



# LEARNING & EVALUATION SUMMARY

2017–2024





# FOREWORD

## BARROW CADBURY TRUST AND ACCESS FUND FOREWORD

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**The Connect Fund has been a transformative force in the social investment landscape – contributing to collective efforts to build a stronger, more resilient social investment sector, but also a more equitable one.**

Launched in 2017, funded by Access – the Foundation for Social Investment, and delivered by the Barrow Cadbury Trust, the Connect Fund set out to strengthen and diversify the social investment ecosystem. This report looks at what was learned from the programme, highlighting some of the challenges and exploring some of the success stories.

Over the past seven years, the Connect Fund disbursed £5.28 million via 137 grants to 88 organisations. Through the programme’s various initiatives, we have seen how collaboration, knowledge-sharing, and a focus on inclusivity can drive positive change.

Over those seven years, the Connect Fund brought together a wide array of stakeholders to build collaborative networks and promote innovation; the programme has played a pivotal role in reshaping social investment. From its inception, the Connect Fund aimed to address some of the biggest challenges faced by the social investment sector: ensuring that VCSE organisations had access to repayable finance, fostering a collaborative and informed market, and advocating for a more inclusive and diverse social investment ecosystem. The programme’s impact, however, extends beyond financial support. It created a platform for connection and learning, where organisations across the sector could share knowledge, explore new ways of working, and develop partnerships to solve systemic problems.

The Connect Fund has boosted connections and partnerships between social investment intermediaries and voluntary sector infrastructure. These interventions have propelled the market through skill development, peer support, enterprise development, and convening events to foster an engaged learning community.

We know that supporting the social investment sector’s infrastructure is a critical part of building this ecosystem for the long term. This evaluation is shared in the spirit of openness and a desire to ensure that ongoing efforts are additional and complementary to the work undertaken as part of the Connect Fund. We know that the lessons learned over the past seven years will continue to shape the future of social investment, including Access and Barrow Cadbury Trust’s own understanding of the market and future strategy, ensuring that it remains a powerful tool for tackling inequality and creating lasting, positive social impact across the UK.

Seb Elsworth

Chief Executive | Access - The Foundation for Social Investment

Dame Sara Llewellyn

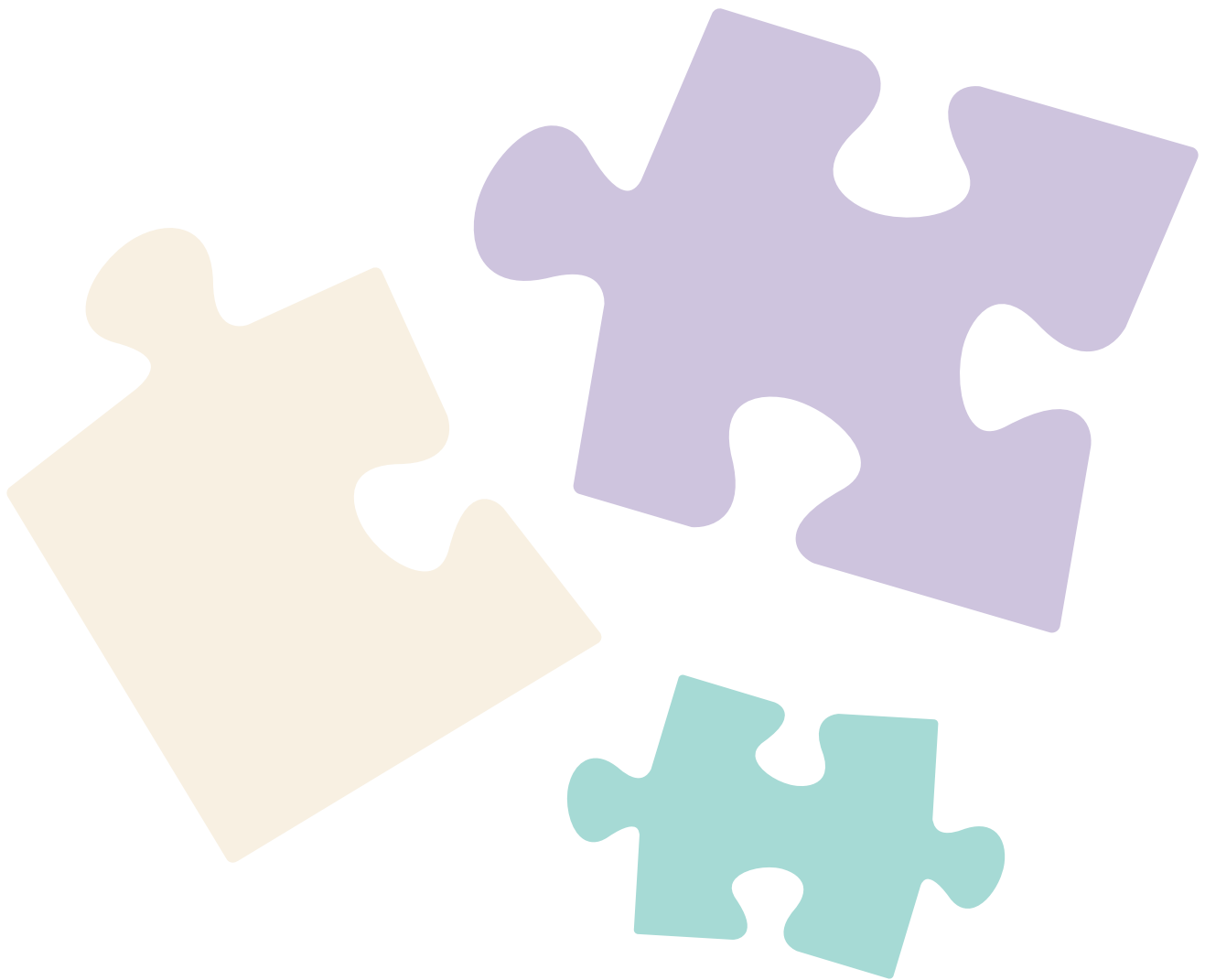
Chief Executive | Barrow Cadbury Trust

January 2025



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# 1. INTRODUCTION

**Access – The Foundation for Social investment - was established in 2015 by three partners; the Cabinet Office, the Big Lottery Fund (National Lottery Community Fund) and Better Society Capital (formerly Big Society Capital). Research by the National Lottery Community Foundation in 2012 had identified that social investment was not offering the smaller scale, higher risk, flexible and affordable loans needed by charities and social enterprises. This was particularly the case for organisations working in the most underserved places and communities.**

Access was charged with;

- Tackling the gap to ensure the supply from social investment intermediaries was the right kind of finance to meet the sector’s needs;
- Tackling the demand gap, to provide long-term capacity building funding.

Access was in the early stage of its life in 2016 and used consultation exercises with charities and social enterprises and also with social investment intermediaries, to design and develop its Capacity Building Programme. This included the Connect Fund<sup>1</sup> as well as the Reach Fund and the Impact Management Programme.

The initial aims of the new Infrastructure Investments Fund (renamed The Connect Fund) were;

- To increase the amount of social investment flowing to charities and social enterprises, in order that they can maintain and increase their social impact;
- To increase the availability and quality of social investment infrastructure support available to charities and social enterprises in England, by increasing the resilience and effectiveness of intermediary organisations.

Access invited tenders for programme delivery in October 2016 and The Barrow Cadbury Trust was awarded the contract from 27th March 2017 for three years, an initial value of £1.8m. This was increased in November 2017 to £3.6m. The Connect Fund received a further £3m and revised its funding priorities in 2020 to align more closely with the work of Access’ other programmes, to make the best possible use of the limited funds available and to respond to the new and emerging needs of the sector as a consequence of the Covid-19 pandemic. Its strategy was reviewed again in July 2023.

Barrow Cadbury had been an “early adopter” of social investment in the UK, investing in the original Peterborough Social Impact Bond. It had built a social investment portfolio including Social Impact Bonds, community shares, charity bonds and direct loans to charities and social enterprises.

Barrow Cadbury Trust had also worked with Access on *Small Charities and Social Investment*<sup>2</sup> research in 2016, which identified the need to strengthen infrastructure to support the social investment journeys of charities and social enterprises. It brought strong experience of supporting VCSE infrastructure and good relationships with key organisations including NAVCA, NCVO, ACEVO and specialist and equalities infrastructure organisations.

This evaluation report covers the period from project inception in 2017 to 30th August 2024. Some projects will continue to deliver until October 2025.

1 Initially known as the Infrastructure Investment Fund.

2 *Small Charities and Social Investment*; Institute for Voluntary Action Research, Baker, L and Goggin N 2016ISBM Number 978-0-09574199-4-0



# 2. PROJECTS

The Connect Fund made 133<sup>3</sup> grants between the period from January 2018 and February 2024, under the following Theory of Change categories:

IMPACT	OUTCOMES	OUTPUT	NUMBER	AMOUNT
<b>1 investment FLOWS</b>	1 Investment flows to all parts of the VCSE sector that could benefit	1 Open, fair and transparent access	11	£430,650
<b>1 investment FLOWS</b>	1 Investment flows to all parts of the VCSE sector that could benefit	2 Better understanding of/action taken to address barriers faced by organisations led by under-represented groups in accessing SI	23	£1,032,740
<b>1 investment FLOWS</b>	1 Investment flows to all parts of the VCSE sector that could benefit	3 Investment flows particularly to organisations led by under-represented groups	22	£948,645
<b>1 investment FLOWS</b>	1 Investment flows to all parts of the VCSE sector that could benefit	4 Board and investment committee diversity	1	£55,100
<b>2 infrastructure BRIDGES</b>	1 Voluntary sector infrastructure and the social investment market connected and influencing each other	1 Funders and investors more responsive to needs in the VCSE sector	15	£492,873
<b>2 infrastructure BRIDGES</b>	1 Voluntary sector infrastructure and the social investment market connected and influencing each other	2 Collaboration between VCSE infrastructure and social investment intermediaries, connecting the infrastructure to the market	20	£819,950
<b>3 intermediaries NETWORK</b>	1 Social investment intermediaries connected through partnerships, tools, resources and learning	1 Collaboration within the social investment market	11	£992,850
<b>4 Market EFFICIENCY; sector RESILIENCE</b>	1 More efficient market functioning and more resilient VCSE and Social Investment sector	1 Investors able to provide more tailored and appropriate finance more efficiently VCSE's able to access that finance more efficiently	27	£929,300
<b>Covering all IMPACTS</b>	The Gatherings 2017, 2020, 2023		3	£51,088
<b>TOTALS</b>			<b>#133</b>	<b>£5,783,196</b>

In addition, three grants of £2,000 each were made to Voscur, Bristol & Bath Regional Capital and LCCDA (CASE) for proposal development. Hatch Enterprise received a grant of £2,000 towards sponsorship of the Good Deals & Beyond conference diversity session. London Fields Publishing Ltd received a grant of £1,000 as sponsorship of two workshops on BAME and gender diversity. Both CoLab Exeter and EVA Women's Aid received small donations for speaking at the Connect Fund launch.

<sup>3</sup> 133 main grants plus 5 x £2,000 grants for proposal development and 2 donations to speakers at the Connect Fund launch.



# SAMPLE CASE STUDIES

## CASE STUDY

### DIVERSITY FORUM: MULTIPLE PROJECTS

**In 2017, the Social Impact Investors Group and Better Society Capital commissioned a survey on diversity and equality in the sector. The responses confirmed “a glaring disconnect in the socio-economic backgrounds of social investors making decisions, individuals running social services and individuals seeking funding for their organisations.” Following a session facilitated at The Gathering 2017 (convening the key stakeholders in the sector), a working group was established by Danyal Sattar, CEO, Big Invest, to develop the Diversity Steering Group.**

In 2018, The Social Investment Consultancy’s managing director, Bonnie Chiu, was supported by The Connect Fund to act as project manager for The Gathering Working Group on Leadership and convening; Research and E&D Audit; Skills development and resource sharing; Data sharing and network mapping; Communications. This was aimed at preparing the ground for a focus on addressing inequality, uniformity and exclusion in the sector.

It led on to a second project, to establish the Diversity Forum (DF), started in September 2020. The Social Investment Business agreed to host The Diversity Forum and to provide leadership and governance support, convening the quarterly Diversity Champions Network meetings, assist the HR Training Group on EDI work and provide partnership and liaison to other initiatives, research and communications support. Connect Fund paid for a full-time co-ordinator, to build on the foundations and activities of the network. The work was supported by Big Issue Invest, The National Lottery Community Fund, The Social Investment Partnership, The Social Investment Consultancy, Voice4Change and Better Society Capital. The onset of Covid-19 had a significant impact on its work, forcing key partners to concentrate on the survival of their clients and their organisations. Diversity Champions sessions, Steering Committee meetings and the Diversity Breakfast Talks continued on-line.

Funding was provided for a Phase 3 project starting in September 2021. The Forum collaborated with other EDI initiatives, including the Equality Impact Investing Project, Equally Ours, Investment Committees of the Future and Addressing Imbalance. This allowed the organisations to review research needs and co-ordinate activity. DF also worked with the Social Investment Forum working group on improving diverse recruitment, providing updates to CEOs and promoting DF and other guides and supports. At that stage, 15 social investment intermediaries had signed the Diversity Manifesto, had an initial 1:1 meeting and a quarterly check in with the Forum Manager.

A fourth grant was provided in September 2022, to run for two years until August 2024, so the final report is not available. The interim report shows improvements on measuring and reporting progress. The EDI Toolkit was updated and launched and provides a more practical way for investors to plan, develop and be held accountable to their annual EDI goals. Monthly events and Champions Network drop-in meetings were held, monthly newsletters published, and social media channels maintained.

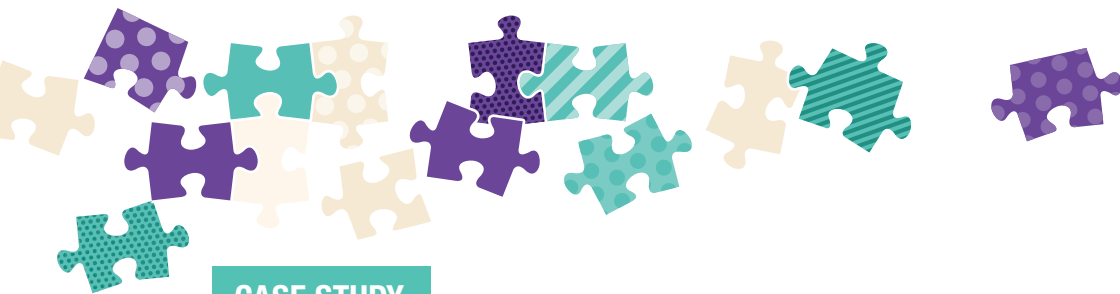


Two coffee-break webinars were held on disability and different approaches to EDI. Engagement by the sector is an issue in an under-resourced and busy sector. Network meetings were only attended by five or fewer attendees.

The last Diversity Forum project funded, in November 2023, was EDI Data for the Sector and was a major step forward. The collection, analysis and safeguarding of diversity data is a major and complex challenge for organisations new to the practice. The outcomes of the project are;

- A 14-step framework for reviewing diversity data collection, with recommendations at sector, organisation and individual level. It provides a method of self-assessment and quality assurance for diversity data collection, to ensure that it is user-centred, inclusive and purposeful;
- An EDI Toolkit for implementation of diversity data collection by social impact investors.





## CASE STUDY

# NOTHING ABOUT US WITHOUT US: MAKING THE CASE FOR END USER VOICE IN SOCIAL INVESTMENT

**The Young Foundation was funded to produce a report on how the lived experience of social investment beneficiaries could and should be central to decision-making and power in the sector. The inspiration for the project came from a workshop at The Gathering convening of the social investment sector in Leicester in 2019.**

The project interviewed people from the social investment sectors, social ventures and lived experience experts, to set out what lived experience means, the case for its importance and the approaches, research methods, pilots, tools and frameworks that could be used to advance this work.

The report makes the case for importance of lived experience insights, but also understands the challenges for social investors in engaging with a very broad range of beneficiaries. A useful typology of social investment funds distinguishes;

- Funds making low risk loan type investment with no fund focus on end beneficiaries, who can use lived experience to encourage a beneficiary centred approach;
- Funds making low risk loan type investments into organisations working with a specific group of beneficiaries, supporting investees to involve their beneficiaries in every step of their journey;
- A fund making equity like or high-risk investments into organisations working with a specific group of beneficiaries, listening to their ultimate beneficiaries, but maybe looking for less resource intensive approaches;
- A fund making equity-like or high-risk investments into organisations working with a specific group of beneficiaries, bringing more resource-intensive lived experience insights into every stage of the fund.

A series of case studies provide examples of how lived experience can be integrated into the key stages of;

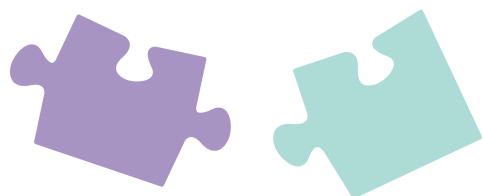
- Fund Design;
- Due Diligence;
- Decision Making;
- Portfolio Management;
- Impact Management;
- Governance.

The tools appropriate to each stage include;

- Testing outcomes and impacts with groups of beneficiaries;
- Lean data/customer feedback;
- Surveys;
- Shadow boards with lived experience;
- User representation on investment committees;
- User representation on investee boards and/or management team.

The report identifies the importance of ensuring that the board, management team and investment committee agree on the purpose and value of listening to the beneficiary voice. The engagement of those with lived experience must create value for them. Those involved in person centred approaches must be safeguarded and developed through the process. Representation of all lived experience perspectives is a challenge. Sharing power with beneficiaries is and will remain a challenge.

The influence of the “Nothing About Us Without Us” can be seen in the design and development of a range of new funds including The Pathway Fund, Flexible Finance for the Recovery and Cost of Living Social Investment Support Fund and the Growth Impact Fund.







## CASE STUDY:

# THE GATHERINGS

**DARTINGTON 2017, LEICESTER 2019; LEICESTER 2023.**

**The Gatherings were a series of events organised to bring together the social investment sector, to build networks for collaboration, listen to new voices, raise sector challenges, identify market gaps and propose solutions for the sector.**

The first Gathering event was not a Connect Fund event, although The Social Investment Consultancy's Connect Fund grant enabled TSIC's CEO to act as project manager. It was delivered in **February 2017** at **Dartington Hall, Totnes, Devon** by a steering group of social investment leaders (Danyal Sattar, Camilla Parke, Holly Piper and Whitney Thomas). It was organised to build better relationships and collaborate to develop real-world outcomes to challenges in the sector. One hundred and thirty attendees participated in 20 workshops and a range of challenges proposed and led by participants to work together to tackle big issues.

The second Gathering was funded and organised by Barrow Cadbury and the Connect Fund and aimed to develop collaborative solutions for the UK social investment market. It was held in **Leicester, 11-12 March 2019** which was a much more accessible location for social investors, especially those from outside London and those with disabilities. The key themes were;

- Connecting to the Social Sector;
- Prioritising Impact;
- Building the Market;
- Future-Gazing and Future-Shaping.

The Gathering highlighted the need to connect to the social sector, involving people, projects, places and public and private sector organisations. The attendance supported this commitment in a way which was rare in the social investment sector. Fifty-two per cent of attendees were directly engaged in social investment and thirty-seven per cent came from the CSE sector. The Gathering went on to stimulate a range of

Connect Fund projects learning from and listening to charities and social enterprises.

### LEARNING

Key issues identified and progressed at and after the event included;

- Inflexible, impatient finance;
- Barriers to entry for new voices in the sector;
- Failure to engage with the social sector regionally and locally and to understand the importance of place and building relationships;
- Lack of diversity within the social investment sector and structural inequality in access to finance;
- Move away from investment readiness to focus on enterprise development to build sustainable and resilient organisations;
- Structural inequality and discrimination in the social investment sector in boards, investment committees, staff teams, infrastructure, places and beneficiaries;
- Encouragement of "bold commissioners" of public services to achieve better outcomes for end users;
- Opportunities to democratise the social investment sector.

The final Gathering organised and funded by Barrow Cadbury and the Connect Fund was held in Leicester in October 2023, bringing together 130 of the UK's most active participants in social investment. The themes of the event were:

- **Money & Power;**
- **Doing the Work;**
- **Future Thinking.**



### Money & Power

Speakers highlighted the impact of the shape and nature of wholesale funding on finance for the VCSE sector, the challenges of supporting organisations to adapt to climate change while still delivering impact, and difficulties in surviving the cost of living crisis. Data collection, analysis and presentation is crucial in making the case for VCSE support and resources. Reconstructing risk reviewed real deals to uncover how risk is perceived in the sector. Opportunities to bring place-based investment to the next stage were presented. A presentation on the Equalising deal terms project discussed how to address risk in more equitable and inclusive ways. Participatory investment is being trialled by a number of organisations.

### Doing the Work

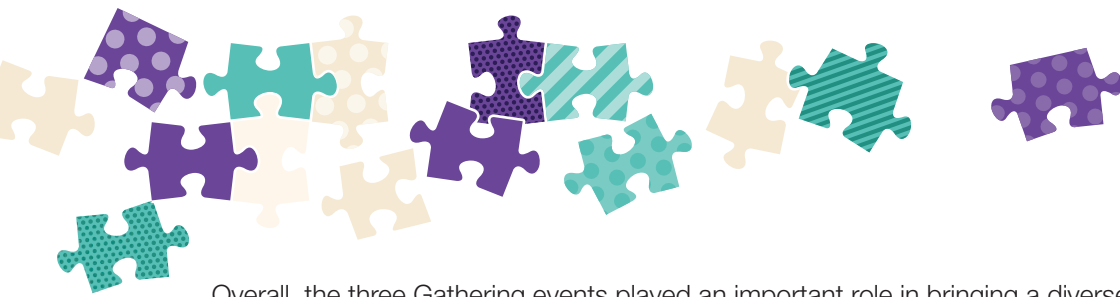
A presentation on reimagining health and social care considered co-design and testing of new investment responses to unmet needs in health and social care. The use of different approaches to subsidy through blended finance shared experience on using guarantees, dormant assets and grant support. Investors shared their experiences of learning through failures. The sector could benefit from the collective intelligence of international best practice and sharing resources and capacity. Are products designed to meet the needs of the market for patient capital and low interest rates? Are there exit risks in moving to more blended and equity-like structures?

### Future Thinking

Social investment faces challenges in reaching disadvantaged and under-represented communities. There are opportunities in types of finance (community shares), adaptation of products (e.g. Sharia-compliant products) and “roots-up” support. Trusts and foundations can take an impact-conscious approach to investment activity. What are the opportunities to influence a new government in the UK?

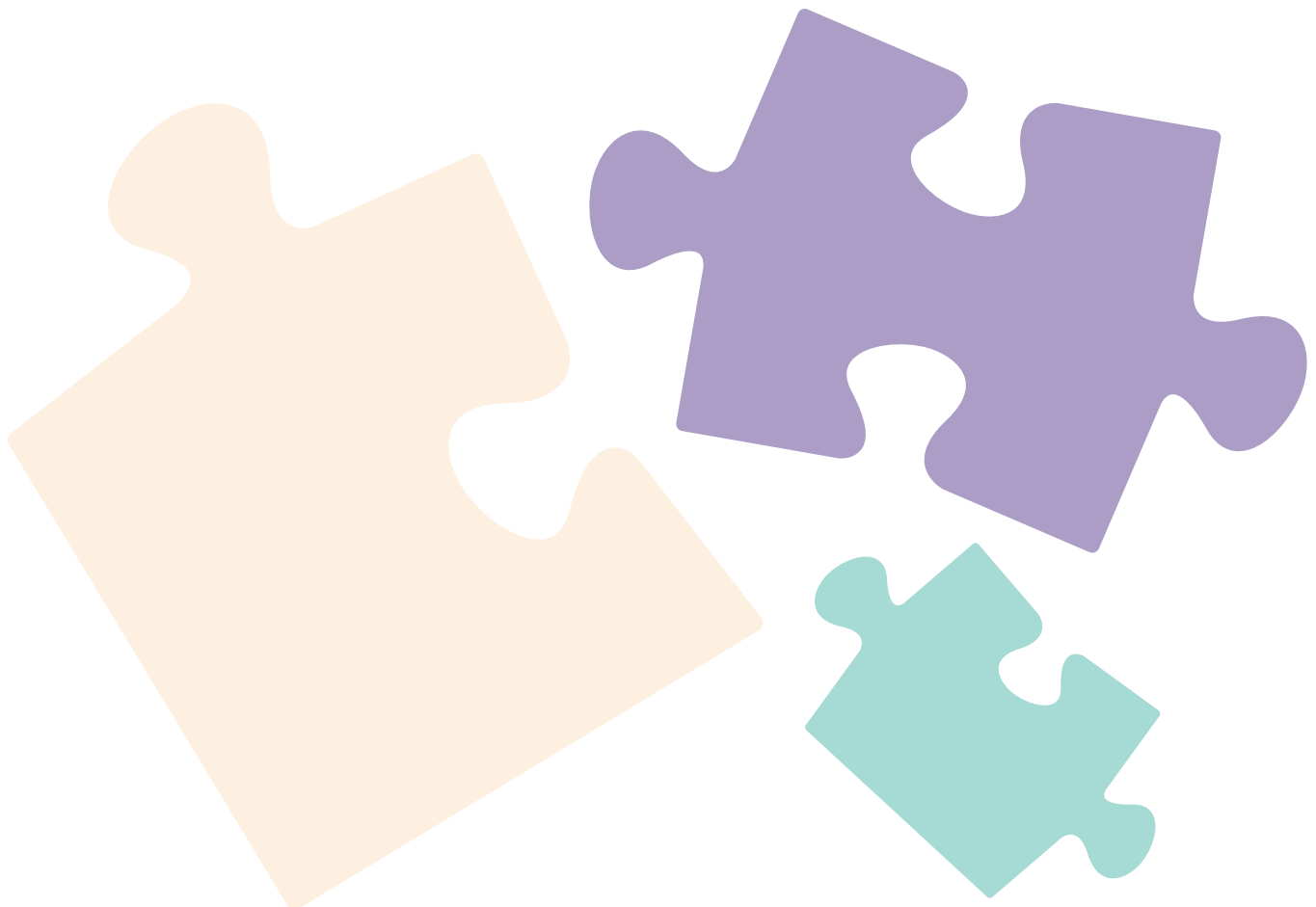
The event was particularly valued for networking opportunities, making new connections, getting to know the sector better and experiencing the diversity and representation from across the sector. More focus on funding needs, gaps in current provision and an opportunity for entrepreneurs and investors to co-design solutions would have been beneficial. Senior speakers from government, policy makers and investors would have been welcome, as would more input about big challenges such as migration, climate change and populism.





Overall, the three Gathering events played an important role in bringing a diverse sector together, identifying key issues at different stages of development and collaborating on solutions. The impact of the events can be seen in action on;

KEY ISSUES	SELECTED ACTION
<b>Flexible, patient finance</b>	Learning from diversity projects, Key Fund's Connect to Invest, Vonne, BSWN, SSE projects
<b>Barriers to entry for new voices in the sector</b>	Engagement with organisations including BSWN, Voice4Change, Do It Now Now, VONNE and LCF
<b>Engaging with the social sector</b>	Attendance by many regional and local networks that went on to apply for funding
<b>Understanding the importance of place</b>	Grants to organisations that went on to participate in Local Access and UKCF project
<b>Lack of diversity &amp; structural inequality</b>	Range of projects funded on EDI including Women in Social Finance, Diversity Forum, EILP and Young Foundation
<b>Focus on enterprise development</b>	All six Local Access places were CF grantees, Homeless Link and Groundwork were both funded by CF before joining the Enterprise Development Partnership





## 3. LEARNING

### WHAT DO SUCCESSFUL PROJECTS LOOK LIKE?

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Successful Connect Fund projects were characterised by;

- Pre-project engagement with social investment;
- Relationships of trust with delivery partners;
- Focus on or contribution in part to clear strategic priorities for the participants;
- Focus on a topic, region and/or a community of interest, rather than a broad aim to support social investment engagement;
- Convening and managing collaborations at different levels, as appropriate;
  - Public/lived experience;
  - VCSE infrastructure;
  - Social investment infrastructure;
  - Funding and investment infrastructure;
  - Local authorities, health sector organisations, public sector, universities, private businesses;
  - Policy.

### WHAT WILL SUCCESSFUL CAPACITY BUILDING PROGRAMMES LOOK LIKE?

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Future funding programmes will maximise impact if they deliver;

- Open engagement with the social investment and VCSE sectors to identify priority issues;
- Longer term support commitment (more than 12 months), with checkpoints on delivery and impact;
- Crowding in other funders and experienced organisations to work together on solutions;
- Support for fundraising from other sources;
- Strategic reviews of focus and delivery in response to environmental changes;
- Support to understand and use, implement and learn from Theories of Change;
- Translation of Theories of Change into Theories of Practice<sup>4</sup>;
- Time and funding to deliver good quality self-evaluation and learning and an insistence on delivery of what was promised.

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<sup>4</sup> Seeing ToC, not as a rigid, static framework, but as a tool to assess whether initial assumptions are proved to be right and how the ToC needs to change in practice;



## SMALL DEVELOPMENT GRANTS

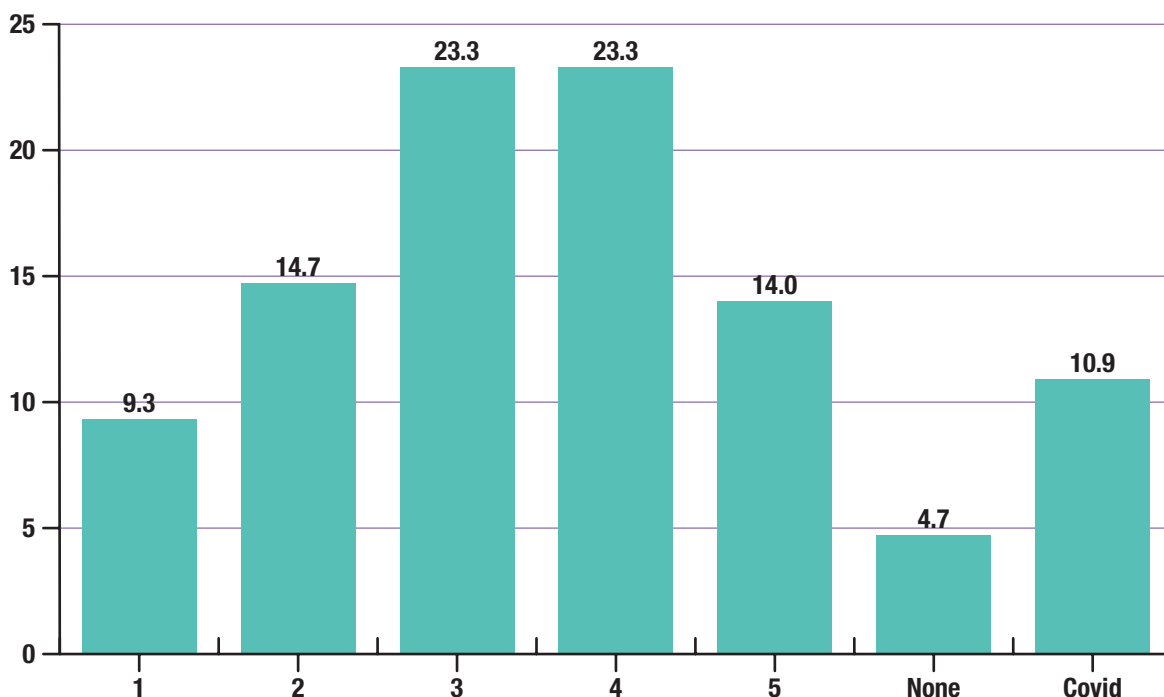
Any future funding programmes may consider adopting Connect Fund's offer of small development grants to give potential grantees the time and resource to research ideas with potential in more depth, before applying for funding. Smaller organisations without previous engagement in social investment should be encouraged to link up with more experienced infrastructure organisations or social investors. This success of this type of engagement can be seen in the Local Access projects.

## PROJECT EVALUATION AND LEARNING

Connect Fund has demonstrated its commitment to and support for its grantees, who provided very positive feedback on their relationship with the grantor. Covid-19 clearly had an impact on engagement with grantees, although only eleven per cent referenced Covid-19 as an issue in their reports.

However, there was little challenge to project managers when analysis of the applications compared to interim and final reports showed that some projects were clearly diverging from the objective of improving the social investment market. Grant funding organisations can maintain their collaborative and supportive approach to grantees, while querying and challenging their focus on delivering impact in line with the programme's theory of change.

**% of Grant Evaluation Reports Rated 1–5, no report, Covid-19-affected**





Twenty-four per cent of grantees provided poor final evaluation reports, with little evidence of change or impact. Twenty-three point three per cent were rated by the evaluator as average, scoring three out of five points. Thirty-seven point five per cent of project evaluations were rated as good, scoring 4-6 out of 5. Four point three per cent of grantees provided no final reports at the point of evaluation. Eleven per cent referenced Covid-19 for either not providing or providing minimal reports. There was a particular problem with projects funded for a year or less, where a manager was recruited to deliver the project and, understandably, left for a new post before producing the final report. Funding that avoids a cliff-edge finish would be helpful.

## IMPACT ON FINANCE TERMS

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In the early stages of Connect Fund, projects focused on researching the relationship with the VCSE sector and identifying issues, including;

- Lack of knowledge of the VCSE sector and its sub-sectors and geographies;
- High cost;
- Unclear investment terms imposed without consultation;
- A long and obscure due diligence process;
- A perception of arrogance, with the terms of business changing late in the process.

These projects have clearly had an impact on the terms on which finance is now offered, the terms and conditions of the offer, the language used in documentation and the emphasis on a supportive relationship between intermediary investor and investee.

## DEVELOPING A STRUCTURE OF SUPPORT FOR EDI

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Equality, Diversity and Inclusion is an issue of concern for most SIs. However, it is difficult for small, over-stretched and under-resourced organisations to allocate resources to the issue. There are strategically important infrastructure projects, most of which have been running on short-term grant funding for years. These include:

- Diversity Forum Projects and EDI Toolkit;
- Women in Social Finance;
- Equality Impact Investing Projects;
- Community Consultants;
- Equalising Deal Terms;
- Ubele's project on Community Shares;
- Business Under Development (B&MC consultancy support).

Many of these projects have been hosted by Social Investment Business, as an important contribution to the sector infrastructure. A sustainable structure is needed, that will allow those projects to continue their work. If Social Investment Business was willing to continue hosting, a shared business plan that includes grant and earned income could fund their ongoing operations, if delivered by an experienced social entrepreneur. Earned income would be generated by, for example, providing EDI training, monitoring and reporting services for social investment intermediaries as well as investees;

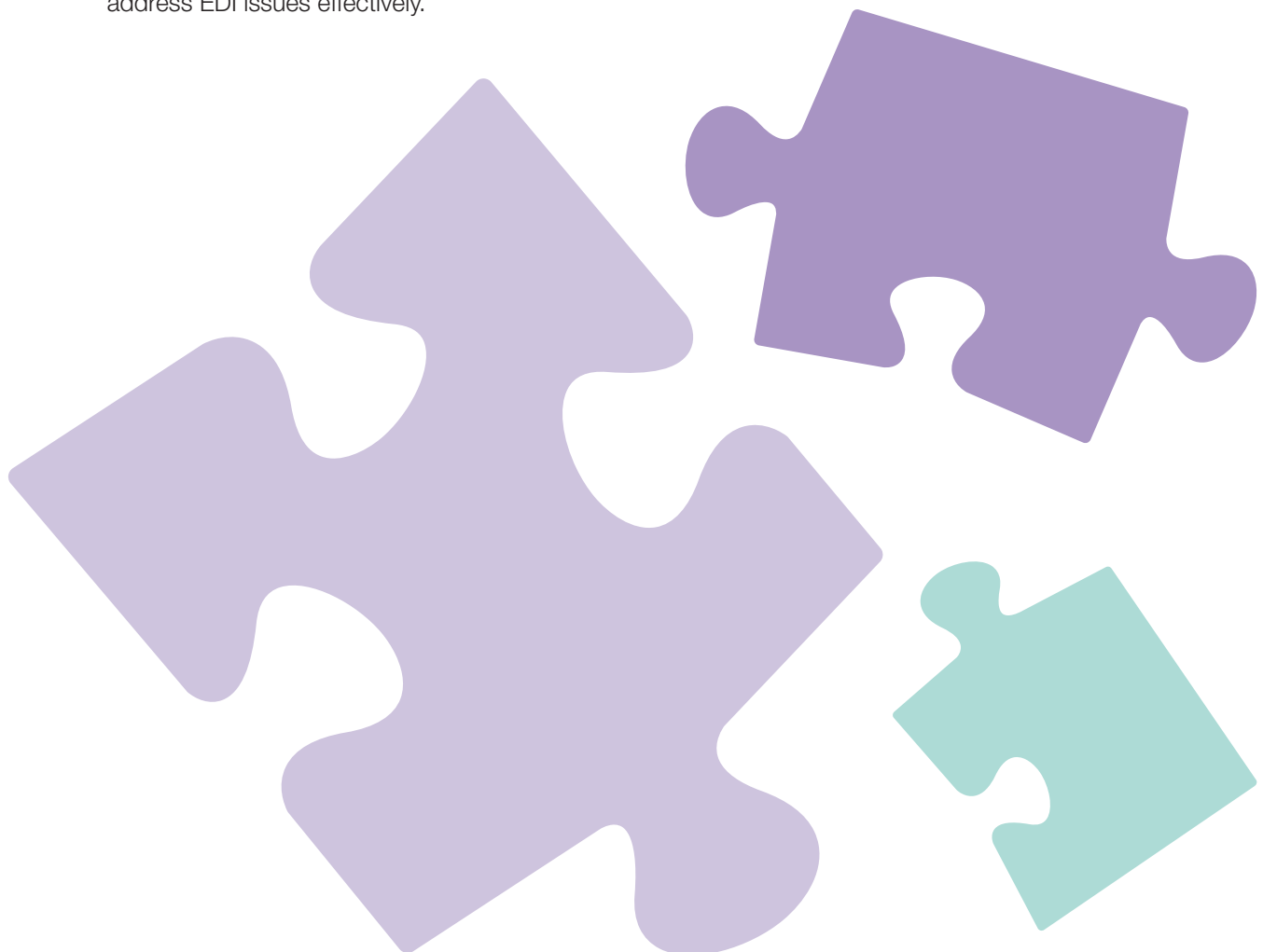


equality impact investing consultancy, pathways into social investment for VCSE finance leaders and other services. The Social Investment Forum may also wish to engage with the services.

VCSE organisations struggle even more than SIs to address the issues of equality, diversity and inclusion. ACEVO has led work to address the EDI needs and requirements of VCSE organisations, both internally and facing the sector. The social investment sector can work with ACEVO and other EDI leaders to help VCSEs to engage on EDI; EDI strategy development and implementation can be a benefit to VCSE organisations and needs to be presented as such, rather than as another administrative burden. It enables them to;

- Reach under-served, under-represented and under-estimated people;
- Research and understand their community or community of interest;
- Develop programmes and support offers that are clearly informed by that research and meet community needs;
- Demonstrate to funders and statutory organisations that they do engage, reflect and represent their communities;
- Make stronger cases for funding, capacity-building and policy development support.

Social investment intermediaries cannot drive this process, but they can engage and support it. Capacity-building programmes and investment products should reward those organisations that address EDI issues effectively.





# 4. LEGACY

The Connect Fund programme 2017-2024 was funded by Access – the Foundation for Social Investment, delivered by Barrow Cadbury Trust and worked as part of a collaborative ecosystem. Key stakeholders included Social Investment Business, Better Society Capital’s Good Finance project, The Diversity Forum, The Social Investment Forum, The Social Investment Consultancy, Equality Impact Investing projects and regional and local VCSE organisations. The different stakeholders contributed in different ways to the legacy of the programme. We also have a baseline against which to judge overall programmes.

The initial themes and outcomes<sup>5</sup> set for the Connect Fund illustrated the level of development of the social investment sector in 2017, defined key issues and set a baseline from which to measure legacy.

STRATEGIC OUTCOMES	INTERMEDIATE OUTCOMES
<b>A more enterprising market</b>	VCSE infrastructure organisations have knowledge and skills to support VCSE organisations taking on repayable finance
	Social investment intermediaries are better equipped to foster/facilitate enterprise development
	VCSE infrastructure organisations are better connected to SI intermediaries
<b>A more collaborative market</b>	Networks are open and accessible
	New/different organisations join networks & attend events
	Information is more effectively shared
	More/new connections are made
	Best practice is showcased
<b>A better informed market</b>	Amplify the demand side perspective
	Encourage SI intermediaries to better meet the finance needs of small and medium VCSEs
	Champion an impact-first approach
	Greater consensus on where gaps in the market/infrastructure exists
	VCSE organisations feel more confident about entering the SI market
	More partnerships developed to solve market problems

<sup>5</sup> Connect Fund Theory of Change 2017





## A MORE ENTERPRISING MARKET

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### VCSE INFRASTRUCTURE ORGANISATIONS HAVE KNOWLEDGE AND SKILLS TO SUPPORT VCSE ORGANISATIONS TAKING ON REPAYABLE FINANCE

The role of VCSE infrastructure organisations in supporting VCSE organisations taking repayable finance was under development when Covid-19 hit in March 2020. Their focus had to pivot to supporting member organisations to survive and support their communities. Even before Covid-19, there was a challenge in embedding knowledge and understanding of social investment in infrastructure, which often involved just one employee or one consultant. While many VCSE infrastructure organisations now have some experience with social investment, often through the Connect Fund, it has generally not been a core component in their support offer, leading to patchy provision. However, a diverse range of organisations including **infrastructure**, private consultancies, charitable trusts and others have stepped up to provide advice and support. These include New Leaf New Life, **VONNE**, **Medway Voluntary Action**, **Black South West Network**, Voice4Change England, **GMCVO**, Ubele and others. Cold spots for Connect Fund included the North East, West Midlands, London and East of England. If funding is available, it should be targeted at these regions.

### SOCIAL INVESTMENT INTERMEDIARIES ARE BETTER EQUIPPED TO FOSTER/FACILITATE ENTERPRISE DEVELOPMENT

Social investment intermediaries have also been through a challenging time during Covid-19, which was then followed by the cost of living crisis. Few social investment intermediaries operate at a scale that would support the supply of finance at affordable rates, as well as funding enterprise development and generating stable profits. However, SIs including Social Investment Business, Key Fund, Big Issue Invest, GMCVO, Bristol & Bath Regional Capital and Co-operative & Community Finance engaged on a range of Connect Fund enterprise development projects, provided relevant examples of social investment and advised on the process. In addition, two Access-funded programmes, the Enterprise Development Programme and Local Access, engaged a range of specialist and local infrastructure organisations to support enterprise development in the Environment, Equality, Homelessness, Mental Health and Youth sectors. Hatch Enterprise's Collective Leadership Group project was a good contribution to collaboration across enterprise support and capacity building provision.

### VCSE INFRASTRUCTURE ORGANISATIONS ARE BETTER CONNECTED TO SI INTERMEDIARIES

Twenty projects were funded on the basis of collaboration between VCSE infrastructure and social investment intermediaries. Impactful projects included the Young Foundation's project on User Voice, Social Business International's E3M Collective Impact projects in Gainsborough and an early project, Key Fund's Connect to Invest based on the "Borrowing in the Wild" research report. Locality's The Future of Assets and Enterprise was a strong post-Covid-19 recovery report, delivered with support from Key Fund, as was CERT's Social Business Knowledge Hubs project. Voscur working with Bristol & Bath Regional Capital on the South West Social Invest project, which led on to Gateway to Social Investment and Bristol City Funds. These connections are more prevalent outside of London and the concentration of SIs in London makes connections more challenging.



## A MORE COLLABORATIVE MARKET

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### NETWORKS ARE OPEN AND ACCESSIBLE

The events delivered by Connect Fund during the programme were clearly different from mainstream social investment sector events. They were attended by more grantees from VCSE infrastructure, VCSE organisations, smaller and younger organisations and more diverse people. The two Gathering events organised by Connect Fund in Leicester and London were also more open and diverse. Fifty-two per cent of attendees at the Leicester event were directly engaged in social investment and thirty-seven per cent came from the VCSE sector. The Gathering hybrid events organised in collaboration with or by Good Finance were also striking for the difference in representation from Black and minoritised communities, regions outside London, working class communities and women. This is a much more open and diverse sector, but there is still a distance for the social investment sector itself to travel, as evidenced by the EDI data collected by sector organisations.

### INFORMATION IS MORE EFFECTIVELY SHARED

The Connect Fund shared information, knowledge and learning through a website, a newsletter, events including the Gatherings and updates through the Barrow Cadbury and Access communication channels. Fund staff communicated effectively with grantees in terms of grant reporting.

### MORE/NEW CONNECTIONS ARE MADE

The first Gathering in Devon, which was not organised by Connect Fund, concentrated on bringing the social investment sector together. The subsequent events in Leicester and London were designed to include investors, investees, VCSE infrastructure organisations and other participants in the sectors. They were a great opportunity to hear and learn from a wide range of experiences and to collaborate on identifying issues and solutions.

Connect Fund grantee events were welcome and helpful and received very positive feedback from attendees. They particularly appreciated the opportunity to meet other grantees, share experiences and learn from each other. These events included the Gatherings 2019 and 2023, Connect Fund Learning Community Event 2018, Connect Fund UK Community Foundations Event 2019, joint event with Good Finance on Addressing Imbalance 2022 and 2023 and a range of Diversity Forum events.

### BEST PRACTICE IS SHOWCASED

Grantee events and the Gatherings were used to showcase best practice, which was useful for VCSE and SII organisations. It also supported more collaboration and learning from peers, such as from the Equal Terms Deal project.

Significant numbers of learning resources were produced by grantees during the programme, and these were available on the project website. However, the display was overwhelming, and it was not easy to identify appropriate resources for particular needs. A legacy page has been set up on the Barrow Cadbury Trust website, which will significantly improve access to valuable resources:

<https://barrowcadbury.org.uk/our-work/the-connect-fund/connect-fund-resources/>



## A BETTER-INFORMED MARKET

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### AMPLIFY THE DEMAND SIDE PERSPECTIVE

Partnerships were developed during the Connect Fund between a range of local, regional and national VCSE infrastructure, VCSE organisations, consultants and research organisations, which led to much improved communication. The development of new funds such as Pathway and the cost of living Fund is much more based on research and engagement than in earlier years. Connect Fund's role has included funding Big Issue Invest's financial modelling, which allowed the organisation to demonstrate, in the language of investors, what conditions will allow the organisation to support its investees. CERT, working in Lincolnshire, Yorkshire & Humber, was helped to address the deficit in social investment advisors as was Black Brilliance's Business Under Development project. Active Gloucestershire identified the opportunities for social investment in sport, working with Social Investment Business.

### ENCOURAGE SI INTERMEDIARIES TO BETTER MEET THE FINANCE NEEDS OF SMALL AND MEDIUM VCSES

The major driver of improvements in service to meet the finance needs of small and medium VCSEs has been the design and supply of wholesale blended finance by Access to the SIs. Through first The Growth Fund, then Covid-19 Related Emergency Support, Flexible Finance for Recovery, Local Access, Enterprise Growth for Communities, the Cost of Living Social Investment Support Fund and the Energy Efficiency Social Investment Programme, Access' blended flow of grant funding, investment and access to advice and support has enabled the SIs to design and develop their funds to best support VCSEs and their communities.

Connect Fund would not claim to have driven the origination of new wholesale social investment funds. However, as part of the research, learning and funding infrastructure, we can note the involvement of grantees in the development of;

- Flexible Finance, with thirty-six per cent of investments delivered to Black and minoritised-led organisations, twice as much as any other programme;
- The Cost of Living Programme, with seventy-six per cent of the total investment going to IMD 1–3;
- Local Access programmes in Bradford, Greater Manchester, Gainsborough and Redcar, Cleveland and Hartlepool.

SIs that had benefited from the opportunity to research the needs and requirements of potential investees include Key Fund, Big Issue Invest, Sumerian, Bristol & Bath Regional Capital, GMCVO and Social Investment Business.

### CHAMPION AN IMPACT-FIRST APPROACH

Over the seven years of the Connect Fund, the social investment sector moved away from an impact-first approach, recognising that sustained efforts to grow the social investment market had not met the needs of many charities and social enterprises. The focus now is towards demonstrating the value of blended finance and championing enterprise development.



## GREATER CONSENSUS ON WHERE GAPS IN THE MARKET/INFRASTRUCTURE EXISTS

Issues identified as part of the development of Connect Fund include;

- Lack of open, fair and transparent access;
- Lack of understanding of the barriers faced by organisations led by under-represented groups;
- Investment did not flow to these organisations;
- Boards and investment committees were not diverse;
- Funders and investors were not responsive to needs in the VCSE sector.

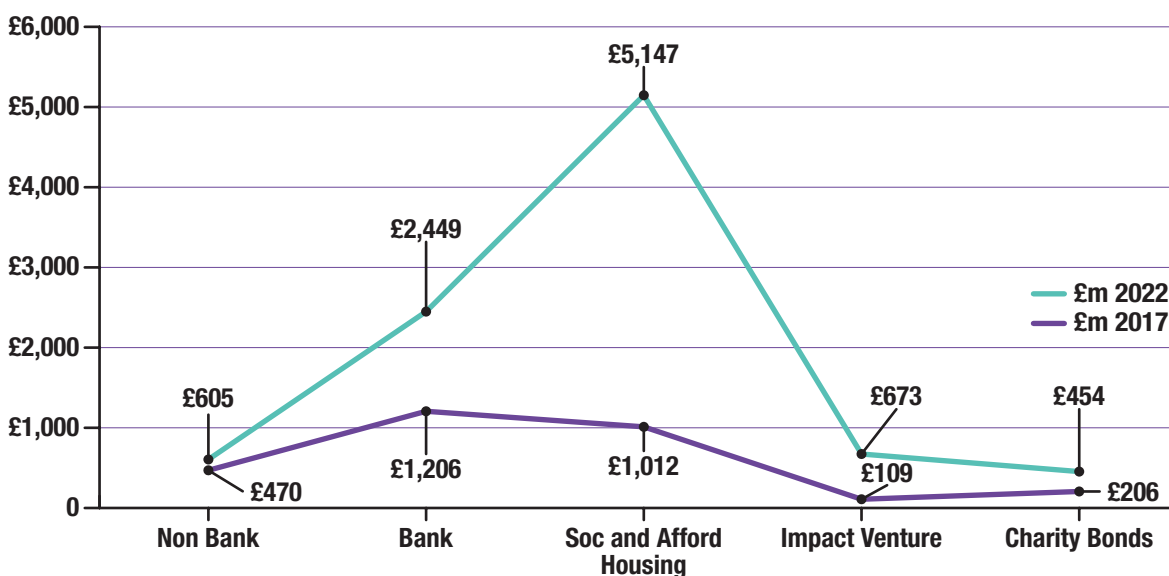
Research, consultation, the development of new initiatives, evaluation and monitoring have delivered a change in mindset, aims and delivery in the sector. EDI projects led by The Diversity Forum have begun to provide baseline information on the lack of equality, diversity and inclusion. SII's have signed up to the Diversity Manifesto. Connect Fund funded the development of the EDI toolkit and Equalising Deal Terms. Significant work has been delivered through the Equality Impact Investing projects. Access's provision of wholesale blended finance has allowed SII's to be more responsive to needs in the VCSE sector.

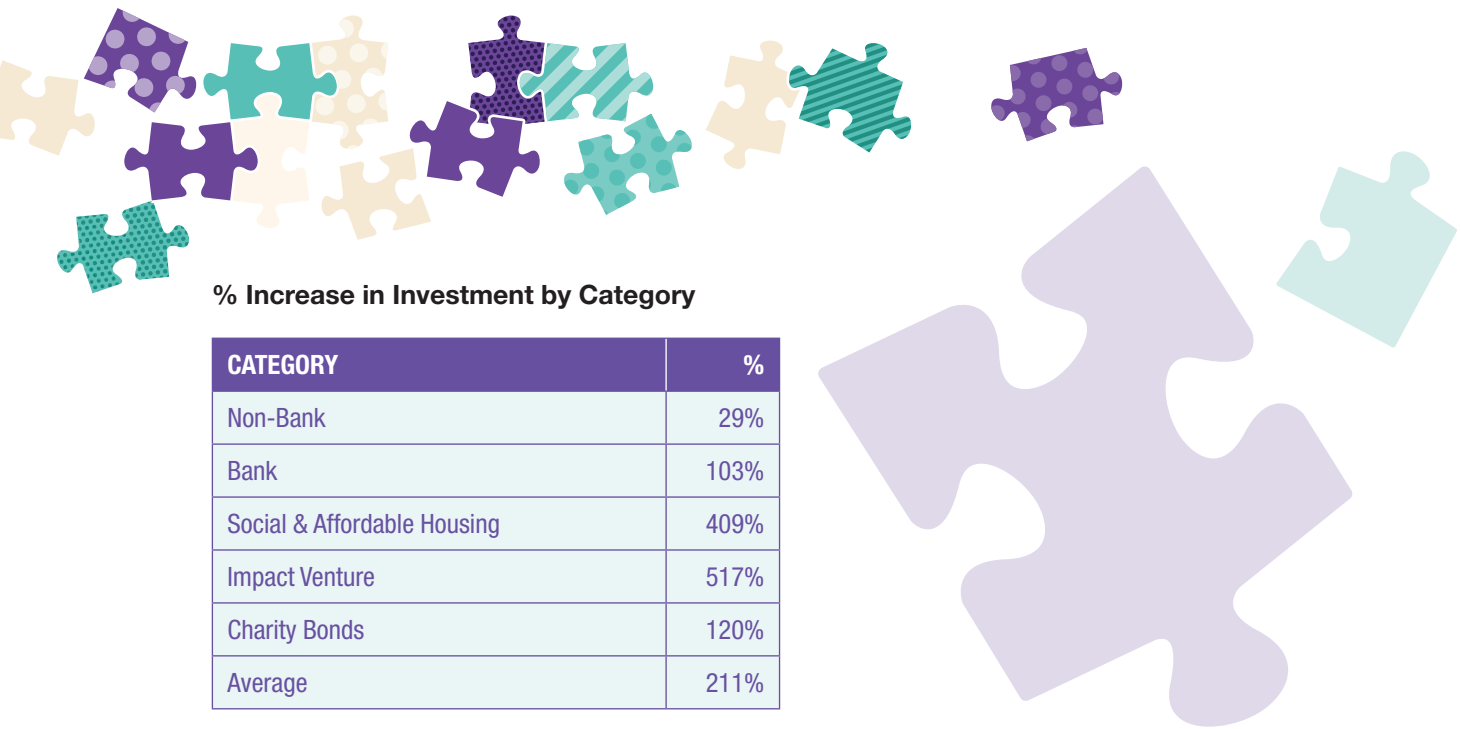
## CONCLUSION

The social investment sector has been transformed over the past seven years by the combined efforts of the Department for Culture Media and Sport, National Lottery Community Fund, Access and Better Society Capital, social investment trusts & foundations, the social investment intermediary sector, VCSE infrastructure and organisations and external support providers.

The latest social investment data available from Better Society Capital shows a trebling of investment between 2017 and 2022, from £3,003m in 2017 to £9,328m in 2022.

### Growth in Social Investment 2017–2022





### % Increase in Investment by Category

CATEGORY	%
Non-Bank	29%
Bank	103%
Social & Affordable Housing	409%
Impact Venture	517%
Charity Bonds	120%
Average	211%

The Connect Fund’s impact was strongest on **open, fair and transparent access; far greater understanding and action on barriers faced by organisations led by under-represented groups** and **investment flowing particularly to organisations led by under-represented groups**. Connect Fund grants funded research, data, tools and resources, EDI infrastructure and the development of new, more equitable funds.

Connections between VCSE infrastructure organisations and the social investment sector were challenging, particularly as a result of Covid-19, followed by the cost of living crisis. Local and regional VCSE organisations and private consultancies worked with SIs to deliver impactful projects in many of the sectors and regions. However, some regional cold spots still remain, including the North East, West Midlands, London and East of England.

The social investment sector has learned much about the needs and requirements of potential investees and their sectors and the investment offer is lower cost, blended, flexible and comes with other supports. As a result of these improvements, the trust deficit, while not eliminated, is substantially reduced. The favourable ratings of Connect Fund events and engagement with VCSE organisations provides evidence of increasing trust.

Social investment intermediaries have engaged significantly around enterprise development in a range of Connect Fund and Access programmes. While this can act as a marketing opportunity, it is an extra cost and an “add-on” to their core business.

One of the most important interventions of the Connect Fund was the Covid-19 Emergency Infrastructure Fund, delivered with funding from the Department for Community, Media and Sport, through Access – the Foundation for Social Investment and supported by sector experts. Funding was provided to two infrastructure organisations and three social investment intermediaries. Social Investment intermediaries praised the emergency funding for allowing them to retain experienced staff, manage the loan portfolio and maintain delivery and deployment of funds. It also gave them “breathing space” to review strategy and positioning of the organisation. It provided a solid base which meant that they were able to enter the post-Covid-19 period with the capital and capacity to rebuild as they came out of lockdown and again when the cost of living crisis hit. The sector would have been much weaker, particularly in reaching smaller organisations and less well-represented regions, if they had not been supported.

The efficiency, effectiveness and resilience of the sector has been strengthened by a series of data projects, improving the availability and use of standardised data, widening the scope of data analysis and developing EDI monitoring and reporting services. The technical processes of the sector have improved in the fields of data, reliable output and impact reporting, learning and dissemination.

**Read the full report here:**  
**The Connect Fund - Barrow Cadbury Trust**

**Barrow Cadbury Trust**  
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