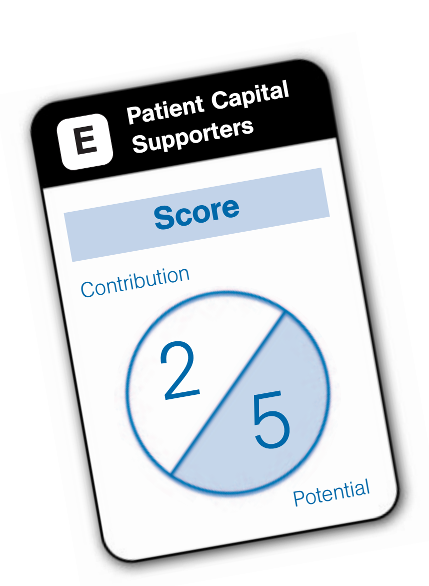
Four of the Patient Capital investments supported social enterprises with a much more business development orientation. Fairfields Waste Management was a start-up business designed to convert biodegradable waste from one of Manchester's wholesale fruit and vegetable markets into commercial grade compost. CVL (Middlesboro) proposed to build on an existing contract with the local authority to develop a community-owned security business. Both Riverside Credit Union and BCUDA/SEBCU were in the process of extending the traditional model of credit unions to provide community-banking enterprises capable of offering a wide range of services to their members.

Croxteth Community Trust was a hybrid organisation. It was developing its own assets and purchasing additional capital assets, as well as building up its trading arm.

The uses to which the investment capital was put were also diverse. They included:

Land Purchase	STEP and Environment Trust
Purchase of existing buildings	ABL (Bradford) and Croxteth Community Trust
New development	Moss-Side and Hulme CDT, STEP and Environment Trust
Refurbishment of existing buildings/facilities	Ibstock Community Enterprises, Croxteth Community Trust and BCUDA/SEBCU
Purchase of plant/machinery/ equipment/stock	Fairfields Waste Management CVL (Middlesboro) and BCUDA/SEBCU
Creation of loan funds and loan guarantee funds	Riverside Credit Union and BCUDA/SEBCU

All of these are substantial capital investments in assets that will, even in unstable markets, appreciate in value, maintain their value or have a long depreciation cycle.



Supporters

It was assumed that the Patient Capital investees would be sufficiently 'investment ready' to chart their own path through the uncertainties of the construction and/or business development processes without the benefit of having a Supporter working alongside them. Although they could draw upon an extensive skill and knowledge base and were far closer than their Bursary counterparts to taking on major capital projects, the organisations awarded Patient Capital investments and the projects they were developing were not fully investment ready at the time the awards were made. This in part reflected the commitment of the Patient Capital Selection Panel to explore as wide a range of innovative examples of project and community-based organisations as possible.

In the event, four applications had to be fundamentally reworked. The schemes proposed by STEP and Moss-Side and Hulme CDT faced insurmountable planning difficulties and had to be transferred to alternative sites. The funding package that underpinned the Environment Trust's application collapsed. The contribution that the CVL proposal would make to the parent company was not sufficient to ensure its long-term viability.

Four required further work on their organisational structures/systems and/or internal/external relationships: Riverside Credit Union, BCUDA/SEBCU, Fairfields Waste Management, and Croxteth Community Trust.

Only ABL (Bradford) and Ibstock Community Enterprises proceeded as originally planned. Even then Ibstock Community Enterprises' project was delayed because the funding package took time to fructify.

It was evident from the outset, therefore, that the Patient Capital strand of the ACF programme could also benefit from the input of dedicated Supporters.

It was also evident that these Supporters would need to be different from those working alongside the Bursary Award winners. They would need to offer the same range of functions: adviser, facilitator, critical eye, challenger, educator, and broker. They would have to operate at a higher level of engagement, however, as they would be advising/challenging organisations that had previously adjudged themselves to be investment ready. Indeed, where leading figures in the community sector were running these organisations, the role of challenger would itself be challenging. They would also have to operate in a more intense environment, as the projects were already up and running.

Although there was an urgent recognition for the need of a Supporter function and a commitment among the delivery partners to bring it on stream, there were a number of factors that hampered its implementation.

First, it took time to identify and assemble Supporters with the appropriate skill base. Secondly, there was no funding within the initial ACF programme budget to support a Patient Capital Supporter function. Funding had to be found through virement (the re-allocation of funds from one account to another) between existing budget heads and a contribution from the DTI. Thirdly, there was no equivalent to the Bursary programme for Patient Capital investees. As a consequence, Patient Capital investees did not have access to funding streams to undertake any organisational or project development activity required. The Supporters were, therefore, often forced into a role of both Supporter and consultant.

Fourthly, the problems that the Patient Capital investees were grappling with were not the face of their applications: they emerged as the projects began to unfold. In addition, the problems they faced were varied. A 'one-size-fits-all' response would not have been appropriate. Two models of Supporter input were therefore offered: a 'light touch' approach for organisations that were considered to have the skills to manage their problems themselves and a more intensive approach for those, which recognised that they needed additional assistance.[18]

Although Supporters have been allocated to and have been in contact with all Patient Capital investees, many have come on board relatively recently and have had limited involvement. It is, therefore, too early to assess the full value of their potential contribution to the Patient Capital strand.

Nevertheless, in those instances where there has been significant engagement, their presence and contribution has been appreciated. Croxteth Community Trust found that the Supporters "provided a useful sounding board and pertinent advice on a potential new initiative". BCUDA/SEBCU welcomed the "helpful and thoughtful" approach of its Supporter and was encouraged when he did not offer "pat answers" but showed a willingness to engage in tackling "a unique set of circumstances". Fairfields Waste Management recognised that it had benefited enormously from the extensive input from its Supporters: they advised on the strengthening of its board, helped give greater substance to its business planning processes, and assisted in the development of its financial systems. At Riverside Credit Union, the Supporters helped in making a revenue grant application to support the Patient Capital initiative and in the revision of its business plan.

In contrast, a number of Patient Capital investees did not consider that their Supporters made a significant value-added contribution. Ibstock Community Enterprises had hoped for a more challenging Supporter. Neither CVL (Middlesboro) nor STEP felt that their Supporters were sufficiently experienced to be able to help them in their area of operation. Moss-Side and Hulme felt that the Supporter offered was not sufficiently independent.

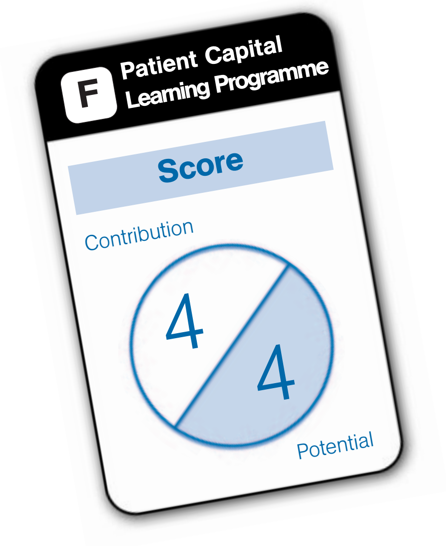
There is clearly potential for further development of the Patient Capital Supporter function.

Patient Capital as a learning programme

The ACF Patient Capital programme has given rise to a better understanding of typologies within the social sector. It is now easier to identify those characteristics that distinguish the community sector from the voluntary sectors; community-based organisations from community enterprises; and community enterprises from social enterprises. It has given practical substance to the role that community-based anchor organisations have to play, alongside other stakeholders, in any strategy of renewal within disadvantaged neighbourhoods. The Patient Capital programme has helped increase the understanding of the sector is other ways too.

- **Communities of space and interest**
  Five of the Patient Capital investees could be said to represent communities of interest. Fairfields Waste Management and the Environment Trust, as their names imply, were driven by environmental concerns. Anti-poverty issues drove BCUDA/SEBCU and Riverside Credit Union, and ABL (Bradford) was strongly oriented towards meeting the needs of black and ethic minority communities. Nevertheless, all 10 Patient Capital investees had a strong geographical focus. STEP and Ibstock Community Enterprises covered the whole of their small towns/large villages. Although BCUDA covers the whole of Birmingham, its partner SEBCU, the product of a merger of three local credit unions, covered the area of southeast Birmingham that was represented by the catchment area of its constituent organisations. The Environment Trust covered the whole of Tower Hamlets. Moss-Side and Hulme and Riverside Credit Union covered two neighbouring wards in Manchester and Liverpool respectively. ABL (Bradford), CVL (Middlesboro), and the Croxteth Community Trust were based in wards with particularly high levels of deprivation. Fairfields Waste Management was located within one of Manchester's wholesale fruit and vegetable markets.

- **Organisational maturity**
  As a group, the organisations awarded Patient Capital investments were more experienced than the Bursary Award winners. With one exception, Fairfields Waste Management, all were well established, had a significant track record, and employed staff. All, including Fairfields, had people with high-level skills and deep experience on their boards, among their staff, and often both. All were experienced in the grant-making process, many drawing down funds from regional, national, or EU programmes. All were well-networked locally, regionally, and in some cases nationally: some board and staff members sat on regional and national boards of organisations representing the sector. All had active working relationships with their respective local authorities. The large majority had already established a successful history of owning, developing or managing capital assets or community businesses. All had the realistic potential to take on new capital investment activity.



All had also crossed an important psychological threshold. They were able to see themselves in relation to potential funders and also consider themselves from the standpoint of those funders. As a consequence, they were able to develop a more sophisticated and persuasive set of propositions.

Most importantly, they were able to offer funders the potential of some form of closure. For funders, supporting the community sector is a never-ending process. Most community sector organisations engage in activities from which they derive little by way of financial income. Those community sector organisations that incur any expenditure are therefore always seeking funding from grant giving bodies – whether in the public, charitable, or private sector. The greater the demand of community sector activity, the greater the demand for funding.

Funders, therefore, face a constant dilemma. Like a bird in a nest, there will always be hungry mouths to feed. Unless their income matches existing and emerging demand they will always be in the position of terminating funding to organisations that they have supported in the past.

The community-based organisations that applied for Patient Capital investment were active in developing an alternative proposition. They argued that by supporting organisations, such as themselves, to invest in income generating activity, they would become more self-sustainable and therefore would not be seeking grant funding at the same level in future. This approach provides a 'move-on' strategy that has been largely lacking to date. It also offers the prospect of reversing the 'silting up' process that often takes place within grant giving bodies. If successful, this approach would allow funders to increase the grants they make to existing vulnerable groups and/or allocate new funds to meet emerging needs.

- **Financial and organisational insecurity**
  Although experienced and ready to take on new capital investment activity, virtually all the Patient Capital investees were severely under-capitalised. As consequence, they were organisationally or financially vulnerable or their potential for further development was limited.

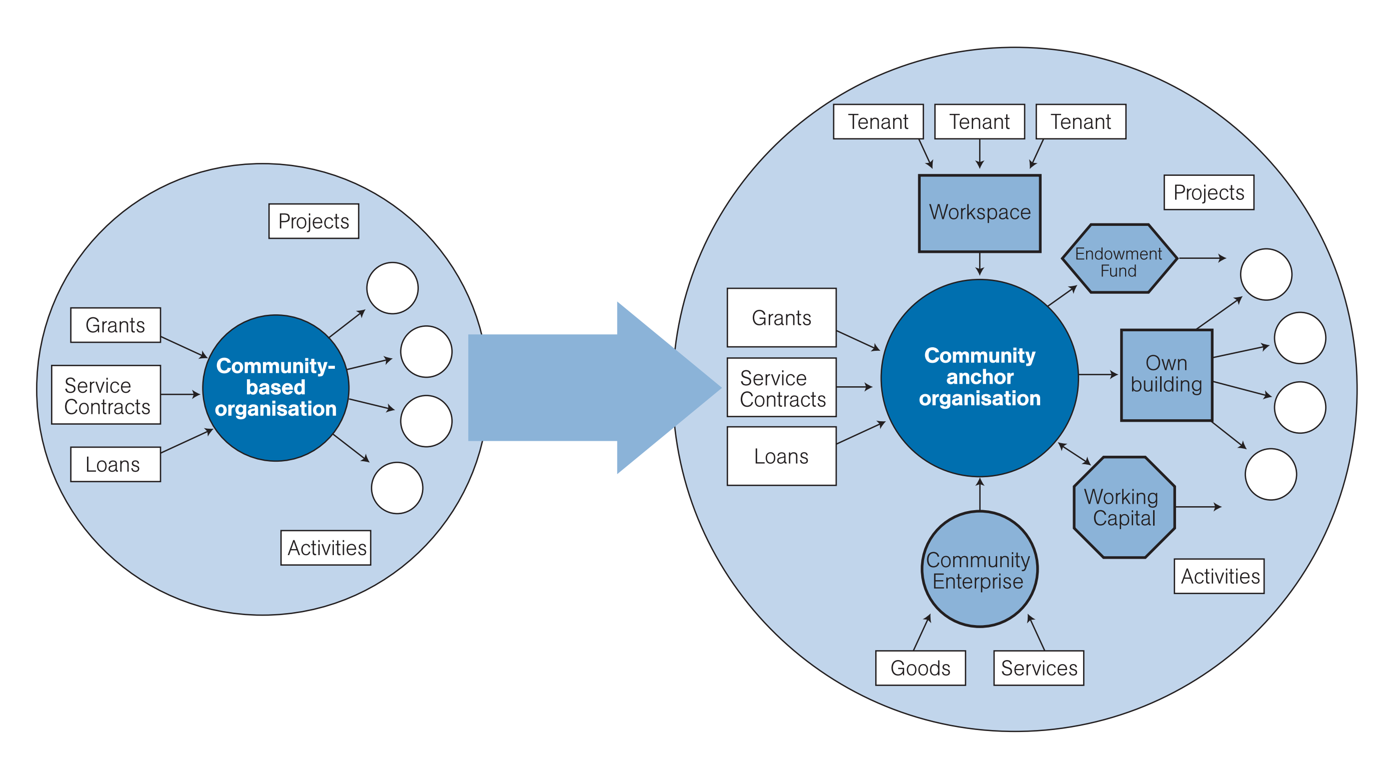
  Fairfields Waste Management was a start-up business and therefore fragile. Both ABL (Bradford) and CVL (Middlesboro) could have lost their core business and base of operations had their proposals not fructified. Ibstock Community Enterprises was slowly seeping funds and the Environment Trust had to manage a serious cash flow crisis. Moss-side and Hulme CDT faced uncertainly over the land that it sought to develop. Croxteth Community Trust, Riverside Credit Union and BCUDA/SEBCU were all severely under capitalised and as a consequence unable to grow further. Only Stockbridge was structured so that it could accommodate a significant delay or abandonment of its project.

  Virtually all the Patient Capital investees had an ambivalent relationship with their local institutions. The Patient Capital programme has helped provide an explanation.

  Six of the Patient Capital investees had grown out of local campaigns. Those sponsoring Fairfields Waste Management had opposed the local authority's plans to build an incinerator to burn its waste. Environment Trust was also the product of local environmental campaigns. Ibstock Community Enterprises had come into being following the closure of the last bank in the village and the closure of a local school had been the spur for the creation of Croxteth Community Trust. Both Riverside Credit Union and BCUDA/SEBCU had been established as a consequence of local anti-poverty campaigns and STEP had been established as a local campaign following the collapse of the local economy.

  Three more organisations had been set up as a consequence of central government programmes. Two of these – Moss-Side and Hulme CDT and

Figure 3: ACF Programme Transitional Journey towards Sustainability



ABL (Bradford) – had been established by the Task Force programme initiated under a previous government of a different political persuasion from that which controlled local authority at the time: these initiatives were viewed as having been imposed from the outside.

The extent to which the Patient Capital investees were able to work alongside local institutions, particularly the local authority, and the willingness of those institutions to work with them were critical factors in their development.

Overall assessment

The ACF Patient Capital programme has shown itself to be an extremely relevant form of intervention.

First, the scale and diversity of the organisations selected indicates a substantial constituency for the ACF Patient Capital programme and the fieldwork has confirmed the financial and organisational fragility of even substantial community-based organisations. Most are highly dependent upon grants to fund specific projects and service contracts (see Figure 3). Few have access to independent income streams and are therefore highly risk averse when considering taking on loan finance.

Patient Capital investment offers the opportunity for these organisations to develop income-earning social enterprises. The range and sophistication of the ACF portfolio indicates that not only does a demand for Patient Capital exist but also the quality of that demand is well grounded and mature. The main vehicles for investment have either been in workspace projects or the development of community enterprises. Both increase the capital value of the parent organisation. That asset base both strengthens the financial base of the organisation and also provides collateral for additional loans.

Both the workspace and community enterprises offer the potential of significant levels of revenue income. This income can be used in a wide variety of ways. It can help fund the acquisition of a secure base of operations for the host organisation, often as an integral part of a workspace development. It can help meet the unfunded core costs of the parent organisation and contribute to

Wickham Market Partnership, Suffolk

The Wickham Market Partnership was set up in 1999 as a vehicle to access funding from the Market Towns Initiative. Wickham Market is a large village/small town which, whilst attractive and bustling, also suffers the difficulties experienced by many towns of this kind: restricted access to services of various kinds; low levels of public transport; a lack of facilities especially for children and young people; lack of affordable housing; vulnerable local businesses.

The partnership undertook a 'health check' of the town, and developed a vision statement and action plan to guide its future work. At the core of this was the plan to work with the County Council to redevelop two bungalows, which were formerly warden accommodation for an elderly peoples' home, into a new library (owned and managed by the County) and a resource centre (leased from the county and managed by the partnership). The resource centre would provide meeting and consultation rooms of a kind not available currently within the village. This would mean that some organisations would be able to improve the service they offered because of the higher quality environment. It would also provide an improved facility for voluntary groups and statutory services generally, and it would create a physical presence, an asset base, and a future income stream for the partnership itself.

The Bursary was used to fund the salary of a development officer, to pay the legal costs associated with the negotiation of the lease, to cover QS fees for the building project, and to develop a website.

At the end of October 2004, building work has been completed and the resource centre has been opened. Some work remains to be done on the lease but the County Council has accepted responsibility for much of the delay and will be paying the additional legal costs. The centre is very much in its infancy but it already has a regular letting to the local doctors' on-call organisation. The Citizens Advice Bureau will be regular users and it has had enquiries from a number of other organisations. The library in the other half of the building is thriving. The website has received a very high number of hits and is well used by voluntary groups and local people or visitors seeking information about the town generally.

The Bursary helped the partnership to professionalize its activities. Having the resources and support to negotiate the lease fully and effectively made it feel much more secure about the project. Employing the development officer enabled it to take the project forward both more quickly and more thoroughly. In particular, the development officer was able to make and maintain channels of communication and a network of contacts which was important.

The project has had a positive impact on the partnership's long-term work. It has demonstrated its capacity to manage a complex project and to use different funding streams effectively. It has managed to secure further funding for the development officer from another source and is now about to embark on a feasibility study for the town as whole and to develop new projects including one around sport and recreation.

improving its ability to manage erratic cash flows. It can also help create the equivalent of an endowment fund to support unfunded community projects and activities undertaken by themselves or other community-based organisations.

Access to Patient Capital investment does not obviate the need for grant funding for specific projects. Nevertheless, a community-based anchor organisation, which is underpinned by a workspace project or community enterprise and has, as a consequence, access to independent funding streams to support its activities, is a much more substantial and sustainable organisation. Released from the anxieties of day-to-day financial and organisational insecurity, it is in a much better position to make a significant contribution to improving the quality of life for the people whose needs it seeks to address.

However, there is scope for further development. The Supporter function was a late addition to the programme and has not yet been fully embedded in the programme. In addition, the scale of the undertaking, embarked upon when community-based organisations decide to take control over important aspects of their income earning potential, is substantial. It is larger than the ACF programme sponsored and many community-based organisations appreciated. The Patient Capital programme, as a consequence, has experienced significant delay. Although there were no specific timetables established at the outset, the lack of progress has taken all by surprise. This issue is taken up under 'Programme Delivery' in the Strategic Issues section.

2.5 Processes

The ACF Round 1 programme had four distinct phases: initiation, launch, selection and implementation. This section deals with the first three phases. The implementation of the Bursary and Patient Capital programmes has been covered in the previous two sections.

Programme initiation

The ACF programme was born in a five-month period between July and November 2002. Although sponsored by the Home Office, ODPM, and the DTI, it was not initiated by central government. It had its origins in proposals presented by representatives of the Scarman Trust and the DTA, organisations with a commitment to the community sector in general and community-based organisations in particular.

The ACF programme, therefore, is a not a 'big government' initiative and did not have an agreed funding stream to support it. It has required the voluntary participation of three central government departments and four regional development agencies.

It represents a significant feat to have brought together such an innovative programme within such a short time period. It is a testament to the openness, energy, commitment, creativity, and flexibility of both the community sector partners and civil servants. It also required an openness and willingness to take risks – albeit small ones – on the part of ministers who signed off the programme. These were fundamental to the programme going ahead.

Nevertheless there were drawbacks. The programme development phase was hurried. As a consequence, a number of the key concepts had not been fully worked through. The engagement of the Regional Development Agencies was patchy. At the outset, the DTI did not commit any funds and was only able to commit itself as an observer.

In addition, although the ACF programme was conceived as a mechanism for creating sustainable community-based organisations, it was initially established as an ad hoc, one-year programme.

As a consequence, organisations supported by Round 1 Bursaries did not have access to a follow-on Patient Capital fund to which they could apply. Patient Capital investees would also expect to lose post-investment support after March 2004 when the programme was due to draw to a close. In addition applicants and funders would not be able to assess the longer-term social return on the investments because the programme would have closed before any such social benefits would come on stream.

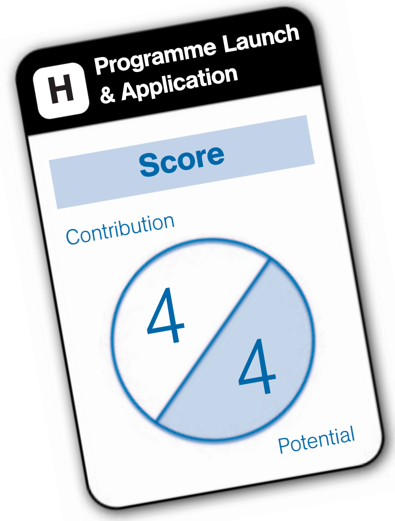
It is understandable that an experimental programme, such as the ACF, should not attract large sums or a long-term commitment at the outset. They are, after all, experimental programmes. However, it is reasonable to expect that they should be carried out within an agreed framework, such that, if the experiment were seen to be working, further investment would be made available.

If such a framework had existed from the outset, the welcome announcement of further funding, made by the Home Secretary David Blunkett in July 2003, would not have come as a surprise. Complementary funding streams in the NRU and the RDAs would have already been identified. In addition, the delivery partners would also have been in a position to take a view at the outset on whether to resource the programme as if it were a two/three-year programme rather than a one-off, one-year programme.

Clearly, although the programme initiation phase was extremely successful, there are lessons for the future.

Programme launch and application

The launch and application phases of any programme are important. They establish the tone of the programme.



At the time of the launch on 6 December 2002, the programme was announced on the websites of the participating organisations and was reported in the regeneration press. However, there was insufficient time between the confirmation of the funding and the launch to undertake an extensive marketing programme: the announcement was not circulated on websites of other community-orientated networks or umbrella bodies. It was not advertised on regen.net – the government-sponsored website focusing on regeneration of disadvantaged neighbourhood and the strengthening of marginalised communities.

It was not possible to delay the launch in order to undertake such a marketing exercise because, as a condition of receiving the funding, all the Bursary grants and Patient Capital investments had to be committed by 31 March 2003.

The 31 March deadline also had an impact on those applying for funding. The Patient Capital applications had to be submitted by 9 January. This gave the applicants barely a calendar month to prepare their proposals. This would not have been enough time to develop adequately grounded applications under the best of circumstances. In the case of the ACF programme, the situation was exacerbated by the inclusion of both Christmas and New Year holiday periods.

The Bursary application process was not so pressured. At £15,000, the Bursaries accounted for far smaller amounts of money and also were not, as were most of the Patient Capital investments, part of much larger, multi-funded initiatives. Nevertheless, the process was hurried with many organisations finding out about the programme close to the closing date for applications.

The invitation to apply for an ACF Bursary grant and Patient Capital investment promised a new approach to grant funding community-based organisations. The application forms were simple and required little by way of detailed information.

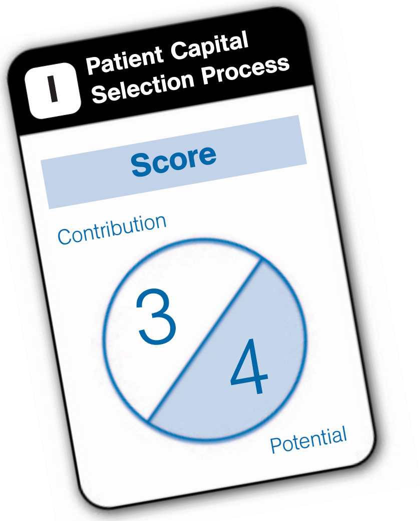
This was appreciated and commented upon favourably by Bursary and Patient Capital applicants alike. All the participants found the application form straightforward. One Bursary recipient described the application form as "refreshingly easy to complete"; another described it as "friendly" and another as "a bit funky". One even wondered whether "this is all there is to it". Patient Capital investees were similarly impressed.

Some applicants were surprised at its simplicity. All the applicants remarked on the need to be really well prepared and to expect the unexpected. Many suggested that there was scope, without undermining the freshness of approach, for the ACF sponsors to devote more attention in the application form to helping the applicants make a critical assessment of their organisational development readiness and the quality of their proposals and supporting material. The inference is that, had the application forms been more searching, the quality of the applications might have been better. The Partners' Group has, as a consequence, introduced changes in the Round 2 application forms and procedures.

The launch and application process can be assessed to have been successful as both the Bursary and Patient Capital programmes generated a healthy response within the timetable. Nevertheless, there was insufficient time and resources devoted to marketing the programme and all the participants in the programme recognised that pressure under which applicants were obliged to operate was extreme. There is, therefore, scope for significant improvement.

Selection phase

In contrast with the application process, the ACF selection process was far more elaborate. Also the Patient Capital and Bursary strands were dealt with differently.



Patient Capital selection process

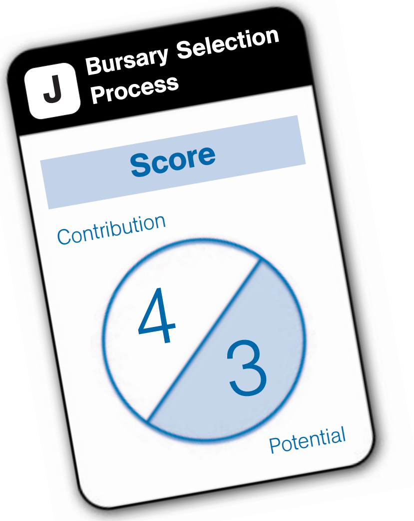
The Patient Capital selection process had to be completed within an 11-week period, commencing on 9 January 2003, when the applications were submitted, and completed by 31 March 2003, when the funds had to be allocated. The selection process included four separate phases.

- The first entailed a paper review of annual accounts, confirmation of incorporation and an assessment of the business and projects plans of the 38 applicants. This took place in a three-week period culminating at a meeting of a specifically convened Selection Panel that included representatives of the delivery partners and also the Home Office. Fifteen organisations were short-listed.
- The second phase entailed visits to each of the short-listed applicants. During these visits the assessors were not only able to gain a better understanding of the selected organisation but were also able test the details of their proposals more closely.
- The third phase took place over two days. Each of the short-listed applicants was invited, in turn, to make a presentation to the reconvened Selection Panel. They described both their organisation and the proposed project. The members of the Selection Panel then asked questions. The Panel decided to support 10 applications.[19] Those that were not supported received a letter explaining the reasons for the Selection Panel's decision.
- The fourth phase entailed returning to the selected organisations, agreeing the details of the investment decision, and issuing the offer letter.

The selection process was successful in that it all 38 applications were assessed, all 15 short-listed candidates were visited, and offer letters were issued to the 10 selected organisations before the 31 March deadline.

The assessment and selection processes were also successful in editing out non-eligible components from the initial bids and identifying £700,000 where either near-to-market or existing grant programmes were more appropriate vehicles for meeting the capital costs of submitted proposals. There can be confidence, therefore, that the investments made are responding to a real gap in the market rather than duplicating existing sources of finance.

However, the success was achieved at a cost. First, there was a knock-on effect from the truncated application process. Many of applications showed signs of being prepared hurriedly. Some were changed substantially as they progressed through the selection phases. All needed further work before they were considered to be in a fundable form. Secondly, the short time period put those undertaking the assessment and due diligence processes under severe pressure; the procedures to manage the short-listing process had to be hastily assembled.



Bursary selection process

In contrast, the Bursary selection process was far less pressured.

In each of the four participating regions, Selection Panels were established to assess the applications. These included both the representatives of RDAs,[20] as funding partners, and regional representatives of the Partners' Group, as the delivery agents. The applications were assessed against a common set of criteria but the selection process also took into account the extent to which the proposals reflected the priorities established for the regional economic strategy by each participating RDA. In each region, the process generated an agreed list of organisations to support.

The selection process was largely a paper exercise. Half the participants received a telephone call to confirm the information that had been provided and/or to elicit further information. One received a visit. The others were simply informed of the outcome.

A total of 20 applicants were offered Bursaries in three regions.[21] The Selection Panels were not shy to reject applications that did not meet the anticipated quality threshold: the East Midlands panel considered that none of the applications were strong enough to warrant approval and a second call for proposals was issued.

None of the applicants received less than the full amount of funds for which they had applied. The London and East of England panels also increased the amount of money allocated where they felt the applicants could benefit from additional funding. In one instance the amount that had been applied for was doubled.

The Bursary selection process was simple and uncluttered and was proportionate to the size of the grants being awarded. There was regional discretion and in three of the regions the Selection Panels made deliberate interventions that reflected local circumstances.

Potential conflicts of interest

The ACF selection process brought to the fore an aspect of the community sector at the present time that had not come into focus beforehand.

First, many of the Supporters allocated to the Bursary Award winners were also consultants in their own right. Some offered additional services for which they or their associates obtained a fee. This is not to imply that the services provided were not needed, that they were poorly delivered, or that the price charged was inflated. However, it does indicate the need for greater transparency at this important interface between the ACF programme and its participants. Supporters in Round 2 have been advised accordingly.

Secondly, at the Selection Panel that decided the Patient Capital short-list, the DTA representative registered knowledge of 18 of the 38 organisations submitting applications and LIF declared an interest in eight organisations. **nef** and the Scarman Trust also knew a smaller number of applicants. In addition, many organisations were known to more than one member of the Selection Panel and in a small number of instances the extent of the engagement was quite extensive.

That members of the Partners' Group had knowledge of the applicant organisations should not come as a surprise. DTA, LIF, Scarman Trust, and **nef** are all relatively young, national organisations representing, serving, and/or researching the community enterprise sector. They are all actively engaged with the type of leading edge community-based organisations that would be aware of and bidding to the ACF programme for funds. In addition, DTA, Scarman Trust, and LIF also have regional structures that are designed to ensure that they have good local contacts and are able to respond to local situations. For these organisations to be effective, they would need to know of and be in contact with many of the organisations that could be interested in submitting applications to the ACF programme. Indeed, it would be surprising if they were not.

There is no indication or implication that any of the Partners' Group members acted other than honestly and honourably throughout the short-listing, assessment, and final selection processes. Each declared a potential conflict of interest where one existed. Also the short-listing and final selection meetings were not closed meetings. A representative from the Home Office participated in the short listing and final selection meetings and a member of the Evaluation Team was present as an observer at the final selection meetings.

However, given the size of the Patient Capital investments, the importance of those investments to the success of a particular initiative, and the profile of the ACF programme, the Partners' Group proposed and the Steering Group accepted that for the Round 2 application process, the Selection Panel should:

- Be separate from the normal business of the Partners' Group.
- Be provided with a specific brief.
- Have an independent chair.
- Include additional members who are not staff or board members of the delivery partner organisations.
- Publish its short-listing and selection procedures.

Overall assessment

It was an extraordinary achievement to have developed the ACF programme, launched it, and allocated the Bursaries and Patient Capital investments within a nine-month period from July 2002 to March 2003.

It is important to establish a time frame that creates and maintains an acceptable level of pressure. Nothing should detract from the energy, commitment, and quality of input from the Partners during the selection process. However, the pressure under which the ACF programme was obliged to operate was extreme. The timetable was driven by the demands of the accounting procedures of central government departments whereby funds had to be committed by the 31 March.

The Steering Group and Partners' Group have, therefore, agreed to introduce safeguards to ensure that in Round 2 neither they nor the applicants would have to operate under such pressure. In future:

- The delivery partners should have a two-month period after the funding has been secured to prepare the launch material and launch events.
- The application process for the Patient Capital investments should be extended to eight weeks.
- Greater flexibility should be built into the 31 March deadline.

2.6 Structures

The ACF programme has been developed and implemented through a framework of interlocking partnerships and supervisory/management bodies.

Partnerships

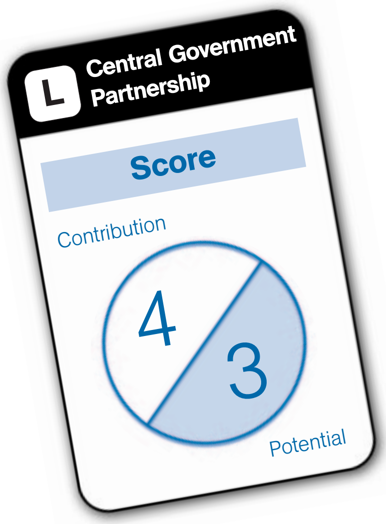
Two partnerships have been of particular importance to the development and implementation of the ACF programme.

Central Government Partnership

The Central Government Partnership was formed in response to two separate proposals. In early 2002, the Director of the Scarman Trust, in his capacity as Advisor on Civil Renewal at the Home Office, outlined proposals to support the development of multi-purpose community-based organisations. At the same time, the Director of the DTA was engaged in discussions with the NRU about an ambitious asset development programme for development trusts – many of which are multi-purpose, community-based organisations.

Both the NRU and the ACU shared an interest in strengthening the community sector but neither had a specific brief for championing the cause of medium-sized, community-based organisations. For the ACU, such organisations represented one approach among many to creating a strong civil society and for the NRU they represented one element among many in implementing effective neighbourhood renewal strategies.

The NRU and ACU discussed these approaches. Neither had the capacity to deliver such a programme nor did they have confidence that they understood this area of activity sufficiently well to act flexibly and quickly. The NRU and ACU came together and presented a challenge to the DTA and Scarman Trust to produce a joint application.



However, the NRU and the ACU were not the only central government departments with an interest in this area. The Social Enterprise Unit (SEnU) within the Department of Trade and Industry saw community-based organisations as one of a range of models of social enterprises they had a brief to support. Similarly, both the Enterprise Team and the Voluntary and Community Sector Team within the HM Treasury had an interest in community-based organisations as a method of delivering devolved public services. All participated in the development of the ACF programme.

In previous times, the lack of a defined point of reference could have resulted in no one taking the lead or, in the event of one department picking up the baton, the other departments standing back. However, there has been a profound change of culture within central government. The NRU and the SEnU were willing to allow the ACU to take the lead but both wanted to stay involved as they had a shared cross-cutting facilitating role. HM Treasury, which did not have a front-line programme implementation role, also recognised that, in the absence of an existing market for patient capital, central government had a role in market making.

The funding for the ACF reflects this diversity of interest. The ACU agreed to contribute £2 million to support the patient capital aspects of the ACF programme. The NRU contributed £400,000 to fund the support programme, the programme management and evaluation elements. At the outset, SEnU had no expenditure programme from which to allocate funding but supported an approach to the Regional Development Agencies for the organisational development strand of the programme.

The Central Government Partnership has had a pivotal role in the success of the ACF programme. Had the ACU and NRU not been willing to respond to the approaches made by the organisations representing the community sector and had they then not been willing to work flexibly together and identify funds, the ACF programme would not have come into being.

The work of the Central Government Partnership did not come to an end with the launch of the programme. The ACU, NRU, and SEnU were all represented on the Steering Group that has overseen the development of the programme. The Home Office, as lead department, was actively engaged in the selection process of the Patient Capital investments. The four RDAs, which funded the Bursary programme, have been active partners during the implementation phase and are also represented on the Steering Group.

The Home Office, the ODPM, and the DTI also jointly sponsored the national seminar on Patient Capital held in July 2003 to demonstrate the value of the ACF approach to a wider audience, including other funders. This seminar brought the three central government departments together with the Bank of England, HM Treasury, community development finance institutions, commercial lenders, community enterprise practitioners, as well as leading US experience, and resulted in the report *Patient Capital: a new approach to investing in the growth of community and social enterprises.*[22]

For central government, the need to reflect upon their ongoing commitments came to the fore when David Blunkett announced a further £4 million allocation to the ACF programme in June 2003. Although this was a great vote of confidence in the ACF, it has necessitated a new round of discussions and negotiations with other departments as to their ability to contribute to the second round of the programme.

The central government partners on the Steering Group have agreed to consider drawing up a shared understanding as to their medium-term commitment to the ACF programme – conditional, of course, upon continuity in the current policy agenda and the effectiveness of the ACF programme to meet its objectives.

Community Sector Partnership

The challenge set down by the NRU and ACU to the DTA and Scarman Trust highlighted the absence of a non-government agency capable of delivering such a fast moving, experimental programme as the proposed ACF programme. They set out to establish a community sector partnership specifically to provide the delivery vehicle for the programme.

The DTA and Scarman Trust work with complementary sections of the community sector and were, therefore, able to work together productively. Both had already established positive working relationships with **nef**, which had also been instrumental in promoting the sustainability of the community sector. The Local Investment Fund was approached to provide the fund management functions that the other partners lacked.

The Community Sector Partnership, like the Central Government Partnership, was pivotal to the success of the ACF programme. Without it, the programme could not have been initiated and, once initiated, it could not have been implemented. Once the ACF programme had been approved, the Community Sector Partnership was formally constituted as the Partners' Group and a partnership agreement, which set down the working relationships and responsibilities, was drawn up. The Partners' Group became responsible for the day-to-day management of the ACF programme.

Supervisory/management bodies

The ACF has two supervisory/management bodies: the ACF Steering Group and the ACF Partners' Group. The respective roles of these two groups have become clearer during the selection and implementation phases: an example of learning through doing.

Steering group

The ACF Steering Group comprises representatives of the central government departments (ACU, NRU, and SEnU), the LDA (representing the four participating RDAs) and the four delivery partner organisations (DTA, LIF, Scarman Trust, and **nef**).

At the outset, there was some uncertainty as to the contribution/responsibilities of individual members of the Steering Group. The ACU, NRU and the LDA were present as funding bodies. Initially, the SEnU was present as an interested observer but not as a funder. The delivery partners were present because they had had a central role in developing the ACF programme but they also had the responsibility for delivering the programme.

With the advent of Round 2, the ACF programme moved from being a demonstration programme to becoming a development programme as well. From this juncture onwards, the Steering Group increasingly took on the policy/ programme review functions of an investor group that has an interest in the well-being of the ACF programme. At this time, the membership was also widened to include representatives from the Futurebuilders programme, the Big Lottery, and private sector financial services institutions, and the DTI became a full member.

This development has resulted in a greater clarity of responsibilities. The funders have taken on more of a supervisory function with the delivery partners increasingly reporting to the Steering Group on progress. The participation of the delivery partners on the Steering Group as equal members also represents the ongoing partnership between the community sector organisations that initiated the programme and the central government departments that fund it.

Partners' Group

The Partners' Group comprises representatives of the delivery partner organisations – DTA, Scarman Trust, LIF and **nef**. Initially it also included a representative from the Home Office but, as the respective roles of the Partners' Group and the Steering Group became evident, the Home Office representation lapsed.

The Partners' Group has become the workhorse of the ACF programme, responsible for its day-to-day implementation and management. This led to a formalisation of roles and accountability. LIF has been responsible for the accountable-body function and the preparation of the loan agreements; LIF and Scarman Trust undertook the assessment and due diligence function; Scarman Trust and the DTA have provided the resources to deliver the support function; and **nef** has taken the lead on developing social impact measures. Each of the delivery partners is responsible to the Partners' Group for the delivery of its part of the programme.

The Partners' Group has incrementally formalised the intellectual capital embodied in the ACF programme: the definition of the ACF products, application and selection processes, contract documents and loan agreements, the function of the Supporters, the development of institutional forms etc. This intellectual capital has yet to be captured in a systematic way.

The delivery partners underestimated the resource demands of the day-to-day management function. These demands put the delivery partners under pressure, particularly during the selection phase. Also the central administrative team was not resourced to act proactively on either the Patient Capital or the Bursary programmes. Attempts have been made to rectify this situation but the absence of a longer-term commitment has meant that the Partners' Group has not been able to create a position that offered sufficient security to attract candidates with the appropriate skill levels and experience.

Although tested, the administrative processes and systems have coped with the pressures. In addition, Scarman Trust and DTA have nominated additional staff to the programme and the Partners' Group has also initiated 'away days' at which developmental and forward planning issues could be discussed.

The Partners' Group is also exploring the possibility of incorporating itself as an independent body in the event of future funding being made available to support the continuation of the ACF programme.

Overall assessment

The Central Government and Community Sector Partnerships that underpin the ACF programme have played a pivotal role in its success. Without them, the programme would not have come into being and, once initiated, it would not have been implemented.

The Steering Group and the Partners' Group have provided effective vehicles for the management of strategic and day-to-day issues facing the programme. Both partnerships have broadened and deepened during the period under review and have grown in confidence and capability.

The success of these administrative structures is a reflection of the commitment and flexibility of the community sector partners and the civil servants involved and the trust that they have in each other. The experience of the Partners' Group indicates that the creation of dedicated consortia can provide an effective model for mainstreaming the delivery of central government programmes.

2.7 Strategic issues

Those associated with the ACF can look back over the last two years with genuine satisfaction. The programme, first formulated in July 2002, was launched in early December 2002. By the end of March 2003, letters of commitment had been issued to 29 participating community enterprises: 19 Bursaries and 10 Patient Capital investments. Subsequently, a further six organisations were also awarded Bursaries as a consequence of the second call for proposals in the East Midlands region. In May, the delivery partners convened a gathering of the Patient Capital investees in Bradford and initiated the Supporters programme.

By July 2003, the ACF programme had received a level of exposure and support that placed it firmly on the policy agenda. The programme had attracted interest from the media and across the community, voluntary sector, and private sectors. The Bank of England in its report on the availability of financial services for social enterprises confirmed that there are significant barriers to medium-sized social and community enterprises achieving scale and sustainability.[23] David Blunkett announced the allocation of a further £4 million to the ACF in his Edith Kahn Memorial Lecture to the Community Service Volunteers (CSV).[24] In addition, the three central government departments, which sponsored the ACF programme, co-hosted an awareness-raising seminar on the benefits of Patient Capital.[25] The conference also provided the opportunity to publish the ACF Baseline Report.[26]

By the time the Round 1 ACF programme was due to come to a close, virtually all the initial Bursary Awards had achieved a satisfactory outcome and half the Patient Capital investees had drawn down their funds. There was clear evidence that the Bursary grants and Patient Capital investment had contributed to a step-change in the mindset of the participating organisations. In addition, the experience of the ACF programme had provided an important vehicle for better understanding the dynamics of the community sector. Finally, Round 2 of the ACF programme, although outside the scope of this report, had been launched and the associated Bursaries/Business Development Grant and Patient Capital investment had been awarded.

Nevertheless, there are a number of strategic issues that warrant further exploration. These are considered below.

Programme branding

The term 'the Adventure Capital Fund', adopted for the ACF programme, is ingenious. It captures the sense of adventure that comes from exploring a new territory. Like other initiatives with which **nef** has been associated, it also creates an ambiguity by bringing together action in the social sector with concepts from the private sector. In this instance, the ACF programme is able to build on the private sector concept of venture capital thus incorporating the spirit of entrepreneurship and investment into new ways of operating in the social sector.

The ACF programme has also been successful in giving practical form to the concept of Patient Capital. This helped to emphasise the slow burn approach that underpins the Adventure Capital Fund and to distinguish it from 'close-to-market' and commercial-return products on offer.

However, the focus on the financial and technical aspects of the delivery processes and products of the programme has meant that its contribution to the wider debate has not been so prominent. There is a danger, therefore, that the ACF programme becomes dissociated from its primary driving force.

At the heart of the Government's policy agenda has been to reverse the polarisation that has taken place between richer and poorer sections of society and to address the problems facing communities of place and interest where the quality of life is unacceptable and unsustainable. The creation of a substantial and sustainable community sector is one of the main planks in achieving that policy objective.

Experience shows that community-based anchor organisations make a significant contribution to developing social cohesion and thereby increasing stability. They help to improve the quality of life locally and thereby decrease levels of stress. They engage in wealth creation and contribute to the reduction of poverty. They form partnerships with and build pathways into the mainstream and, in doing so, improve social inclusion.

If the ACF programme is successful, it will have identified mechanisms whereby it is possible to promote the development of substantial and sustainable community-based organisations in a proactive and planned manner rather than in the present ad hoc way.

The positive experience of the ACF programme would help confirm the distinctive contribution that the community sector can play within the social sector. It would also help – alongside evidence from the voluntary sector and social enterprises – make the case that the social sector, as a whole, has a key role to play alongside the public and the private sectors in ensuring that there is a sustainable and acceptable quality of life in communities experiencing severe stress.

It is important that the ACF programme is set within this bigger picture. This wider context will not change rapidly and the problems that those living in disadvantaged neighbourhoods and marginalised communities experience will still need to be addressed whatever the outcome of changing policy and programme agendas might be.

Although it is important to get the technical aspects of the ACF programme right, concentrating on them detracts from other, perhaps, more profound elements within the programme.

The key component of the ACF programme, as identified by participants, is the offer of an incremental and supported journey from financial and organisational fragility through to financial and organisational sustainability.

No other programme offers long-term support linked to the offer of substantial financial investment. No other programme offers a stepping-stone approach whereby the investment in organisational and systems development aspects of participant organisations and their projects is seen as an essential pre-requisite to making a successful Patient Capital award. No other programme offers dedicated support as the participant organisations make the transition towards financial and organisational stability and sustainability. Each of these aspects of the ACF programme has been shown to be of fundamental importance.

Identifying the ACF as a fund – important though that is – places it alongside and in competition with other funds with their associated application, allocation and monitoring processes. It means that priority is not given to the Supporter, organisational development, cultural transformation, and sustainability aspects of the ACF programme. Although these aspects are present, they are part of the sub-text. In many respects they are the essential prequels to the successful implementation of a funding proposal and, for funders, delivery partners and applicants alike, they are a key risk management component of the programme.

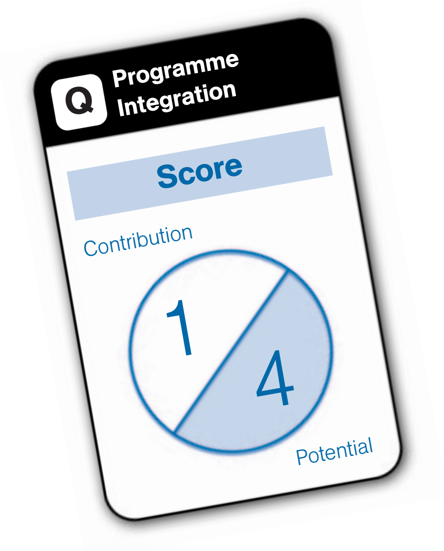
Recommendation:

In considering the next steps for the ACF programme, the Steering Group and Partners' Group should take the opportunity to reflect on the central issues that underpin the programme and ensure that they are adequately reflected in its branding and future marketing.

Programme integration

The ACF programme was envisaged as an integrated programme, with the Bursary programme seen as a stepping-stone to the Patient Capital investment programme. It would be expected, therefore, that there would be some read across between the two programmes. However, that was not the case.

There was little evidence of any significant attempt to integrate the Bursary and Patient Capital strands of the programme. After the initial launch and distribution of the application forms, the two programmes were largely autonomous. Although the central administrative team monitored progress, there was little attempt to bring the two programmes together. The failure to integrate the programmes means that it will be more difficult for the ACF programme as a whole to achieve its full impact or potential.



The initial gathering of organisations participating in the ACF that took place in May 2002 in Bradford included Patient Capital investees only. Similarly, invitations to the national seminar sponsored by the three central government departments, which took place in July 2002, were restricted to the Patient Capital investees. The invitations were not extended to the Bursary Award winners because there was insufficient funding available. The initial gathering and the Patient Capital seminar had not been factored into the original programme or budgets. Additional funds had to be identified at short notice, either by virement between existing budget heads or from new funding streams. Although sufficient funding was identified to allow both events to take place, it was not enough to include the Bursary participants.

There was also a mismatch between the Patient Capital and Bursary programmes. The Patient Capital programme covered all nine English regions whereas the Bursary programme was available in only four regions.

It was left to the ACF delivery partners, using their regional contacts and with the support of the SEnU, to establish whether the nine regional development agencies in England wished to participate in the Bursary strand of the ACF. Representatives of the delivery partners met with regeneration officers from the RDAs to discuss common issues and forward strategies but each RDA is an autonomous body responsible to regional boards. The SEnU does not have a directional remit.

Seeking funding for a programme, which was designed to commit expenditure within the financial year in question, posed difficulties. RDAs operate within a strategic planning framework that has a three-year forward horizon. Their annual budgetary cycle leaves little discretion for including additional expenditure and/or new programme initiatives during any current financial year. Nevertheless, four RDAs[27] were able to identify and commit funds for the ACF programme.

The lack of integration was also evident during the implementation phase. In those regions that had both Patient Capital investees and Bursary Award winners – London, East Midlands, and Yorkshire and Humberside – no attempt was made to bring the two groups of organisations together. In those regions where the ACF had made Patient Capital investments but where the RDA had not been able/willing to fund a complementary Bursary programme – North East, North West, and West Midlands – no sharing of information took place during the implementation phase.

The Bursary programme was administered within each of the regions within a generic framework set down centrally by the ACF delivery partners, but there is little evidence of there being any further co-operation between the regions during selection and implementation phases. Also, although a representative from one of the participating RDAs was a member of the Steering Group, there is no evidence that the RDAs were engaged in cross-regional discussion concerning the development of the programme. While recognising the autonomy of individual RDAs, there is clearly scope for better co-ordination between participating RDAs and those that are running similar programmes in their regions.

Recommendation:

When considering future actions, the Steering Group should consider how best improve the integration of various strands of the ACF programme and between activity co-ordinated at national and regional levels.

Programme development

In agreeing to fund the ACF programme, the sponsoring central government departments and regional development agencies accepted that community-based organisations might face considerable barriers to achieving a substantial contribution in their neighbourhoods and/or organisational and financial sustainability. However, as currently constructed, there is an inconsistency at the

Croxteth Communiversity (Croxteth Community Trust), Liverpool

Croxteth Communiversity serves three neighbourhoods in Liverpool. These neighbourhoods have a range of issues including a serious drugs problem amongst young people, low wages, low expectations, and high crime rates. The Communiversity itself emerged 20 years ago from a local campaign to save a school. Three years ago, it bought its current premises, a former local authority old peoples' home. The Communiversity model has evolved to provide community education and training using a pathway approach allowing participants to develop from basic skills to Degree level courses. There is a strong emphasis on the performing arts.

Two closely linked but distinct companies provide training – primarily on an apprenticeship basis – in construction; but also for classroom assistants. The second company provides building and landscape maintenance services, offering employment opportunities to local people.

The ACF Patient Capital investment has involved the refurbishment of the existing Communiversity building to provide improved performing arts space, lecture rooms, conference facilities, and a café. It has also supported the acquisition and refurbishment of another building to house the Trust's training and employment companies. This will allow the three organisations to improve the service they offer to the community, expand their activities, generate more income, and thus survive. They will be able to develop their employment activities, providing more jobs for local people at a higher than average level of remuneration which has a positive impact on the community. It will also enable them to continue to offer the community education activities – from basic skills to degree level.

Nature and amount of investment: £200,000

Repayment terms: £100,000 at 1% with 3-year capital holiday; £100,000 interest free for 3 years then interest level linked to social outputs.

As of the end of October 2004, work is nearly complete on the refurbishment of the former supermarket – the base for the training and employment companies – and they have moved in. It obtained Round 2 ACF investment support for a new transport fleet that has just been launched. Work has just started on the refurbishment of the Communiversity. Ten more apprentices have been employed and six other full-time posts have been created, bringing the total number of people employed by the Trust to 82.

The ACF investment has had an impact on the Trust's organisational systems. It has had to review its business systems to ensure that it can generate the cash to service the loan. This has required the introduction of cost centres and a stronger differentiation between the Trust and the two linked companies.

More significantly, the investment has enabled it to enter a period of dynamic growth that it sees as the key to long-term survival. It has enabled the Trust to break away from the constraints of the original building that had prevented any further growth and was at risk of strangling the organisation. Since the ACF investment, it has entered negotiations with Futurebuilders and ERDF for substantial funding to develop a skills training centre in a former church. It is also negotiating a loan with Triodos to acquire a farm and to start to look at health issues.

As far as external stakeholders are concerned, these developments are evidence of the Trust's commitment to continued development and proof of its continuing viability as an organisation. For the local community, the main impact continues to be the provision of high quality employment opportunities that strengthens both the local community and the local economy.

heart of the ACF programme. The evidence of the ACF programme indicates that it takes considerable effort and time to transform a fragile community-based organisation into a substantial and sustainable community-based anchor organisation. Yet the ACF programme was not built into the strategic plans of the sponsoring fund holders. As a consequence, Round 1 was funded without any commitment to Round 2 and Round 2 was funded without any commitment to a third round. Without a longer time frame of commitment, it will prove difficult to establish the structures, processes, and necessary evidence to produce the intended outcomes.

In addition, central government departments and regional development agencies cannot be expected to shoulder alone the funding responsibilities for creating sustainable community-based anchor organisations in all disadvantaged neighbourhoods and marginalised communities across England.

Both charitable funding bodies and the Big Lottery have a vested interest in ensuring that the organisations that they support with project funding are organisationally and financially stable: otherwise their project support could be at risk. Community-based anchor organisations could also provide attractive investment opportunities for high-net-worth individuals. Similarly, many private sector institutions, wishing to take advantage of the community sector tax credit system, would have an interest in investing in community-based anchor organisations. Commercial lenders could find community-based anchor organisations in receipt of Patient Capital investment attractive vehicles for further investment. Other wholesale financial institutions could be interested in refinancing the loans held by the ACF thereby helping to enhance its capability of becoming an effective recycling fund.

Establishing the ACF programme as one that is attractive across the funding spectrum would represent an important breakthrough. It could represent an important shift of emphasis and herald a more sophisticated form of intervention.

The creation of such an investment vehicle will require new forms of co-operation. The development of intellectual and organisational framework is likely to be time consuming. It could also be challenging as it could involve the renegotiation of the partnerships within the central government sponsoring departments and with the RDAs, as well as the creation of new partnerships with the Big Lottery, charitable foundations, and private sector financial institutions.

It will not be possible to explore any of these options in any depth if the ACF is seen simply as a one-off, one-year programme. Without the structures, processes, and outcomes in place, central government, regional development agencies, or leading community sector organisations will not be in a position to actively engage other funding agencies. In the absence of a longer-term commitment, other potential players will be reluctant to come forward, to learn about the programme, and to commit themselves.

Also the issues associated with the setting up the ACF programme are unlikely to recede in importance or relevance. The ACF programme is one of a new breed of programmes that is designed to experiment in doing things differently. They can be highly interventionist and contain both a demonstration and a reflective strand. The reflective strand includes an important learning component. This provides guidance for the next implementation stage and allows for improvements to be incorporated and risks to be better understood.

As the Modernising Government agenda works its way through the different strands and layers of the contract between the state and civil society, there will be an increasing need to initiate, across a widening spectrum of activities, a range of experimental programmes, as innovative and as highly crafted as the ACF. It is likely that many will focus on cross-cutting issues. In those instances it will become evident that there is no single source available to fund the initiative and that the voluntary participation of a number of central government departments and regional authorities will be required. Shared responsibility for funding the programme also limits the risk and exposure of any single department in the event of the programme failing to achieve its objectives.

Similarly, the implementation of experimental programmes will continue to pose problems for both central government departments and regional authorities. Programme delivery is labour intensive and time consuming. Experimental programmes require the delivery agencies to move quickly and flexibly. Frontline staff have to be able to manage risk and uncertainty with confidence. As government departments and regional authorities move increasingly into a sponsoring/quality control mode and away from a programme delivery mode, they will be reluctant to take on such responsibilities. This will set new challenges for delivery agencies.

There are few organisations within the social sector that have the capacity or authority to deliver such programmes. The ability of the members of the ACF

Partners' Group to establish such a vehicle could provide a model for other government departments seeking alternative mechanisms to mainstream centrally funded programmes as well as for other potential partner organisations willing to pool their experience and strength while maintaining their autonomy.

The Home Office and HM Treasury have already adopted a similar model to that used for the ACF programme by appointing a specifically created consortium to deliver Futurebuilders, the Government's £125 million flagship programme for extending community and voluntary sector participation in a range of publicly funded services. The ACF Partners' Group has also advised the Futurebuilders consortium on the concepts and approaches trialled in the ACF programme, many of which have been incorporated.

Recommendation:

The Steering Group should give consideration to the future funding of the ACF programme as part of its immediate work programme. It should also share the lessons learned from implementing the programme with other central government departments that might be considering similar initiatives.

Programme delivery

Both the Bursary and the Patient Capital strands of the ACF programme were delayed. By the end of September 2003 – six months after the Bursaries had been allocated – half the applicants had not drawn down the funds to undertake the activities outlined in their applications. At the end of May 2004, some 14 months after the Patient Capital awards had been made, only half the 10 applicants had drawn down their funds.

Before considering the reasons that gave rise to this delay, it is important to remove from the equation two possible explanations.

First, it cannot be said that the programme has been poorly managed. The Partners' Group and Steering Group have met regularly, stayed abreast of developments, and taken corrective action where they were able. Although at times highly stressed, the delivery partners have met the demands of the application, selection, and implementation phases. LIF, as the accountable body, has administered the programme effectively and produced quarterly progress reports.

Secondly, although some of the ACF processes (the appointment of Supporters) and products (the preparation of contract documents for the Patient Capital investment) were not as well advanced as they might have been had the ACF participants been ready to use them, they did not significantly contribute to the delay.

The reasons for the delay are more deeply embedded. Two are detailed below.

Scale of undertaking

The experience of the Bursary and Patient Capital participants indicates the journey to sustainability is a long and winding road. Developing a profit-making business or acquiring a building is a stressful and uncertain process at the best of times, even if it is the core function of an organisation and there are no other distractions. The evidence from the Bursaries and Patient Capital investments shows that for community-based organisations, it is only one component in a much larger process of change that is taking place. The components of this change agenda include the following:

Watching the shop	Community-based organisations have to continue to run their existing organisations and, where necessary, refinance their programmes and projects. Under normal circumstances this is a stressful and full-time activity, without the added demands of setting up a successful social enterprise.
Vision	There has to be a realisation that 'business as usual' is no longer an option. That epiphany can take place in any number of ways – as a consequence of collapse of funding, new opportunities opening up or, as in one instance, driving home in the car.
Strategic review	The process of change necessitates that a strategic review of the organisation is undertaken. This has to look at both an organisation's strengths and weaknesses and how the organisation fits within a changing external policy and funding landscape. This can be unsettling and can result in staff and committee members leaving.
Organisational development	The review process can highlight the need to introduce changes in governance, structure, personnel, and systems. Implementing such changes can also give rise to staff and committee members moving on – sometimes at inconvenient times and in less than happy ways.
Culture change	In parallel, the organisation, its staff, and board members have to develop a new culture; gain confidence in using new skills and attitudes; and learn processes about which they might have little previous experience. These changes in culture and attitude have also to be shared with users. This can also be an unsettling experience.
Creating new disciplines	The preparation to launch a new community business or to implement a substantial construction/refurbishment programme requires the sponsoring organisation not only to assemble the necessary resources but also to get their finances in order; open themselves up to external scrutiny; put any assets of the organisation and their own careers at risk while committing themselves to operate within an exacting framework of expectations.

These activities sometimes run in parallel and sometimes in sequence. Taken together they pose an awesome challenge. There is no handbook on how to juggle these competing demands. For every organisation it is a voyage of discovery. It is apparent that the scale of the change agenda taking place at the local level was not fully appreciated by the community sector partners who initiated the programme, the central and regional governmental bodies that have funded it, or the participating community-based organisations.

It is important that community sector organisations, policy-makers, and those tasked with devising programmes and funding streams fully appreciate the scale of the undertaking embarked upon when a community sector organisation makes the decision to move from grant dependency to sustainability. Had they done so, the ambitious delivery targets of the ACF programme might have been moderated.

Recommendation:

The Steering Group and Partners' Group should take the opportunity to reflect upon the expectations that they place upon organisations participating in the ACF programme.

Investment readiness

The ACF programme was built around the concept of 'investment readiness'. Investment readiness has two aspects: organisational fitness for purpose and project preparedness. The Bursaries were targeted at those organisations that were seen to be near to being organisationally ready to take on major capital development projects. The Patient Capital investments were to be made available to organisations that had the organisational capacity, relevant skill sets and projects ready for development.

The experience of the Bursary programme indicates that the majority of the applicants and many of the award winners were well short of being investment ready. Similarly, the experience of the Patient Capital programme indicates that, in a majority of cases, although the Patient Capital investees were at, or close to, being investment ready, the projects that they were developing were not at a stage where they could move rapidly into the implementation phase.

This raises two important issues that the Steering Group and Partners' Group need to reflect upon: organisational development and project preparedness.

Organisational development

The community sector partners, who proposed the ACF programme, made their assessment of the investment readiness of community-based organisations on the experience of the trailblazing organisations that had successfully crossed the threshold to become substantial and sustainable community enterprises. Overcoming the barriers that these organisations faced in their growth phase could well have meant that, by the time they took on their groundbreaking initiatives, they had an abundance of relevant skills. It is also possible that having crossed that threshold, the memory of the time taken and the stress and uncertainty associated with that journey has faded.

The organisations applying for Bursary grants assessed themselves to be near to investment readiness and there is no reason to doubt their good faith. Those organisations applying for Patient Capital investment also had a number of organisational capacity constraints that needed to be addressed.

The reliance of the ACF programme on self-assessment highlights an important gap in the selection process: the absence of a toolkit which allowed a structured dialogue to take place between the applicants and the assessors as to the organisational preparedness of the applicants.

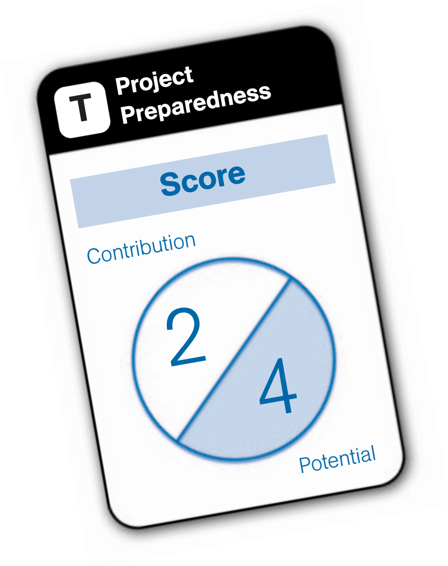
Richard Manson, from Local Initiatives Support Corporation (LISC) – which has over 20 years experience in helping community-based organisations in the USA to achieve stability and sustainability – brought a clear message to the July 2003 seminar on Patient Capital. He argued that organisational development and organisational fitness for purpose were key factors in determining whether or not an investment programme achieved its intended outputs and outcomes.

An organisational development toolkit serves a number of important functions.

First, a toolkit would have enabled the assessors to hold a structured dialogue with the applicants about their current level of organisational development. Secondly, it would have enabled both to agree the organisational development and skill sets that the applicant needed in order to fulfil its chosen mission. Thirdly, it would have allowed both to agree a programme of action that would have enabled the applicant to achieve an appropriate level of organisational fitness for purpose at each stage of its journey towards sustainability.

A number of advantages would accrue to the ACF programme if such a toolkit were in place. It would be possible to check whether a Bursary application focused on the most relevant area of intervention and establish other forms of intervention that might be appropriate. Secondly, it would establish whether the Patient Capital investees had sufficient organisational capacity and a broad enough skill base to take on major capital or business development initiatives.

Thirdly, it would provide the ACF programme with an effective risk management procedure so that it would be able to assess its level of exposure when making Patient Capital investments and ensure that, where necessary, appropriate support could be put in place.



Recommendation:
The Steering Group and Partners' Group should commission the development of an organisational development toolkit as part of their immediate work programmes.

Project preparedness

The experience of the Patient Capital investment programme shows that the large majority of the applicants had an optimistic assessment of the level of preparedness of the projects they submitted for Patient Capital investment. This raises the same concern about relying on self-assessment that was evident in the consideration of the organisational development issue above.

Again, it is understandable that they under-estimated the difficulties that lay ahead: they were, by their own assessment, inexperienced in developing major capital investment and/or sustainable social enterprises.

Although all the projects selected for Patient Capital investment have been kept in play by their sponsoring organisations, some have changed more and the progress has been slower than the ACF programme managers and the applicants had envisaged at the outset. However, the lack of readily available comparable data has made it difficult to establish whether this level of achievement compares unfavourably with other investment programmes.

A large number of funders, in the public, private, and charitable sectors, support capital investment projects that are initiated by a wide range of public, private, and social sector organisations. It would appear that there is little by way of benchmarking between different funders and few place their internal assessment of the performance of their investment portfolios in the public domain. It means that there is no broad understanding of what proportion of projects – whether in the public, private, or social sectors – having passed an 'in principle' acceptance stage, are subsequently withdrawn, or how long those that stay the course take to come to fruition. Until such data is available, it will not be possible to assess how the performance of community-based organisations relates to the norm.

Nevertheless, this is not a cause for inaction.

The Patient Capital selection process relied on the experience of the assessors and two important processes: the balanced scorecard and financial due diligence.

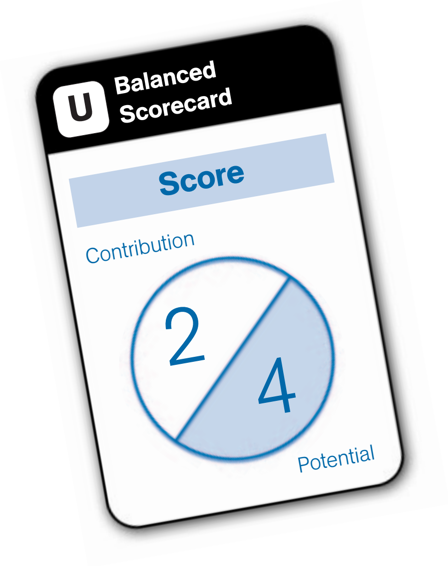
The assessors, although highly experienced, did not have direct experience of the construction process or establishing community businesses. It meant that they were highly reliant on the balanced scorecard and financial diligence processes.

The balanced scorecard concentrated on the current and future development of the organisation and the financial due diligence focused on the financial strength of the parent organisation and the financial viability of the project. Neither of these focused specifically on project preparedness. Although the assessors satisfied themselves that the applicants had prepared business and projects plans, they did not have a toolkit that would enable them to interrogate those plans rigourously.

The absence of such a toolkit left the ACF programme and the applicants unable to fully assess the risks that they were taking on when a Patient Capital investment was made.

Recommendation:

The Steering Group and Partners' Group should commission the development of a toolkit that measures project preparedness as part of its immediate work programme.



Product development

Product development has been a significant aspect of the ACF programme: the Bursaries, Patient Capital investments, and the Supporters have each provided the practical embodiment of new concepts. The experience of Round 1 has identified the need for other products – working capital to support large or erratic cash flows and small Patient Capital investments for more modest projects. Both have been incorporated into the ACF Round 2 programme.

This report has also identified the need for two other products: a toolkit to establish the level of organisational development of applicants and a toolkit to measure the preparedness of their projects.

In addition, two products introduced as part of the ACF Round 1 programme warrant further development: balanced scorecards and social return on investment.

Balanced scorecards

Balanced scorecards were used to help assess the quality of the short-listed applications. The scorecard used had been created specifically for the ACF programme.[28] The balanced-scorecard approach has the potential to provide a generic framework capable of accommodating a wide range of community enterprises. It also has the potential to allow each community enterprise to self-identify those goals and measures of performance that are most relevant to its situation. It also provides a means by which performance can be subsequently monitored.

However, the potential of this approach was not fully realised. First, none of the applicants were aware of this approach prior to their involvement in the ACF programme. Secondly, no reference to the balanced-scorecard approach was included in the application process. As a consequence, its introduction during the short-listing process took many applicants by surprise.

In the event, the balanced scorecards provided the framework for a strategic conversation with the key stakeholders of each organisation. Of necessity those conversations started from scratch.

The response of the applicants was mixed. Croxteth Community Trust found it "useful". It made sense to BCUDA/SEBCU and Ibstock Community Enterprises as it helped clarify a number of issues that they were grappling with in their business plans.

For Moss-Side and Hulme CDT, STEP, and ABL (Bradford), the balanced scorecard did not appear to have any direct relevance as they were focused on the immediate problems of getting the issues associated with their projects resolved. The manager and board members of Fairfields Waste Management, on the other hand, found it a very useful snapshot of their thinking at a particular point in time, although they did not appreciate its relevance at the time of its preparation.

For others, such as the Environment Trust, Riverside Credit Union, and CVL (Middlesboro), it was overly "bureaucratic", "an Americanism" and "beyond comprehension".

The scorecard discussions identified a lack of familiarity with articulating financial targets, core markets or products or how to measure what an organisation had achieved. Applicants had greater difficulty in developing responses for organisational development and social return on investment than they did for the more familiar areas of business model and financial return. There was also confusion between the balanced scorecard for the organisation and the balanced scorecard for the project that the organisation was seeking to promote.

Subsequent experience also indicates that the balanced-scorecard approach did not assist applicants in identifying the risks and uncertainties within their organisations or projects or highlight external factors that were beyond their control but could, and for many would, have a profound influence on their future plans.

The balanced-scorecard approach warrants further development.

Recommendation:

The Partners' Group should undertake a review of the balanced scorecard approach with the intention of integrating it more effectively into the assessment and selection procedures.

Social Return on Investment

The concept of 'Social Return on Investment' (SROI) is central to the ACF programme and, indeed, to all funders of the social sector.

SROI seeks to create an accepted mechanism for capturing the social benefit/costs of any particular benefit. Without a simple and robust measurement of the social return, social and community enterprises will constantly be operating at a disadvantage when compared to organisations that seek to maximise their financial return.

Building on work pioneered by REDF (formerly known as the Roberts Enterprise Development Fund) in the USA, **nef** has undertaken a pilot study to develop a methodology to measure SROI in the UK context.[24] **nef** developed a number of specific applications but concluded that further development work needed to be undertaken before it could be rolled out more widely.

All the Patient Capital investees recognised the importance and relevance of measuring the social impact of their activities. However, the concept was still relatively new to them and none had thought through a practical means of operationalising the process.

All were focused on the immediate agenda.

STEP admitted that it was "very centre focused" and the priority for BCUDA/ SEBCU was the practical need to run the business. Nevertheless, the managers of Croxteth Community Trust were able to articulate a number of the social impacts that flowed from their activities. However, they lacked the tools to measure them. Ibstock Community Enterprises had, by providing the vehicle for maintaining the cash dispensing machine in the town after the bank had closed, made a considerable contribution to the economic activity of the high street but needed help in developing measures that captured it.

CVL (Middlesboro), because it did not pose a threat to the other partners, had been able to provide the hub at the centre of a series of CCTV networks that cover a large part of central Middlesboro. This partnership is unique and has enabled the local authority, Police, and private security firms operating in commercial premises to share information. As a consequence, Middlesboro has been awarded Beacon status for this particular aspect of its work.[30] Although this represented an important hidden benefit, CVL (Middlesboro) was focused on the issues at hand and saw the work associated with measuring SROI as an additional transaction cost.

Riverside Credit Union, on the other hand, has already taken action and submitted an application to the Baring Foundation to begin the process of defining and measuring SROI for its own activities.

However, the measurement of SROI requires completed projects. Given that the full social benefits of a project only become clear several years after it is up and running, it was always going to be difficult to produce a definitive assessment of the SROI associated with the Round 1 Patient Capital investments. The delay in the Patient Capital investment programme has meant, however, that the proposed SROI element of the ACF programme has been postponed until autumn/winter 2004. As a consequence the results cannot form part of this assessment. They are eagerly awaited, however, as they will provide one of the key pieces in the interlocking jigsaw of the ACF programme.

Recommendation:

Given the importance of the SROI element to the overall ACF programme, the Partners' Group should ensure that this aspect of the programme is adequately resourced and diligently executed.

Overall assessment

The ACF programme has explored new territory and has given practical form to a number of new concepts and products. It has achieved its primary objectives of testing the applicability of the Bursary grant and Patient Capital investment programmes and provided important insights into the dynamics of the evolving community sector. It has established that the ACF programme has a broader remit than offering investment products to community-based organisations that are at the tipping point of investment readiness. Bursary grants are an essential component in development the organisational preparedness of organisations embarking on the journey to sustainability; Patient Capital investees, although organisationally far more mature than their bursary counterparts, can also benefit from organisational and project development funding and access to an informed Supporter. The evaluation process has also identified a number of aspects of the programme that warrant further consideration and thus confirms the developmental nature of the programme.

The potential future work programmes, for the Steering Group and Partners' Group alike, are substantial, ranging from broad issues – such a positioning the programme in the wider policy and market context – through to more practical issues relating to product development. This should not be seen as undermining the substantial achievements of the programme but an indication that the ACF programme has rich DNA, which is still in the process of unfurling.

Section 3
Conclusions and recommendations

The ACF programme was developed, launched, and implemented within a ferociously tight timetable. It is a testament to the contribution of the participants and the robust central concepts that the programme has withstood the pressures within which it has had to operate.

The ACF programme offers the important objective of assisting substantial community-based organisations achieve financial and organisational sustainability through engagement in social enterprise activity. It is unique in its offer of an incremental journey where long-term and dedicated support is linked to the offer of substantial financial investment.

The experience of the ACF programme has demonstrated significant demand for:

- Organisational development programmes to assist community-based organisations to develop the capacity to take on major social enterprise initiatives – the Bursary programme.
- Sources of long-term funding offering deep discounts and alternative mechanisms for calculating interest payments and loan repayments to enable those initiatives to go ahead – the Patient Capital programme.
- Access to skilled advice and knowledge – the Supporter programme.

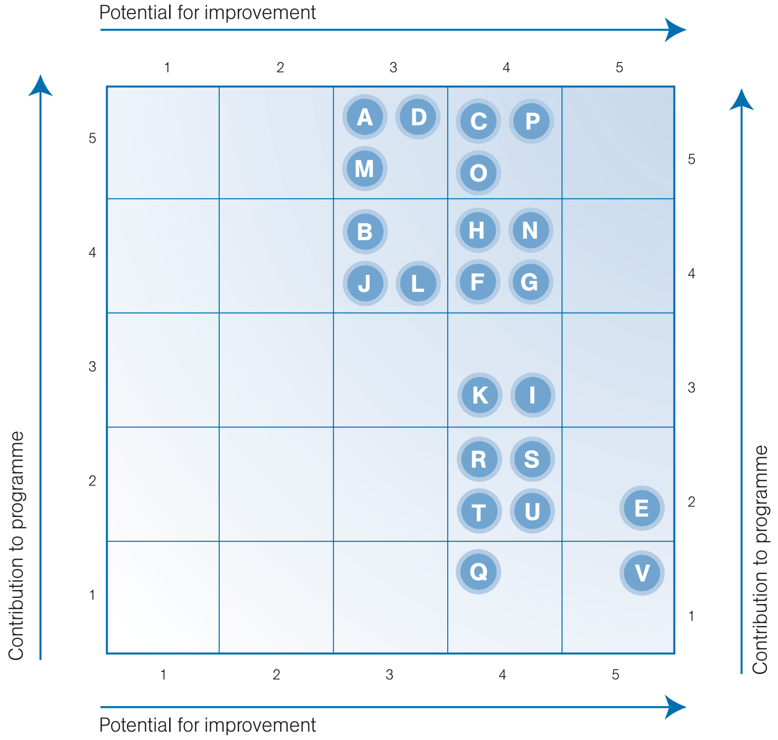
The ACF programme is an experimental programme that has given practical form to a large number of new concepts, products, and delivery mechanisms. An assessment of the contribution to the programme of 22 of these different elements and the potential that they have for further development has been has been carried out as part of the evaluation process. The individual scores have been shown against each element as it has been considered in the body of the report. The aggregate of all the assessments is shown in Table 3.

This portfolio assessment shows that almost two-thirds (13/22) of the elements have achieved a better-than-medium score for their contribution to the programme and that over two-thirds (16/22) have achieved a better-than-medium score for their potential for making an enhanced contribution in the future. None of the elements have a worse-than-medium potential for improving on current levels of achievement.

Seven elements achieved a less-than-medium score for their contribution to the overall programme thus far. Two were programme-related issues. The assessment of the Programme Development element (R) highlighted the need to develop longer-term funding commitment for the ACF, if it is to establish the

Table 3: ACF Evaluation Assessments

A	Bursary Grants	**5:3**
B	Bursary Supporters	**4:3**
C	Bursary Learning Programme	**5:4**
D	Patient Capital Investments	**5:3**
E	Patient Capital Supporters	**2:5**
F	Patient Capital Learning Program	**4:4**
G	Programme Initiation	**4:4**
H	Programme Launch/Application	**4:4**
I	Patient Capital Selection	**3:4**
J	Bursary Selection	**4:3**
K	Potential Conflict of Interest	**3:4**
L	Central Government Partnership	**4:3**
M	Community Sector Partnership	**5:3**
N	Steering Group	**4:4**
O	Partners Group	**5:4**
P	Programme Branding	**5:4**
Q	Programme Integration	**1:4**
R	Programme Development	**2:4**
S	Organisational Development	**1:4**
T	Project Preparedness	**2:4**
U	Balanced Scorecard	**2:4**
V	Social Return on Investment	**1:5**



structures, processes, and evidence necessary to generate the intended outcomes. The assessment of the Programme Integration element (Q) noted the absence of strong linkages between the Bursary and Patient Capital programmes or of co-ordinated activity at a regional level.

Two elements related to the investment readiness of participating organisations and the projects they were developing. The assessment of Organisational Development (S) identified the need to develop a toolkit that would allow the ACF and Supporters to establish, in partnership with an applicant, a shared understanding of the organisational capability of an applicant organisation and agree a forward investment programme. The assessment of the Project Preparedness (T) identified a similar need to develop a toolkit that would allow the ACF, applicants and Supporters to establish a shared understanding of the risks associated with a proposed Patient Capital investment.

Three related to the implementation of the programme. The Patient Capital Supporters (E) were a late addition to the programme and it is still too early to assess their overall contribution. The delay in the drawdown of the Patient Capital investments means that it has not yet been possible to assess contribution of the Social Return on Investment element (V). The introduction of the Balanced Scorecard (U) during the Patient Capital selection process was hurried and took many applicants by surprise. It has not been possible, therefore, to assess its full potential at this stage.

All the elements with a less-than-medium contribution score have a better-than-medium potential for making an enhanced contribution in the future. For some, such as the Social Return on Investment and the Patient Capital Supporters, it is a matter of allowing the evaluation process to follow the progress of projects through to completion and beyond. Others, such as the Balanced Scorecard, Programme Development, and Programme Integration, have the potential for development in subsequent ACF rounds and others, such as Organisational Development and Project Preparedness, require investment in specific toolkits to fill gaps identified in the ACF's portfolio of management capabilities.

However, perhaps the most important observation to emerge from the portfolio approach to the ACF programme assessment is the proportion of elements that achieved a high score for their contribution and a high potential for further improvement. A third of all the elements assessed (7/22) fall into this category.

Three of these relate to Programme Branding (P), Programme Initiation (G), and Programme Launch and Application phases (H) and indicate that the ACF programme achieved an important breakthrough during its set-up phases. Two relate to the programme management aspects (ACF Steering Group (N) and Partners' Group (O)) and indicate that the underlying management programme, although tested, is sound.

Finally, two relate to the powerful contribution and potential of the ACF as a learning programme. Both the Bursary programme (C) and the Patient Capital programme (F) have provided important insights into the working of and problems facing community-based organisations operating in disadvantaged neighbourhoods and/or working with marginalised communities. They have demonstrated that the large majority of participating organisations are both organisationally and financially fragile. They have confirmed that all the participating organisations are seeking to establish and have control over their own independent income streams in order to protect themselves from the insecurities of the funding regimes under which they are obliged to operate. They have identified that, in the main, they are developing one of three approaches: workspace projects; expanding an existing social enterprise; or establishing a new one. All of these insights underpin the relevance and importance of the ACF programme.

Taken together, the assessment of the 22 elements of the ACF programme indicates that the programme has achieved a great deal in a short period of time and has significant scope for further positive growth and development.

Recommendations:

In considering the next steps for the ACF programme:

The Steering Group should:

- Give consideration to the future funding of the programme. It should also share the lessons learned from implementing the programme with other central government departments that are considering similar initiatives.

The Steering Group and Partners' Group should:

- Take the opportunity to reflect on the central issues that underpin the programme and ensure that they are adequately reflected in its branding and marketing.
- Consider how best to improve the co-ordination of various strands of the ACF programme activity at both national and regional levels.
- Take the opportunity to reflect upon the expectations that they place upon organisations participating in the ACF programme.
- Commission the development of an organisational development a project preparedness toolkit.

The Partners' Group should:

- Undertake a review of the balanced-scorecard approach with the intention of integrating it more effectively into the assessment and selection procedures.
- Ensure that the SROI element of the ACF programme is adequately resourced and diligently executed.

Appendix 1:
Approach to Evaluation

The ACF programme at face value is both small and relatively straightforward. In reality, it is dense, highly crafted, multi-layered, and incorporates a number of major innovations. In a period when mainstream programmes are seen to be failing, when the consensus concerning the most relevant forms of intervention is faltering, when major realignments are taking place, this form of experimental programme is likely to become an increasingly important facet of policy and programme development.

The ACF programme focuses on developing partial but grounded understandings of what is a complex, partially explored, multi-dimensional space. It provides a better understanding of the community sector, its leading-edge organisations and the environment in which they operate. It tests a number of 'humble' theories and mediates the risk by informing those that follow on behind, whether they are policy-makers, programme managers, funders, advocates, or practitioners.

This approach is still in its infancy and not widely shared by those expounding or developing it – the experimental approach is itself an experiment. It also challenges the underlying presumption that government understands the problems that exist and has solutions to overcome them. The recognition that both government and society are on an uncharted journey requires a different form of dialogue. It might help explain why there are so many hands at work in developing and delivering the ACF programme. It is an acceptance that no one has the entire solution and that all the participants are interdependent. Implementing and embedding new concepts and new ways of working is far more difficult than policy analysts ever envisage.

'Real Time' evaluation

Dense, experimental programmes such as the ACF pose a number of methodological problems for those wishing to undertake the evaluation process.

The programmes are, by definition, innovative and therefore there is little by way of secondary data to build upon. They tend to be relatively small and therefore cannot generate datasets of sufficient size to test the internal complexities of the programmes or to mask external factors. Their small size, relative to the universes within which they sit, also means that it is not possible to ensure that the examples included are representative of the wider constituencies. This is particularly the case where participants are self-selecting.

The programmes are not static. They are also intended to be learning programmes. The approach to learning needs to be embedded within the process and generate guidelines for future action. Post-hoc evaluation has limited relevance to programmes that are both demonstration and development programmes, i.e. they meet need but are also experiments in how to do things differently.

Furthermore, in situations where there are high expectations and high risk, an evaluation approach, which is seen as extractive and external, will be perceived as an added burden. There needs to be greater emphasis, therefore, on the co-construction of knowledge, with the evaluators offering support in confronting everyday issues, working alongside policy-makers and practitioners to capture the learning that is taking place.

Finally, in the case of the ACF, the data on the sustainability of the organisations and their projects and the social return on the investments made will not be known for several years after the end of the programme.

If the external evaluation is to be relevant and timely, the evaluator has to design approaches to evaluation that allow these issues to shape the content of the evaluation programme. For the Adventure Capital Fund, the evaluation team has developed a 'real time' evaluation approach.

This approach has its roots within a broader policy/evaluation framework that has been developed to deal with situations when the consensus concerning intervention has broken down.[31] In those situations, it is important to go back to practice, find out what works and build from there. Cobb et al adopt a pragmatic approach and are content to develop 'humble' theories that are based in reality and verifiable through experiment. They also posit the idea of an ecology of 'humble' theories that can be joined together in order to map out theory and practice at a larger scale of reference. This has echoes in the approach developed by the Joseph Rowntree Foundation. The Foundation has supported a number of research initiatives/experiments in key policy areas; then, when they have run their course, it has taken an overview to see whether there are any generic findings to emerge.

This approach to evaluation occupies the space between day-to-day monitoring, which is the domain of managers, and 'general philosophical orientations', which tend to be the central interest of macro-policy evaluation.

The paper identifies five cross-cutting themes which must be in place for this approach to work:

- There needs to be some theories in play.
- The programme has to be highly interventionist i.e. designed to change something.
- It needs to contain a demonstration/prospective strand and a development/reflective strand.
- The processes have to be iterative and have a learning orientation.
- The outcomes need to provide detailed guidance for the next stage of development – they are about risk management.

The ACF programme includes each of these elements.

In developing the specific approach for the ACF evaluation, the evaluation team was strongly influenced by the interesting paper presented by Elliot Stern of the Tavistock Institute to the World Bank Conference in Washington in July 2001.[32]

His focus on partnerships was pertinent. The ACF involves a number of important partnerships – between central government departments, between organisations that represent the interests of community-based organisations, between those organisations and the partnership of central government departments, as well as between national and regional bodies. It also earths back to another 'humble' theory that when traditional forms of intervention fail, new solutions are developed through new forms of co-operative working.

In his paper, Stern identifies a number of different models of evaluation.

- **Evaluation as design**
  This model allows the evaluator to appraise what is proposed and make a contribution while the 'clay is still wet'.

- **Evaluation as development**
  In this model the evaluator helps to identify the lessons learned. This contributes to better implementation and capacity building among the participants.

- **Evaluation as management**
  This is where most evaluation takes place. Here the evaluator monitors progress against plans and targets and provides feedback.

- **Evaluation as explanation**
  In this model the evaluator seeks to provide an explanation for what is taking place. In this role the evaluator provides maps and typologies that can form the basis for further enquiry. This is of particular relevance when exploring uncharted territory. The ACF evaluation includes aspects of each of these models. In addition, it includes two strands not explicitly covered in Stern's paper: one intended and the other discovered.

- **Evaluation as description**
  Most programmes are driven by the need to show results, deliver outputs, and achieve milestones. The programme managers are engaged in delivery and are obliged to take a positive stance on what they do and say. In this model the evaluator acts as a scribe and provides an independent statement on the content and progress of the programme.

- **Evaluation as research**
  In this model the evaluator provides an online ad hoc research capability, which, drawing on the live data, can help explore specific questions that emerge during the implementation phase.

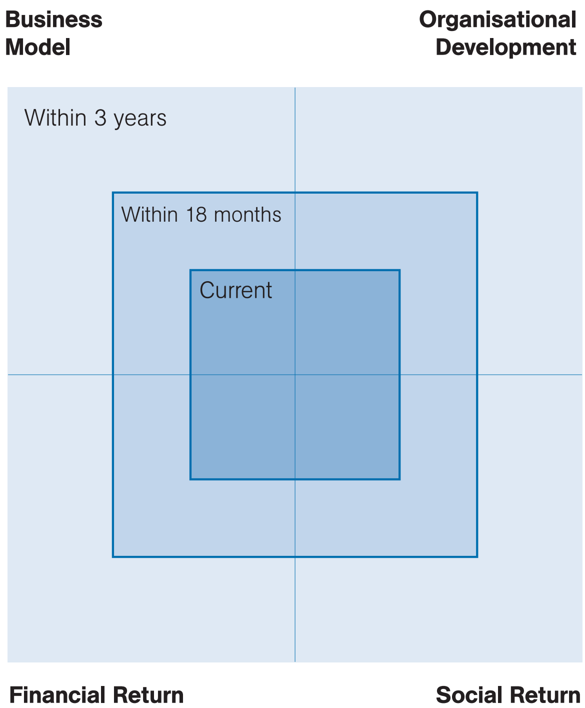
In dense demonstration and development programmes, such as the ACF, which are testing a number of innovations, there are advantages to developing an approach that covers each of these areas in one form or another. The ACF evaluation project has made contributions in each of these areas.

The ACF evaluation team has been an active, independent partner in the ACF programme. It has attended meetings of the Steering Group and Partners' Groups, and away days. It has also attended Selection Panel meetings of both the Bursary and the Patient Capital programmes and visited each of the organisations participating in those programmes. One-to-one meetings have also taken place with representatives of the main participants: Home Office, DTI, ODPM, DTA (national and regional), Scarman Trust (national and regional), LIF and **nef**. The evaluation team also attended and participated in the initial gathering of the Patient Capital investees, an end-of-programme review meeting of Bursary participants in the London Region, which was hosted by the LDA, and the Patient Capital seminar, which was co-sponsored by the Home Office, ODPM, and the DTI.

Appendix 2:
Balanced Scorecard

The ACF scorecard identified four major fields of activity:

- Business Model – seeks to capture the development that will take place in the activities that form the mainstream business of the organisation.
- Financial Return – measures the growth in turnover and trading surpluses.
- Organisational Development – seeks to identify the increases in organisational capacity that is taking place within the community enterprise.
- Social Return on Investment (SROI) – seeks to capture the value of the benefits that accrue to a wider constituency as a consequence of the existence and interventions of a particular community enterprise.



Each of these facets is set within a three-tier system that covers the current position and forward projections for an 18-month and a 3-year time horizon.

Appendix 3:
Bursary Awards: Contact Details

London Region

Organisation	Contact	Address	Phone	Email
Bankside Open Spaces	Elly Kearney	5 King James Street, London, SE1 ORU	0207 261 1009	elly@bost.org
Bootstrap Enterprises	Anthony Djando	The Print House, 18 Ashwin Street, London, E8 3DL	0207 254 0775	anthonyd@bootstrapenterprises.org
E5 Enterprises	Chris Lawrence	The Round Chapel, Powerscroft Road, Clapton, E5 OPU	0208 533 9676	crcw@cpurc.surfaid.org
First Fruit	Peter Watherston	Latimer Hall, Cleves Road, London, E6 1QF	0208 548 4676	First.fruit@virgin.net
Kings Cross Community Development Trust	James Goodwin	82-84 Cromer Street, London, WC1H 8DG	0207 713 7959	JamesG@kings-cross.org.uk
Paddington Farm Trust	Simon Ramm	Studio 26, Westbourne Studios, 242 Acklam Road, London, W10 5JJ [33]	0207 575 3118	pft@pdt.org

East of England Region

Organisation	Contact	Address	Phone	Email
Ethnic Minority Training	Farasat Latif	117 Biscot Road, Luton, Beds	01582 724647	Farasat56@hotmail.com
Fenland Area Community Enterprise Trust	Linda Ingram	Marwick Centre, Marwick Road, March, Cambs, PE15 8PH	01354 655080	lindaing@waitrose.com

East of England Region (contd)

Organisation	Contact	Address	Phone	Email
Fledglings	Ruth Lingard	6 Southfield, Ickleton, Saffron Walden, Suffolk, CB 10 1TE	0845 458 1124	enquiries@fledglings.org
Great Yarmouth Community Trust	Sarah Spall	St Nicholas Children Centre, St Nicholas Rd, Great Yarmouth.	01493 330633	
St Elizabeth's Centre	Kevin McMullen	South End, Much Hadham, Herts	01279 844200	mcmullenk@stelizabeths.org.uk
Sky Visuals Community Media Project	Ashuk Ahmed	c/o Mitalee Youth Association 2 Waldeck Rd, Luton LU1 1HG	01582 725029	ashukamed@yahoo.com
Treehouse Childrens and Families Centre	Sally Avery	160 Earlham Road, Norwich, NR3 2DU	01603 665740	sally.avery@tnywrld.co.uk
Wickham Market Partnership	Catherine Caudwell	Rogue's cottage, Walnuts Lane, Pettistree, Woodbridge, IP13 OHS	01728 747170	caudwell@pettistreel.freeserve.co.uk

Yorkshire and Humberside Region

Organisation	Contact	Address	Phone	Email
Bradford Community Environment Project	Carlton Smith	Carlisle Business Centre, Carlisle Rd, Bradford BD8 8BD	01274 223236	bcep@btconnect.com
Bramley and Rodley Community Action	Mark Law	277 Upper Town St, Bramley, Leeds, LS13 3JT	0113 2559632	
Community Economic Regeneration Team	Neil King	Immingham Resource Centre, Margaret St, Immingham, DN40 1LE	01469 572313 ext 18	neil@cert-ltd.co.uk
Goole Development Trust	Roger Millar	17–23 Gladstone Terrace, Goole, DN14 5AQ	01405 766076	info@gooledevelopmenttrust.org.uk
Pay and Employment Rights Service York Ltd	Ian Harknett	Field House, Wellington Rd, Dewsbury, WF13 1HF	01924 439587	harknett@pers.org.uk

East Midlands Region

Organisation	Contact	Address	Phone	Email
Appleby on-line Centre	Marilyn Dunkelman	The Coach House, Top Street, Appleby Magna, Swadlincote	01530 274302	info@applebyonline.org.uk
Belgrave Community Association	Chris Bolton	9 Loughborough Rd, Leicester, LE4 5LJ.	0116 222 9433	chris.bolton@belgraveassociation.org
CETA St James	Carmel Heathcote	St James Church, Dairyhouse Road, Derby, DE23	01332 604065/67	carmel@harrowconsultancy.co.uk
Chase Action Group	Steff Webber	Chase Neighbourhood Centre, St Ann's Nottingham, NG3 4EZ	0115 947 2705	
Inspire	Gerri Bright	61B Mansfield Road, Nottingham, NG1 3FN	0115 8475757	inspire@O2.co.uk
Market Rasen Development Trust	Carol Skye	Rasen Hub, 20 Union Street, Market Rasen, LM8 3AA	01673 844556	mail@mrdt.co.uk

Appendix 4:
Patient Capital Investments: Contact Details

Organisation	Contact	Address	Phone	Email
Action for Business (Bradford)	Gwyn Jones	Carlisle Business Centre, 60 Carlisle Rd, Bradford, BD8 8BD	01274 2232388	gwyn@abl-cbc.co.uk
Birmingham Credit Union Development Agency	Jim Dearlove	Third Floor, The Bond, 180-182 Fazeley St, Birmingham, B55SE	0121 766 7040	Bcuda_uk@yahoo.com
Community Ventures Ltd (Middlesboro)	Chris Beety	The Greenway Centre, Thorntree, Middlesborough, TS3 9PA	01642 230314	cvl@btconnect.com
Croxteth Community Trust Liverpool	Phil Knibb	Croxteth Communiversity, Altcross Road, Liverpool, L11 OBS	0151 546 5514	phil@communiversity.co.uk
Environment Trust, Tower Hamlets, London	Jon Aldenton	4 Pinchin Street, London, E1 1SA	0207 264 4660	jon@envirotrust.org
Fairfield Materials Management Ltd	Emma Smith	Unit E1- E4, Smithfield Market, Whitworth Street, Manchester, M11 2JW	0161 231 2139	emsvict@hotmail.com
Ibstock Community Enterprises, Leicerstershire	Rachel Elliott	12 Chapel Street, Ibstock, Leicestershire LE67 6HE	01530 262882	info@ibstock.org.uk
Moss side and Hulme CDT, Manchester	Noreen Edery	44 Moss Lane West, Moss Side, Manchester M15 5PD	0161 226 1066	nedery@mshcdt.demon.co.uk
Stocksbridge Training + Enterprise Partnership	Chris Prescott	464–6 Manchester Rd, Stocksbridge, Sheffield S36 2DU	0114 2888808	Chris.prescott@step-online.co.uk
Riverside Credit Union, Liverpool	Mike Knight	17 Central Parade, Speke, Liverpool L24 2SQ	0151 448 0565	spekercu@aol.com

Appendix 5:
Fieldwork

It had been intended to undertake the fieldwork stage of the ACF programme during the summer of 2003. However, the implementation phase of the ACF programme progressed at a much slower rate than was originally anticipated. Given that the fieldwork phase would include only one visit per participating organisation, with the approval of the Evaluation Panel, the Evaluation Team decided to postpone the Fieldwork phase until it was possible to report that either substantial progress, albeit delayed, had been made or that the primary purpose of the enquiry would be to seek the reasons for the lack of progress.

Most of the Bursary visits were carried out between the end of November and mid-December 2003 by which time 17 of the 19 Bursaries that had been approved in March 2003 had been drawn down. A small number of visits were made during early January in those instances where it had not been possible to arrange an earlier meeting date. The Patient Capital fieldwork took place during May and June 2004 by which time 50 per cent of the awards made in March 2003 had been drawn down.

Bursary

The Bursary fieldwork included desk research, site visits and structured interviews.

The researchers took as their starting point the baseline report, *Primed for Growth*, and the application forms of each applicant.

It was intended to visit all the 19 organisations to which Bursaries had been awarded but it was possible to visit only 17 organisations. Two organisations were not in a position to participate in the evaluation process.

The visits provided an opportunity to see at first hand the neighbourhoods/communities that were the focus of each organisation's work and obtain a practical understanding of the activities that they undertake. The centrepiece of each visit was a structured interview with senior staff members. In a number of instances the researchers met other members of staff, committee members, and users.

The responsibility for the visits was shared between two experienced researchers. They undertook two interviews together in order to test of the applicability/relevance of the interview questions and establish a common approach to the interview process.

They contacted each successful applicant to arrange a convenient time to make the visit, undertook the visit, wrote up the results, and checked them with the host organisation for accuracy.

In preparing this report, the researchers first shared their initial findings. This identified a number of potential themes. The data from the interviews was then summarised in the form of a large matrix, which identified the organisations along one matrix and the potential themes along the other. This provided the opportunity to validate/reject/deepen the initial findings.

The Bursary evaluation provides a snapshot in time of work in progress. The information obtained during the interviews is confidential. It would be invidious to pass comment on individual performance when the situation can be turned round and premature in those instances where things can still go awry.

Patient Capital Investments

The Patient Capital fieldwork was also based on desk research, site visits, and structured interviews. The researchers had as their starting point:

- The application forms
- Supporting documentations provided by the applicants
- Due diligence reports etc., prepared during the initial selection process
- Subsequent annual reports and business plans
- Any Supporter notes
- ACF quarterly returns to the Home Office

The Evaluation Team members had digested this information prior to making their visits.

Initial contact

Each of the participants was contacted by telephone to arrange dates for the visits, to outline the scope of the visits and undertake any backfilling on basic data about the organisation and its investment proposals. This was followed up by email confirmation.

Structure of the visits

Most of the visits took place over a two-day period.

- **Day 1**

  Travel out in the morning – visit the area. This allowed the evaluators to get a feel of the area.

  Meet senior managers in the afternoon. This focused on the organisation, balanced scorecard, the project, the Supporter contribution, social impact/return, the barriers/delays and the future.

  Supper with member(s) of the management committee plus a partner organisation. This focused on governance, organisational change and partnership development.

- **Day 2**

  Guided tour of the organisation and projects – with some space for an unguided walk about. This allowed the evaluators to see what the organisation does.

  Meeting with users/user group(s). This allowed the evaluators to obtain user feedback.

  Travel back in afternoon.

Objective of the visits

The objective of the visits was to:

- Explore and assess organisational change/development/ acceleration over the period – were they investment ready at the outset.
- Identify any unexpected consequences – good and bad.
- Explore and assess the contribution of the Supporter.
- Explore and assess the contribution of the Patient Capital investment.
- Explore and assess the reasons for the delay in drawing down the Patient Capital investment.
- Explore and detail understanding and measurement of social impact and social return on investment.
- Explore and assess the working relationship with ACF central team.

Given that the ACF is both a demonstration and a development project, the evaluators were looking for positive examples, as well as lessons learned. They concentrated on how each organisation has developed and moved on as a consequence of being part of the ACF programme.

Confidentiality

It was not be feasible to maintain confidentiality of the Patient Capital investees. There are only 10 examples. Half had not drawn down any funds by the time that the visits took place. The others had such a diverse range of investments/histories/structures/stories that it was not possible make each case study anonymous.

The approach was to write up each case study and to check back with each participant on the accuracy in terms of fact. The evaluators also checked back with participants in those instances where it was intended to ascribe to them an opinion/conclusion.

Endnotes

1 See Appendix 1.

2 Three central government departments: Home Office, Office of the Deputy Prime Minister (ODPM) and the Department of Trade and Industry (DTI); four regional development agencies: London Development Agency (LDA), East of England Development Agency (EEDA), East Midlands Development Agency (emda) and Yorkshire Forward; and a specifically established consortium: Local Investment Fund (LIF), Development Trusts Association (DTA), Scarman Trust and **nef**.

3 The baseline report *Primed for Growth* was published in July 2003.

4 Brown, H and E Murphy (2003) *Financing of Social Enterprises: A Special Report* (Bank of England, London).

5 Blunkett, D (2003) The CSV Edith Kahn Memorial Lecture, 11 June 2003, *Civil Renewal: A New Agenda* (Home Office, London).

6 Thake, S (2003) *op cit* (www.neweconomics.org).

7 Ibid.

8 The Audit Commission has developed a standard methodology for its inspections of local authorities. This uses a matrix approach that measures actual performance along one axis and potential for improvement along the other. The methodology is relevant to the evaluation of performance with respect to processes, outputs, and outcomes.

9 Social Exclusion Unit (1998) *Bringing Britain Together: National Strategy for Neighbourhood Renewal* (ODPM, London); Social Exclusion Unit (2000) *National Strategy for Neighbourhood Renewal: Framework for Consultation* (ODPM, London); Social Exclusion Unit (2000) *National Strategy for Neighbourhood Renewal: National Strategy Action Plan* (ODPM, London).

10 Hills, J (1998) *Income and Wealth: the latest evidence* (Joseph Rowntree Foundation, York).

11 HM Treasury (2002) *Role of the Voluntary and Community Sector in Service Delivery: a cross cutting review* (HM Treasury, London).

12 Development Trusts Association (2002) *Fabulous Beasts: stories of community enterprise* (DTA, London).

13 See Appendix 3 for a list of Bursary Award winners.

14 In two instances the Bursaries were used to pay for fees associated with the implementation of a major asset development programme and the purchase of capital equipment in the furtherance of their day-to-day activities. Neither of these, important though they may have been, come strictly within the main purpose of the Bursary programme.

15 Brown and Murphy (2003) *op cit*.

16 See Appendix 4 for a list of the Patient Capital investment award investees.

17 Brown and Murphy (2003) *op cit*.

18 Thake, S (2003) *op cit* pp 13–14 for a more detailed description of these two approaches.

19 See Appendix 4.

20 London Development Agency (LDA), East of England Development Agency (EEDA), East Midlands Development Agency (emda) and Yorkshire Forward.

21 See Appendix 3.

22 Carrington, D (2004) *Patient Capital: a new approach to investing in the growth of community and social enterprises* (Civil Renewal Unit, Home Office, London).

23 Brown and Murphy (2003) *op cit*.

24 Home Office (2003) *op cit*.

25 Carrington D (2004) *op cit*.

26 Thake S (2003) *op cit*.

27 London Development Agency (LDA), East of England Development Agency (EEDA), East Midlands Development Agency (emda) and Yorkshire Forward.

28 See Appendix 2 and Pike, M (2003) *Can Do Citizens: re-building marginalised communities* (SES, London) for the origins of ACF Balanced Scorecard and Thake S (2003) *op cit* for a fuller description.

29 Aeron-Thomas, D *et al* (2004) *Social Return on Investment: valuing what matters* (**nef**, London).

30 The Beacon council scheme identifies excellence and innovation in local government. But it is much more than just a badge. The scheme exists to share good practice so that best value authorities can learn from each other and deliver high quality services to all. http://www.idea.gov.uk/beacons/

31 Cobb, P, J Confrey, A diSessa, R Lehrer and L Schauble (2003) 'Design Experiments in Educational Research' in *Educational Researcher*, Vol. 32, No.1 pp 9 –13.

32 Elliot, S (2001) *Evaluating Partnerships: Developing a Theory Based Framework.*

One of the other things we do

economics
real wealth
means well-being

Access to finance: Access to basic financial services is a vital part of living and working in the mainstream of society. Gaps in financial service provision in Britain exclude many people and communities from fulfilling their potential. **nef** is working to change policy and pilot new financial products and services to ensure proper access to financial services for all.

Appropriate and affordable financial services should be available to all – whether it be individuals looking for a bank account, a social enterprise looking for a loan or an inner-city enterprise looking for equity. This is currently not the case. To address the gaps in financial service provision **nef** is advocating reform to develop a conducive policy environment that ensures access to affordable financial services for all, particularly the most disadvantaged.

The programme aims to stimulate and design more effective and sustainable approaches to investment for local economic development purposes, including social investment vehicles such as the Adventure Capital Fund.

We develop and pilot innovative financial products and delivery mechanisms, including the Factor Four approach to ending fuel poverty, community development credit unions and a wholesale fund for community development finance institutions in the UK.

For more information please call 020 7820 6300

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Written by: Stephen Thake, Reader in Urban Policy, London Metropolitan University

new economics foundation
3 Jonathan Street
London SE11 5NH
United Kingdom

Telephone: +44 (0)20 7820 6300
Facsimile: +44 (0)20 7820 6301
E-mail: info@neweconomics.org
Website: www.neweconomics.org

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