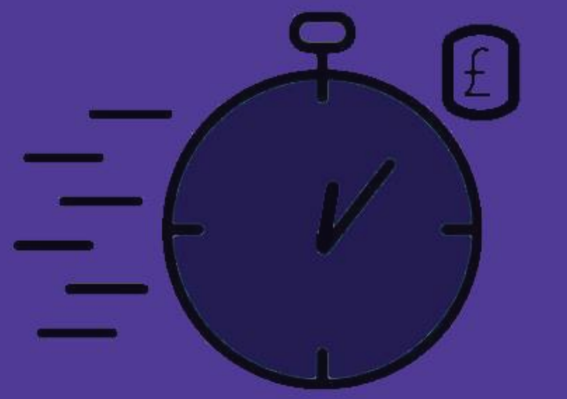

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Learnings from

Covid Emergency Lending Programme

May 2020-July 2021

ACCESS The Foundation for Social Investment

This Learning Report into the Covid **Emergency Lending** Programme which Access launched in May 2020 and which ran until July 2021 outlines how **£5.7m** of Dormant Assets was used by **5 social investors** to enable emergency loans to flow to **70 charities and social enterprises** finance which wouldn't have been viable without the grant element

£21m of investments were made in total to these 70 organisations, comprised of £5.5m of Access grant and £15.5m of additional finance (the balance of £0.2m was retained by social investors as a contribution to their costs)

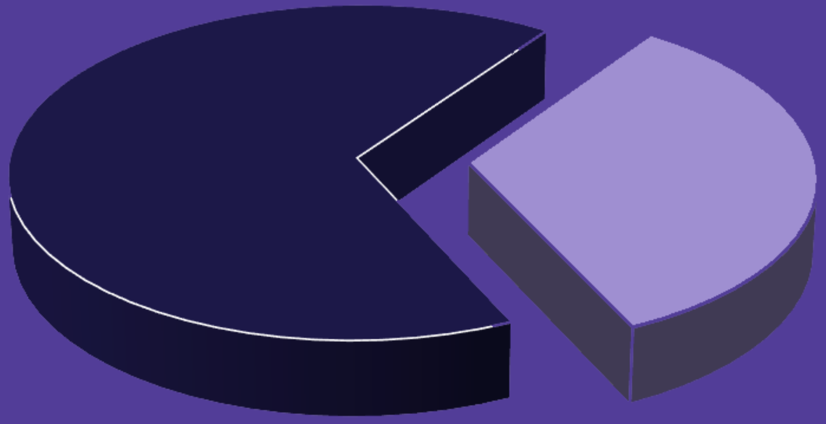
The purpose of the report is two-fold:

1. As an **evaluation** of the outputs, outcomes and effectiveness of the programme
2. To draw and share **lessons on use of grant subsidy** in blended finance during a **crisis**

ACCESS
The Foundation for Social Investment

In **May 2020** Access was provided with **£30m** of Dormant Assets to support the sector's immediate **response** and longer term **recovery** from the pandemic

ACCESS The Foundation for Social Investment made



Up to

£10m

available to support short-term

Emergency Lending

£6.9m of this was projected to be required and was allocated

£5.7m of this was ultimately fully utilised

The majority of the allocation supports the **Flexible Finance for the Recovery** programme

Rationale

The sector needs a rapid blended finance response, alongside other emergency measures being launched by the voluntary sector and by government

Many charities and social enterprises will need access to emergency finance to survive and keep operating, and for some this can largely be in the form of loans

However as most organisations have damaged or uncertain income streams, some loans will need an element of grant to make them viable and affordable

May 2020 £30m was secured and max £10m of this allocated to Emergency Lending

June 2020 programme opened to applications for investors
7 proposals received in total

July 2020 **5 proposals approved (£6.9m)**

August 2020 first emergency awards
to charities and social enterprises

December 2020 was the anticipated scheme end

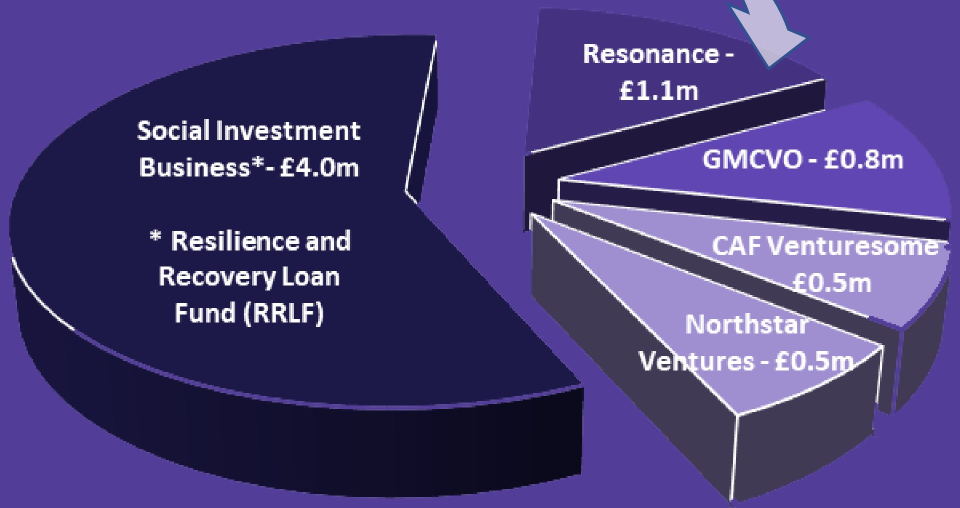
….but the path of the pandemic meant that other emergency lending measures (eg Bounce Back Loans) were extended and Access extended its timelines to match, so….

July 2021 programme actually closed to deployment

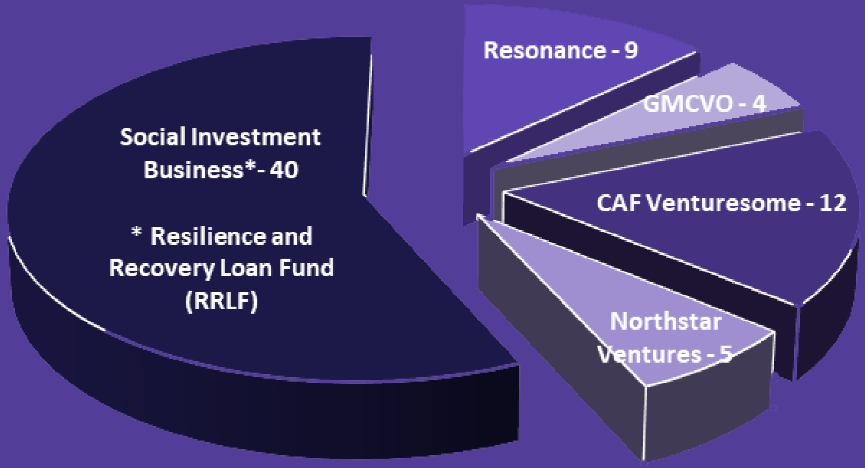
Investment Policy

Increase the no. 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



70 investments made



£21m of investment deployed

Most investments involved grant being passed to charities and social enterprises as part of a blended finance package

average investment size

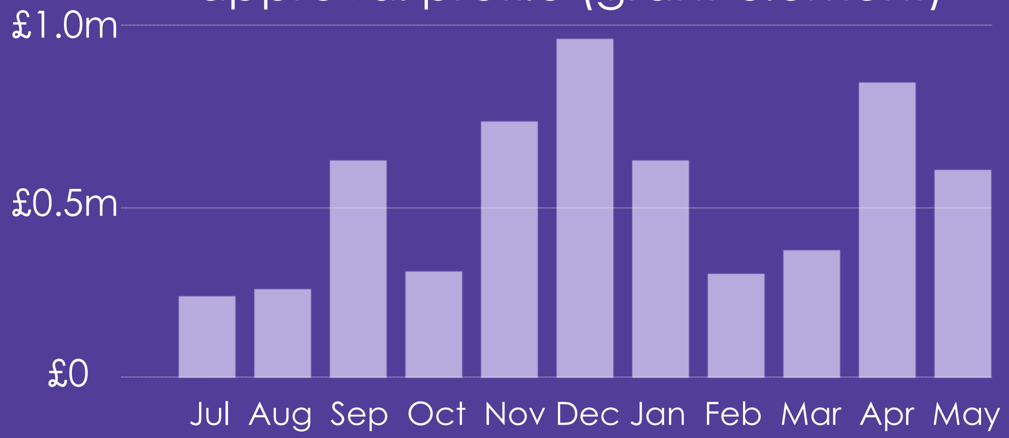
This is a higher average than other Access programmes

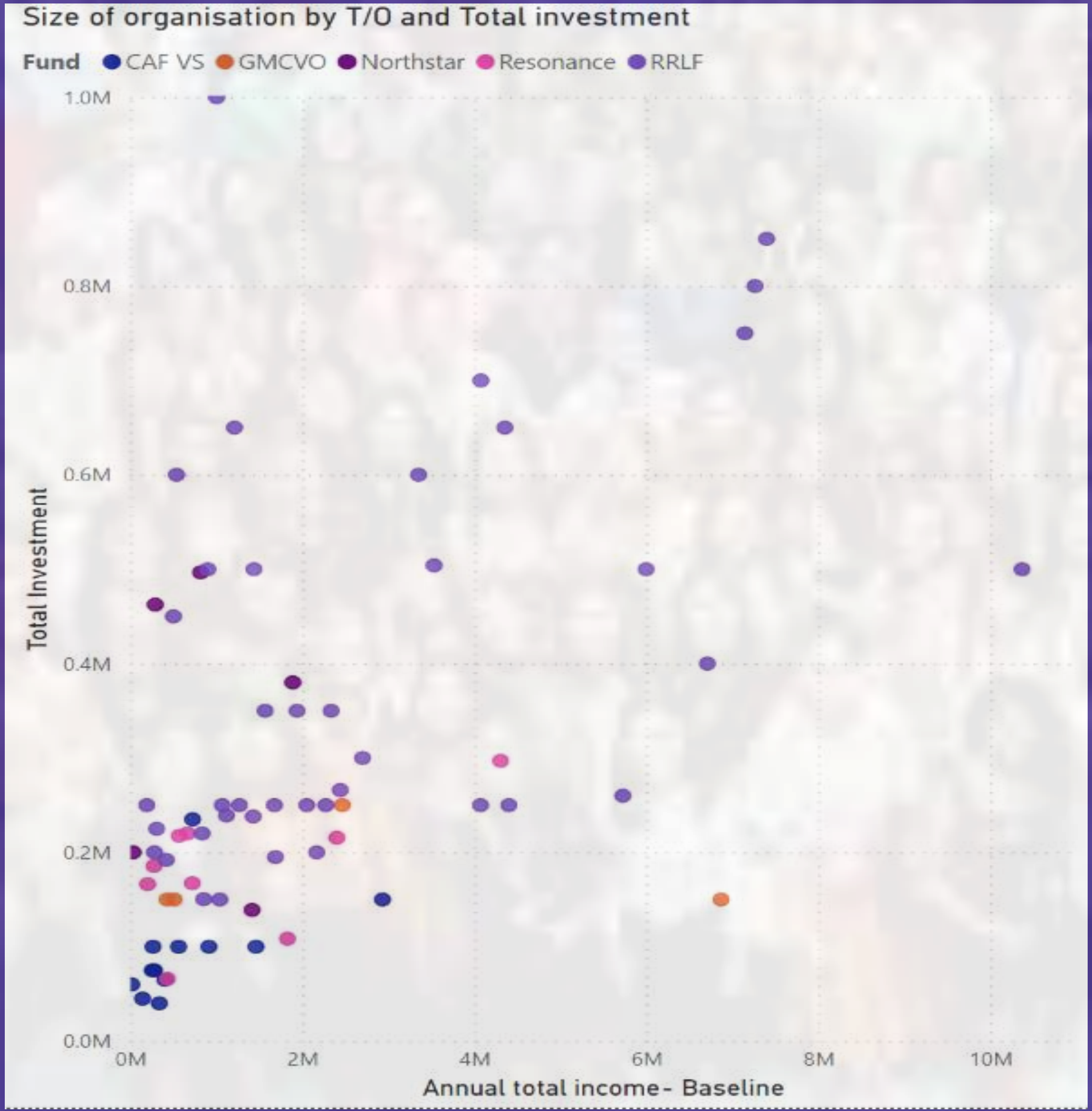
For example average investment on Growth Fund is £60k

years

average loan length

approval profile (grant element)





As would be expected the larger the organisation, the larger the investment made, as this scattergram shows

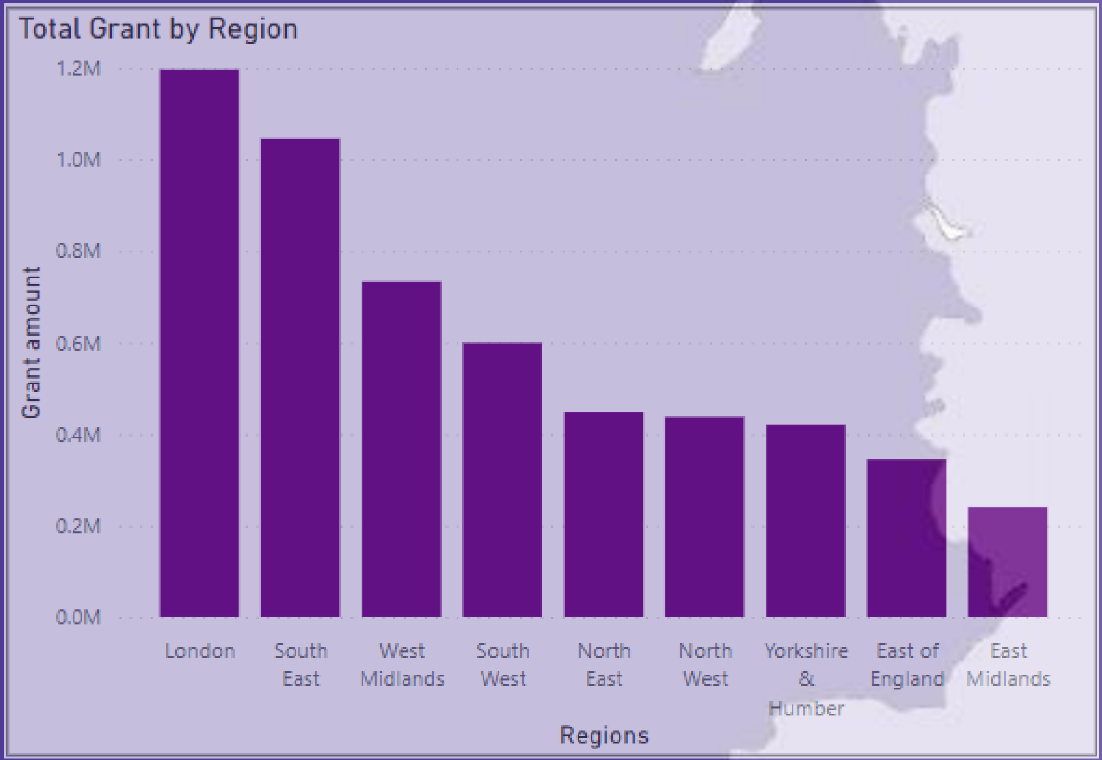
Overall the programme supported charities and social enterprises of a larger size than other Access programmes generally have

Median turnover
amongst the 70 investees was
£1.24m

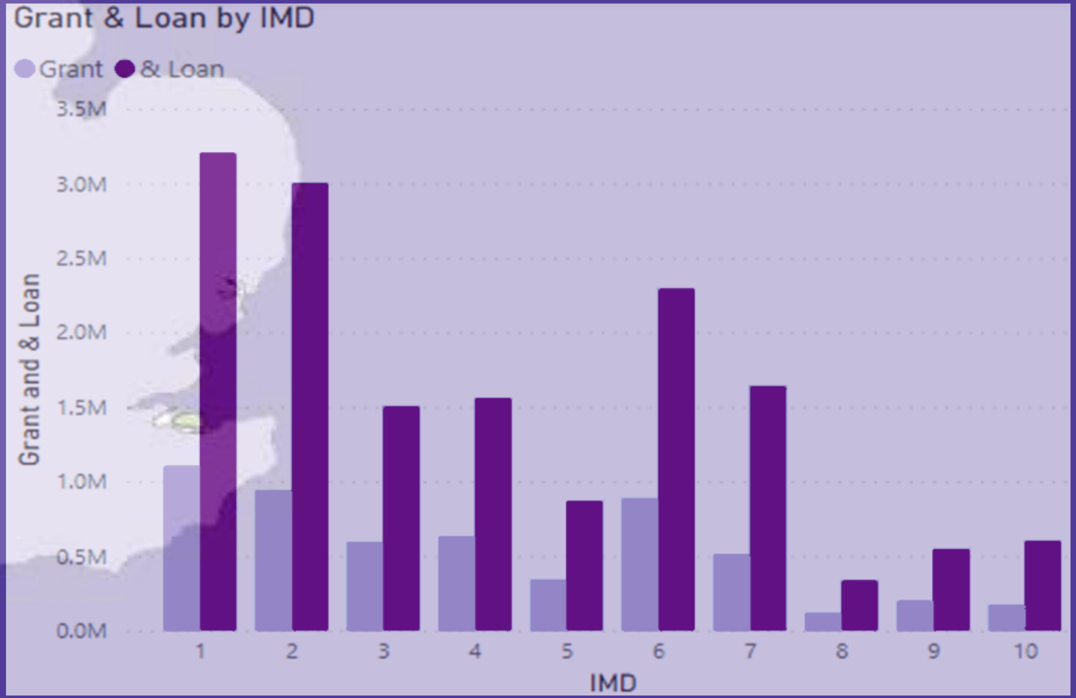
Social Investment Business's "Resilience and Recovery Loan Fund" (RRLF) made the largest investments to the largest organisations

Amongst the other four investors, median turnover of investees was
£560k

All nine regions benefitted from the programme. There was higher take up in London and the SE



There was a strong reach into areas of deprivation, the programme performing better than social investment averages in this regard, although slightly less well than the Growth Fund



Of the 70 investments made

34	48%	went to **women-led** organisations
8	11%	went to **disability-led** organisations
2	3%	went to **LGBTQ+-led** organisations
2	3%	went to **black and minoritised-led** organisations

These two organisations also received **lower levels of investment (£47k grant element)** than the programme average **(£78k)**

The programme products were generally taken up by larger organisations than Access programmes usually support

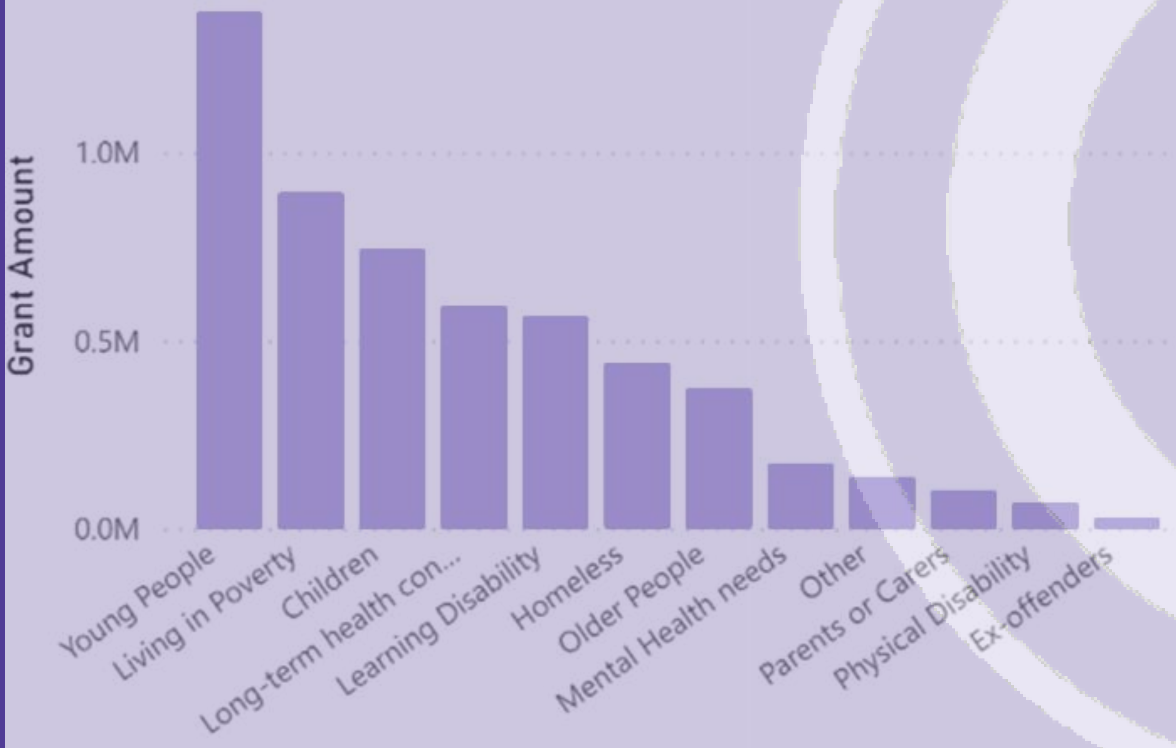
This may account for some of these figures, as underserved groups are not as well represented amongst larger charities and social enterprises

Access has reflected with partners on this disappointing performance

Subsequent programmes, including the **Flexible Finance for the Recovery** fund have a strong and purposeful Equity, Diversity and Inclusion focus to ensure that more underserved groups are able to access blended finance in the future

Investments were deployed to charities and social enterprises serving a wide range of beneficiary groups

Those supporting **Young People** and those **Living in Poverty** were those that benefited most



The four most prevalent impact/outcome areas supported by investments (grant amounts involved) were:

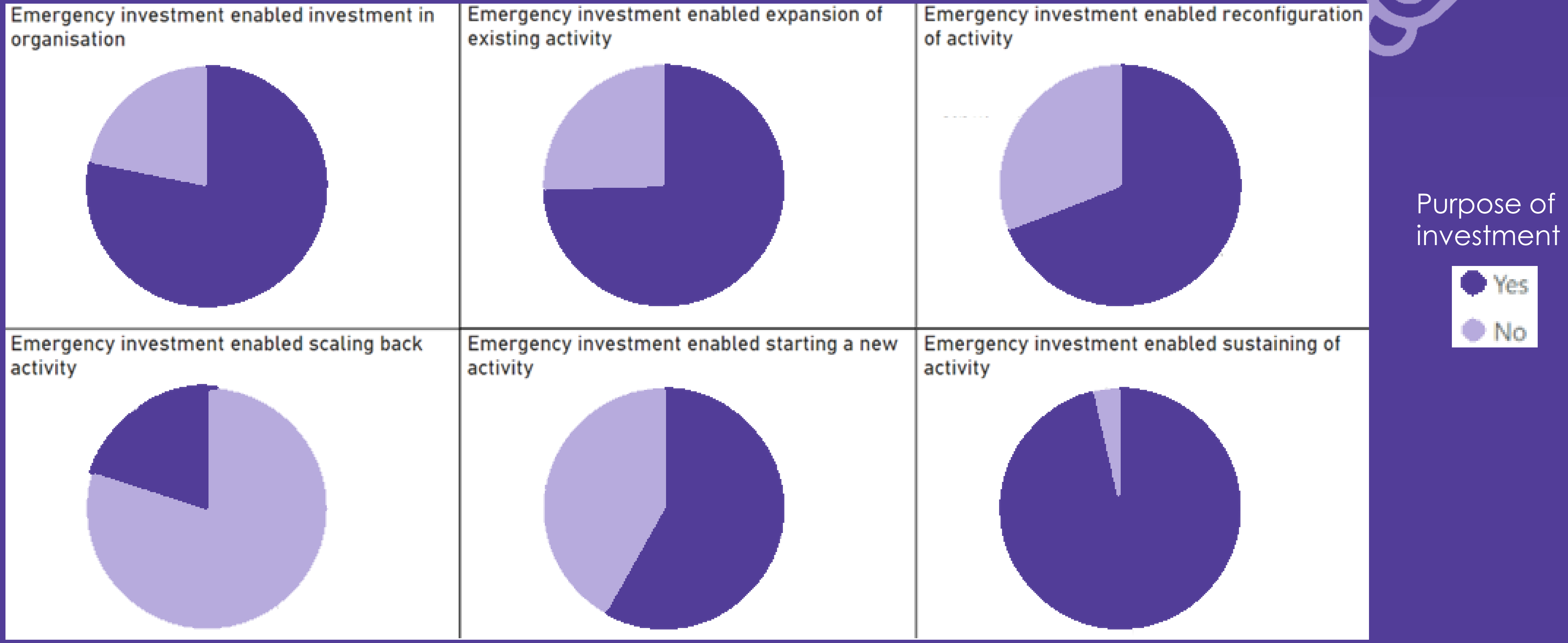
£1.1m Employment, Education or Training
£1.1m Arts, heritage, sports or faith
£800k Mental health and wellbeing
£600k Physical health

- Citizenship and community
- Housing and local facilities
- Family, friends and relationships
- Income and financial inclusion

were all also outcome areas supported with significant (> £250k) amounts of grant

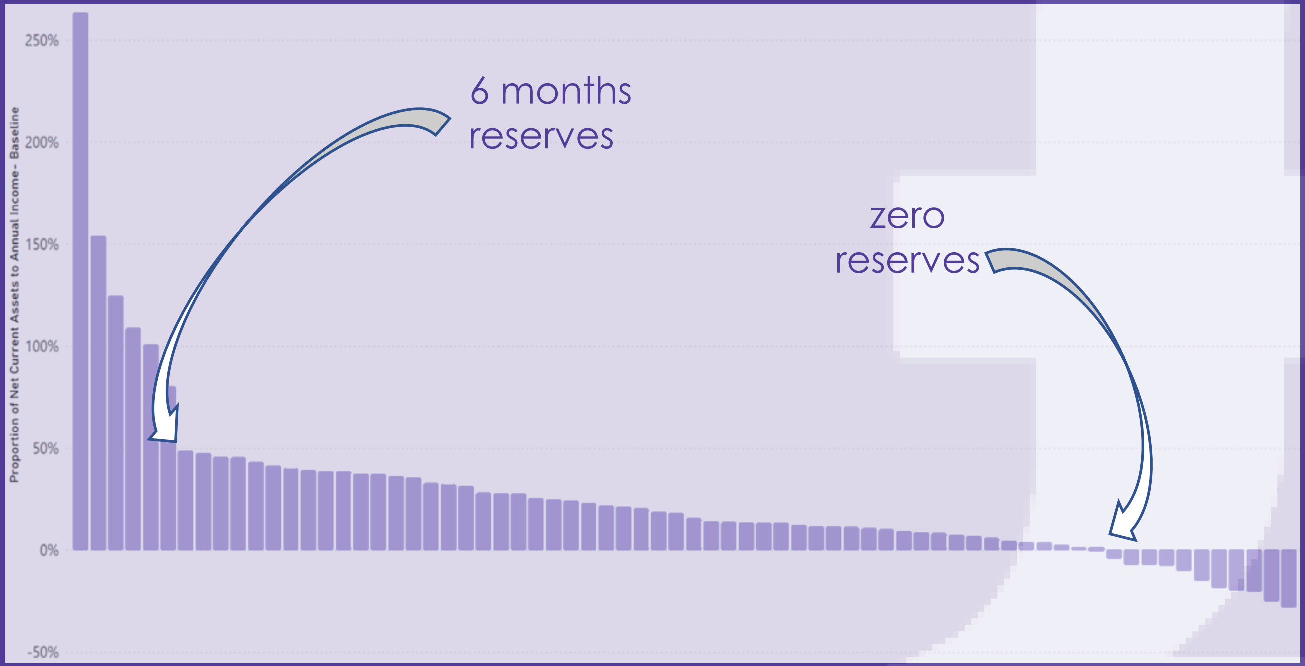
There was a wide range of uses for the investment

Originally it had been imagined that an **Emergency Lending** programme might be used more for working capital to bridge lost income streams, or support cost cutting and consolidation, but actually many investments were to enable services to be redesigned or even expanded



At the point of investment
11 organisations (**16%**) had negative reserves

but most - **53** organisations (**76%**) had Net Current Assets of between 0-6 months of turnover, the expected target market for **Emergency Lending**



A review of financial accounts 12 months after investment shows that in terms of Net Current Assets

73% had **improved** their position

24% had seen their position **worsen**

3% saw **no change**

A similarly positive pattern, although slightly less so, was seen regarding the turnover of charities and social enterprises at the point of investment and then 12 months later:

57% had **increased** their income

34% had seen their income **decrease**

9% saw **no change**

At the time of writing this report we are aware of **3 organisations (4%)** supported that are sadly in the process of closing

Resilience

Overall the analysis of financial position 12 months following investment is positive

Considering the financial turmoil facing the sector during the period 2020-2022, the fact that most charities and social enterprises supported by the programme managed to **increase** both **income** and **reserves** seems very encouraging

A survey was carried out at the same time (12 months post-investment), with a very high response rate of 58 organisations (83%)

Analysis of these responses showed that the value of the investment was indeed not just about **survival**, but about **repositioning**, **growth**, and in the most common word used of all, **confidence**

22 organisations mentioned the financial impact, of which:

10 cited growth, sometimes rapid growth the pandemic offered opportunities that needed subsidised investment to pursue

8 cited survival as the principal outcome

4 talked in terms of stabilisation or consolidation rather than survival

Others reflected more on non-financial outcomes that the investment supported:

9 said that investment was vital to allow them to continue to operate and deliver services, often to deliver publicly-funded services

7 said that at a time of huge uncertainty it just provided the backing and confidence to carry on, often for the Board

7 used the closure enforced on them by lockdown to make practical changes (often building improvements), sometimes long overdue "hugely influential in giving us the confidence to push ahead with product development"

"without the investment we would be in a dire financial situation"

"enabled us to stabilise as an organisation….space to step back and review"

"enabled us to accelerate plans to expand"

"helped us avoid suspension of membership and swim school income"

Chanctonbury Community Leisure
(Sussex)

Investment: **£150k (loan £100k, grant £50k)**
Investor: **CAF-Venturesome**

CAF Venturesome provided working capital to the organisation as they relaunched their services following the pandemic and provided the capital to upgrade their outdoor sports pitch to attract more trading income.

The newly installed 3G pitch has become a major community asset with 20 local teams training each week on the facility, including a new self-sufficient girls football team, and women's football and rugby teams each week. They have also just started sessions promoting men's mental health through football in conjunction with Brighton & Hove Albion.

Membership of the centre reached 684 members 6 months after re-opening, well above target (they now have 1100), and they now deliver a number of community projects including the GrubClub, a free holiday club for 30 children in receipt of free school meals, a defibrillator training course and a free Menopause course for 25 attendees.

Autism Plus
(Sheffield)

Investment: **£480k (loan £340k, grant £140k)**
Investor: **Social Investment Business (RRLF)**

Autism Plus is one of the largest charitable independent providers of disability care in the North of England, supporting adults and young people with autism, learning disabilities, mental health conditions and complex needs.

Families providing unpaid care have been among the hardest hit by the cost of living crisis. Autism Plus create responsive, tailored packages of support around the individual and their needs in Supported Living, Residential and Day Opportunities. They also provide training and employment support through various social enterprise activities. Investment helped pivot their business model by helping to finance a new digital system resulting in faster data capture and management. The IT System will support continued change, increase capacity, support growth, and cut costs.

The experience of delivering the programme, our conversations with delivery partners, and the analysis of the data and survey has enabled us to draw

5 key lessons

which we take forward into future programmes

1. **Speed of response** and **speed of deployment** may be different

A crisis requires a rapid response from funders but flow of emergency funding **doesn't necessarily translate to immediate flow to the front line**.

Access set this programme up in just a couple of weeks and with few design restrictions, particularly compared to other blended programmes before and since, and social investors were appreciative of this. Social investors also mainly responded very rapidly with the creation of their own proposals and assessment systems.

However this pace of approval was not always met with pace of deployment of the underling investments to charities and social enterprises– median time period between approval and drawdown was 59 days – longer than the Growth Fund for example (41 days).

Charities and social enterprises benefitting did not always need to draw the funds immediately, but did need to know the investment was secured and on tap to be confident in their continuing trading.

"The *emergency showed how flexible a social investor could be and it turns out this is what the sector wanted from us all along"*
(Fund Manager)

2. **Other** emergency measures becoming available may **impact target market**

The **availability of other emergency measures** will have an impact on the target market for any emergency programme. A multitude of responses were needed in the pandemic, and around the time Access launched this programme, the government announced the furlough scheme and other bank lending schemes, and the social enterprise sector worked with The National Lottery Community Fund (TNLCF) to develop the Social Enterprise Support Fund (SESF) to provide non-repayable grants.

This meant that charities and social enterprises eventually had multiple (not mutually exclusive) routes to getting the assistance they needed. This may have meant that smaller organisations had other opportunities to secure small grants to survive, and organisations slowing down their operations may have covered the majority of their finance need through furlough.

The Emergency Lending programme supported larger organisations than Access programmes would typically support, and many of these were needing to continue to trade and possibly even expand to meet further demand. For these organisations, available grant and support schemes were not going to be sufficient to meet their needs. This was not necessarily the profile we might have imagined at outset. However, it clearly did strongly meet an emergent need.

3. Deployments were to **larger organisations** than anticipated

Deployments were mainly to **larger charities and social enterprises with reasonable solvency** at the point of investment.

Although it was an emergency situation, and despite the level of grant available, investment decisions retained a reliance on careful assessments of risk and due diligence. It is likely that some smaller organisations found other routes to securing the (perhaps more modest) financial backing they needed during the pandemic.

With a significant and flexible grant layer, fund managers were able to support some riskier propositions, however the balance sheets of investees prior to investment suggest that it is likely that for some organisations with more challenged financial situations this programme will not have proved suitable.

4. Emergency
doesn't necessarily just mean **survival**

the programme was **not entirely about supporting survival**.

As well as organisations not all showing immediate signs of financial fragility, many of them were thinking to the future and pursuing continued growth opportunities, or at least pursuing considered stabilisation and consolidation, to ensure that they could grow back strongly in the longer term.

Analysis of balance sheet strength at the time of investment and 12-months later seems to suggest that the programme supported many organisations to strengthen their financial position, not just maintain it.

"[Investment helped us] not just survive but grow and develop….our proposition…. which is very fitting given the current economic climate" (Investee)

5. We are confident that **rapid blending** was done **carefully and effectively**

Despite elements of difference from how the programme might have been expected to progress, Access is highly **confident that Fund Managers applied grant carefully and efficiently**, and that it allowed to ensure that **money flowed that wouldn't otherwise have**.

Fund Managers were generally managing a finite grant pot as part of a wider investment pipeline and so were practically incentivised, as well as encouraged by Access' mandate, to apply grant only to the extent required to de-risk investments.

Reviewing the investments that were made without any grant, and the responses provided in the "12-months on" survey for those which did have grant, it is clear that where it was introduced, the **grant played a vital role**

"We were more comfortable because of the downside risk protection. The key question was: 'can we get our capital back'. 35% [first loss grant] was good. At 20% it wouldn't have been supported so well."
(Fund Manager)

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