Reach Fund: Small Grants Trial

Lessons learned from an experiment in giving social investors discretion to award small investment ready grants

ACCESS The Foundation for Social Investment

CURIOSITY SOCIETY

REACH

Social Investment Business

CONTENTS

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EXECUTIVE SUMMARY

The Reach Fund is a grant programme that helps charities and social enterprises raise investment. The programme is funded by Access: The Foundation for Social Investment, managed by Social Investment Business (SIB), and open to organisations in England. Many charities and social enterprises require extra support in areas such as governance, financial modelling or business planning in order to gain investment. Social investors (known as "Access Points") can refer these organisations to the Reach Fund to apply for grants to pay for the support they need. The grants have averaged about £15,000.

The Reach Fund aims to enable investment that would not have happened without support. It is targeted at putting deals over the line rather than more generic capacity building earlier in the process of seeking investment. The programme was designed to give charities and social enterprises control in determining their own investment readiness plan and the providers they enlist to undertake the work so the money could be spent where it was most needed.

In 2019, one social investor raised a point that for some organisations, all that was needed to get the investment over the line was a small grant of circa £500 to commission just a day's intervention. It felt disproportionate in these cases to complete a full application, wait a week or two for a decision, and for the Access Points themselves to receive a referral fee. The social investor in question was in these cases often undertaking the work needed themselves – which was proving unsustainable.

After discussion with SIB and the wider Access Points, Access decided in the summer of 2019 to pilot a "Small Grants Trial" to test this approach. This report details the findings of that trial.

Three Access Points participated in the trial and were given the discretion to award grants of up to £2,000, without the normal Reach Fund process. The purpose of the pilot was to answer the following question: What are the opportunities and challenges when you give investors a small discretionary pot to grant small amounts without an application process or involvement of a third party? Both the pilot and the interviews on which this report is based happened before the Covid-19 pandemic.

The Access Points made sixteen grants, thirteen of which were for the maximum amount of £2000. Half of the grants were used for financial forecasting or modelling, and multiple grants funded business planning, legal fees and sales support. The Access Points used the grants at different points in the investment pipeline – two of them to get deals 'right over the line', including in response to requests from their investment committee and the other at an earlier stage of working with the investees to get them ready for investment. For every £1 of grants, £33.39 of investment has been raised or is in the pipeline.

There are mixed findings around the extent to which the small grants were decisive in getting deals over the line. Some deals would have progressed anyway but more slowly. In other situations, the deal may have been made anyway, but the grant led to the parties involved having a better understanding of the risks and thus the deal was of higher quality.

The results of the pilot suggest that, when there is something specific an organisation needs to do, a small grant can get an investment over the line. Small grants help to pinpoint what the client needs to do. This pilot has shown that in many cases, the minimum viable amount to secure an investment can be significantly less than the average Reach Fund grant. Access Points appreciated the delegated authority and the control they had over the process, which enabled them to give their clients more certainty, make decisions more quickly and build relationships. While it seems that the speed of the normal Reach Fund decision-making process is not a major issue, the application process itself is perceived as a barrier which might put off some charities and social enterprises.

That said, there were also some challenges highlighted by the trial:

- **Demand was lower than expected:** Only three of c.30 Access Points applied to test the approach and none of the three utilised their full allocation within the trial period

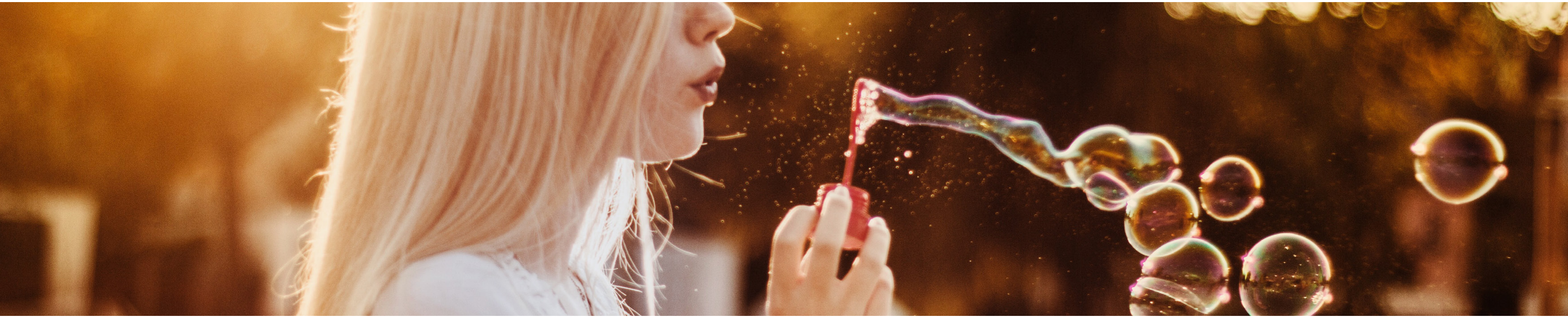
- **There were mixed findings on the extent to which the small grants were essential in getting deals over the line.** Whilst all of the grants would have been helpful to the recipients, it was not necessarily clear in all cases that the deals would not have got over the line without them.

- **The challenge of 'hidden subsidy':** With grant being applied directly by the Access Point as part of their own due diligence processes, the difficulty of identifying the need and effectiveness of the resource increased, particularly as all three Access Points in the trial already utilise grants in three different forms via the Growth Fund.

- **The variety of approaches brought challenges as well as advantages.** Each Access Point varied in their approach to both the use of grants and their decision-making process. The differences across just three Access Points, if scaled up to the full 30 APs, would likely have led to significant variation at a programme level. The consistent (but flexible) structure of Reach Fund was in part designed to create a fair and open grants programme for charities and social enterprises.

- **Not all of the small grants had been so time-sensitive that the main Reach Fund process couldn't have been appropriate.** Whilst it is undoubtedly helpful for both the applicant and the Access Point for Reach fund grants to be agreed and processed quickly, this is generally already the case through the main process. For these small grants it was not necessarily evident that the usual Reach Fund application process would have been a barrier.

Access believes that the standard Reach Fund process works well and therefore set a high bar for evidence that might lead them to adapt the process permanently. In the end, on balance for the reasons outlined, it was decided not to roll out the approach beyond the trial period.



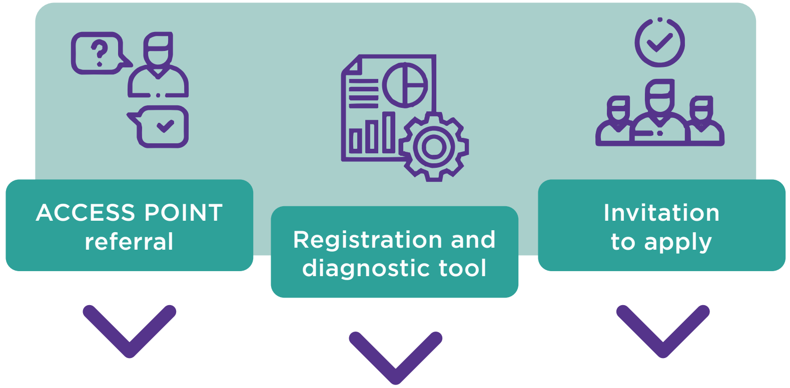
WHAT IS THE REACH FUND?

The Reach Fund is a grant programme that helps charities and social enterprises raise investment. The programme is funded by Access: The Foundation for Social Investment, managed by Social Investment Business (SIB), and open to organisations in England.

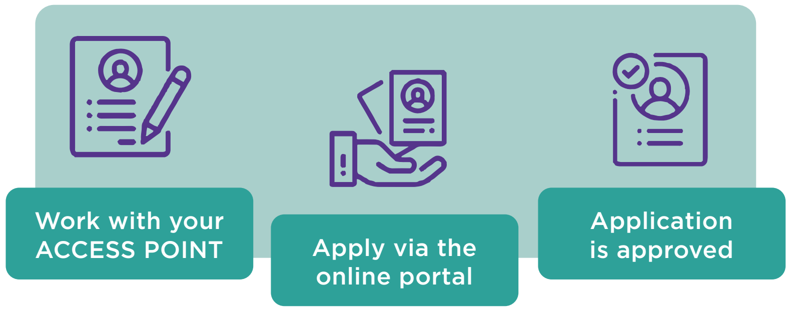
Social investors are often approached by charities and social enterprises who require extra, final stage support to raise investment. Through this programme, social investors can refer these organisations to the Reach Fund to apply for grants to pay for the support they need.

Many charities and social enterprises require extra support in areas such as governance, financial modelling or business planning in order to gain investment. Other programmes such as the [Investment and Contract Readiness Fund] and [Big Potential] had previously provided grant support to help charities and social enterprises raise investment. However feedback from investors indicated that final stage support to help investment take place was very much needed by many organisations.

GETTING STARTED...



APPLICATION STAGES



The fund provides grants which have tended to average about £15,000 to charities and social enterprises who are considering raising repayable finance and who are in discussions with a social investor, but where a social investor has indicated there is some essential information missing or further work required which is preventing them from making an investment offer. In the Reach Fund the social investors are referred to as the Access Points for the programme. The grant allows the charity or social enterprise to fund the work needed to develop their investment proposition, ideally to the point where it can be fully considered by the social investor. This work may include financial modelling, social impact measurement, governance support or system development and improving use and management of data. The grant can be spent on enlisting the help of external specialist support providers or professional services and/or on meeting internal costs to get the work done.

The Reach Fund has been designed to give more control to charities and social enterprises in determining their own investment readiness plan and over the providers they enlist to undertake the development work, with the theory being that money could be spent where it was most needed and the quality of support would be enhanced. Organisations apply directly to SIB for a Reach Fund grant, alongside a referral from an Access Point. The charities and social enterprises then commission the support themselves. This is different to other comparable previous Investment Readiness Programmes, where the Social Investors commission the support or there is a pool of preferred suppliers.

The Reach Fund aims to enable investment that would not have happened without support. It is targeted at putting deals over the line rather than more generic capacity building earlier in the process of seeking investment. It differs from previous programmes in that it gives a prominent role to Access Points who are already in discussion with a charity or social enterprise.

595 grants awarded to date

£8.1m grants awarded to date

£13.7k average grant size

£241k grants awarded this quarter

30 social investor ‘Access Points’

Click here to view interactive map

HISTORY OF THE REACH FUND

The pilot phase of the Reach Fund started in July 2016 and ran to October 2018. A review of the pilot indicated that it was successful and the programme was extended for a further three years until October 2021.

During 2019, Access and its Reach Fund managers, the Social Investment Business (SIB), found that Access Points were making use of the Reach Fund at such a rate that the funds would be depleted far in advance of the October 2021 end date. This trajectory might have disadvantaged charities which had excellent potential investment proposals but were not yet ready to act on them. In October 2019, Access and SIB allocated the remainder of the budget across Access Points to provide them each with a remaining allocation which they would need to make last for the remaining two years. Since then, the rate of use has decreased, along with the average grant size, suggesting that Access Points have become more selective in both when they make use of the Reach Fund and what they include in proposals for funding. A further change in 2019 was to speed up SIB’s grant review and approval process. Automating some of the administrative steps has allowed offers to be sent out much more quickly.

By the end of September 2020, the Reach Fund had awarded 595 grants with an average grant size of £13.7k through 30 different Access Points. This adds up to a total of £8.1m grants awarded.

A **Learning Report** published in March 2019 covering the first two years of the Reach Fund came to the following conclusions:

- The evidence suggests that smaller charities and social enterprises can become ready for social investment with the support of targeted grant funding.
- The typical charity or social enterprise that has received a grant has a turnover of £90k, very limited access to unrestricted funds and only generates a small surplus. As a result of The Reach Fund, Access Points are working with a more diverse pipeline of charities and social enterprises, particularly ones that were previously considered too small or financially fragile.
- The programme model, which gives a prominent role to Access Points who are already in discussion with a charity or social enterprise, is effective at getting charities and social enterprises ‘over the line’ to secure social investment. Furthermore, control of the investment readiness process was in the hands of the charity or social enterprise with only a few exceptions.
- In contrast to previous programmes, with an approved list of specialist providers, the Reach Fund enables charities and social enterprises to select a provider of their choice. Evidence suggests this has led to higher quality support.

PLANS FOR THE FUTURE

Access and the Curiosity Society have commissioned a review of the Reach Fund, which is underway, which will feed into decision-making on the size and shape of pre-investment support beyond October 2021. This is due to be published in Summer 2021.

THE WHY AND WHAT OF THE SMALL GRANTS PILOT

WHY?

The idea of Access Points deploying small grants came from a specific demand from a few social investors. It continues the trajectory of flexibility and responsiveness in the evolution of the Reach Fund. While Reach Fund grants are typically smaller and processed more quickly than previous investment readiness programmes, some Access Points detected a need for quicker, even smaller grants.

One Access Point in particular suggested that sometimes a charity or social enterprise could benefit from only a small amount of funding – maybe only £500, if it came quickly and with less process around an application. For example, a charity might only need a few hours of finance or accounting support to get them over the line to be ready for investment. Other types of support that Access Points mentioned included legal advice, financial forecasting, and coaching; including peer support. Currently, social investors may be putting their own resources into this or an entrepreneur might have to draw on their own funds to support their organisation.

In these cases, it might not make sense to apply for Reach Fund support through a detailed process designed for larger grants; time pressure might make it especially unattractive. Another Access Point suggested that some charities and social enterprises found the application process difficult and had been put off by the online form. This may particularly be the case for leaders with lived experience of the problems they are tackling, who may be transitioning from early-stage grants to investment raising, for whom time is of the essence and in short supply.

The question posed was whether, sometimes, the Reach Fund could 'do more with less', especially at the final stage of unlocking a deal. Most applications to the Reach Fund are for almost £15,000 – believed to be a result of **guidance on the Reach Fund website** stating that "typically grants of up to £15,000 are available". The smallest grant awarded through the Reach Fund is £2,500 and £5,000 is generally seen to be the minimum by Access Points (though they could apply for less). This suggested that some proposals were being submitted according to the funding available rather than what is most needed, meaning there was room for more targeted support.

Together with SIB and the Access Points, Access decided to put these ideas to the test. The proposal that emerged was to give Access Points the opportunity and autonomy to allocate small grants to charities and social enterprises themselves, without needing to go through the full application process.

WHAT?

The ‘small grants pilot’ ran from July 2019 to December 2019, with an extension for grants already in the pipeline at the end of this period.

The purpose of the small grants was to pay for specific investment readiness support for organisations seeking to raise repayable finance. The grant was intended to provide specific support for those that didn’t need a larger amount from the Reach Fund.

The parameters for the pilot included:

- The value of support received by individual organisations should not exceed £2,000 per organisation.
- The charity or social enterprise had not previously received Reach Fund support. The recipient generally wouldn’t then be eligible for a larger Reach Fund grant for the same investment.
- An external provider, outside the Access Point, must be used for the support.
- All the existing Reach Fund eligibility criteria would still apply.

Access asked all Access Points whether they were interested in participating in the pilot. Three volunteered, submitted proposals and signed grant agreements. Key Fund was allocated £10,000, UnLtd £16,000 and Big Issue Invest £20,000.

QUESTIONS THE PILOT WAS TRYING TO ANSWER

The purpose of the pilot was to answer the following question:

What are the opportunities and challenges when you give investors a small discretionary pot to grant small amounts without an application process or involvement of a third party?

Breaking this question down, the pilot experimented with three main dimensions of Reach Fund grant-making:

Amount

The upper limit was set at £2,000; and

Autonomy

Access Points could decide how to allocate grant money, rather than an application being submitted;

Speed

There was no set application process so grants could be awarded more quickly.

METHODOLOGY

For each grant made, Access Points recorded the name of the charity or social enterprise, the value of the grant, the support-provider and their cost, key activities completed, what investment was subsequently raised, and other comments.

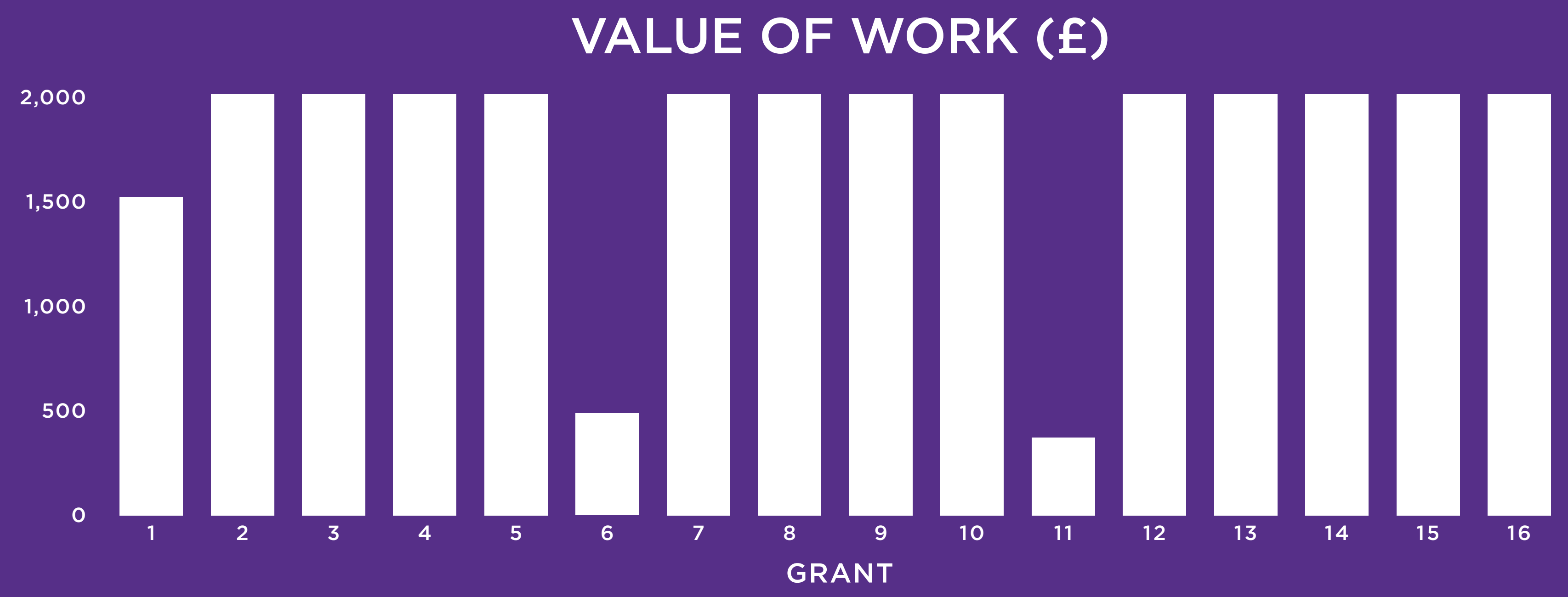
We interviewed each of the three Access Points who participated in the pilot in January 2020. Representatives from Access and SIB were also in the room for each interview and were subsequently interviewed themselves.

FINDINGS

NUMBER AND SIZE OF GRANTS MADE

Two of the Access Points made three small grants and the other made ten, making use of 27%, 60% and 90% of their grant allocations. This adds up to 62% of the overall allocation to the pilot. However, they each had pipelines including other organisations that could benefit.

Thirteen of the sixteen grants were for the maximum amount of £2000. This is higher than the amounts originally described in the feedback that created the pilot, which were around £500-750.



HOW WERE GRANTS USED?

In the pilot, the small grants were used for similar activities as the remaining Reach Fund, with a particularly strong focus on financial forecasting and modelling, to provide information needed by an investment committee with a suitable level of robustness. There were also multiple grants for business planning, legal fees and sales support.

KEY ACTIVITIES	# OF GRANTS[1]
Financial forecasting / modelling	8
Business planning	3
Legal fees	3
Sales support	2
Governance	1
Management accounts	1
Operational delivery, systems and people management	1
Social impact framework	1
Strategic Planning	1

The three Access Points used the small grants in quite different ways. One used it to get deals right over the line, including responding to requests from their investment committee. Another used the grants at an earlier stage to get them started on their journey towards investment. The final Access Point reported using the grants at both early and late stages, though in fact they have used it in specific ways to get deals over the line.

[1] Grants could contribute to multiple activities so there is some double counting.

For the first Access Point, two cases initially went to their investment committee, which wanted more information. They used a small grant to find and present this information and the deals were approved by the committee when they were presented a second time. The Access Point told us that in similar instances in the past, they would have either turned the application down or challenged the applicant charity to resource the work required themselves before re-considering the proposal. In these particular cases, they were significant investments (£227k and £250k) which required greater financial detail. One reportedly would have not got through the panel without extra information and the other may have been contested, with an uncertain outcome.

Another use of the small grants in the latter stages of the investment process, was legal fees. In one case, the small grant covered legal fees for the purchase of new premises, something that was time critical. Such costs are normally invisible to funders but are a real cost to enterprises seeking investment. Whether they are able to proceed or not can depend on cash flow and reserves, on decisions about who should bear the risk, or on other factors.

In some cases, even where the Access Points know that an investment fits the criteria, the due diligence process can be lengthier (and costlier) than anticipated, making a difference to the final outcome. Access Points sometimes used the small grants to encourage charities and social enterprises to move faster along the pipeline of potential investments by paying for legal fees or financial modelling – sometimes making progress within days rather than months.

One Access Point suggested that early-stage organisations lend themselves to small grants, which allow them to explore the idea of social investment. The other Access Points saw the remaining, larger, Reach Fund grants being used earlier in the pipeline than the small grants, in general.

REFERRAL AND DECISION-MAKING PROCESS

Without the set diagnostic and application process used for the Reach Fund, each Access Point developed their own processes for internally referring charities and social enterprises and making decisions about which would be awarded grants. The process might start from an enquiry through the Access Point's website, a phone call, or a referral from another part of the organisation. Typically, the process would continue with a conversation between the charity or social enterprise and the person leading on the Reach Fund within the Access Point. At that point, they jointly decide whether to go through the Reach Fund, and the small grants option in particular. An alternative route, as noted above, was for referral to be made after the deal had gone before an investment committee. This allowed for very specific work to be recommended. For one Access Point, the process was more direct, linking enterprises straight to support providers who could develop a proposal; often on the basis of 50% advance payment and 50% on completion.

For decision-making, two Access Points developed a process where a panel, rather than individual, made the decision using a checklist of alignment with Access's requirements.

PROVIDERS

One feature of the Reach Fund is giving charities, social enterprises and Access Points a free choice over which suppliers they work with – the accountants, legal advisors, consultants, and other support providers they need to prepare for investment. This continued to be the case for the small grants pilot; A variety of suppliers were engaged and no single consultant was used more than twice.

Access Points told us that the providers they work with are very investee-focused and all have experience of social investment. Access Points feel that, through the experience of the Reach Fund, they now know who the best providers are and are more confident in recommending them.

RESULTS: GOING ON TO RAISE INVESTMENT

For one Access Point, the three organisations they supported were not quite at the point of raising investment but would probably do so in due course. For the other two Access Points (representing 13 small grants), the total investment raised or in the pipeline totalled £947,500, plus an additional £143,100 in grant to accompany two of the investments. With £28,373 worth of small grants used, for every £1 of grant, £33.39 of investment has been raised or is in the pipeline. While many deals by their nature were close to being 'over the line' and the grants played a relatively small – if well-timed - role, this is still an impressive ratio.

OPPORTUNITIES, CHALLENGES AND QUESTIONS

Revisiting the purpose of the small grants pilot allows some exploration of its key features: **amount; autonomy;** and **speed.** The core question was:

What are the opportunities and challenges when you give investors a small discretionary pot to grant small amounts without an application process or involvement of a third party?

The following section explores what the pilot revealed about this question.

AMOUNT OF GRANT

For Access, one reason to launch the small grants pilot was to answer the question: *Can small, specific grants lead to similar outcomes (in terms of getting a deal over the line) in cases where larger, c. £15k grants might otherwise have been used?* The answer seems to be a qualified yes. The Access Points told us that small grants help to pinpoint what the client needs to do, which is sometimes something very specific. In this situation, a small grant can get an investment over the line.

If the alternative is a Reach Fund grant of usually circa £15,000 which is sometimes believed to potentially cover work beyond what is absolutely necessary, this looks like excellent value for money. However, there are likely to be benefits for the organisations receiving a larger grant beyond completing an investment deal, even if this is not what the Reach Fund is directly targeting. On the other hand, the alternative might be for the Access Point to support an organisation directly, for instance, making use of their own accountant and recharging the cost to the Reach Fund. In this case, the grant is directly subsidising the Access Point to help them do deals they might have done anyway.

For each main Reach Fund grant made (outside the small grants pilot), Access Points receive a referral fee of £750. This fee was not given for the small grants pilot.

So we asked them: *"what's more beneficial: delegated authority or £750? And, if the small grants continued, how much of the remaining grant allocation would [they] wish to dedicate to small grants?"*

Two of the Access Points said that, given the choice, they would continue using small grants as part of the Reach Fund – maybe around 10% of total grant amounts awarded. For small grants, they would cut out the fee of £750 per deal that they are paid per grant in return for the benefits of flexibility and speed. The Access Points also said they would appreciate the Small Grants upper limit going up to £3000 or £5000, rather than £2000. They suggested that some of those given grants could have benefitted from slightly higher amounts. The other Access Point would also prefer grants of up to £5000 but would see them as pre-investment internal support. They worried that they will be "pulled up on it" if charities don't go for investment. They put the £750 fee for the main Reach Fund into a pot for post-investment support. They told us this opens up time for them to follow up on commitments including financial modelling, for example. It is worth noting that the £5000 grants requested are of a very different size to the original premise of the trial of £500 for a small amount of work.

The main Reach Fund now has more restricted allocations for each Access Point and this seems to be the primary factor in the average grant size decreasing since Autumn 2019. This means there would be less differentiation between the size of 'small' grants and regular Reach Fund grants, undermining the necessity of having separate small grants pot.

It can be surmised from the evidence within this review that the situations in which a small grant can deliver the same outcomes as a larger one might be:

- Size of organisation: For larger, financially stronger organisations, one might reasonably expect them to contribute their own resources. However, for a smaller, more financially fragile organisation, £2000 could be pivotal. This is especially the case where they might have limited access to other financial support.
- Stage of process: When an organisation is close to being able to secure an investment deal, they might benefit from a timely grant to push the process forward and/or be the final piece in the investment jigsaw – irrespective of the size of the organisation.

AUTONOMY

Access Points appreciated the delegated authority they were given and the control they had over the process. They perceived that this helped them give more certainty to their clients around outcomes and timeline. They could move quickly and say: *"We've got your application, and this is what we need to help us say yes" or "this is what's going to happen – here is an offer". This has led to deals which are consistent with their wider approach, such as focussing on higher-risk investments, or enterprises led by women, black and minority ethnic teams.*

Two of the Access Points learnt how to be investment readiness grant-makers, building their own internal processes and becoming more comfortable in making decisions about support along the way (the other is already an experienced grant-maker). One Access Point said that they had underestimated the amount of support needed for the process and now have a greater appreciation for SIB's relationship managers. More than for the main Reach Fund, Access Points in the small-grants pilot were perceived to be the grant-maker by their clients. This, along with the ability to make decisions quickly, has helped them attract enterprises and build relationships with them.

There appears to be an element of marketing to this, which the Access Points used judiciously but carries some risk. One Access Point admitted using the grants to encourage enterprises earlier in their journey into their pipeline (which isn't the purpose of the Reach Fund). This 'marketing' was not done openly. In fact, Reach Fund Access Points opined that there's something helpful about not publicising the grants, meaning they can be used when they are genuinely needed rather than according to invited demand. One Access Point told us that: "it's not in our interest to tell clients that we want to get rid of grant money. That would have an impact on our credibility". It's possible that the fact that this was only a trial contributed to the decision not to market the grants openly, as Access Points did not know if they'd be able to continue to offer it.

The move from a written application process to a conversation-based process led to a change in the dynamic of relationships between Access Points and charities and social enterprises. Access Points described being able to show their affinity and respect for the organisations they support and "treat them like adults", rather than being a "harsh dragons' den". Charities and social enterprises could see that an Access Point was making decisions directly rather than going through others too. Starting, or building, a relationship in this way positively changes the perception of the Access Points and suggests that their clients prefer this speed, specificity and control.

SPEED AND REDUCED FRICTION

While speed was originally perceived as a barrier by Access Points, they gave no clear examples of where investment was possible due to the speed of the small grants process in a way that it wouldn't have been with the main Reach Fund. There were hypothetical examples of where an enterprise might need to act quickly, in order to purchase a building for example, but the small sample of grants made do not seem to evidence this. Furthermore, it seems likely that some investments would have happened anyway but more slowly. This does not mean that in a larger portfolio of grants, speed is not sometimes required, but suggests that the main benefits of small grants are elsewhere.

A more intangible barrier is that of the application process itself, no matter how fast decisions are made. Eschewing a formal application process that includes an extensive diagnostic might enable a more diverse range of charity and social enterprise leaders to benefit, including those with lived experience. It hasn't been possible to test this hypothesis within the small grants experiment but it seems plausible that a lower-friction application process may change the appeal or the market for this particular aspect of the Reach Fund.

The time taken to make decisions in the main Reach Fund has decreased since the decision-making process was made more efficient in 2019, though there may be a delayed response in terms of the perception of speed. In addition, if the small grants were rolled out more widely, Access as a funder would need to increase the monitoring requirements proportionately, meaning that there may not be such a large distinction between the speed of decisions in small and regular Reach Fund grants.

CONCLUSIONS

There are mixed findings around the extent to which the small grants were decisive in getting deals over the line. The grants were sometimes used earlier on in the journey. Some deals would have progressed anyway but more slowly. In other situations, the parties involved may have had a better understanding of risks and the deal could have been of higher quality.

The trial has revealed that there is some inflation in the amounts requested in the main Reach Fund compared to what is actually required to get enterprises over the line of a particular investment deal. While it is more targeted than its predecessors such as Big Potential, Access Points reported that the Reach Fund can be a source of more generic support, which tends to add up to almost £15,000. Small grants help to pinpoint what the client needs to do – often something very specific. This pilot has shown that in many cases, the minimum viable amount to secure an investment can be significantly less. There may be a tension here between a narrow value-for-money framing (i.e. just enough to get deals over-the-line) and contributing to organisational resilience with more comprehensive support.

The small grants are a form of subsidy into the market which may benefit the Access Points more than the enterprises. The point of this subsidy is to make something happen when it would otherwise not be viable. This leads to the question of who is benefitting from the subsidy. If the investor would normally be expected to cover the costs of small amounts of support, the grants are subsiding their due diligence process and de-risking the deals. If the Access Points funded the due diligence process and then put that cost into the investment deal in the form of longer payment period or higher interest, they might make different decisions about minimum viable amounts of work, and about which deals to choose. The speeding up of the process by dispensing with an applications process is mainly a benefit that accrues to Access Points. The enterprises still need to do the same work on, for example, financial modelling, as they would in the main Reach Fund. Thus it's faster (good for both the investor and enterprise), a less complicated application process (mainly better for the investor), and less comprehensive (taking the shortest route to the goal of a deal).

The small grants would not suit every Access Point or every type of deal. Indeed, only three of 30 Access Points volunteered to participate in this pilot. On the face of it, this is surprising given the control they would have over the grant. Some others were enthusiastic in discussion but some questioned about how much it could achieve. In particular, lenders who tend towards larger, non-blended deals would want to know a charity has the funds to cover the kind of work the small grants cover, as an indication that they can then make repayments. For larger deal sizes, they would be worried if organisations couldn't finance £2000 themselves. Alternatively, the lender might do the work themselves and factor the costs into the deal. Each of the three Access Points that took part in the trial are Growth Fund investors. One concern Access had was that extending the trial could lead to skewing supporting into Access's own programme.

While Access Points value autonomy and creating their own process, from the point of view of the whole programme and learning from it, there are benefits to a common but flexible process. There is an argument for having a flexible small grant available to Access Points as the last small jigsaw piece for a deal, but the administrative complication this creates might not be worth it. The barrier to the main Reach Fund process seems to be the opportunity cost rather than speed of decision-making: the current application process can feel like double due diligence. Furthermore, the finite allocations for each Access Point are likely to make them more selective in how they use the grants – both in terms of which applications are put forward and the amount of work covered in each one.

In theory, the existing Reach Fund does not have a minimum grant size, though there is one in practice due to the opportunity cost of the process. Thus, it would be reasonable to **continue to make processes more efficient for the Reach Fund overall, (especially streamlining or removing the diagnostic) rather than having a separate track.**

ACCESS'S DECISION AND REFLECTIONS

Access was conscious at the start that whilst there were various potential advantages to bypassing the full grant assessment process to facilitate faster, smaller loans directly from the Access Point, there were also a number of potential risks. For example, Access didn't want this to become a pre-Reach Fund grant or to be used when not truly needed, or to lead to a less consistent approach for charities and social enterprises across the programme. Whilst the Access Point partners were trusted to manage these risks through their decision making, Access was also conscious of the potential for putting them in a difficult position in having to choose where and how to utilise a limited allocation. Due to the intention to keep reporting requirements minimal and proportionate to the smaller grant sizes, Access was also wary of providing a level of 'hidden subsidy' into due diligence processes which could then be difficult to unpick and draw learning from.

The trial was extremely helpful in exploring both the opportunities and challenges arising from a change of approach. Access believes the standard Reach Fund process works well, and therefore set a high bar for evidence that might lead to adapting the process permanently. In the end, on balance, **Access decided not to roll out the approach beyond the trial period.**

The main reasons for this can be summarised as follows:

- **Demand was lower than expected:** Only three of c.30 Access Points applied to test the approach and none of the three utilised their full allocation within the trial period. Whilst it was noted by one of the APs that a longer trial period could have enabled activity of this kind to ramp up, the data suggests that - even with an extension period in which Access Points could commit grants to organisations that they had already been in discussion with at the end of the trial - demand for awarding grants through this process had been overestimated initially.

- **The variety of approaches brought challenges as well as advantages.** Each Access Point varied in their approach to both the use of grants and their decision-making process. All three Access Points used the grant within the parameters that had been set for the trial. However the differences across just three Access Points, if scaled up to the full thirty APs, would likely have led to significant variation at a programme level. This would have been a change from the consistent (but flexible) structure that the programme was originally designed with and which is felt important to creating a fair and open grants programme for charities and social enterprises.

- **There were mixed findings on the extent to which the small grants were essential in getting deals over the line.** Whilst all of the grants would have been helpful to the recipients, it was not necessarily clear in all cases that the deals would not have got over the line without them.

- **Not all of the small grants had been so time-sensitive that the main Reach Fund process couldn't have been appropriate.** Whilst it is undoubtedly helpful for both the applicant and the Access Point for Reach fund grants to be agreed and processed quickly, this is generally already the case through the main process. For these small grants it was not necessarily evident that the usual Reach Fund application process would have been a barrier.

- **The challenge of 'hidden subsidy':** With grant being applied directly by the Access Point as part of their own due diligence processes, the difficulty of identifying the need and effectiveness of the resource increased. All three of the Access points taking part in the trial were Growth Fund investors who were already utilising Growth Fund Grant A, Grant B and Grant C. With the small grants being more varied in use and process than the usual Reach Fund grants and lacking the independent approval process and more detailed reporting, the potential for essentially just adding a 'Grant D' into the mix (which could be less easily distinguished in purpose from other types of grant) was greater. This made it more difficult to definitively determine the effectiveness of the grants and to know what the outcomes would have been had the grant not been made available.

Access is very grateful to Big Issue Invest, Key Fund and UnLtd for volunteering for this trial and for sharing their honest reflections, as well as to SIB both for their input into the design of the trial and for managing the programme. The small grants trial created some invaluable learning which has helped to inform not only the evaluation of the trial itself but the ongoing evaluation of the Reach Fund more widely.

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