

# Next Steps: Supporting social investment in England



## Call for proposals

November 2011

England



## Further copies available from:

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**Our website** [www.biglotteryfund.org.uk](http://www.biglotteryfund.org.uk)

## Accessibility

Please contact us to discuss any specific communication needs you may have.

## Our equality principles

Promoting accessibility; valuing cultural diversity; promoting participation; promoting equality of opportunity; promoting inclusive communities; reducing disadvantage and exclusion. Please visit our website for more information.

## We care about the environment

The Big Lottery Fund is working towards sustainable development and the use of sustainable resources.

## Our mission

We are committed to bringing real improvements to communities and the lives of people most in need.

## Our values

We have identified three values that underpin our work: making best use of Lottery money, using knowledge and evidence and being supportive and helpful.

You can find out more about us, our values and the funding programmes we run by visiting our website [www.biglotteryfund.org.uk](http://www.biglotteryfund.org.uk)

The Big Lottery Fund is committed to valuing diversity and promoting equality of opportunity, both as a grantmaker and employer. The Big Lottery Fund will aim to adopt an inclusive approach to ensure grant applicants and recipients, stakeholders, job applicants and employees are treated fairly.

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## About the Big Lottery Fund

The Big Lottery Fund, currently the largest distributor of National Lottery good cause funding, is responsible for giving out 46 per cent of the money raised for good causes by the National Lottery. Our mission is to bring real improvements to communities and the lives of people most in need. We want to use Lottery money to make big changes for communities, through the fair and open funding of people, projects and programmes, with a particular emphasis on tackling need.

You can find out more about us and the funding programmes we run by visiting our website [www.biglotteryfund.org.uk](http://www.biglotteryfund.org.uk)

# About Next Steps

Under Next Steps we are making up to £6 million available to civil society organisations to support social investment proposals that are already well developed. By social investment we mean funding that both leads to a positive social change and seeks a financial return (which involves paying the funding back, possibly with interest or some other form of dividend).

Social investment is in line with our commitment to Intelligent Funding - finding ways to make our money have a greater impact on need. It is particularly likely to suit organisations looking to scale up highly successful work or become more entrepreneurial and financially sustainable in their approach to tackling social problems.

As a funding approach, social investment is still new. We know it will not be suitable for everyone, and we still see traditional funding approaches such as grants, contracts, and donations as vital for civil society organisations. If you have a project that is not related to social investment then there are a number of directories and websites containing information that may help you find appropriate funding for your work, which are listed at the back of this guide.

There are barriers facing organisations that are interested in social investment. There are limited funds available and a range of practical, technical and legal issues to address. In addition, information about opportunities and possible solutions can be hard to find, for investors and funders as well as civil society organisations.

Next Steps will help to support wider learning and thinking about social investment, including BIG's future role in the social investment market.

## Next Steps aim and outcomes

The aim of Next Steps is to assess the potential of social investment to address issues facing communities and people most in need.

To achieve our aim we're looking to fund proposals that will achieve both these outcomes:

- ▶ Improving the lives of communities and people most in need through the development of robust social investment vehicles.
- ▶ Learning more about social investment 'in practice'.

By 'social investment vehicle' we mean a specific financial product (for example, social impact bond) or fund (for example, a portfolio of loans). This funding is focused on the development of specific vehicles, as we are interested in developing and learning about how newer and more complex forms of social investment can address issues faced by those most in need. It is therefore not about things like single loans, support of which may form part of our longer term strategy in this area.

## Who can apply?

- ▶ We will only consider proposals from organisations based in the UK that will use social investment for the benefit of people living in England.
- ▶ You must be either: a statutory organisation, a company limited by guarantee, a community interest company or an industrial and provident society.
- ▶ We can only support social investment proposals that will bring about charitable outcomes or health, education or environmental benefits, so proposals should be focussed on making a difference in these areas.
- ▶ The proposal must be for funding to support specific social investment vehicles that are already well in development.
- ▶ You must be able to demonstrate the capability for using social investment funds or have experience of doing so, that includes for example, good planning skills, sound financial management, an effective organisational structure for delivery and clear data gathering and recording skills.



## What will we fund?

We have up to £6 million available and we're looking to fund a small number of social investment proposals. The number will depend on the quality of the proposals we receive.

We want to fund a mixed portfolio of well developed proposals that promote a wide range of learning. The proposals may:

- need funding to see whether they are viable, or
- need pilot funding to demonstrate to investors and funders that they can deliver returns, or
- be closer to fruition and need funding to make them happen.

The funding on offer is flexible and depends on the stage your proposal is at and what you need funds for. Funding of around £40,000 to £1 million is available for:

- ▶ **Investment ready proposals** – to set up and deliver a social investment vehicle that will start to achieve outcomes for people in need (funding is available for up to two years).

- ▶ **'Nearly there proposals'** – to complete the development of a social investment vehicle that will achieve outcomes for people in need (funding is available for up to six months). By 'nearly there' we mean that the majority of potential partners and funders have been identified and that only a small amount of extra development is required. Nearly there proposals will not be ready to start using the social investment vehicle.

- ▶ **Pilots** – to test out a social investment concept that is fully developed and/or establish its feasibility in practice (funding is available for up to two years).

We will ask you what type of funding you want and negotiate with you the best approach. There is no minimum length of funding.

We will fund activities that help develop and implement a social investment vehicle and create learning about it. This could include:

- establishing a commonly agreed data set for the problem you are trying to relieve with your social investment vehicle

- work with experts to complete the development of a social investment vehicle
- testing the feasibility of financial products
- work with key partners to enable cashable savings to be calculated/released
- developing the systems needed to collect data
- legal and technical costs of developing and finalising proposals
- running costs of the delivery of pilot projects
- management costs of delivering the social investment vehicle
- costs of building capacity amongst delivery agencies alongside the running of the social investment vehicle
- evaluations.

If you want funding for the social investment vehicle itself, we will need to discuss what you need in more detail, as we do not have the power to purchase shares, bonds or equity.

Email us at [nextsteps@biglotteryfund.org.uk](mailto:nextsteps@biglotteryfund.org.uk) and we will contact you to discuss.

Big Lottery Fund funding should be distinct from Government funding and add value.

## Equalities

We believe that organisations that put equality right at the heart of project design and implementation are more likely to achieve better outcomes. Your proposal is more likely to be successful if it takes into account equality issues and addresses these in the design and delivery of your proposed social investment vehicle.

We are also interested in funding social investment proposals which target a particular equalities issue or group. We have developed a guide called 'Equality matters' which provides practical help on how to incorporate equality into planning projects. It explains BIG's equality principles and why it is important to pay attention to these if you are applying to BIG for a grant. You can find 'Equality matters' on our website.

## What we won't fund

- new ideas (by this we mean the initial work to decide whether to develop a social investment vehicle and what it should be)
- the purchase or refurbishment of land or buildings
- capital equipment
- the direct purchase by us of equity, bonds or share issues
- development work for an individual loan
- work mainly to increase the number of loans a lender can make
- activities that there is a statutory duty to fund or that will develop a vehicle whose primary purpose is to finance statutory services
- organisations that are applying on behalf of other organisations
- religious or political activities.

# The process

When we receive your proposal we'll consider:

- whether your organisation and proposal are eligible
- your track record
- the social and financial return you'll achieve
- how well your proposal will meet our aim and outcomes
- how developed and realistic your proposal is
- how your proposal addresses equalities.

We'll then decide whether we'd like to take your proposal forward. If we decide not to we'll tell you why.

If we decide we'd like to take your proposal forward we'll meet with you, possibly several times, to discuss it in more detail. We'll ask you to bring more information with you to the first meeting, including a copy of your organisation's latest accounts and more detail on your financial and operational plans. At the first meeting we'll agree with you what other information we will need to help us understand your idea and when we need to receive it by.

When we've found out more about your proposal you'll need to make a formal request for funding, where we will ask you to complete an application form confirming the details of your proposal. We will then decide whether to make either a firm or in-principle offer.

## **Firm offers**

We are likely to make a firm offer if you are looking for development funding for 'nearly there' proposals or funding for a straightforward pilot, where there are clearly identified activities we will fund. Our confirmation letter will set out any conditions, milestones or requirements you'll need to meet.

## **In-principle offers**

We are likely to make in-principle offers for funding for more complex pilots and investment ready proposals, where further negotiation is required as to how our funds will be used. If we make an in-principle offer we will invite you to negotiate in detail. The timescale for negotiation will vary depending on how advanced your

plans are. We'll negotiate with you in good faith but you should bear in mind that we may decide to withdraw our in-principle offer if it becomes clear that your proposal is unlikely to achieve our outcomes well, if it does not develop as well as others we negotiate with, or if there are other issues that can't be addressed.

If our funding could give you an advantage over other organisations offering similar services, or if the activities you want us to fund could affect trade between European Union member states, then our funding might be considered to be 'state aid'. There are strict rules governing state aid so it's important we check proposals carefully, so we can follow those rules where necessary.

Any in-principle funding offer we make will be based on the assumption that the purpose for which it will be used will not lead to it being considered as unapprovable state aid. If the purpose of the funding is subsequently deemed to be unapprovable state aid, then we may withdraw our in-principle offer.

If the negotiation is successful we will confirm our funding offer, which you will then need to accept. Our confirmation letter will set out any conditions, milestones or requirements you'll need to meet.

## **Timescales**

Next Steps is aimed at proposals that are ready to be taken forward quickly. If you'd like to be considered you'll need to:

- send us your proposal by midday on Wednesday 14 December 2011
- be available to meet with us between 16 January and 3 February 2012
- If invited to submit one, be able to make your formal application for funding by midday 24 February 2012.

We will let you know by 16 January 2012 whether we would like to take your proposal forward.

We hope to be able to announce firm and in-principle funding offers by the end of March 2012.

# How to set out your proposal

If you have a proposal that meets the Next Steps aim and outcomes and you would like to apply for funding, tell us about it on our website at [www.biglotteryfund.org/nextsteps](http://www.biglotteryfund.org/nextsteps)

Here you will be asked to respond to the questions below and submit your answers on line. You can also save and print your responses before submitting them so you can refer to them later. If you cannot apply on line please contact us on 0845 4 10 20 30.

Incomplete survey responses are less likely to be accepted and there will not be an opportunity after the deadline date to amend to or add to the information provided. Your survey response must include:

## 1. Organisation details

- ▶ Your organisation's legal name, registered address contact details and legal status (for example, company limited by guarantee).
- ▶ Any charity, company or other registration or reference numbers.
- ▶ Your main contact's name, role, address, phone and email and details of any communication needs or access requirements they have.
- ▶ Your organisation's relevant experience, expertise and track record in social investment (200 words maximum).

## 2. Proposal details

- ▶ A short title for your proposal (something we could use for publicity purposes) (10 words maximum).
- ▶ An explanation of why both the social investment vehicle, and the activity it will finance, is needed; and how your proposal will meet the Next Steps outcomes (250 words maximum).
- ▶ A description of what you want to do, how you will do it, how you have addressed equalities in the design and delivery of your proposal, what you will do to secure the relevant experience or expertise needed if relevant, what the role of your organisation will be (for example delivery partner),

the expected social return, who will benefit from this social return and on what scale (500 words maximum).

- ▶ An outline of the progress you have made to date (including any advice you've received on state aid and other potential regulatory issues) and a timeline for going forward (150 words maximum).
- ▶ A forecast of the expected financial returns for the social investment vehicle you are developing and other added value, and the evidence this is based on (150 words maximum).
- ▶ How much funding you want from us, over how many months/years and what you want the funding for.
- ▶ Who else might provide funding, how much and on what terms (100 words maximum).
- ▶ Where your proposal will be delivered.

## 3. Partners

- ▶ Tell us about partners you anticipate being involved in your proposal and their roles. We would like to know about any partners such as commissioners, investors, investees and organisations that will host your social investment vehicle.

Please indicate whether specific partners are already on board or will be identified at a later stage (400 words maximum).

Please note there is a built-in word limit on each question in the survey.

# Other important information

## **Confidentiality**

We may make public the name of your organisation and the broad nature of your proposal but we won't disclose the detail except in confidence to our advisers and as required by law.

## **Data Protection**

If you have applied for, or hold a grant or funding contract with us, we will use the information you give us during assessment and during the life of your grant or funding contract (if awarded) to administer and analyse funding and for our own research purposes.

We may give copies of all or some of this information to individuals and organisations we consult when assessing applications, administering the programme, monitoring grants/funding contracts and evaluating funding processes and impacts. These organisations may include accountants, external evaluators and other organisations or groups involved in delivering the project.

We may share information with organisations and individuals with a legitimate interest in Lottery application and grants or specific funding programmes. We have a duty to protect public funds and for that reason we may also share information with other Lottery distributors, government departments, organisations providing matched funding and others for the prevention and detection of crime.

We might use personal information provided by you in order to conduct appropriate identity checks. Personal information that you provide may be disclosed to a credit reference or fraud prevention agency, which may keep a record of that information.

If false or inaccurate information is provided in a funding application and fraud is identified, details will be passed to fraud prevention agencies to prevent fraud and money laundering. Further details explaining how the information held by fraud prevention agencies may be used can be obtained by contacting our Head of Information Governance by emailing [dataprotection@biglotteryfund.org.uk](mailto:dataprotection@biglotteryfund.org.uk), by telephoning our advice line on 0845 410 2030 or by writing to:

Head of Corporate Governance, Big Lottery Fund,  
1 Plough Place, London EC4A 1DE.

We might use the data you provide for research purposes. We recognise the need to maintain the confidentiality of vulnerable groups and their details will not be made public in any way, except as required by law.

## **Equalities**

If we fund your proposal we'll expect you to meet all relevant legal requirements and comply with our equality commitments set out in our publication 'Equality Matters', which you can get from our website at [www.biglotteryfund.org.uk/england/equalities/equality\\_matters](http://www.biglotteryfund.org.uk/england/equalities/equality_matters)

## **Freedom of Information Act**

The Freedom of Information Act 2000 gives members of the public the right to request any information that we hold. This includes information received from third parties, such as, although not limited to grant applicants, grant holders, contractors and people making a complaint.

If information is requested under the Freedom of Information Act we will release it, subject to exemptions; although we may choose to consult with you first. If you think that information you are providing may be exempt from release if requested, you should let us know when you apply.

## **Frivolous and contentious proposals**

We reserve the right to declare ineligible any proposal which is frivolous or contentious, such that it stands no reasonable prospect of success.

## **Public announcement**

We will publicise any in-principle offer we make but we'll make it clear that we haven't yet made a final decision whether to fund your proposal. We will accept no liability for any consequences, whether direct or indirect, that comes about if we subsequently decide to withdraw our offer.

## **Regulatory approval**

If it's likely that your idea will require regulatory approval from the Financial Services Authority or any other regulatory body, there must be strong evidence that you'll get this approval without delay.

## **Right to vary these requirements**

We reserve the right to vary these requirements in light of our experience.

## **Sources of information about traditional grants and other funding**

### **Big Lottery Fund**

You can find out more about us and the other funding programmes we run by visiting our website [www.biglotteryfund.org.uk](http://www.biglotteryfund.org.uk)

### **Association of Charitable Foundations**

The Association of Charitable Foundations' website includes downloadable leaflets, facts and figures about charitable trust funding, and links to trusts and foundation websites, UK and international umbrella bodies, and other resources for grant seekers.

[www.acf.org.uk](http://www.acf.org.uk)

### **Directory of Social Change (DSC)**

The Directory of Social Change (DSC) is an information-providing charity. It produces a number of guides and directories for those seeking funding. Details of these are on its website: [www.dsc.org.uk](http://www.dsc.org.uk). The DSC also has a subscription website giving information about trust and foundation funding:

[www.trustfunding.org.uk](http://www.trustfunding.org.uk)

### **European Union Funding**

This website provides further information about European Union funding. <http://ec.europa.eu>

## **Government funding**

A Government website details grant funds for the voluntary and community sector from several departments, including: Department for Education and Skills; Department of Health; Home Office; Department for Communities and Local Government; and Government Offices for the Regions.

[www.governmentfunding.org.uk](http://www.governmentfunding.org.uk)

## **Other National Lottery funding**

A website provides information on how to get Lottery funding, the latest news on the organisations that distribute lottery money, and case studies on projects that the lottery has funded in the past.

[www.lotteryfunding.org.uk/](http://www.lotteryfunding.org.uk/)