

Invest NI

Social Entrepreneurship Programme

Final Evaluation Report - Executive Summary
January 2009



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Executive Summary

Overview of the Social Entrepreneurship Programme

- 1 PricewaterhouseCoopers carried out an interim evaluation of the Social Entrepreneurship Programme (SEP) and reported upon the findings in April 2008. A final evaluation was carried out in August / September 2008. It is still very early to determine the programme impacts and benefits, thus limiting the scope of work undertaken for the final evaluation report. Nevertheless, the conclusions and recommendations outlined below are based on an aggregation of the evaluation work undertaken and pointers for the future direction of Government support for social enterprises.
- 2 The SEP ran from June 2006 for a two year period and was funded through the Peace II programme. The aim of the SEP is to create commercially viable social enterprises which have the capability to survive beyond the life of the Programme.
- 3 The Programme was designed around four entry points to ensure progression along a continuum of support and to encourage exchange of experience between established / serial entrepreneurs and emerging groups. In summary the Programme was structured as follows:
 - **Enquiry development;** mentoring support to groups that do not have a clearly defined business idea and who need some initial capability building;
 - **Core capability support;** support to social enterprise start-ups in the form of business plan development and training and advice in relation to start-up development, also grant support and potential for loan support during first 12 months of trading;
 - **Post-start strategic mentoring;** strategic advice specific to the needs of the groups such as export development and maximising growth potential; and
 - **Mentoring support for transitional groups;** support in the form of mentoring for transitional voluntary and community sector groups seeking to make transition into social enterprise. Support covered organisational development, corporate governance and managing growth / maximising performance.
- 4 The Entrepreneurship Development Team within Invest NI was responsible for management of the SEP. Enterprise Northern Ireland (ENI) was then appointed by Invest NI to deliver the SEP. ENI selected LEDCOM¹ as the led Local Enterprise Agency (LEA) to manage the delivery. A small core team of SEP advisers from a select number of LEAs, with significant social economy expertise, were identified to deliver the Programme. LEDCOM appointed existing staff members as the SEP Manager and SEP Administrator.
- 5 The Programme originally received funding amounting to £775,000 from Peace II, however, due to increasing demand for the core capability support element, additional Peace II funds were

¹ Larne Enterprise Development Company (LEDCOM)

sought. A total of £903,925 was made available through Peace II and this budget was not exceeded. The total Programme costs included an additional £410,000 (grant payments of £5,000 each) paid directly to the recipients by Invest NI.

Strategic rationale

- 6 In September 2004, the Government set out its three year strategic action plan² in relation to the social economy, building on the strengths and diversity noted above. In this, it highlighted the need to:
- Increase awareness of the sector and establish its value to the local economy;
 - Develop the sector and increase its business strength; and
 - Create a supportive and enabling environment.
- 7 Thus the Programme, which commenced in September 2006, is very much in line with Government policy.
- 8 This is further reinforced by the decision late in 2007 that Department for Enterprise, Trade and Investment (DETI) would retain the lead policy role for the social economy sector³ with Invest NI remaining as a lead delivery agent providing business and programme support services therein. Furthermore **this commitment is contained in the forward DETI and Invest NI Corporate Plan (2008/11)**, which reflects the priority attached to growing the social economy sector. The Invest NI Corporate plan specifically highlights:

"A new Enterprise Strategy will see a continuance of our Social Entrepreneurship Programme, which offers a range of assistance to develop new and existing social enterprises. This is Invest NI's major Programme in support of the social economy".

(Invest NI 2008/2011 Corporate Plan)

- 9 The strategic rationale of the SEP is also **consistent with DETI/Invest NI's Public Sector Agreements (PSAs)**. These include **PSA1: Productivity Growth** – improve NI's manufacturing and private services productivity and **PSA 3: Increasing Employment** – subject to economic conditions, increase employment and reduce economic inactivity by addressing the barriers to employment and providing effective careers advice at all levels.

Programme Results

- 10 In activity terms and numbers of participants the **SEP has outperformed the original expectations** and furthermore **retention and progression between streams has been strong**. This is further illustrated in the activity summary in Figure 1 overleaf. The strength of demand is further evidenced by the fact that additional Peace II monies were secured to fund more places within the Programme. However, not even the additional secured monies were sufficient to meet all the demands, as by the end of the Programme there were in excess of 50 expressions of interest for the SEP which were unable to be progressed due to **capacity limitations**. Looking back, more of an emphasis on **'holding over' places** within strands to allow for progression may have been one solution to addressing this demand, however, this was not feasible within the 'N+2' requirement attached to the PEACE II funding. It is therefore important for any future programme to consider the best alignment of funding mechanisms with the aims and objectives of the intervention. Mainstream funding would provide opportunities for a more 'flexible' implementation with perhaps more scope to "stage"⁴ the delivery to maximise the impacts rather than having to operate within the rigid requirement of 'pre-selecting' groups

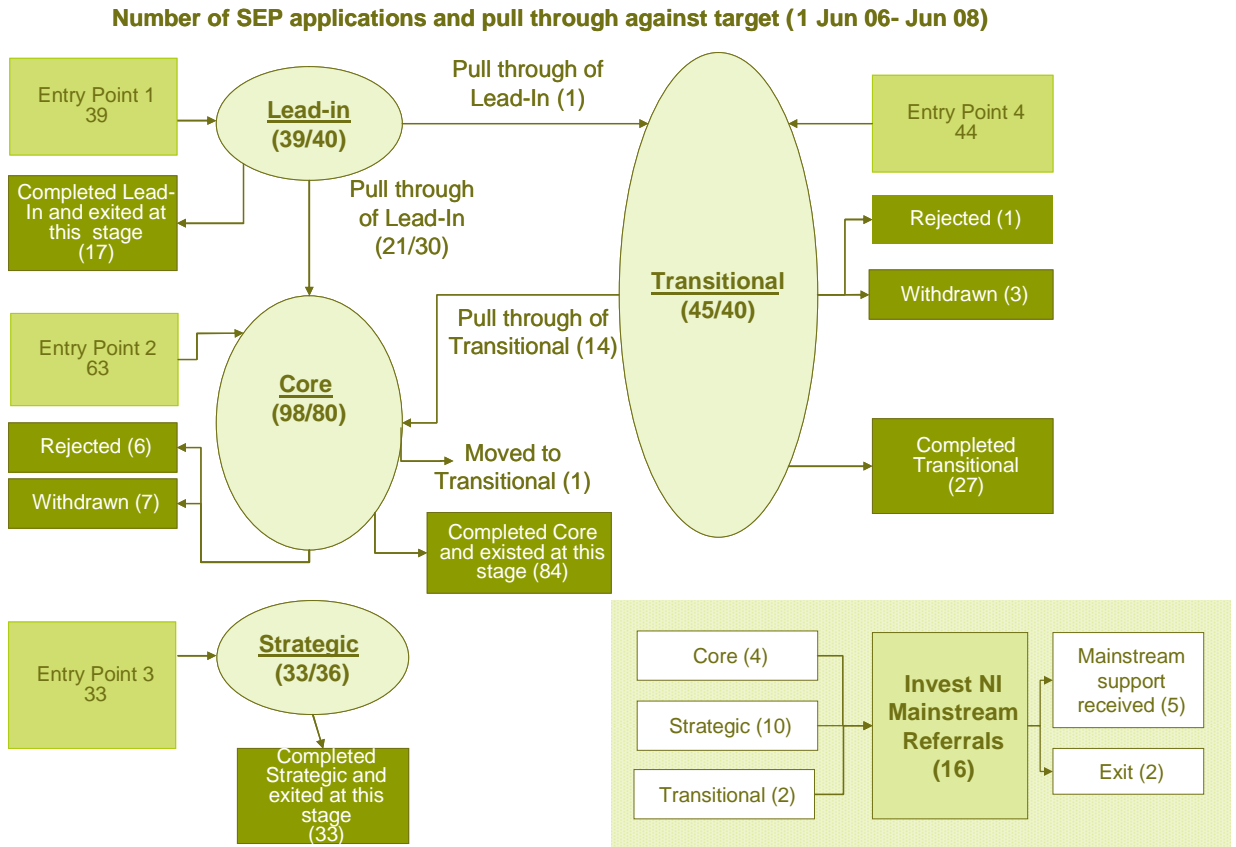
² DETI (2004), *Developing a Successful Social Economy: NI Government's Three-Year Strategic Plan 2004-07*.

³ Rather than it being transferred to DSD

⁴ By perhaps 'holding over' places

based on their potential ability to trade within three months.

Figure 1: SEP activity summary



11 Based on the geographical location of applicants the **SEP is tackling spatial disadvantage** as most of the activity is centred in the most deprived wards in NI. In addition the Programme has been successful at **linking into the neighbourhood renewal agenda** as shown earlier in the report by the convergence between the geographical spread of applications and the neighbourhood renewal areas. Many of these areas are new to the SEP and were not prevalent in the previous programme, Community Business Start-Up Programme (CBSUP) and therefore this **represents a degree of additionality**.

12 Overall, in summary, there are some very encouraging quantifiable conclusions:

- The programme has resulted in 75 new social enterprise businesses being created and this figure will potentially increase with 7 new businesses due to start by September 2009;
- 203 jobs have been created with an average of 2.7 jobs per business;
- 40% of businesses have been trading for over a year already and only two businesses have ceased trading;
- The geographic spread of businesses has been as anticipated with 32% of business starts in Belfast and 47% of new jobs in Belfast to date;
- Projected turnover for new businesses (which are still trading) is £5.1m with an average of £69k per business trading at the end of September 2008;
- 15% of businesses anticipate a turnover of over £100k;
- 16 groups were referred to Invest NI for mainstream support of which, to date, 4 groups have received mainstream assistance or some other form of intervention;
- SEP has a relatively high level of additionality. Just under one quarter (24%) of participating organisations would have not gone ahead with their business. With **full additionality of 24% and partial additionality of 44%** it can be said that overall the SEP has a relatively high level of additionality and can be judged to be a successful programme in this respect;
- The level of displacement created by the SEP is marginal;
- The actual programme cost for two years was £903,925 (Peace II funds) and is in line with Enterprise NI's two Letters of Offer (LOO) from Invest NI with an additional £410,000 in grant payments (of £5,000 each) made directly to participants on the core stage by Invest NI;
- The programme management costs were 15.7% of the total programme costs. This compares less favourably with the Start A Business Programme (SABp) (10% programme management fee). However, SABp was designed as a 'volume' programme and as such can be delivered with greater economies of scale than the SEP; and
- SEP compares favourably with the SABp and Scottish Enterprises mainstream business start programmes across key efficiency indicators of programme cost per job, jobs per business and average turnover levels.

13 This is strong evidence of emerging social capital and other intangible benefits such as financial management, operational and cultural impacts. In particular:

- In terms of **financial management** there is evidence of an impetus to become more sustainable and therefore less dependence on grants. This in turn helps to sustain the community and voluntary activities of the organisation which are often of significant value to the local community and could not be absorbed by mainstream social services (e.g. crèche, day care);
- **Operationally** the very process of reviewing the viability of the business from a financial perspective first and social perspective second is something of a paradigm shift in itself. While it has not been possible to capture the benefit of the Programme to Government in economic terms during this evaluation it is very clear that social enterprises help to deliver many of the strategic aims outlined by Government. This is because social enterprises' objectives are not just about making money, but about delivering social benefits to the community at the same time. Many social enterprises are committed to improving the lives of local people and they contribute to the governments efforts in creating sustainable cohesive communities; contributing to economic development; delivering learning and

skills, helping to regenerate local areas; and

- In terms of **cultural benefits**, this encapsulates, developing innovative ideas and solutions to local needs, fostering an entrepreneurial spirit within the enterprise and through acting as a role model / positive example within the community. Additionally it includes attitudinal changes (linked to operational changes) where enterprises are becoming more results orientated and/or broadening their experiences (working outside their local area or with other communities within the same area).
- 14 In terms of **community impacts**, just over one third of SEP projects targeted mixed communities (37.8%), while just over two fifths (42.3%) targeted Catholic communities and just under one fifth (19.8%) targeted Protestant communities. At the **Enquiry Development stage**, less than one third of projects were targeted at mixed communities, whilst nearly one half of the projects targeted Catholic single identity communities, and similar to the Core Capability stage, just less than 20% were targeted at Protestant single identity communities. Finally at the **Core Capability stage**, there was an even spread of Catholic single identity and mixed projects funded (40% of each) while just less than 20% were targeted at Protestant single identity communities.
 - 15 The SEP has attracted a **diverse range of participant groups**, from serial entrepreneurs to new social economy groups and catered for the diversity of needs within those groups, certainly on a one-to-one basis, if not yet on a regional networking basis. There is scope for mature and serial social entrepreneurs to become more engaged and to act as role models to embryonic social enterprises as there has been limited evidence of this to date. There is also a role for the Social Economy Network in this arena through enabling interaction and enhanced regional networking for SEP groups.
 - 16 A total of **16 groups were referred to Invest NI mainstream support** which is very positive and higher than that achieved in the SABp. This may be a reflection on some parts of the social economy sector or perhaps that on a smaller “niche” programme like the SEP the performance of the individual participants can be more closely monitored.
 - 17 The SEP advisor role has clearly been effective, providing a single point of contact for direct delivery and leveraging additional support. This has been enhanced by the fact that delivery was **restricted to a tight team of individuals** already well established with a reputation within the sector. Furthermore, the Programme has clearly achieved the original goal of an **‘enhanced mentoring offer’** both through the SEP advisors and the additional mentors (internal and external to Enterprise NI).
 - 18 The evaluation has reinforced what is already acknowledged in relation to finance for the social economy in NI, that is, **there may be a degree of market failure for new or recently established social enterprises**. However, there is **unlikely to be a case for universal funding for all start-ups** in future, rather a more targeted approach should be considered. In addition the research suggests that there may be a **‘gap’ in the market in relation to the provision of loan finance at the ‘lower-end’ of the market** (i.e. £25,000 and below). Given that the Ulster Community Investment Trust (UCIT) ‘SEP offering’ failed to materialise as envisaged within the Programme, opportunities to make this more attractive should be further explored.
 - 19 The transitional stream for voluntary and community groups, with the changing context for the sector, has played a very **valuable role in enabling a change in ethos towards a commercial business model**. Looking ahead this should remain an area of focus with neighbourhood renewal as a key policy ‘anchor’ therein.
 - 20 However the case for a future post-start strategic stream, in its current form, is less evident. One option may be to consider **broadening the focus of this stream to include both operational and strategic aspects**, thus providing strategic support without discouraging less advanced groups. This could be done on a tailored basis, where more advanced groups could substitute their allotted ‘operational’ days for additional strategic support. As the sector matures the

number of groups availing of operational support at this stage should decrease.

- 21 There is a clear case for a future programme. The rationale for which begins with the **continued existence of market failure** with respect to low enterprise and start-up figures in Northern Ireland and the **positive outcomes of the current Programme with respect to both additionality and value for money (VFM)**.
- 22 That said the precise form that the Programme should take is less clear at this point in time. This is partly because the greater clarity in respect of the forward strategy for the social economy is required from DETI.. The first policy on the Social Economy⁵ led by DETI expired in March 2007 and DETI is currently working with Invest NI and relevant Departments to deliver an interim action plan to maintain momentum. Some of the actions to be contained with the new (drafted) **Social Enterprise Strategy**, which is due for public consultation in November / December 2008, are as follows:
- To help **increase awareness of and establish the value of the social economy sector** to the local economy;
 - To **develop the sector and increase its business strength**; and
 - To create a **more supportive and enabling environment**.
- 23 In addition, the Department of Finance and Personnel (DFP) through their 2007 **'Public Procurement Guide for the Social Economy'** aim to ensure that the social economy sector increases their knowledge, understanding and capability to compete successfully for Government and other public / private contracts in the future. In addition, the next stage of the **Accelerating Entrepreneurship Strategy (AES)** is also under development, and the fact that **social enterprise is to be included formally as a strand** within the evolving policy framework for the next phase of the AES is a very positive development.
- 24 Finally the Social Economy Network (SEN) in its new form has only recently built up a full staff complement and is developing its membership progressively. This means that in the months ahead the **SEN should have both the representation and resources to articulate more fully the needs of the sector** in the medium term, which again should influence the precise 'form' that a future SEP should take.
- 25 All of the above reflects the key strategic framework for the current SEP and any future programme and a commitment to a continuance of the Social Entrepreneurship Programme. Therefore there are clear strategic imperatives to support the development of the social economy and for the delivery of the next phase of the SEP.
- 26 At a general level, low enterprise and start up figures within NI indicate market failure and the ongoing need for programmes which promote enterprise and entrepreneurship. At a specific level, **whilst development of social enterprises within the economy is on average better than other parts of the UK, continued intervention by the government is required** as it is in the best interests of the public due to the positive impact of a strong social economy. Furthermore whilst there are a range of initiatives at the pre-start and post-start stages offered through University of Ulster (although no focus on targeting social need) and Building Change Trust⁶, Rural Development Programme and the Northern Ireland Community and Voluntary Association (NICVA) (although not focused solely on social economy sector), however, **none of them compete with the SEP in terms of offering NI-wide support to the social economy sector**.
- 27 Over and above the continued existence of market failure, the following are the key summary points for the rationale for a future programme:

⁵ Developing a Successful Social Economy 2004-2007

⁶ This is a Big Lottery project run by Community Foundation NI (CFNI), Business in the Community (BITC), Community Evaluation NI (CENI), Volunteer Development Agency (VDA) and the Rural Community Network (RCN).

- There are two key changes in the marketplace, end of **the PEACE programmes** (and many local social economy and voluntary sector initiatives) and **changes in governments procurement policy**. These will impact upon voluntary and community organisations and require these organisations to become more 'entrepreneurial' and sustainable;
 - There is a high need/demand for the SEP and, in particular, **demand for the current SEP far outstripped resources**;
 - The SEP was considered by participants to be a very **worthwhile Programme with positive anecdotes gathered from participants**;
 - The specific provision within the SEP is still required, in particular, **there is no one strand that should be dropped**;
 - The need for a social economy specific programme to **ensure that NI at least maintains or improves it's ranking as fifth in the UK in terms of social entrepreneurial activity (SEA)**;
 - **Positive economic impacts** have arisen from the current programme with respect to projected turnover levels of new starts and jobs created; and
 - Progression to Invest NI mainstream client base is **higher amongst SEP participants than SABp participants**.
- 28 As part of the Executive's interim proposals regarding local government aspects of the Review of Public Administration (RPA), DETI propose to **transfer the social economy actions and associated budget to the new councils**. The proposals are clearly focussed on supporting social economy enterprises which operate primarily within the local market and it is considered appropriate that the delivery of this function is best handled at local level. Looking ahead the **impact of the transfer of local economic powers to the new Councils under the RPA agenda is also pertinent to how a future SEP** (and related business support to the sector) may be delivered in the medium-term. This mirrors the situation on the forward SABp, which will also transfer to Councils in due course. It is understood that Invest NI intend to consult with Council representatives in relation to the delivery of future social economy support, perhaps 'piggy-backing' on some of the Council structures already in place in respect to the SABp. With the timing not finalised (in respect of transfer of these powers and related funds) Invest NI will retain responsibility (for the SEP) in the short-term. However, it is important to note that the timetable and nature (i.e. stepped or gradual/phased) of the transfer of these functions has not yet been agreed. This could have implications for the delivery of any future programme.
- 29 Clearly the form and scale that the new SEP may take should be grounded in some over-arching policy objectives, about what the vision for the sector is in NI in the years ahead. For example if the vision is to grow the sector in absolute terms (i.e. more social enterprises) then a future SEP should have a large 'core' strand to facilitate start-up activity including more 'pull-through' groups from the community and voluntary sector. However if the vision is to consolidate the already strong relative positioning of NI (viz-a-vie the other UK regions) then there should be more emphasis on a strategic development strand and 'pull-through' to Invest NI mainstream support. Overall our conclusion is that the **product 'offering' looking ahead should be simpler and build on the successes achieved through the current phase** (i.e. with the emphasis on 'consolidation').

Recommendations

- 30 In light of our conclusions we have made a number of recommendations for consideration by Invest NI. It should be noted that in the **context of the SEP the changes to the Programme are minimal and a future initiative should build on the success of the SEP**. The general SEP criteria will remain the same, however, given that the future programme will not be reliant on Peace II funding, then the fourth criteria in terms of the Peace II distinctiveness should be

removed.

- 31 The evidence based evaluation shows that there is a rationale for continuing the Social Entrepreneurship Programme and Invest NI should work to secure a future programme. This is notwithstanding the fact that the **policy environment is still in ‘catch-up’ mode as the first social economy strategy for NI has now expired** and the subsequent strategy is under development, as is the next stage of the Accelerating Entrepreneurship Strategy, and the refreshed Social Economy Strategy.
- 32 Looking ahead the form and scale of the future programme will need to be grounded in the overarching policy objectives for the vision of the sector in NI. There is nonetheless at this stage, the potential to make some recommendations in terms of the format and content of the new programme. The recommendations are summarised in Table 1 and the rationale for each recommendation is set out in more detail in Section IV of the main report.

Table 1: Summary of Recommendations

Future programme	<p>Recommendation 1:</p> <p>A future SEP is recommended based on the continued existence of market failure and the positive outcomes to date with respect to both additionality and value for money. The form and scale of the future programme will need to be grounded in the overarching policy objectives for the vision of the sector in NI.</p>
Programme elements	<p>Recommendation 2:</p> <p>It is recommended that the enquiry development stage remains a part of any future programme. The focus of this stage could be determined by the timing of the transfer of responsibilities of local economic powers to the new Councils under the RPA.</p> <p>That is to say that should the transfer be scheduled to occur during the lifetime of any future programme the enquiry development phase should focus on new business ideas of existing social enterprises. This would then allow for a clean separation of responsibility between Invest NI and the new Councils during their embryonic stage (i.e. Invest NI maintain responsibility for developing existing social enterprises and the new Councils assist the development of new social enterprises).</p> <p>Furthermore, it is recommended that Invest NI together with the Councils maintain an element of ‘pre-enterprise’ awareness raising.</p> <p>Recommendation 3:</p> <p>It is recommended that, if the new social economy strategy illustrates a vision to grow the sector in absolute terms, then the future programme should have a relatively large ‘core’ strand to facilitate start-up activity including more ‘pull-through’ groups from the community and voluntary sector. The product ‘offering’ looking forward should mirror the current Programme, but should be simpler and built on the successes achieved through the current phase.</p> <p>It is further recommended that participation on any future Programme should be criteria based to enable the Programme to focus on enterprises with high growth potential (thus perhaps improving the future Programme’s value for money).</p> <p>Recommendation 4:</p> <p>It is recommended that the post-start strategic mentoring element of a future programme is strongly biased towards high impact businesses with growth or export potential.</p> <p>Recommendation 5:</p> <p>It is recommended that the post-start strategic mentoring element should include both operational and strategic advice and as the sector matures the number of groups</p>

	<p>availing of operational support should decrease.</p>
<p>Financial support</p>	<p>Recommendation 6:</p> <p>It is recommended that the mentoring support to transitional groups should remain an area of focus with a number of 'pre social enterprise' awareness seminars being held, with a particular focus on disadvantaged areas and maintaining the focus on DSD's Modernisation Fund recipients.</p> <p>Recommendation 7:</p> <p>It is recommended that in any future programme, grant aid should not be made universally available. Additionality will be strengthened if a more targeted approach to funding is taken in the future and there is leverage from other policy areas, where appropriate.</p> <p>Recommendation 8:</p> <p>It is recommended that, in the new programme, information seminars and events for SEP participants include sessions delivered by loan providers to ensure full awareness of the loan fund opportunity.</p> <p>Recommendation 9:</p> <p>It is noted that there is agreement with UCIT on a pilot Flexible Enterprise Fund to operate alongside SEP. It is recommended that Invest NI monitor this closely and continue their discussions with UCIT on finance for the social economy sector.</p>
<p>Measuring programme impacts</p>	<p>Recommendation 10:</p> <p>To ensure the longer terms impacts are captured, it is recommended that the managing agent should be requested to set out mechanisms to measure the impacts which accrue some 3-5 years beyond completion of the Programme.</p> <p>The impacts to be measured include:</p> <ul style="list-style-type: none"> - Financial/economic: turnover, job creation (including the previous employment status of the new hires), procurement practices (are there spill over effects in the local economy?), dependency on grant funding/sustainability of community/voluntary organisation; - Organisational: capability development, improvements in efficacy of enterprises; and - Social/cultural: types of services sustained by the social enterprises (i.e. the extent to which the enterprise finances voluntary and community activities and the nature of such activities), any spin-off entrepreneurial or innovative activity. <p>Invest NI should consider including this in the Terms of Reference for the new Delivery Agent.</p> <p>Recommendation 11:</p> <p>For any new programme, Invest NI should actively monitor on an ongoing basis the community background of beneficiaries to ensure that there is a balance in terms of community impacts. In particular, given the capacity building issues within deprived protestant areas, this should be further strengthened in order to identify projects from those areas and redress this balance.</p>

Recommendation 12:

The intake on the new programme should be “staged” over the programme life-time rather than operated on a ‘first come-first served’ basis. It is however recognised that Invest NI’s ability to implement this recommendation will depend on the source and conditions attached to any new programme funding. It is further recommended that Programme participation is criteria based to ensure additionality is further enhanced.

Recommendation 13:

It is recommended that application receipt dates are clearly marked on/ or attached to the relevant documentation, in order to avoid customer service issues and also that all documentation and correspondence is completed within the specified timescales.

Recommendation 14:

It is recommended that a more advanced referencing system should be employed to enable the identification of groups with multiple business ventures. For example, the first 3 digits could relate to the parent group and the last 2 digits to the specific business venture. This would facilitate more efficient monitoring and evaluation of programme activity and progression.

Recommendation 15:

It is recommended that in any future programme the cut off point for information gathering is the last working day of each month and that the monthly progress reports record activity up to and including that calendar month only. Additional programme activity will be picked up in subsequent reports.

Recommendation 16:

It is recommended that exit questionnaires are completed on a timely basis in order to capture lessons that can assist in improving the programme during implementation and/ or improve any future programme.

Recommendation 17:

In light of the above, it is recommended that Invest NI provide a comprehensive definition of what is meant by commencement of trade with respect to the programme. This would ensure consistency across the delivery areas.

Recommendation 18:

It is recommended that Invest NI adopt a consistent approach to filing of documents to facilitate the ease of access to programme information.