



## **Invitation to Tender**

Investment Readiness Grants: Grant Administration Services

## **The Reach Fund**

Access are seeking a partner to deliver grant administration services for "The Reach Fund", our investment readiness grant programme for charities and social enterprise in England.

**June 2018**

## **Introduction:**

Access – The Foundation for Social Investment, was set up in 2015 by the UK Government, Big Lottery Fund and Big Society Capital.

Access works to make charities and social enterprises in England more financially resilient and self-reliant, so that they can sustain or increase their impact.

We do this through supporting the development of enterprise activity to grow and diversify income, and improving access to the social investment which can help stimulate that enterprise activity.

Access will be around for a decade, but the need for this work will continue well beyond that. So our approach is to work through others to create partnerships which can outlive us, test and learn from new approaches, and generate knowledge which improves the work of others seeking the same goals.

We are entering the second phase of Access's ten-year life. We have learned a great deal from our first few years, and we are ready to make a significant and ambitious commitment to commit the majority of our endowment over this main middle phase of our life.

Over the next five years we will have three strands to our work:

1. Providing £40m to support a broad range of enterprise development activities in partnership with other foundations, social investors, sector infrastructure bodies and enterprise advisors. This support will help charities and social enterprises to earn more of their own income and specifically develop business models which can be further supported through utilising social investment.
2. Managing and promoting blended finance models which bridge the gap between charities and social enterprises on one side and social investors on the other. These models help make the social investment easier to find and more relevant for charities and social enterprises, and help social investment reach parts of the sector which are yet to benefit.
3. Learning from our programmes and listening to the changing investment needs of the sector in order to influence our future work and that of others who support charities and social enterprises; and building systems which make that knowledge easier to understand and use for the long term.

## **This ITT**

In 2016 Access established the Reach Fund to test a new model of providing investment readiness support to charities and social enterprises. Following the successful piloting of the fund over the last two years, Access wishes to contract a provider to deliver the Reach Fund for at least a further three years, from 13<sup>th</sup> October 2018.

The Reach Fund is funded from the £60m endowment which was provided to Access from the UK Government in 2015 (originally from the Cabinet Office and now managed by the Department for Digital, Culture, Media and Sport).

This ITT should be read in conjunction with Access's strategy for 2018-23 which has recently been published on the Access website. The strategy contains essential information regarding Access's role, how we are funded, the context for our broader enterprise development programme and how the Reach Fund will fit within that. The Reach Fund is referred to under the context of "Investment Readiness Grants" on page 20: <https://access-socialinvestment.org.uk/wp-content/uploads/2018/03/Strategic-Plan-2018-23-final.pdf>

There is also further information about our investment readiness programmes and why we established our initial programmes as we did on our website: <https://access-socialinvestment.org.uk/>

Detailed information about the current operation of the Reach Fund, including details about the current Access Points, is provided on the fund's site <http://www.reachfund.org.uk/>

### **The Reach Fund - About the programme**

In some cases the charity or social enterprise simply lacks the *capacity* to undertake the work they may need to do in order to develop their investment proposition.

Our funding will be made available to charities and social enterprises for them to bridge such gaps. In most cases we envisage grants funding the buying-in of professional services to address specific capability requirements. However the grants may also be used for:

- Back-filling of staff to undertake specific investment readiness projects to address specific capacity gaps;
- Participation in a peer learning cohort;
- Fees for 'one to many' courses/qualifications which will demonstrably build internal capacity
- Other activities which have the support of the referring social investor as being an effective and appropriate route to investment readiness.

Our investment readiness grants will only be accessible to charities and social enterprises via a referral from an approved social investor (which we will refer to as an 'Access Point' for The Reach Fund). Throughout this document the terms 'social investors' and 'Access Points' are used to refer both to organisations which lend directly to charities and social enterprises and to other organisations eligible to the programme, such as crowdfunding platforms connecting charities and social enterprises to lenders.

## **Aims of the programme**

The aims of the programme are:

- to increase the number and value of investments secured by charities and social enterprises in England;
- to increase the number of charities and social enterprises who are able to take on social investment for the first time;
- to increase the diversity of charities and social enterprises who are able to take on social investment;
- to support more charities and social enterprises to be better informed about how social investment is relevant for them.

## **Target Population**

The Reach Fund will focus on charities and social enterprises, already established and working in England, which:

- Have the potential to grow or diversify their income and develop stronger balance sheets;
- Are seeking investment, typically for the first time, but are not yet investment ready
- Have progressed beyond the earliest 'start-up' stages of development.

## **The journey for Access Point social investors**

Organisations offering loans to charities and social enterprises can apply to Access to become a Reach Fund referral partner, or 'Access Point'.

23 organisations are already Access Points and we expect them to continue to be able to Access the programme, with the possible removal of those who have not been active.

The application process for Access Points will continue to remain open with any organisation which is offering loans to charities and social enterprises able to apply to become an Access Point.

This application process should require lenders to demonstrate

- Their understanding of the extent and variety of the needs of the organisations they would like to support but can't currently, and the context in which they operate.
- How they assess social impact in their investment process, and how they will ensure that only organisations delivering high levels of social impact are supported through the programme.
- In addition, the approved lender needs to be clear how they will be able to expand the reach of their lending activity through enhancing their marketing and outreach activity as a result of being an Access Point for investment readiness grants.

If approved as Access Points, lenders will be able to undertake the following:

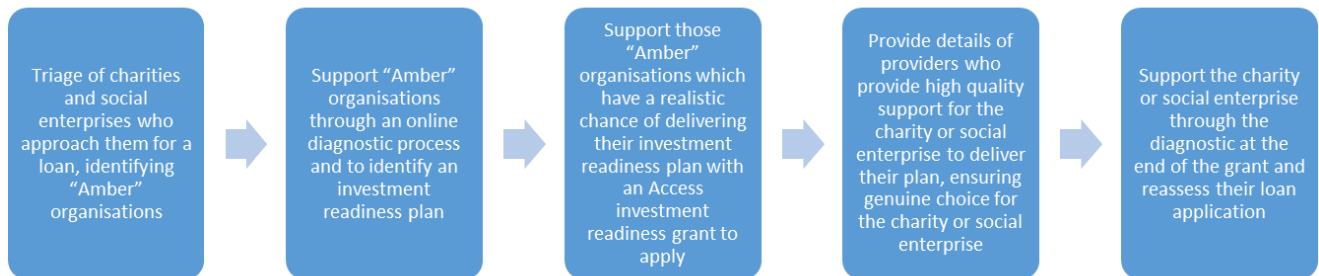
- Broaden their reach with charities and social enterprises by offering this expanded package of support, through transforming their marketing and outreach activities.
- Initial triage with charities and social enterprise organisations who approach them for social investment to identify those who:
  - Are already able to take on a loan with the usual support of deal structuring and due diligence which the lender would undertake (we call these green organisations)
  - Have the potential to take on a loan but need specific support, or temporary additional capacity, to be able to do so and have the ability to undertake that capacity building project in the near future (we call these amber organisations)
  - Are unlikely to be able to take on a loan any time soon (we call these red organisations).
- Work with 'amber' organisations to undertake the online diagnostic to identify development areas and priorities for investment readiness. The Access Point should then provide a service to discuss the outcomes of the diagnostic tool and support the organisation in developing an investment readiness plan. This plan will identify the capacities or capabilities which need to be developed and outline how that will be done (i.e. bringing in an external provider, supporting staff resource, purchasing a particular service etc.).
- If that investment readiness plan is of a suitable scale to be facilitated by an Access investment readiness grant, and the lender believes that on completion then the organisation has a realistic chance of becoming 'green', then the approved lender should support the amber organisation to apply to the Reach Fund for a grant to deliver the plan.
- For successful grantees, at the end of the grant the approved lender should support the charity or social enterprise to undertake the diagnostic again in order to assess how effectively their capabilities and capacity has been built.
- Assuming the charity or social enterprise still wants to proceed with securing a loan, the approved lender must then reassess the suitability of the organisation to take on a loan.

Approved lenders will be given a nominal allocation of grant funds which amber organisations can access in grants. This allocation will be determined based on the lender's evidence of likely pipeline, their projected development needs and their ability to significantly expand reach. The allocation acts as a demand management mechanism for the lender to direct the opportunity to apply for a grant to where it is likely to most effectively lead to new investment being raised by charities and social enterprises.

We recognise that it is clearly in the interest of the lender to make grants available to organisations who they may then be more likely to be able to lend to. This helps them to be able to deploy their capital more quickly, and in most cases this allows them to earn fees from interest paid more quickly. However, we want to guard against lenders placing any undue pressure on a charity or social enterprise to take on a loan. Therefore we will cover the costs of the approved lenders supporting the

charity or social enterprise in undertaking the diagnostic and application process for a grant. This fee will be set at a flat rate per intervention covering one day of input at a moderate day rate.

Figure 1: The journey for Access Point social investors



### **The journey for charities and social enterprises**

The core design principle for this programme is to make the process as simple and speedy as possible for charities and social enterprise seeking to access a loan. They will be able to work with one social investors who can both guide them through investment readiness support and provide a loan.

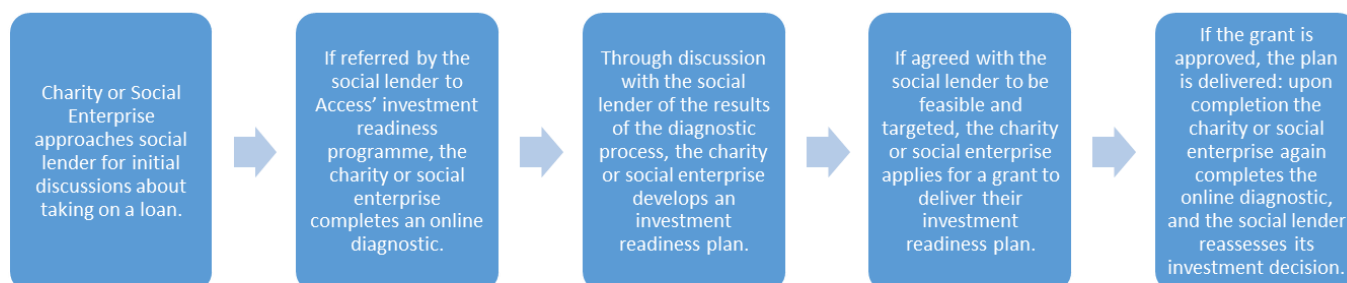
The journey for charities and social enterprises will be:

- The organisation approaches a lender to explore the possibility of taking on a loan. They may have discovered the lender through the lender's outreach activity, through [Good Finance](#), through a network they are already part of or through a general search.
- The lender explores with them the viability of their plan and gives them an early steer on whether they are able to proceed with a loan straight away, are not suitable for that investor at that time, or need to receive some support before that lender would be able to lend to them.
- If they need support, then the lender will guide them towards the online diagnostic tool which the charity or social enterprise will complete, and then talk through the outcomes of the diagnostic with the charity or social enterprise.
- The outcome of these discussions will be an investment readiness plan, which will be a realistic assessment on the part of the lender to define what the charity or social enterprise needs to do and/or have in place before the lender could give them a loan. The plan should include details on how the project will be executed, including the charity or social enterprise actively choosing who they want to work with to provide support if they need an external provider.
- If the lender agrees that this investment readiness plan can be delivered with the support of a grant at the scale of this programme, then they will support

the charity or social enterprise to submit a short simple grant application, endorsed by the lender, to Access' grant administrator.

- The grant administrator will assess the grant application and either approve, reject or ask for further information.
- We expect the number of rejections to be fairly low, given the demand management mechanisms we have built in place through the role of the lender and their allocation. Therefore if the application is rejected then full feedback should be provided to the charity or social enterprise.
- If approved, the grant administrator will ask the charity or social enterprise for some basic documentation including their articles and confirmation of their bank account and then offer a grant letter. The grant will be paid in one tranche up front, directly to the charity or social enterprise.
- The charity or social enterprise is then responsible for delivering their investment readiness plan, with ongoing contact with the lender as needed.
- At the end of the grant period the charity or social enterprise will meet with the lender again and undertake the diagnostic process for a second time in order to assess the distance travelled. Based on this the lender will help the charity or social enterprise to complete a short end of grant report to capture this learning.
- While the lender is not compelled to provide a loan at the end of this process it is expected that they should be well placed to do so as a result of the work completed.

Figure 2: The journey for charities and social enterprises



## **The specification**

### **The approach we need**

We expect to work with an experienced partner who will be comfortable with the iterative nature of delivering this programme, with the ability to learn and adapt as the programme progresses.

### **Grant Volumes**

We plan to support this programme for at least a further three years, with a possible extension of up to two more. Given the programme is already in place with 23 Access Points appointed to date, we do not expect a significant build up period will

be required so would expect broadly even volumes of applications over the next three years.

In responding to this tender, please provide a quote based on the following volume of grants, over a three-year period:

Total number of organisations receiving investment readiness grants	480
Average size of investment readiness grant	£15,000
Total Grant Spend	£7.2M

### **Specification**

Notwithstanding the approach we need as outlined above, we require submissions to speak to the key aspects of the role that the successful tenderer will be required to play, set out below:

- a. Managing the relationship with the current Access Point and maintaining the open application process for further social investors to become 'Access Points' for the Reach Fund. This application process should test the characteristics outlined in Section 4 above. You should demonstrate how you would plan to manage this application process on an on-going basis during the life of the programme while also being able to effectively manage demand for grants. You should also demonstrate how you will reach appropriate social investors in order to invite them to apply. As noted above, Access Point organisations will be responsible for recommending support providers for charities and social enterprises they refer into the Reach Fund. In cases where these organisations also have a strong track record in providing such support, they may in some limited circumstances undertake this work themselves. We ask that respondents to this tender take this into consideration, and set out how they would manage these cases to ensure fairness and transparency of process.
- b. Establishing and maintaining positive relationships with each of the Access Points referring into the programme. Effectively managing and communicating with the range of different actors under this programme is essential in order to ensure that charities and social enterprises have a smooth journey through the programme. You should demonstrate how you intend to communicate with Access Point social investors; and
- c. why you are well placed to be able to effectively manage those relationships.



- d. Maintaining the website to manage the online diagnostic and grant application processes for charities and social enterprises working with their Access Point social investors. The website should contain all the necessary information for charities and social enterprises about how to access the programme and should link to relevant sources of information and support on social investment. We expect the website to meet all relevant accessibility standards.
- e. Managing the grant application, scoring, decision making, payment and grant monitoring processes. We will look to the grants administrator to use a short, focussed application form for charities and social enterprises who with the support of their Access Point are applying for a Grant. Each question on the form should be clearly understood and be relevant to the decision to approve or not. You should outline how you will manage demand within a grant programme where there are not anticipated to be application windows and define high levels of customer service and quick turnaround for decision. You should set out a proportionate process for assessing and making decisions on grants. You should explain why you are well placed to manage the payment and monitoring processes and highlight your experience of managing large grant programmes effectively. In particular you should detail the systems you use and the relevant financial controls which will appropriately protect our funds.
- f. Managing any issues relating to State Aid (please outline your intended approach).
- g. Monitoring the grants made to charities and social enterprises to ensure that the monies are properly expended for the purpose awarded (please outline your intended approach).
- h. Gathering, reporting and publishing data from the fund's activities in coordination with Access.
- i. Soliciting and responding to feedback from lenders, grant recipients and support providers, and working with Access to refine the design of the programme accordingly.

In addition, based on the learning from the first two years of delivering the funds, we are looking to enhance certain aspects of the fund's operations and model, and would welcome proposals which further elaborate upon:

- How to best encourage the completion of the diagnostic at the end of the grant process;
- How to best set and review the grant allocations given to each Access Point in order to manage demand and incentives most effectively
- Continuing to refine the application process to make it as simple as possible;
- Simplify and accelerate the decision making process;

- Further analyse statistics about the diversity of organisations who are receiving grants (including considering criteria such as BME led and women led; organisations) and seek to incentivise expanded reach of the programme.
- Consider the geographical “cold spots” and what can be done to further incentivise applications from those areas (the grants awarded to 31<sup>st</sup> March 2018 are plotted on [this interactive map](#)); and
- Consider how awareness of the programme can most effectively be increased, including through giving clear guidance to Access Points about how they should advertise their role as an Access Point, and the availability of grants; and also considering advertising through networks of other support organisations such as CVs.

**An ecosystem of support:**

The Reach Fund is one part of the broader ecosystem of support, as outlined in Access’s strategy. Navigation for charities and social enterprises throughout that ecosystem will be essential. In your response you should set out, based on your knowledge of the market, how you would plan to support that navigation and joining up of support across the different elements of Access’s work, and beyond too, to other sources of support for charities and social enterprises. In particular your response should outline how you would feed into work being undertaken to:

- Build a clearer knowledge base about enterprise models;
- Support peer learning opportunities to broaden experience and knowledge of enterprise models and activity; and
- Support feasibility and enterprise development grants which will come on stream in Autumn 2018.

**Assessment criteria:**

Your proposal will be scored against the following weighting

<b>Criteria</b>	<b>Scoring</b>
Demonstrating understanding of the aims of the Reach Fund in the context of Access’s broader strategy and approach, and the role of the grant programme within that	10
Track record of running similar programmes and evidence of robust systems and processes for managing grant programmes and associated risks	30
Added value, and creative ideas about how the programme can best operate	10
Knowledge and experience of key staff	20
Price	30

**To respond:**

Please submit a proposal of no more than 20 pages (minimum font size 11, page limit excludes any CVs or similar relevant appendices) to [applications@access-si.org.uk](mailto:applications@access-si.org.uk) by noon on Monday, 6 August 2018.

In your response, please address each of the elements set out in the specification, numbering these sections a-i to match the list on pages 8 and 9 of this document.

Please ensure that your response addresses each of the assessment criteria.

In addition to stating the overall price, please provide a high-level breakdown of costs.