



Blend for Emergency Lending

Expression of Interest for fund managers

Overview

Access – The Foundation for Social Investment has received £30m of new funds from dormant accounts to support the development of new blended finance models for charities and social enterprises impacted by the COVID-19 crisis.

Access is a wholesaler of grant subsidy into social investment funds and other initiatives. Therefore we do not make funding available to charities and social enterprises directly. Organisations who manage social investment funds and who make social investments will be able to express interest in applying for this funding and details of this process are outlined below. They will then use it to blend with other sources of capital to design and deliver investment products which better meet the needs of charities and social enterprises during the crisis and in the recovery.

The funds will be available in two distinct stages:

1. To support social investors who are offering emergency repayable capital to charities and social enterprises to help those organisations who need to access finance quickly to help them cope with the challenges which have arisen from the COVID-19 crisis. The focus of this activity is to help organisations with an immediate capital need, by supporting investors who have the ability & capacity to make funding quickly available to them over the next few months. We may commit up to a third of the new finance for this purpose.
2. To support social investors in developing, designing and delivering new financial products to support charities and social enterprises in the recovery to rebuild their businesses and the impact they deliver in communities around the country. We plan to commit around £20m for this purpose.

This EOI process is for the first of these two stages only. We will open an EOI process for the second stage on recovery finance later in the summer. If you are interested in applying to Access for this you do not need to register your interest now.

EOI for grant subsidy to blend with emergency lending programmes

This expression of interest is for organisations who are managing social investment funds or initiatives (social investors) which are either: 1) actively making investments in charities and social enterprises which have been impacted by the COVID-19 crisis;

or 2) could begin to do so very quickly and have the capital in place to match with the grant which Access would make available.

The crisis has already had a profound effect on many charities and social enterprises and is impacting in a number of different ways. For many organisations repayable finance will not be an option because the crisis has removed any certainty about future revenues. For some organisations repayable finance may be able to help as a bridge to secure future income streams or to grow an existing business model which has seen a surge in demand. In those cases we believe that existing lending opportunities, including those supported by government guarantees such as CBILS or Bounce Back Loans, are likely to meet that need.

There is a third group of organisations for whom repayable finance could be part of the mix of the support they need but they require a blended product in order for that repayable finance to meet their needs. We imagine that in the context of emergency support this will be because the organisation requires a combination of working capital and/or capital investment alongside some grant to help address the interruption in their revenue.

In some cases it may also be because their need for capital now is greater than their likely ability to repay over time, owing to very tight margins in their business model or some element of capital need now won't be revenue generating in the future. It may also be the case that they are pivoting their business model to adapt to new circumstances and future revenue is unusually hard to anticipate.

The availability of grant alongside a loan is likely to make the taking on of debt more attractive for charities and social enterprises. This is welcome, however simply making an already viable investment offer more attractive for a potential borrower is not a sufficient use of the grant. Rather the grant should be deployed in cases where it is making what would be unviable without the blend viable.

The goal of providing emergency support to these organisations is to seek to secure their survival to the point at which their income generation can more fully restart, and thereby protect the impact that organisation will create in the future. The grant should be targeted at organisations for whom the addition of a blend will make the difference between being able to lend to them and not being able to lend to them.

Access is seeking initial interest from potential partners and ideas as to how blend would best be used in this context to:

- Increase the number of charities and social enterprises who can use repayable finance as part of their plans to manage the impact of the crisis on their business model by developing investment products which better suit their needs
- Increase the reach of emergency lending into parts of the charity and social enterprise market which have not been able to otherwise access that sort of support.

Anticipated terms:

The grant which Access can make available to intermediaries must be used in the following ways:

- As this grant is intended for emergency support as a result of the COVID-19 crisis, we anticipate that investments in charities and social enterprises financed through this blend would need to be made by the end of 2020. If you believe you can demonstrate the need for emergency lending beyond this then please outline this in your response to the EOI.
- We are only seeking expressions of interest from established fund managers who already have the necessary processes in place to be able to make emergency loans to the sector. In the interests of supporting the sector quickly we do not have time to establish new vehicles or support new fund managers in this programme. We also do not believe that fund managers will have time to fundraise additional capital to blend with this grant and so the source of repayable capital should also be in place. You do not however need to demonstrate that you have been actively lending since March 2020 if it is the case that you do not believe that your current capital is appropriate for the needs of the organisations you wish to support but that it would be with the addition of a blend.
- The grant must be blended with repayable finance for the purposes outlined above. While we are not setting intended grant to repayable finance ratios at this stage we anticipate the grant always being in the minority of such a blend. We may set intended ratios later in this process.
- The blend can take place in a number of different ways, at a fund manager level, a fund level or in an individual deal. We anticipate that most of the blend for emergency lending will be at the deal level but we are open to ideas at all levels providing they can be executed quickly and are acceptable to the providers of the repayable capital you will be utilising.
- We are not setting minimum and maximum deal sizes for investment made utilising the blend. In detailing your plans at any deal size you will need to demonstrate the requirement for grant subsidy and the value which it brings.
- We do not wish to set a minimum or maximum size of ask in terms of grant blend into an investment fund at this stage because we want to understand more about demand from fund managers. However you should be aware that we are not expecting to manage a large number of relationships with fund managers for this programme and so it is unlikely that we will proceed with smaller value initiatives unless there is a very clear strategic reason for doing so.
- The finance provided to charities and social enterprises should be used to address financing needs that have arisen from the COVID-19 crisis and not used to finance needs which existed before the crisis or longer term business growth. While you should be considering the impact of the organisation in making your credit decisions as usual, we do not expect that all investees will be directly contributing to COVID-19 response in their communities. We imagine that in most cases the product will be simple loans but we are open to other products such as revolving credit facilities or overdrafts if appropriate.
- Given the existing levels of subsidy in that programme, this grant cannot be blended with social investment funds financed via the Growth Fund.
- Investments made using this blend need to be made into incorporated organisations undertaking the majority of the operations in England. They can be either

- Social sector organisations which are “regulated” such as registered charities, community interest companies or Community Benefit Societies which pursue charitable objective(s); or
- “Unregulated” social sector organisations, such as a company limited by shares, where the organisation is able to demonstrate that it:

Mission lock and activities

- has a clear social mission which meets a charitable objective that addresses a social issue or need
- carries out trading activities in support of and which are causally linked to its social mission
- in the case of a sale of the enterprise, the directors make best efforts to preserve the social mission under new ownership.

Profit distribution and asset lock

- distributes less than 50% of post tax profits
- reinvests at least 51% surpluses into pursuing its social mission
- has a constitutional or contractual lock on its Social Objects, dividend policy and an “asset-lock”.

Public benefit and private gain, use of public funds

- offers its products and services for general public benefit without restrictions and barriers, such as affordability
- can be established that private gain is incidental and minimal as a result of Access's support.
- no state aid issues identified (de Minimis may be used where appropriate)

Transparency

- articulates, evidences, measures and reports on its social impact and charitable purpose
- is open to undertaking an independent social impact audit.
- has remuneration and benefits policy which it is willing to make open, and which is reasonable and proportionate relative to the market practice for social sector organisations.

Process:

To express your interest in accessing grant for the purposes of blending into a social investment fund or initiative which is providing emergency lending support to charities and social enterprises in England please complete this form.

We aim to close the EOI process at the end of June 2020 however if demand is overwhelming we may close earlier. Keep an eye on our [website](#) and [twitter feed](#) for the latest information.

As this is an expression of interest and not a full application please limit your response to **no more than five pages**. You will have the opportunity to provide further information if we proceed with an application.

We will respond to you within five business days to indicate whether we wish take your EOI further and invite you to provide further information in order to complete a full proposal for our investment committee.

Please send your EOI to applications@access-si.org.uk and also copy hetal.jani@access-si.org.uk

EOI Questions:

Please send us a document of no more than five pages which covers the following questions:

1. Name:
2. Organisation:
3. If you are already providing emergency loans to the sector, please explain the products you are providing and details of the market you are able to reach. What are the financing needs of those charities and social enterprises, the size and terms of loans you are offering and the amount you anticipate to lend as emergency response.
4. If you are an active lender but not currently providing emergency loans please explain why not. Is it that there is insufficient demand or do you not have appropriate capital to be able to do so?
5. How is your lending currently financed?
6. What demand could you meet if you were able to add grant from this programme into your current funds? Please describe the needs of the organisations you could reach but are not currently able to serve? How much additional lending would you be able to provide to how many organisations by the end of 2020? Where in England would those organisations be based or would you cover the whole country? Are there any specific themes or sectors you would target or would your lending be generic?
7. How much grant for the purposes of blending into emergency lending do you need?
8. Specifically what problem for charities and social enterprises would the blend solve? For the organisations detailed above how would the addition of the blend allow you to move from a negative to a positive decision?

9. How would you use the blend in your funding structures? At a fund manager, fund or deal level; or a combination of the above? What problem would it solve for you as the fund manager which would enable you to meet the additional demand you have outlined?
10. How would you integrate decisions about the use of the grant into your decision making structures? Who would make the decisions?
11. Please describe how this offer would sit in the current market context. Please make specific reference to the products which are on offer from other social investors, including those delivering the Growth Fund, as well as Government backed schemes such as the Bounce Back Loan Scheme (BBLs) or Coronavirus Business Interruption Loan Scheme (CBILs), and emergency grant programmes.
12. Anything else you would like to tell us?