Lessons from use of Subsidy in Emergency Lending

Learnings from the
Evaluation of Access' Emergency Lending Programme

January 2023

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1. Executive Summary

The Emergency Lending programme was designed and launched rapidly by Access in 2020 as an immediate response to challenges faced by some charities and social enterprises in the early stages of the COVID-19 Pandemic. The aim was to ensure that more of those that could utilise repayable finance as part of their response could access it, even if their future income streams were damaged or uncertain.

The programme was facilitated by a release of Dormant Asset funding to Access in May 2020 for the purpose of supporting survival and then recovery from the effects of the pandemic. A total package of £30m was made available, including up to £10m to be used for this Emergency Lending programme.

The programme opened for applications in early June 2020, with proposals restricted to established social investors with a track record of supporting smaller-scale lending. Seven investors applied to be part of the scheme, and by July 2020 five had been selected, with a total of £6.9m of finance awarded to:

- Social Investment Business (SIB) - Resilience and Recovery Loan Fund (RRLF), £4.0m
- Resonance - Social Investment Tax Relief scheme, £1.1m
- GMCVO, £0.8m
- CAF Venturesome, £0.5m
- Northstar Ventures, £0.5m

Grant from Access was used in a variety of ways, but the most common was to use it to provide grants directly to frontline recipients, alongside loan finance from other sources, in order to make the overall package of investment viable. It was important for investors to be clear in each case that the emergency investment would not be viable without grant being utilised. In total the £6.9m from Access was intended to widen access to available loan funds and directly unlock around £26m of loan or blended loan and grant packages.

The initial intention was to distribute all finance in the first year of the pandemic, with grant expected to be used in investments received by charities and social enterprises by 31 December 2020. However, as the pandemic and lockdowns continued, the Emergency Lending programme matched the timelines of the wider government-backed lending schemes (CBILS and BBLs) and deadlines for deployment were first extended to 31 March, and then finally to 30 June 2021.

Ultimately £6.9m of Access grant was used to facilitate £21m of investment to frontline charities and social enterprise, which comprised £15.5m loan and £5.5m grant, in either loan or loan-and-grant packages.

70 organisations benefited in all. 40 of the 70 deals were part of the Resilience and Recovery Loan Fund (RRLF), run by Social Investment Business (SIB). CAF Venturesome delivered 12 deals, and the other three funds delivered 18 between them. Most deals were approved in the period July-December 2020, but the drawdown pattern was quite different, most deals not deploying until 2021, with a significant spike of deals concluding in June 2021, just before the deadline of the programme. This suggests that for many organisations, they knew that they would need a finance facility at some

point and wanted to secure this, but they then waited until the need was acute (or until the deadline was approaching) before drawing that facility.

The average investment size was £300k (average loan £222k, average grant £78k). A few larger deals took the average figure upwards; the median investment size was lower at £250k. The size of deals varied considerably between fund managers. RRLF delivered the highest average investment size (almost £400k), Northstar Ventures average was just over £330k, and the other three funds averaged well under £200k, with CAF Venturesome offering the smallest packages on average at just under £100k. The term length of loans were mainly in the range 4-5 years, with the exception of Northstar Ventures loans, which averaged over 9 year terms.

In terms of beneficiary groups the programme achieved a good overall spread, although organisations working with young people received significantly more investment than any other, followed by organisations supporting people in poverty, and those working with children.

In terms of geographical spread, all nine regions were represented amongst the 70 investments. However, there was a significant skew towards investments in London and then the South East. In terms of the grant element of blended investments, organisations in London received 22% of the total resource (£1.2m) compared to East Midlands (the region with the least) with 5% (£250k). In terms of reach into areas of deprivation, the programme performed strongly, with the two deciles with the greatest investment awards being the two lowest in the Index of Multiple Deprivation (IMD-1 and then IMD-2). This was true of both grant and loan elements. Overall, the performance in terms of this aspect of reach was significantly better than the average for the social investment market, although the Growth Fund (2015-2022) has performed marginally more strongly in this regard.

The leadership characteristics of charities and social enterprises were also reviewed, and here the level of reach achieved was more disappointing. Whilst the programme achieved reasonable proportions of organisations led by women (48%) and people with disabilities (11%), it performed less strongly on black and minoritised-led organisations, and those led by people identifying as LGBTQ+ (both 3%). The disappointing performance in relation to black and minoritised-led organisations was further mirrored in the average amount of investment awarded: as stated above, the average grant element of investment awarded overall on the programme was £78k, but amongst black- and minoritised-led organisations this dropped to £47k. In other Access Blended Finance programmes launched subsequently, a much stronger requirement has been placed on fund managers to demonstrate a commitment to, and methodology for, reaching underserved communities.

These effects may in part be a function of the size of organisations that the programme managed to attract. Overall, it reached charities and social enterprises that were significantly larger in size (turnover average £2.3m and median £1.4m) than is typical of other Blended Finance programmes which Access is involved in. In particualr the RRLF programme delivered by SIB and partners supported larger organisations than the other funds. The 30 organisations invested in by funds other than RRLF saw average and median turnovers of £1.1m and £560k respectively. Organisations generally also had reasonably strong balance sheets overall, showing that whilst the Emergency Lending programme supported organisations in need of finance, most were still fairly stable at the point of investment. Having said this, 14% of investments did go to organisations with a negative net asset position overall. In a further indication of organisational maturity in the overall portfolio, a perhaps surprisingly proportion of organisations (71% - 50 out of 70) had previously received social investment at some point in their past.

The programme tracked the progress of organisations 12 months after the original investment, in order to better understand the effect that the investment, enabled by the presence of the grant, may have had on them. This involved both quantitative analysis (review of financial accounts) and qualitative analysis (investee survey, with a very high response rate of 83% (58 out of 70). Both methods provide a similar story, that most organisations saw an improvement in their resilience between the point of investment and a further year on, as evident in both their accounts and perception of resileince. Survey analysis confirms that, in a large number of cases, a very significant resilience contribution is considered to have been made by the receipt of Emergency Lending investment. The most common word used in survey responses to a question regarding the practical effect of receipt of the finance was “confidence”, demonstrating that timely investment can deliver non-financial as well as direct financial benefits, even (or perhaps especially) in a time of crisis.

We can also conclude from the analysis of size and stability of organisations at outset, together with survey responses, that programme outcomes were not as tied to crisis survival as Access imagined would be the case at outset. Almost as many organisations described stories of growth in services and impact, as described stories of stabilisation and survival. The programme clearly achieved both things, for different types of charities and social enterprises, but the survey responses in particular appear to confirm that whatever path an organisation was on, the investment was crucial to that path being achieved.

Taking into account its experience of delivering the programme, discussions with fund managers, data analysis and a follow-on survey, and the work of its independent evaluator Curiosity Society, Access would make the following observations and conclusions:

Added value can be built and retained through rapid response. Out of necessity Access dispensed with usual consultation and design processes in order to move rapidly. Yet the programme achieved significant success in many areas, and furthermore provided added value in some areas that had not been anticipated.

Blended grant can still be deployed effectively and efficiently, even at pace. Fund managers managed a restricted pot of grant alongside wider loan programmes. Robust decision making was in evidence in the careful utilisation of grant, and Access became increasingly confident that the grant was doing its job in helping investment to flow where it otherwise would not, and was generally not used where investment could flow without it.

Rapid design and delivery can nevertheless have downsides. Not all social investors felt able to take part due to the parameters set and the speed of roll-out. Products offered through the programme were necessarily simple and standardised. Perhaps partly as a result of these features the programme struggled in certain areas of reach, with black and minoritised-led organisations particularly underserved.

A crisis response must expect to be flexible and adaptable. Launched in a maelstrom of activity and uncertainty, the programme developed with much shifting around it, particularly in relation to other programmes of finance and support. Timelines and target markets needed to shift and were allowed to, even if this had the effect of altering elements of the original understanding of the parameters of the programme.

2. Background Context and Programme Set up

Following the announcement of the first lockdown and the initial government financial responses (including furlough and The Coronavirus Business Interruption Loan Scheme (CBILS)) in March 2020, Access began discussions with DCMS on the release of £30m of Dormant Assets to support the social investment sector's response to the pandemic. The package was agreed in May 2020 and was designed to provide both a rapid, emergency response for those charities, social enterprises and social investors that needed it, and a longer term fund to be launched slightly later and based around principles of patient capital to enable charities and social enterprises to recover their trading income .

The precise split between those two strands were left to be determined at least in part by demand, but on the basis that at least two-thirds of the funds available would be held back for the flexible and patient fund (which became known later as Flexible Finance for the Recovery).

This left a maximum of £10m available for what became known as the Emergency Lending programme.

Unlike other Access programmes Emergency Lending was launched with minimal consultation with the sector on design and fund terms. As its name suggests the programme was designed to get money flowing rapidly at a time of crisis and uncertainty. With a process being announced on 28 May 2020, the expression of interest form and guidance notes were published for prospective applicants on 4 June, and a brand new Investment Committee was created, recruited for, and met for the first time on 17 June. At this first meeting the committee agreed its Terms of Reference and the Investment Policy for Emergency Lending, as well as reviewing the emerging pipeline.

The Investment Policy established the following objectives for the programme in supporting charities and social enterprises:

> *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.*
>
> *The grant should therefore serve the purpose of*
>
> - *Increasing 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; and*
> - *Increasing 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;*

as well as the following key features and requirements of fund manager applicants:

- *Expectation that most if not all products will be relatively simple debt or grant/debt blend*
- *Applications only from established fund managers with experience of this kind of lending*
- *No expectation of return of capital to Access. Grant from Access into a fund can be used in a variety of different ways in order to make non-viable lending viable*
- *Investments should be meeting finance needs that have arisen because of COVID, not those that pre-dated it*
- *Cannot invest into organisations already in receipt of Growth Fund investment*
- *All funding from Access should be drawn and committed to organisations by 31 December 2020*
- *Key measure of success will be survival of organisations supported with investment*

In the subsequent six weeks the Investment Committee received and assessed seven proposals and approved five of these. The first was approved on 2 July, and the last was approved on 17 July. At this point Access was still waiting for completion of the upstream agreement for the £30m of dormant assets and this was legally finalised on 5 August. This allowed the first funds to enter into grant agreements and launch, the first of which did so on 21 August, with the first frontline investment made a few days later.

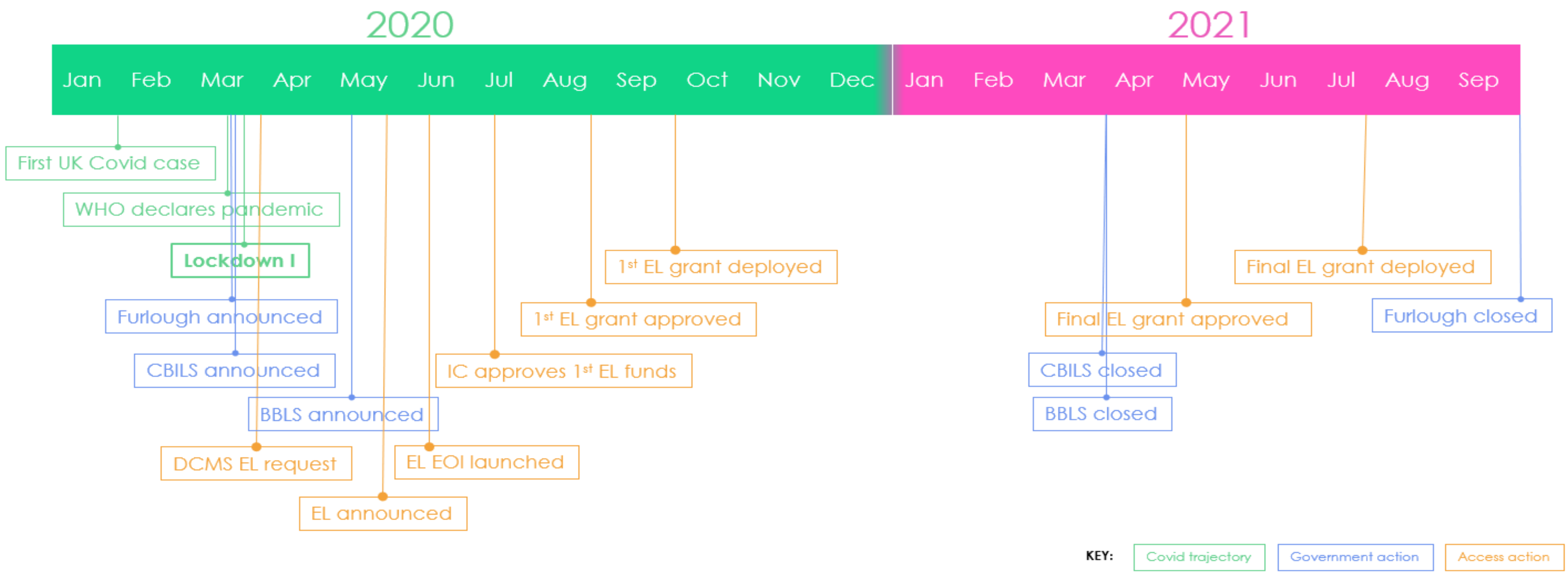
The five approved funds

Investor/Fund	Award	Product type	Product range or ave.	Purpose of Access Grant
Social Investment Business (SIB) (Resilience and Recovery Loan Fund)	£4.0m	Grant/Debt blend	£100k-£1.5m	Grant alongside loan product, fund costs
Resonance (Social Investment Tax Relief fund)	£1.1m	Grant/Debt blend	ave. £115k	Grant alongside loan product, fund costs
GMCVO	£0.8m	Debt	ave. £100k	First loss investment, fund costs
CAF Venturesome	£0.5m	Grant/Debt blend	ave. £230k	Grant alongside loan product, fund costs
Northstar Ventures	£0.5m	Grant/Debt blend	£100k-£1.0m	Grant alongside loan product

The largest of the awards, to SIB's Resilience and Recovery Loan Fund (RRLF) was in itself a partnership fund, with other social investors feeding pipeline in as part of that partnership. Two of the investors with Emergency Lending allocations of their own (Resonance and CAF Venturesome) were also involved in RRLF as referral partners.

As the timeline below shows, the key change from the original programme design was that investments happened more slowly and continued for longer than the 31 December 2020 cut-off originally planned. This extension (in two steps, firstly to 31 March, and then to 30 June 2021) mirrored the path of the pandemic, with continued lockdowns and the time extension of related government lending schemes (CBILS and BBLs). It also reflected a slightly longer than expected timeline for the set up and sourcing of pipeline in most funds.

Covid: the timeline of a crisis



Access' Emergency Lending Programme was set up alongside other repayable finance support available to charities and social enterprises. Loans and grants were made available through government programmes such as the Culture Recovery Fund, Coronavirus Business Interruption Loan Scheme (CBILS), and Bounce Back Loans Scheme (BBLS. CBILS deployed 100,000 loans and £25bn in 12 months. CBILS was backed by an 80% government guarantee against losses for lenders on deals up to £5m, administered principally by high street banks with interest rates set by the lender. Eligibility and due diligence slowed the early deployment of CBILS, which was reformed by relaxing criteria such as Directors' personal guarantees for loans, and pre-crisis commercial lending tests.

The Bounce-Back Loan Scheme (BBLS) deployed 1.5m loans and £50bn in 10 months. BBLS was, in part, a design response to the slower-than-expected deployment of CBILS, and to the scarcity of small and micro businesses receiving it. BBLS exchanged a higher level of default risk for a much higher approval rate for small organisations, and a much faster deployment. To cover the higher default risk BBLS was backed by 100% government guarantee against losses for lenders, on deals of up to £50,000, over 10 years, at 2.5% interest. BBLS deployment, as a consequence, was significantly faster and wider.

3. Evaluation Methodology

The methodology employed to assess the impact of Access' Emergency Lending Programme was twofold:

a) Routine Monitoring at Enterprise Level

Routine monitoring was managed by Access and completed by Fund Managers. It was administered at the point of investment to establish a baseline, and a sample of questions were then repeated 12 months later. Monitoring was kept intentionally light-touch due to the emergency nature of the Fund. Categories recorded included:

- Core organisation details: size, geography; type etc
- Financial resilience questions
- Diversity monitoring
- Use of investment details: what investment was used to pay for

b) Independent assessment

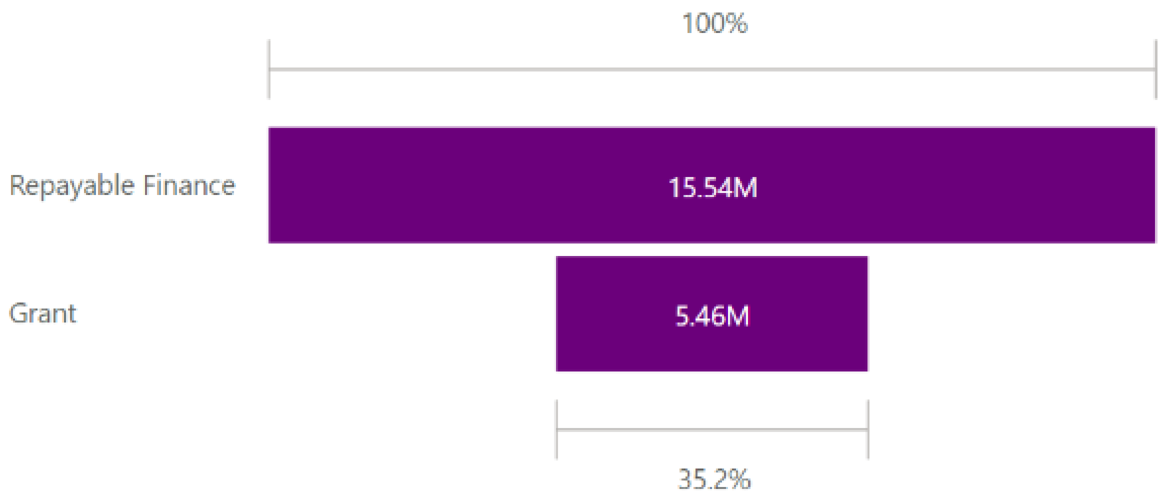
Access' Learning Partner, The Curiosity Society, were commissioned to undertake an independent review of the Emergency Lending Programme. Their assessment included:

- 28 Interviews with key stakeholders: investee charities and social enterprises; investors' teams including those that did not apply and those that were rejected; investment committees at Access and investor-level; co-investors; and Access executive team members
- A further survey with charities and social enterprises to supplement interview data
- Review of key documentation (e.g. Investment Committee Papers; Investment Policy; meeting minutes)

4. Findings

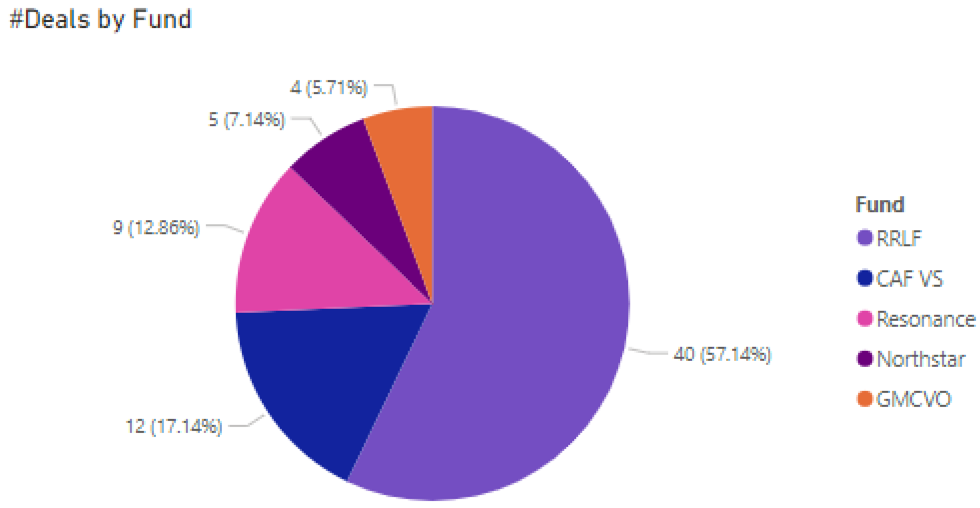
4a. Investment Data

The Emergency Lending Programme provided a means for social investors to support charities and social enterprises in a time of crisis and uncertainty. In the end a total of £6m of grant was distributed to five social investors to support their own emergency lending programmes. 70 charities and social enterprises were supported through the scheme, receiving a total of just over £21m in combined loans and grants. Most of this Access grant was provided directly to charities and social enterprises as grant alongside the loans, to ensure that their debt burden was appropriate and affordable at a time of great uncertainty and damage to income streams.



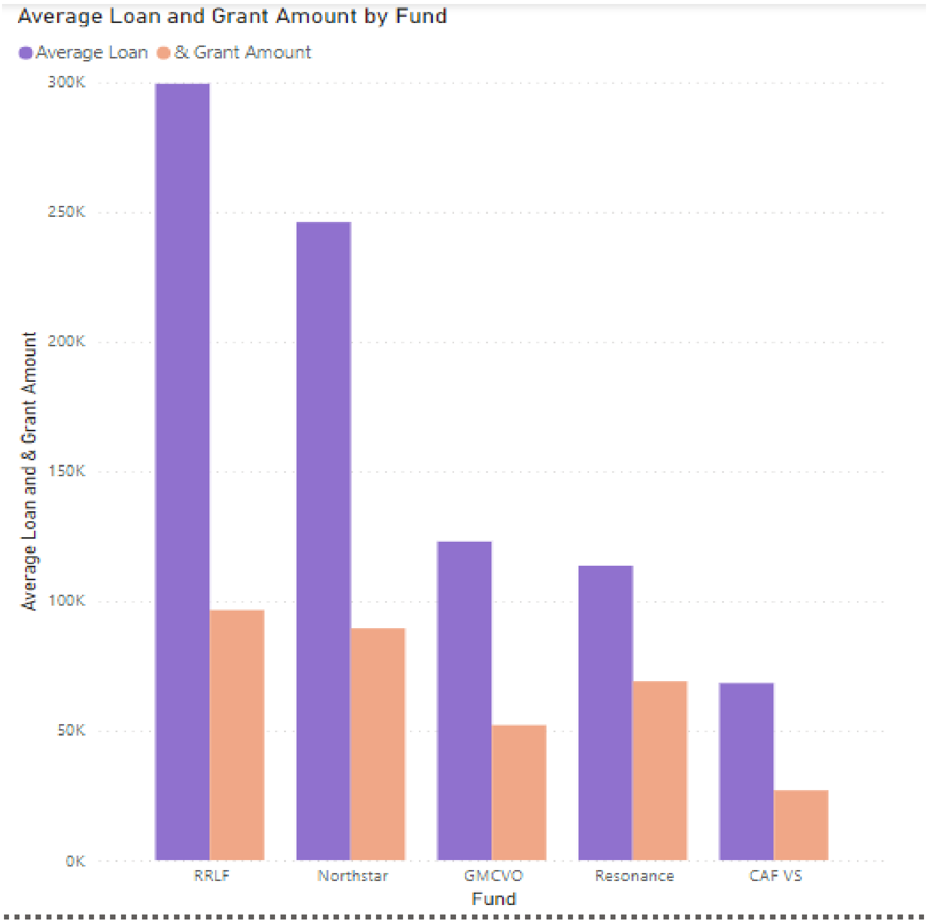
Number of funds and deals:

Across the five funds, RRLF was the most active fund with 57% of total Emergency Lending deals (40 awards). It is worth recording that almost a third of these awards were generated by two RRLF pipeline partners who also had allocations of their own (CAF Venturesome and Resonance).



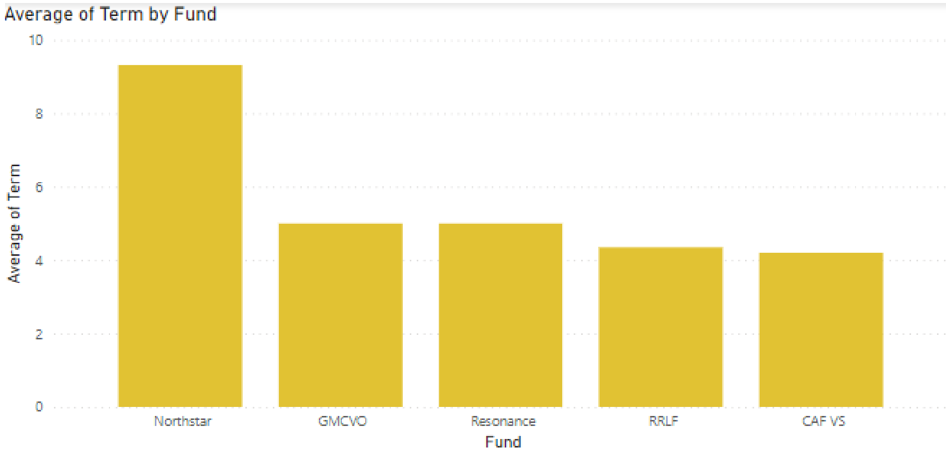
Details of the portfolio:

From 2020 until July 2021, across £21m of investment, the Emergency Lending Fund had an average investment size of £300k (this includes both loan and grant) with a median of £250k. The average loan element was £222k and the average grant element was £78k.



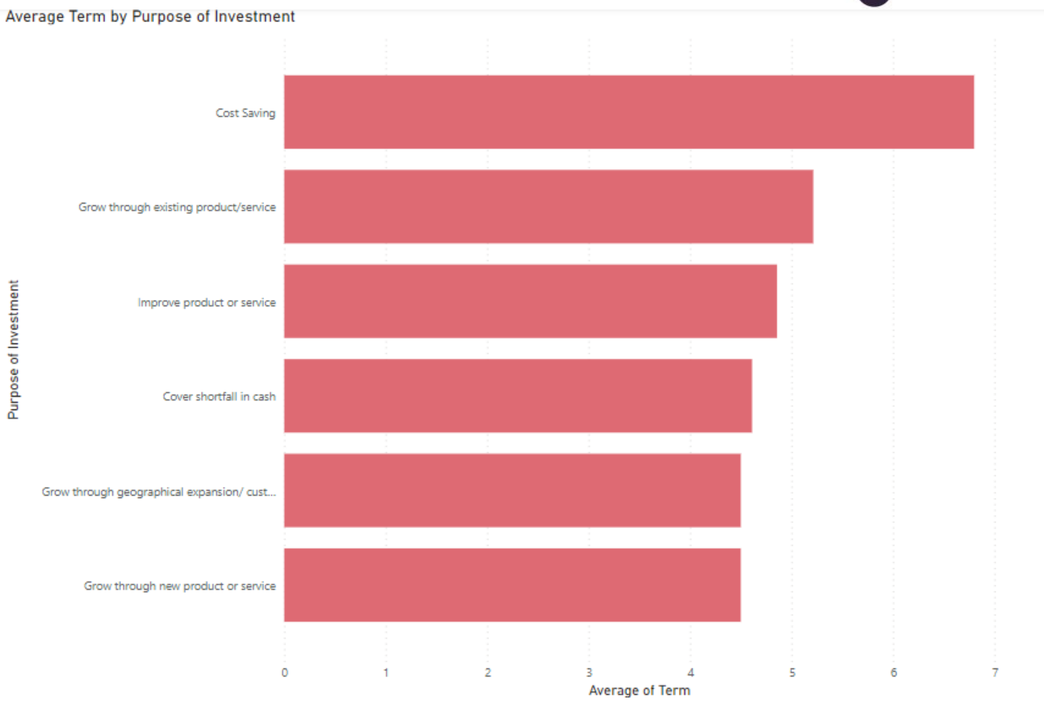
By comparison, Growth Fund[1] investments during that same period had an average total investment size of £60k (£50k loan and £10k grant) and a median total investment size of £50k. We make comparisons to Growth Fund at various points in this report as it is the largest and longest-established blended finance programme that Access has been involved in to date.

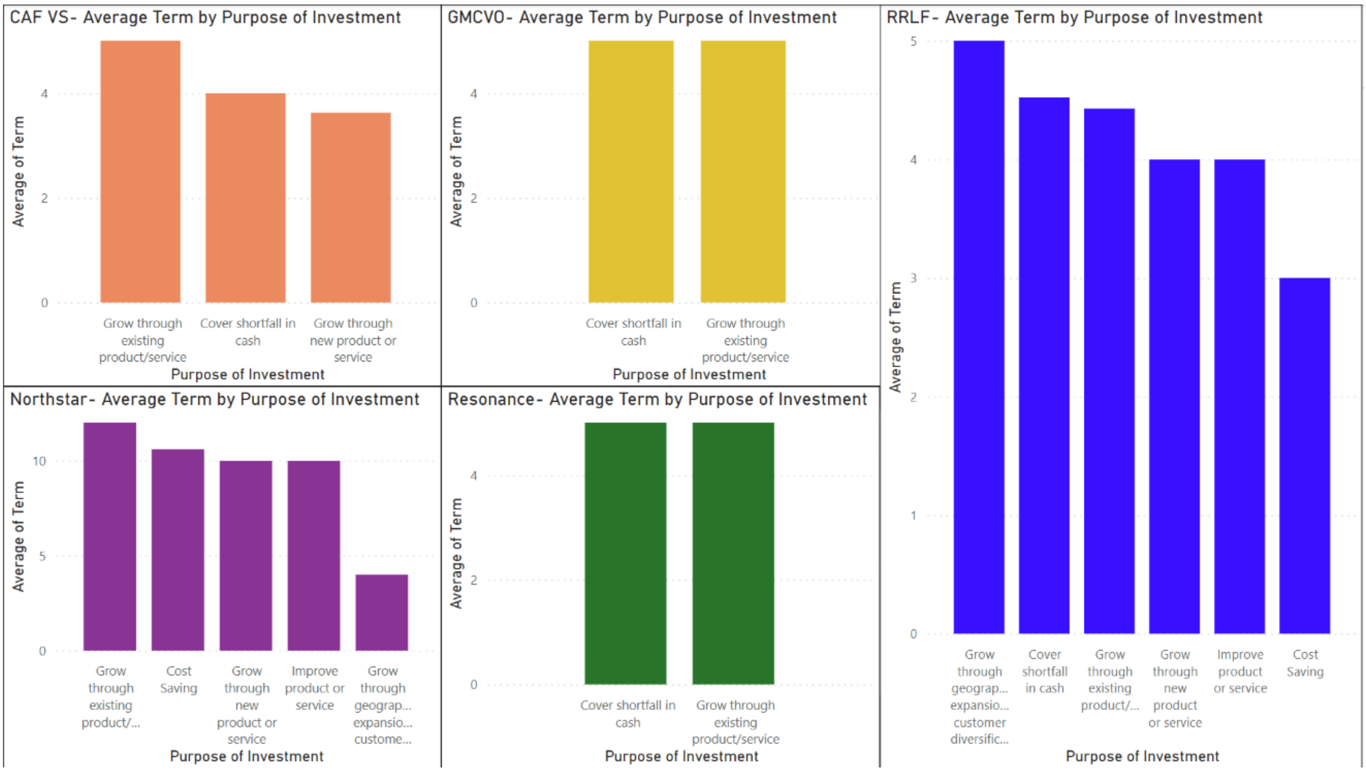
Each social investor gave specific loan terms to their individual investees, and these varied depending on the organisation's needs and the social investor's own investment policies. Across the five funds the average loan term length was 4.8 years. For comparison this sits towards the upper end of the term length of the Growth Fund, which is between 3 and 5 years.



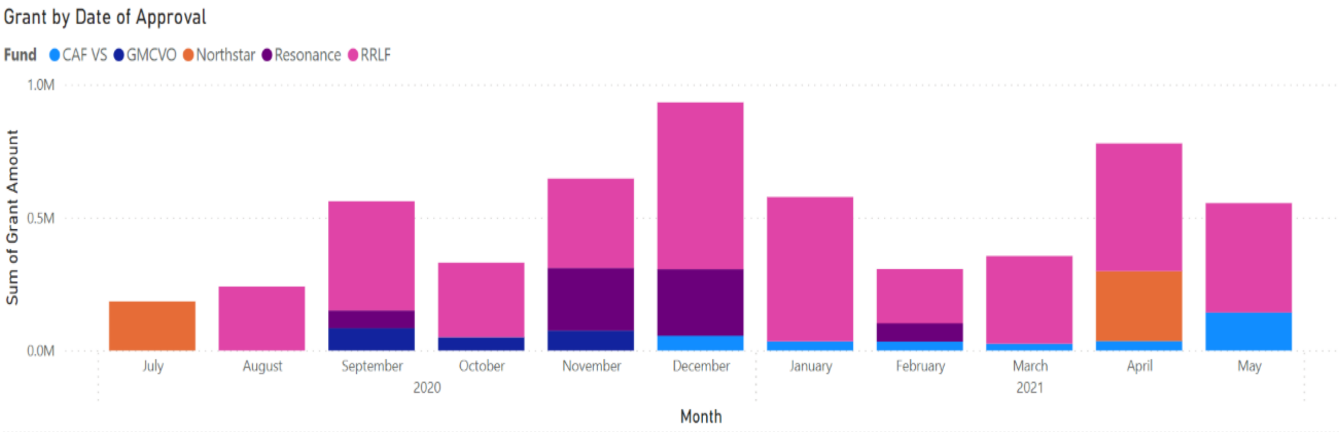
The graph above shows that most of the investors had an average term length of between 4-5 years, with one (Northstar Ventures) typically offering longer terms. Interestingly when comparing the average loan term against the purpose of investment across all funds (see graph below), the longest average loan term was for "cost saving measures" (6.8 years) with different types of diversification (growth via either new products/services or geographical expansion) the equal shortest (4.5 years). The averages changed fund by fund in line with their investment policies, and the differences between each fund by purpose of investment is shown in the set of graphs further below.

[1] The Growth Fund is a partnership between The National Lottery Community Fund and Big Society Capital, delivered by Access through a range of social investors. It makes up to £50m available to support charities and social enterprises to grow and create social impact in their communities. The Growth Fund uses a combination of grant funding, made possible thanks to National Lottery players, and loan finance from Big Society Capital and other co-investors, to address specific gaps in the social investment market.

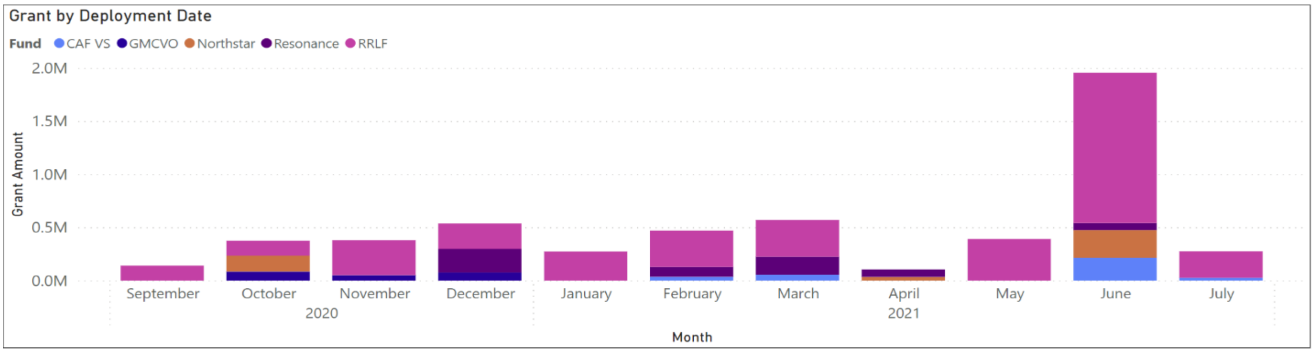




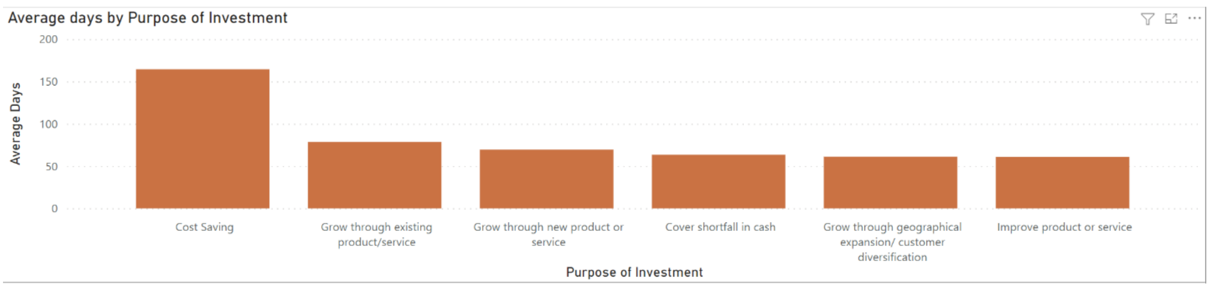
When setting up the programme in 2020 we expected that the pandemic and its effects would result in rapid approval and deployment of the capital. However, this did not always prove to be the case. Taking the investment approval date (which does not necessarily reflect when organisations actually received the investment) the month with the largest number of grants awarded was December 2020, with 11 awards totalling £933,423. In general, there was a steady stream of approvals between August 2020 and January 2021 with just under 53% of the grants made by December 2020.

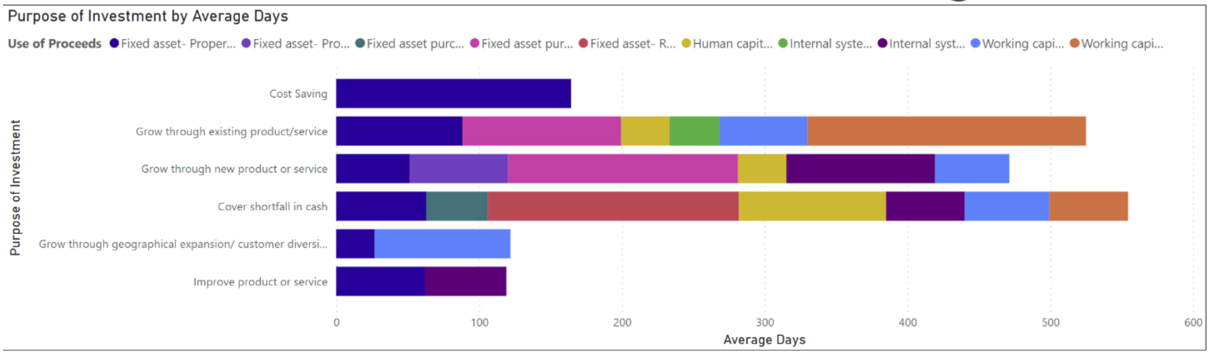


However, taking the actual date of deployment of awards (see graph below), we can see that progress in charities and social enterprises actually drawing down their finance was much more slow, until June 2021, at which point there was a significant spike of 18 awards totalling £1,955,550. This is probably explained by the final deadline of the programme (after extensions) being July 2021 and suggests that whilst charities and social enterprises did anticipate a need to secure finance to ensure they could get through the pandemic, they tended to wait until the need for it had become more immediate before actually drawing it.



On average, across the 5 active social investors, it took on average 69.8 days (circa 10 weeks) from a deal being approved to it being deployed to the frontline. Interestingly when looking at the purpose of investment "Cost Saving" has the highest average number of days between approval and deployment. In this case this is directly linked to property improvements or renovation of a fixed assets with an average 164.5 days circa 6 months).





Organisation size:

Organisations were considerably larger than we expected when launching the programme and certainly when compared to those in the Growth Fund. For Emergency Lending the median annual income across all investees was £1.2m, and average was £2.1m.

The size of EL deals, the pre-pandemic median turnover and pre-pandemic balance sheets of investee organisations suggest that **EL finance** landed with **different organisations** to other Access programmes: different in terms of financial health, location, leadership, and sector of the social economy.

"[This was] not for the weaker members of our portfolio." (Fund Manager)

Summary Data (Public Data, URN basis, base: deal-level data)		2016	2017	2018	2019	2020	To Date
Investee Median Turnover	GF	£18,502	£530,361	£291,440	£427,232		**£359,336**
	Market	£165,574	£631,973	£977,751	£2,175,454		**£804,862**
	EL					£1,239,188	**£1,239,188**
Investee Median Balance Sheet (Net Assets)	GF	£1,087	£59,936	£18,962	£68,667		**£39,449**
	Market	£86,339	£501,138	£385,202	£1,121,377		**£443,170**
	EL					£348,084	**£348,084**
Data Points (n=)	GF	2	94	145	182		
	Market	232	220	178	127		
	EL					70	

In addition there was significant variance between different social investors in terms of the average size of organisation supported:

	Northstar	CAF VS	GMCVO	Resonance	RRLF
EL Distribution by particular Investor	Investor 1	Investor 2	Investor 3	Investor 4	Investor 5
Investee Median Turnover	£816,167	£368,061	£1,486,740	£663,000	£1,812,016
Investee Median net assets	£216,389	£71,386	£460,580	£73,577	£829,814

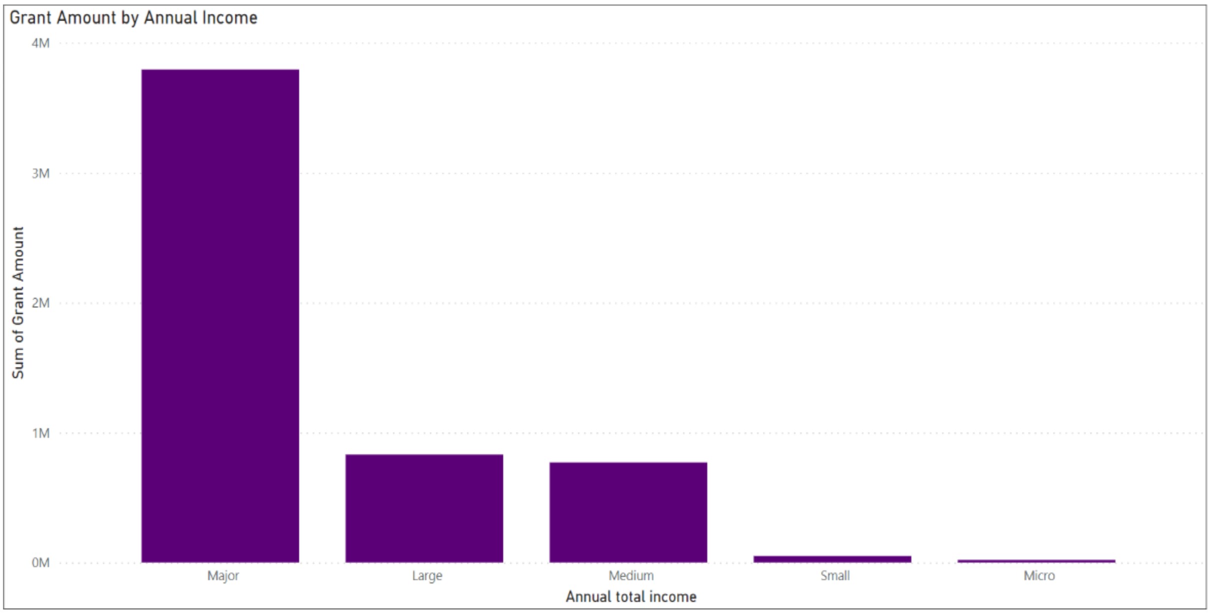
Organisations supported through the EL programme were much larger than organisations typically supported through Access's other programmes and even the wider market, with low BAME leadership, less deprivation-focus than Growth Fund, and a high proportion of deals going to organisations who were already known to social investors and had received social investment previously).

There are, of course, some exceptional circumstances to account for in comparing theGrowth Fund and Emergency Lending Programmes.

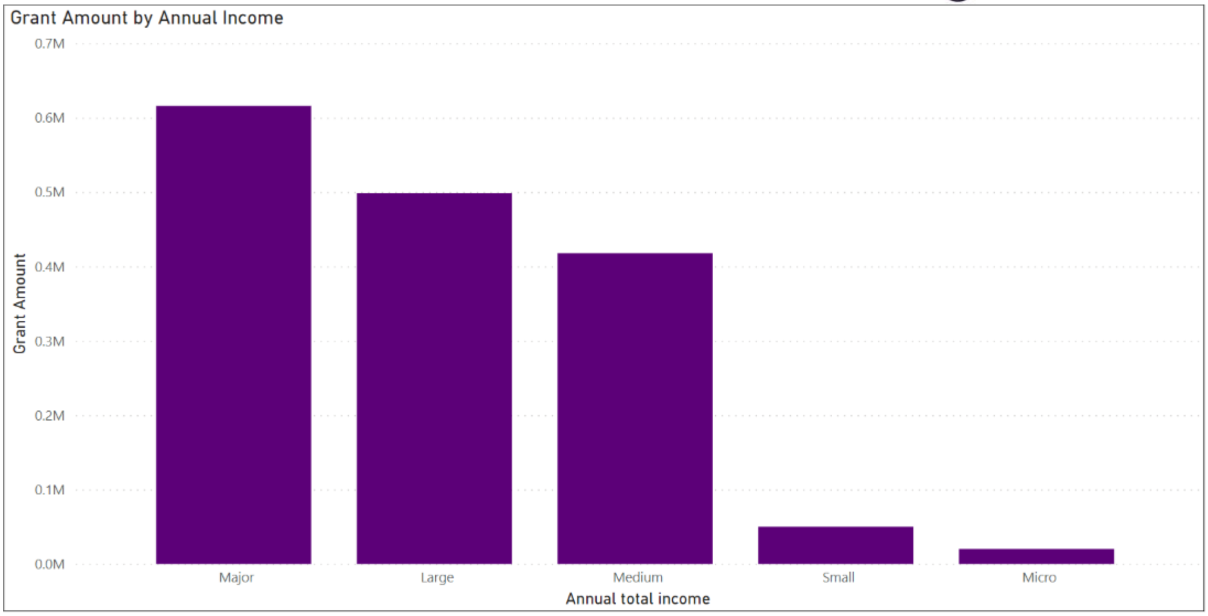
Given the size and activity of the Resilience and Recovery Loan Fund (RRLF), the averages for the whole EL programme are skewed towards RRLF. When removing deals done through RRLF the median annual income drops to £560k, and the average drops to £1.1m. Similarly, the total amount of grant disbursed by size of organisation changes when removing RRLF deals from the mix.

For the purposes of the below graphs, the categorisation of investees by income band uses the following annual income ranges:

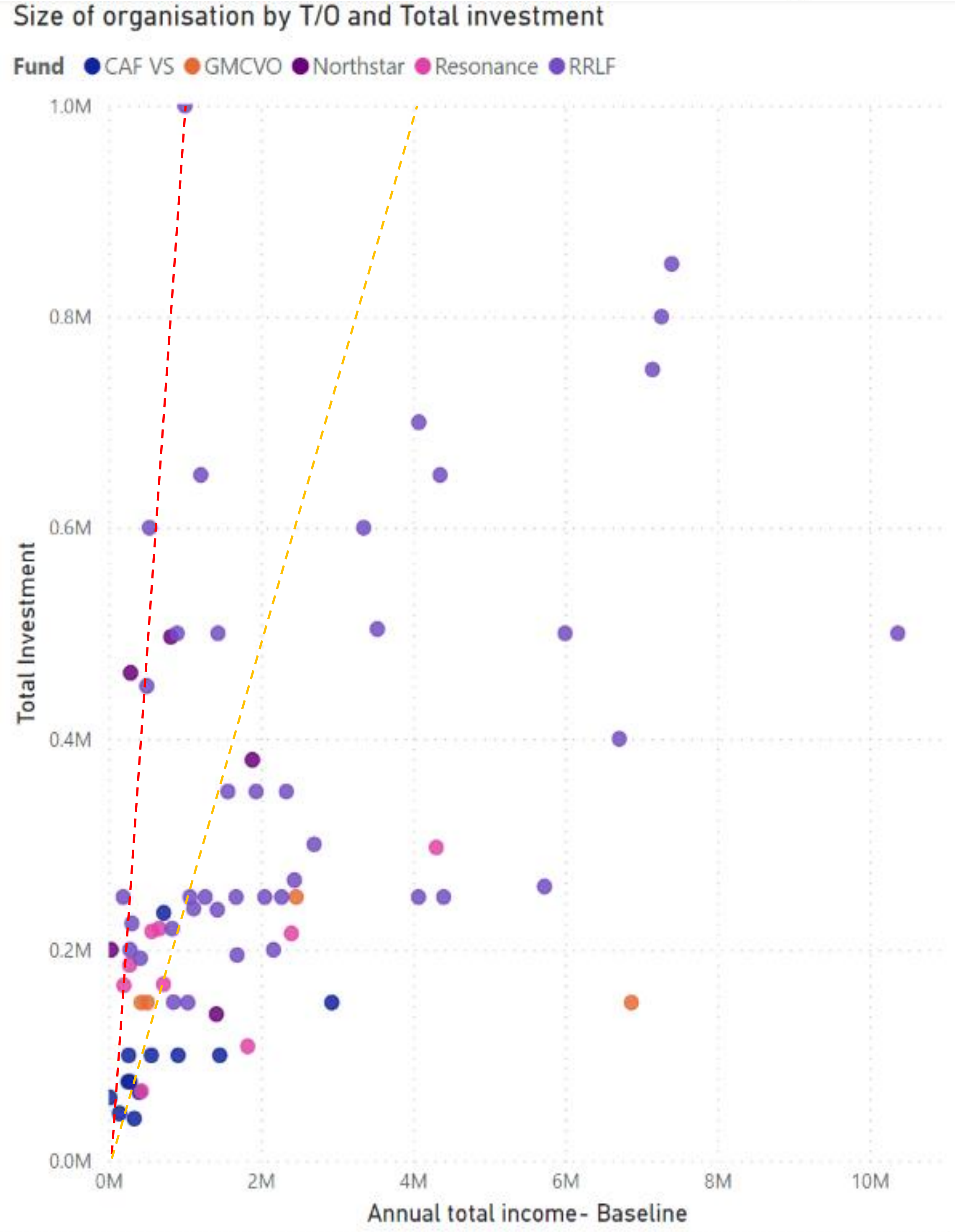
- Micro: 0-£25k
- Small: >£25k- £100k
- Medium: >£100k- £500k
- Large: >£500k- £1m
- Major: >£1m



All funds



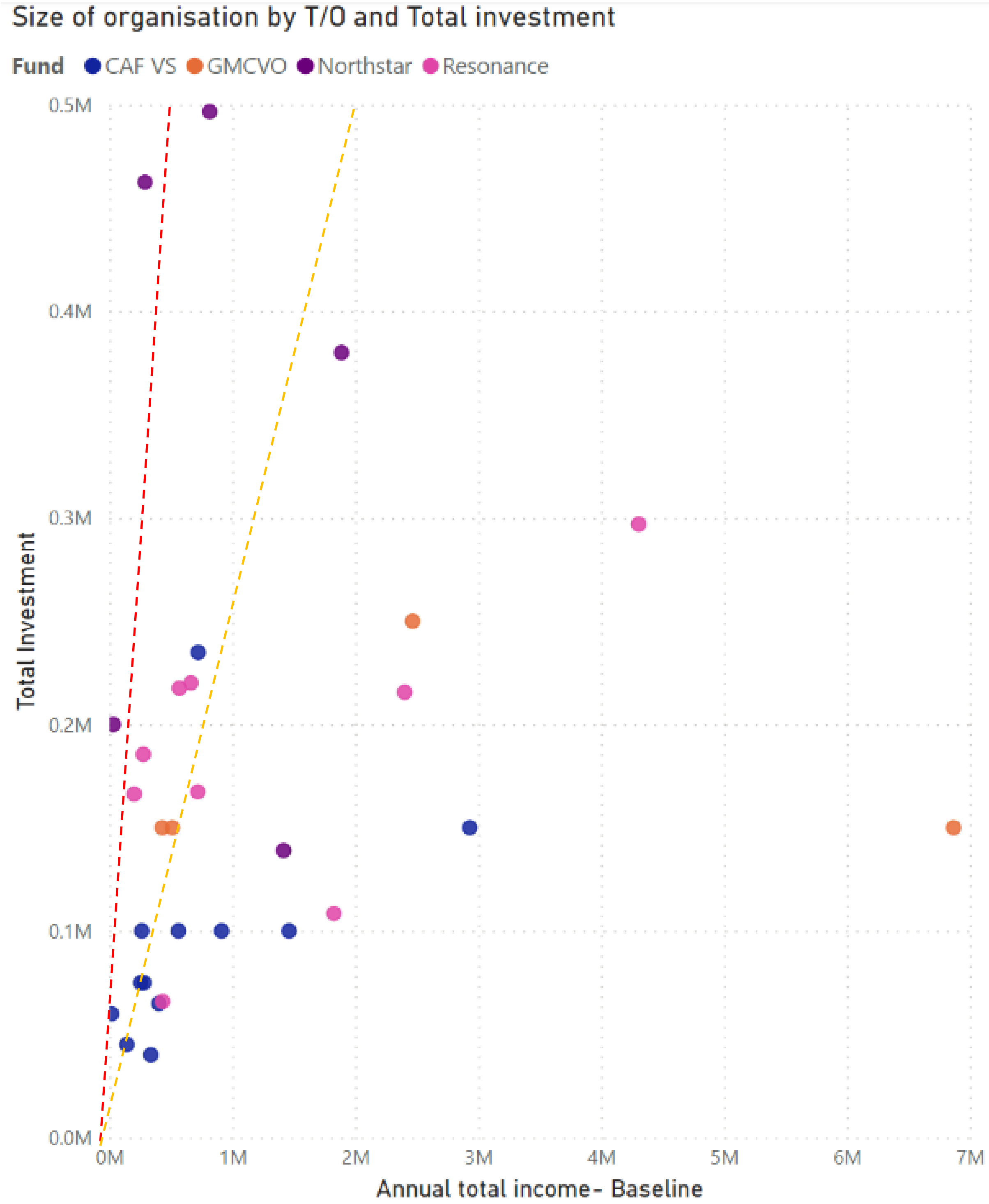
Excluding RRLF



All Funds

As might be expected there is a clear positive correlation between organisation size and amount of investment awarded. The general clustering on the left-hand side of the graph shows that most organisations received investment that was fairly significant in terms of their turnover. Those to the left of the orange line received more than a quarter of their previous annual turnover, and there are a handful (at or to the left of the red line) that received at least as much investment as their previous annual turnover.

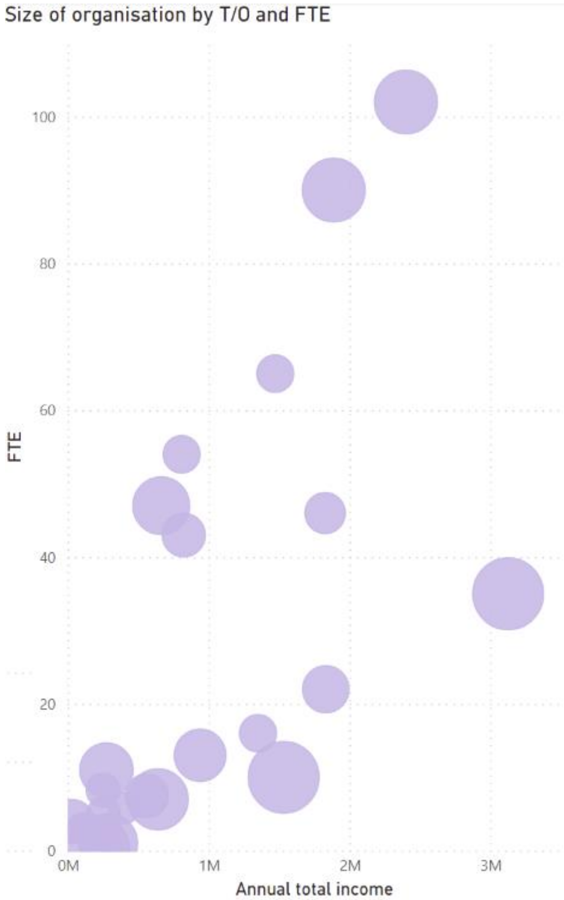
The following graph presents the same data but for the four non-RRLF funds (for ease of presentation).

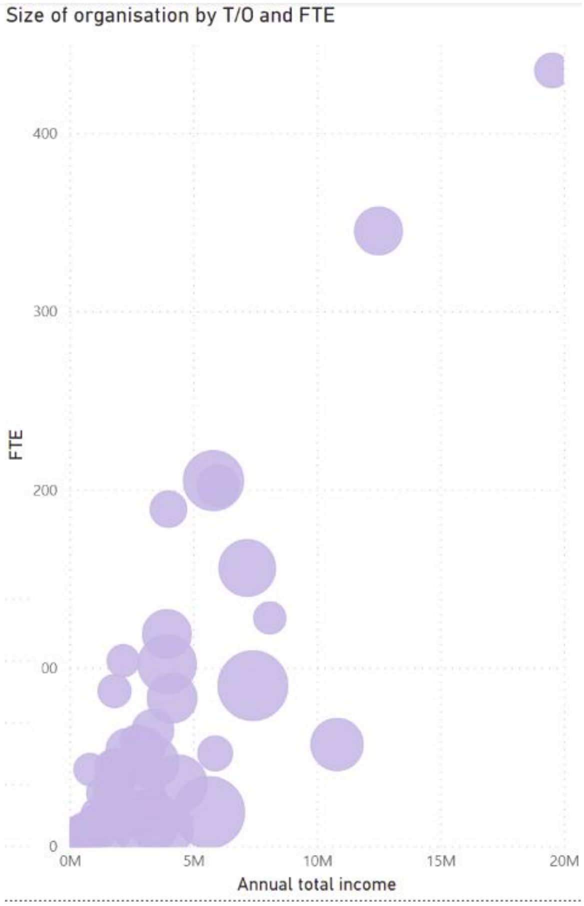


Excluding RRLF

This graph makes it easier to see the differences in investment offered between three of the funds – for the same level of turnover, investments offered were generally lowest by CAF-Venturesome, higher by Resonance, and higher still by Northstar.

The same fund difference on organisation size can be seen when looking at number of employees, with the median being 28.5 full-time equivalent (fte) across all funds, but dropping to 10.5 fte without RRLF deals.





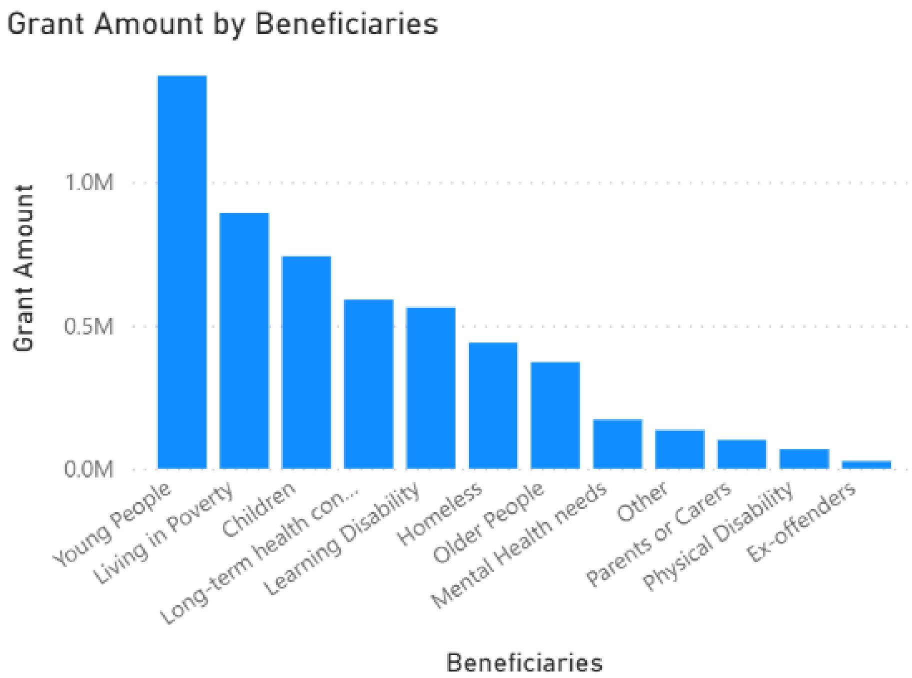
Excluding RRLF

All funds

Outcome areas and beneficiaries:

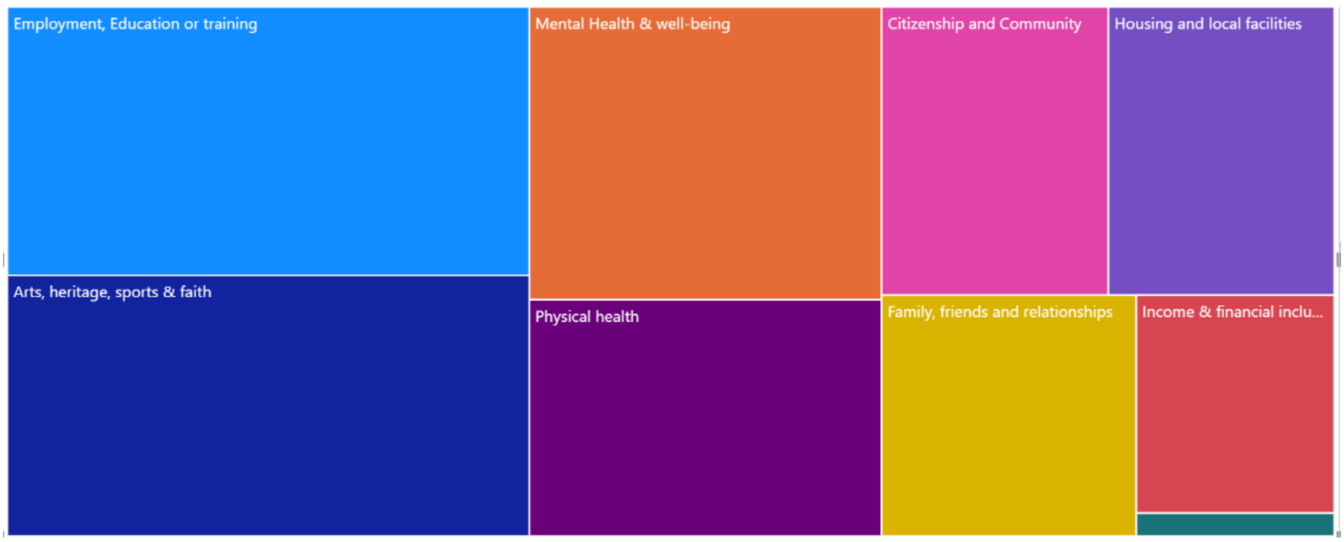
The Emergency Lending social investors targeted charities and social enterprises that operated in a range of sectors. The main beneficiary groups supported (with total grant awarded as part of investment packages) were:

- Young people (£1.37m);
- People living in poverty (£891k);
- Children (£741k).



The most common organisational outcomes supported by social investors in the programme were:

- Employment, Education and training (£1.09m);
- Arts, heritage, sports & faith (£1.06m);
- Mental health & well-being (£803k).



Emergency Lending is the only Access programme to date where *Arts, heritage, sports and faith* has been amongst the top 5 invested social sectors.

Relatedly, the Government's Culture Recovery Fund (CRF) at nearly £2bn was one of biggest support packages available to arts, heritage, sports and faith organisations at the same time as Emergency Lending. CRF was oversubscribed[2] on its grant funds and undersubscribed on loan funds. Sport too, was allocated c. £800m in grants and loans through the Sport Survival Package.

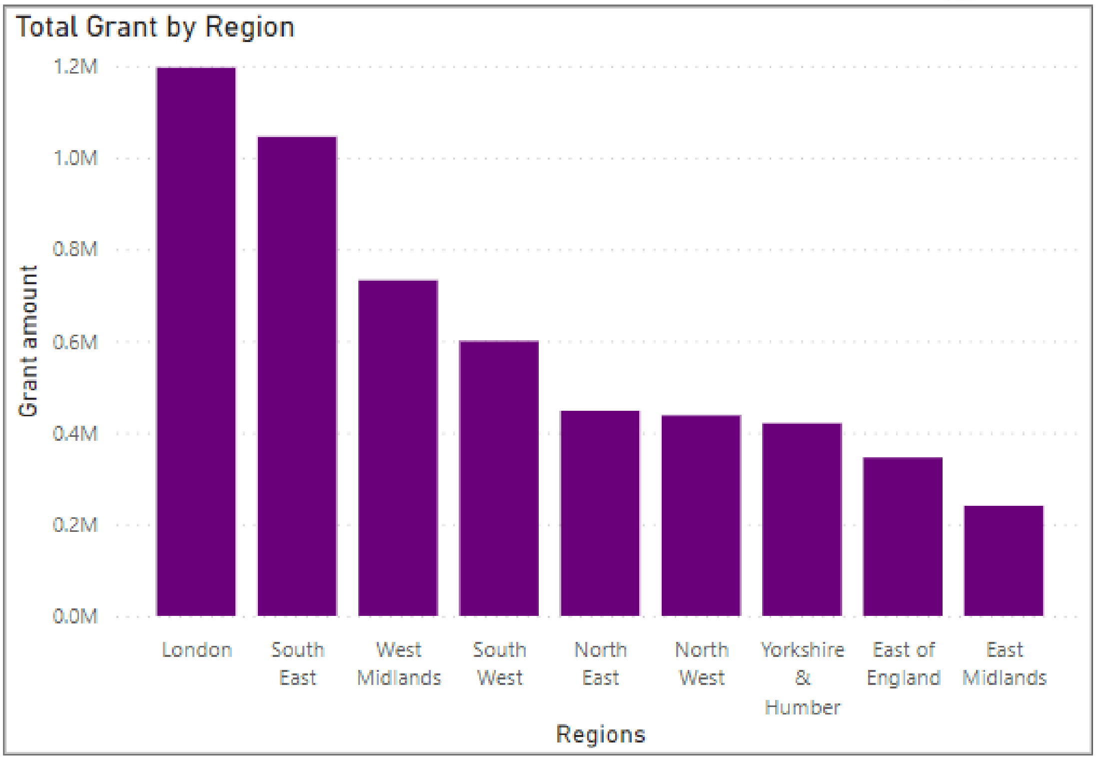
Position	Growth Fund	Emergency Lending	Reach Fund	IMP
1	Employment, education and training	Employment, Education or training	Employment	Physical Health; Mental Health & wellbeing
2	Mental health and well-being	Mental Health & well-being	Employment; Citizenship and community; Housing and Local Facilities	Employment, training & education
3	Physical Health	Arts, heritage, sports & faith	Employment; Citizenship and community; Mental health and wellbeing	Employment, training & education; Mental Health & wellbeing; Citizenship & community
4	Housing and local facilities	Physical health	Employment; Income and Financial Inclusion; Citizenship and community	Physical Health; Mental Health & wellbeing; Family, friends & relationships
5	Citizenship and community	Citizenship and Community	Employment; Physical Health; Mental health and wellbeing	Employment, training & education; Physical Health; Mental Health & wellbeing; Family, friends & relationsh

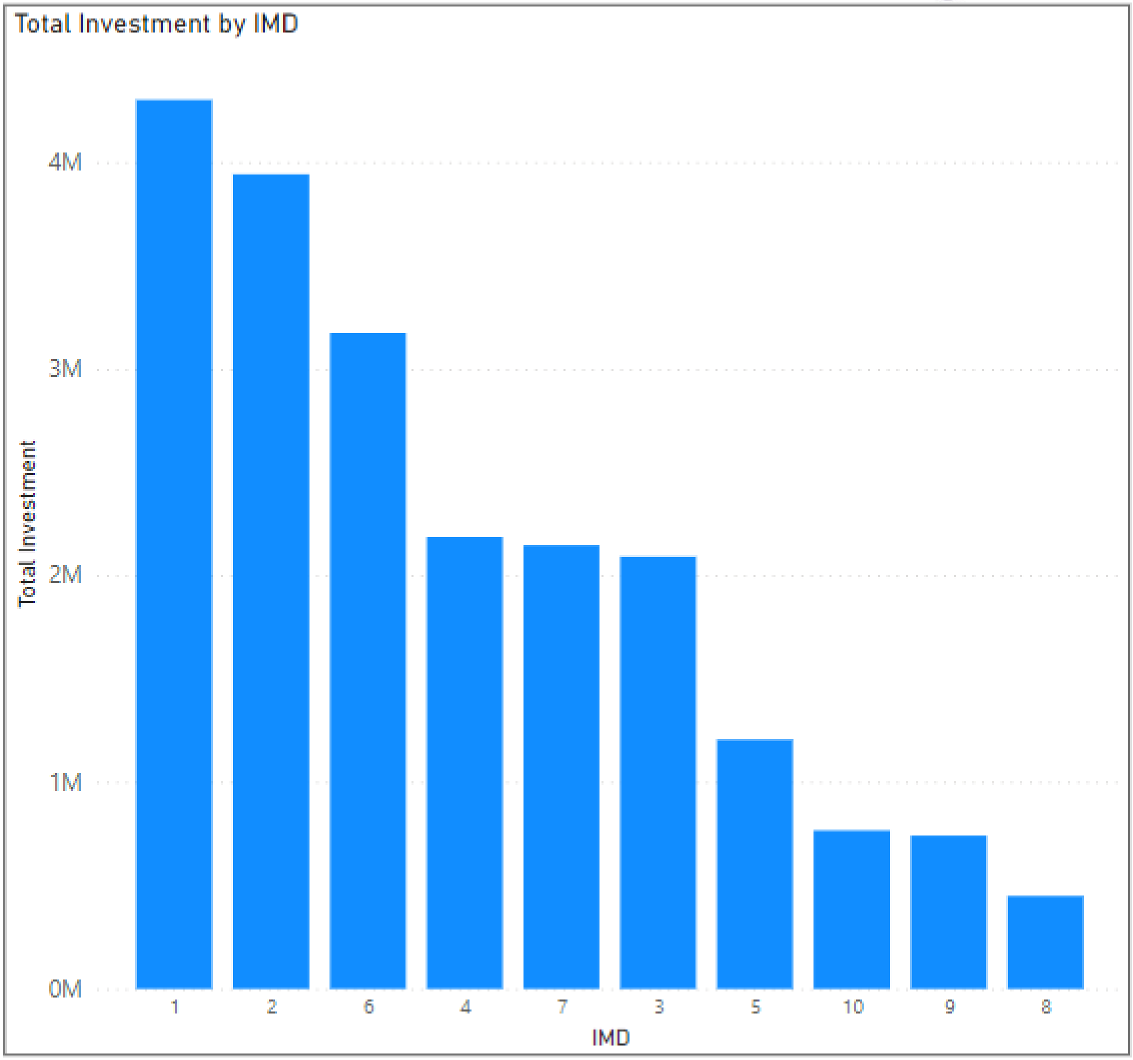
These trends are to some degree unsurprising given the uncertain environment in 2020/21 and the increased pressured in some sectors. Charities and social enterprises operating within those outcome areas often support the most vulnerable beneficiaries and were hit by an increased demand during the pandemic.

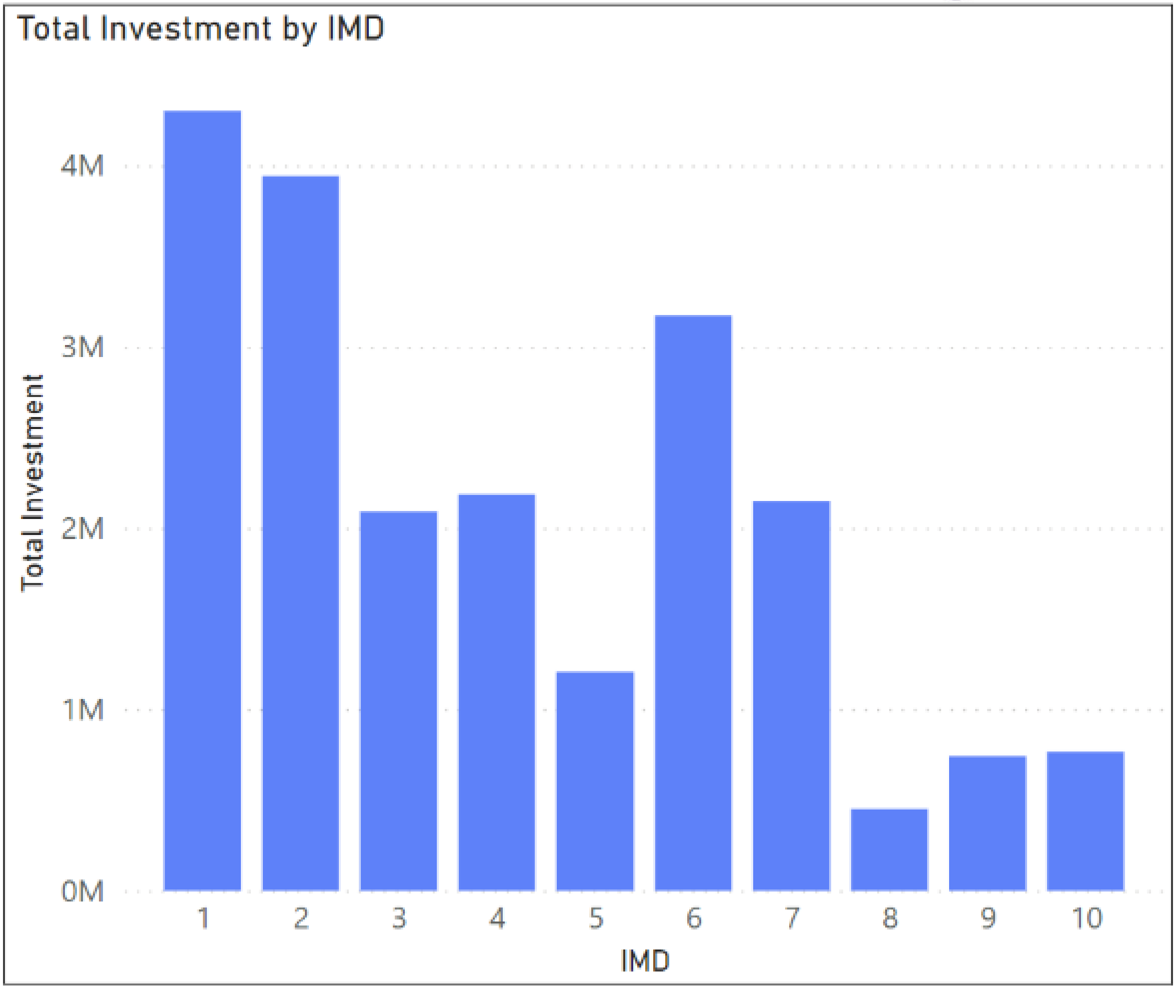
Geography & IMD:

The programme saw a higher concentration of investees in London, perhaps partly due to the programme supporting larger organisations, some of whom will be multi-site but will usually provide their HQ as their address. This compares to the Growth Fund which in the same period (107 investments) saw London being only the fourth-largest region in terms of number of deals (with the South West, North West and South East being the three most prevalent regions, respectively). It is worth bearing in mind that as with all of our programme data, Emergency Lending geographic data does not differentiate between where the organisation is based (ie HQ) and where the actual impact is happening (i.e. project/beneficiaries' location).

[2] https://committees.parliament.uk/work/1136/covid19-culture-recovery-fund/

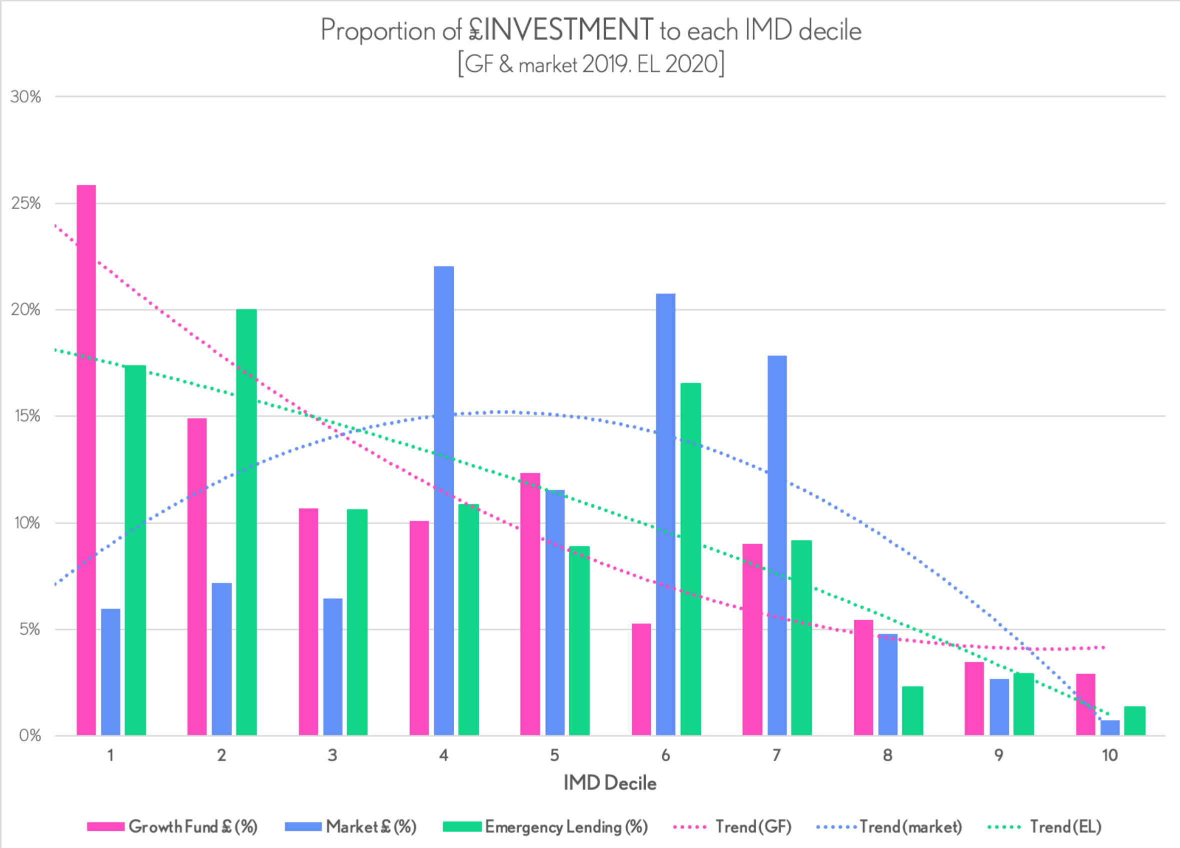

Total Grant by Region
Grant amount
1.2M
1.0M
0.8M
0.6M
0.4M
0.2M
0.0M
London
South East
West Midlands
South West
North East
North West
Yorkshire & Humber
East of England
East Midlands
Regions


Total Investment by IMD
Total Investment
4M
3M
2M
1M
0M
1
2
6
4
7
3
5
10
9
8
IMD



Over 35% of grant and over 40% of loans were disbursed to the 20% most deprived areas in the country.

The distribution of Emergency Lending is not so strongly correlated with deprivation as Growth Fund, however it had a more significant correlation with deprivation than the wider social investment market.



Note: The source of the "market" data is Big Society Capital's Deal Level Data from 2020.

Leadership:

The Emergency Lending Programme tracked data of the leadership of organisations having received support. Our data for leadership characteristics is based on both the composition of the senior management teams and boards. We monitor four characteristics, these being:

- Women-led
- BAME-led
- Disability-led
- LGBT-Led

Please note that the data presented in this report refers to "BAME-Led" and non "BAME-Led" groups reflects on terminology used at the time of data collection and for data standardisation and statistical comparison purposes. This is not intended to reflect personal or community identity.

For an organisation to be considered as led by individuals with the above characteristics, the total of both SMT and board members needed to exceed 50%.

Over the active phase of the programme, of the total £5.46m in grants deployed:

- £140k of grants (2.6%) were deployed to BAME-Led organisations through 3 awards (vs. £5.32m considered as non BAME-Led)
- £2.61m of grants (47.9%) were deployed to Women-led organisations through 34 awards (vs. £2.85m)
- £580k of grants (10.6%) were deployed to Disability-led organisations through 5 awards (vs. £4.88m)

- £150k of grants (2.7%) were deployed to LGBT-Led organisations through 2 awards (vs. £5.31m)

When looking at the average grant size for:

- BAME- Led organisations is £46,670 compared to £79,470 for non BAME-Led
- LGBT-Led organisations is £75,000 compared to £78,150 for non LGBT-Led
- Women-Led organisations is £76,890 compared to £79,170 for non Women-Led
- Disability-led organisations is £116,000 compared £75,150 for those classified as non Disability-Led

Overall, the performance on leadership diversity had a disappointing level of reach and could be a consequence of setting up the programme quickly. The above also highlights the structural and systemic barriers minoritised communities-led group face when trying to access social investment.

Access was aware of this deficiency at the time and worked with Social Investment Business and Power to Change to launch a report identifying how as funders we aimed to improve performance in the future.[3] Access programmes since have taken a more deliberate approach to removing systemic barriers, and it is hoped that reach will increase accordingly. This is being closely monitored. The "Flexible Finance for the Recovery" programme which was launched by Access a few weeks later and was designed to be a longer-term market response, was specifically designed to remove barriers to accessing finance for organisations led by diverse leaders, this being one of three pillar requirements of social investors applying to the programme. Under that programme some social investors have decided to target their entire Flexible Finance fund at reaching underserved groups. This includes the Recovery Loan Fund (RLF), the successor to RRLF and also led by SIB which will only use grant from that programme to support investments to organisations which are black and minoritised-led.

Previous social investment:

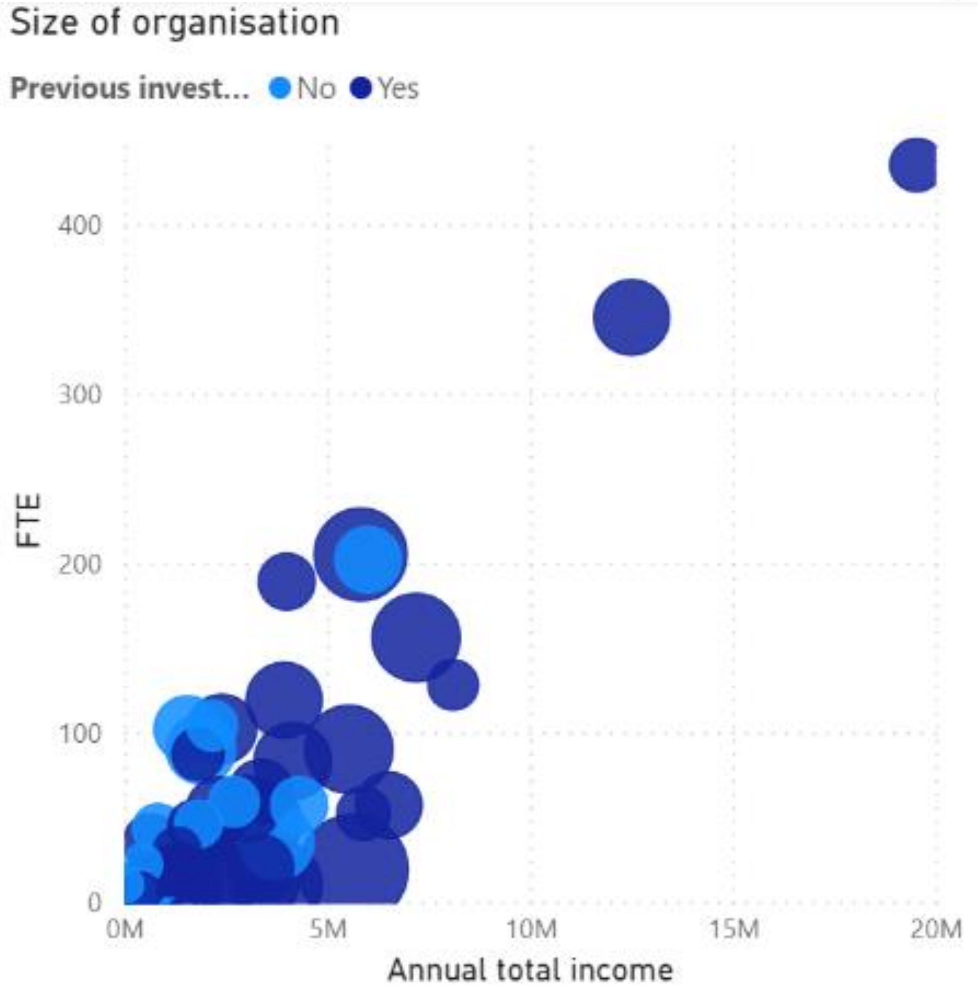
Only a minority of investments (29% - 20 out of 70) went to organisations that self-reported having not received previous social investment from any source.

These 20 organisations tended to be smaller in size than the 50 organisations reporting to have received social investment previously. Organisations that did not receive any previous investment had an average annual income of £1.41m compared to £2.66m for those that had. This difference is also reflected in the average grant and loan amount received with:

- £61k average grant for organisations reporting no prior social investment compared to £85k average grant for those reporting some
- £169k average loan compared to £243k

Organisations tend to be smaller in size when taking on social investment for the first time than those who have before, similarly if investees have had access to investment in the past (and assuming paid it in full) they are more likely to be able to access larger investment.

[3] https://www.sibgroup.org.uk/wp-content/uploads/2022/06/PTC_3812_Minoritised_Ethnicity_Report_FINAL_0.pdf


Size of organisation
Previous invest... No Yes
400
300
200
100
0
FTE
0M
5M
10M
15M
20M
Annual total income

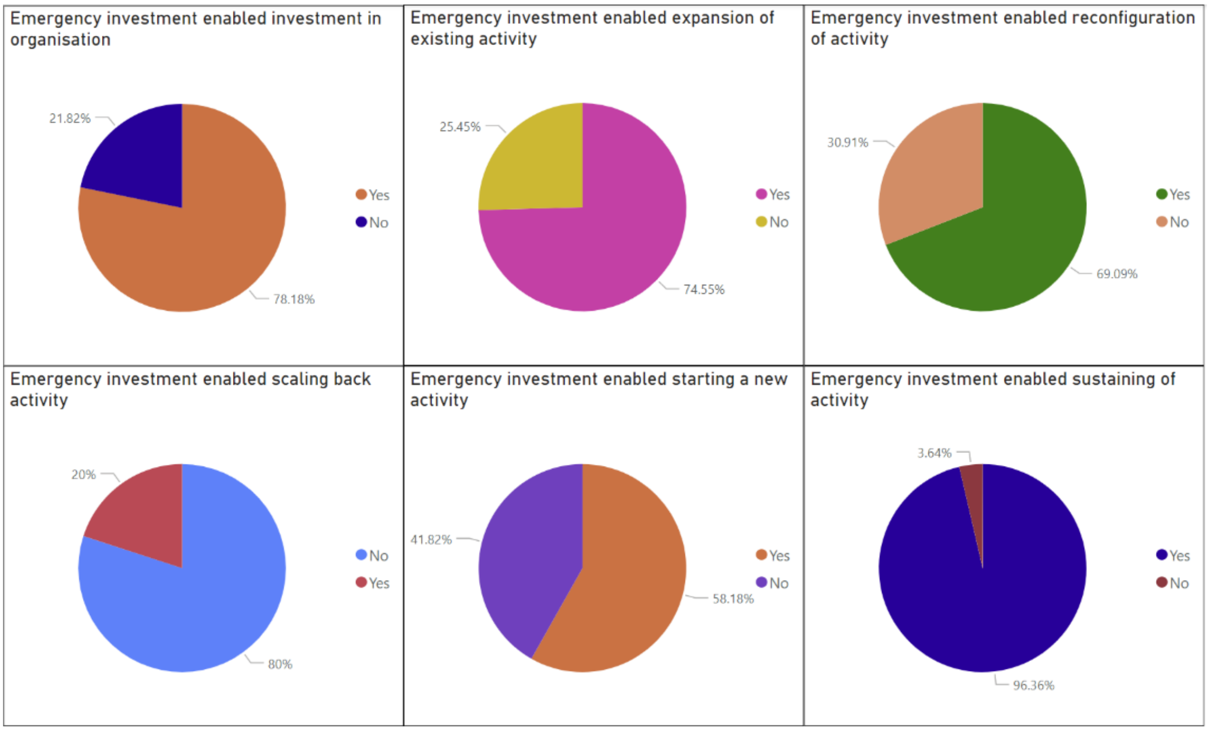
4b. 12 month follow on/ impact of the programme

The programme monitored investees 12 months after deployment including self-reported changes to organisations and resilience as well as key financial and organisational metrics. This information was gathered as part of routine grant monitoring via the social investors, not via external evaluation. It is worth highlighting that it is challenging to determine any impact with the 12-month monitoring information, therefore these findings are for illustrative purposes only.

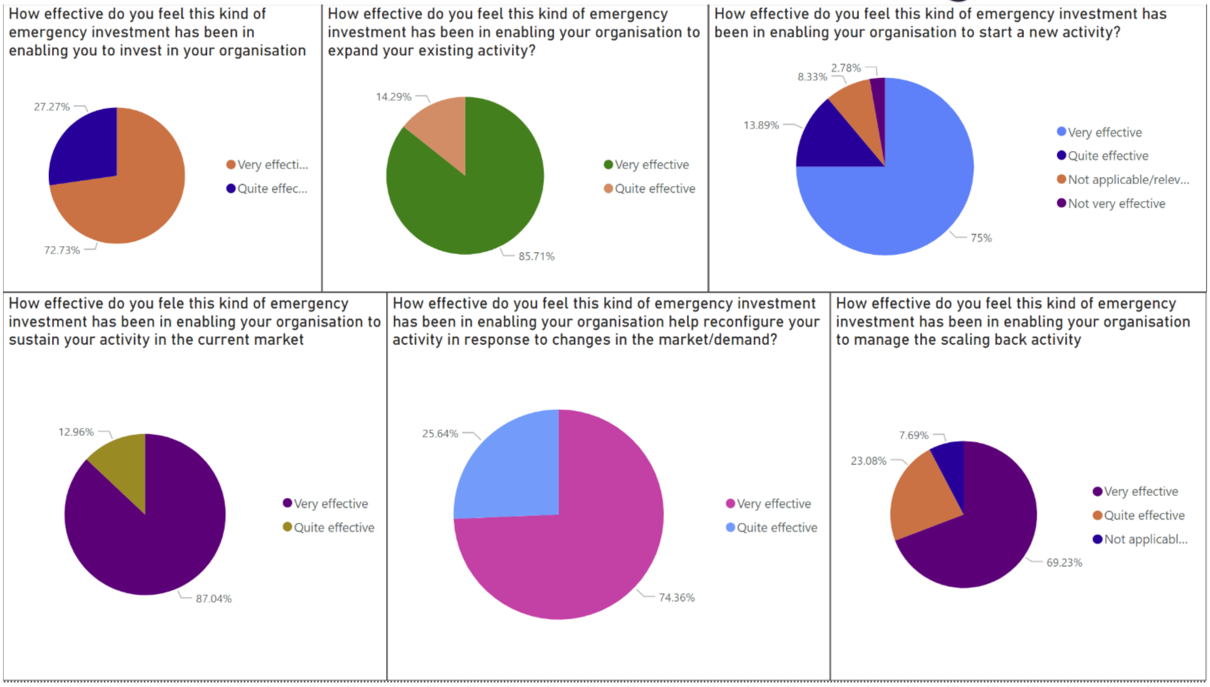
Self-reported changes to organisations:

The majority of investees reported the emergency investment having supported them to expand, reconfigure, sustain or start a new activity. Originally we had assumed this intervention would support organisations to either sustain, reconfigure and/or scale back their activities rather than expand an existing or start a new activity.

- 78% of organisations reported the emergency investment helping them to invest in their organisation
- Only 20% of organisations reported the emergency investment helped them to scale back their activities, the least frequently cited use of investment. This is perhaps surprising given the pressures of the pandemic
- 58% of organisations reported the emergency investment helped them start a new activity;
- 96% of organisations reported the emergency investment helped them sustain their activity.



We also asked for the self-reported (and perceived) effectiveness of the support. Most organisations qualified the emergency investing as being very or quite effective in the different categories listed above.



Organisations were given the option to rate the effectiveness of the investment, and could choose between:

- Very effective
- Quite effective
- Not very effective
- Not at all effective
- Not applicable/relevant

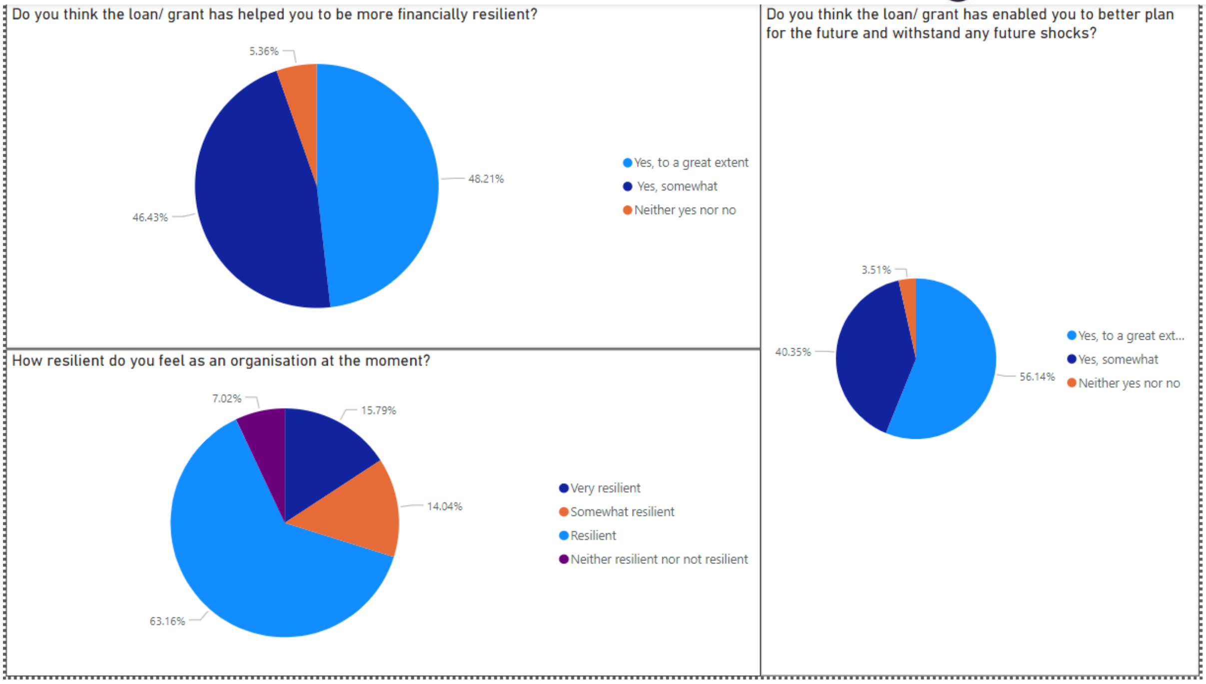
Similarly, they could rate their capacity of withstanding future shocks and their financial resilience:

- Yes to a great extent
- Yes somewhat
- Neither yes nor no
- No

As well as their overall organisational resilience:

- Very Resilient
- Resilient
- Somewhat resilient
- Neither Resilient nor Not Resilient
- Not Very Resilient
- Not at all Resilient

12 months after receiving the emergency investment c. 95% of responding organisations reported the loan/grant having helped them to be more financially resilient either to a great extent or somewhat.



Overall 79% of organisations reported now feeling either very resilient or resilient, 14% somewhat resilient, 7% feeling neither positive nor negative in this regard. None reported feeling not at all resilient.

Financial health of organisations 12 months on:

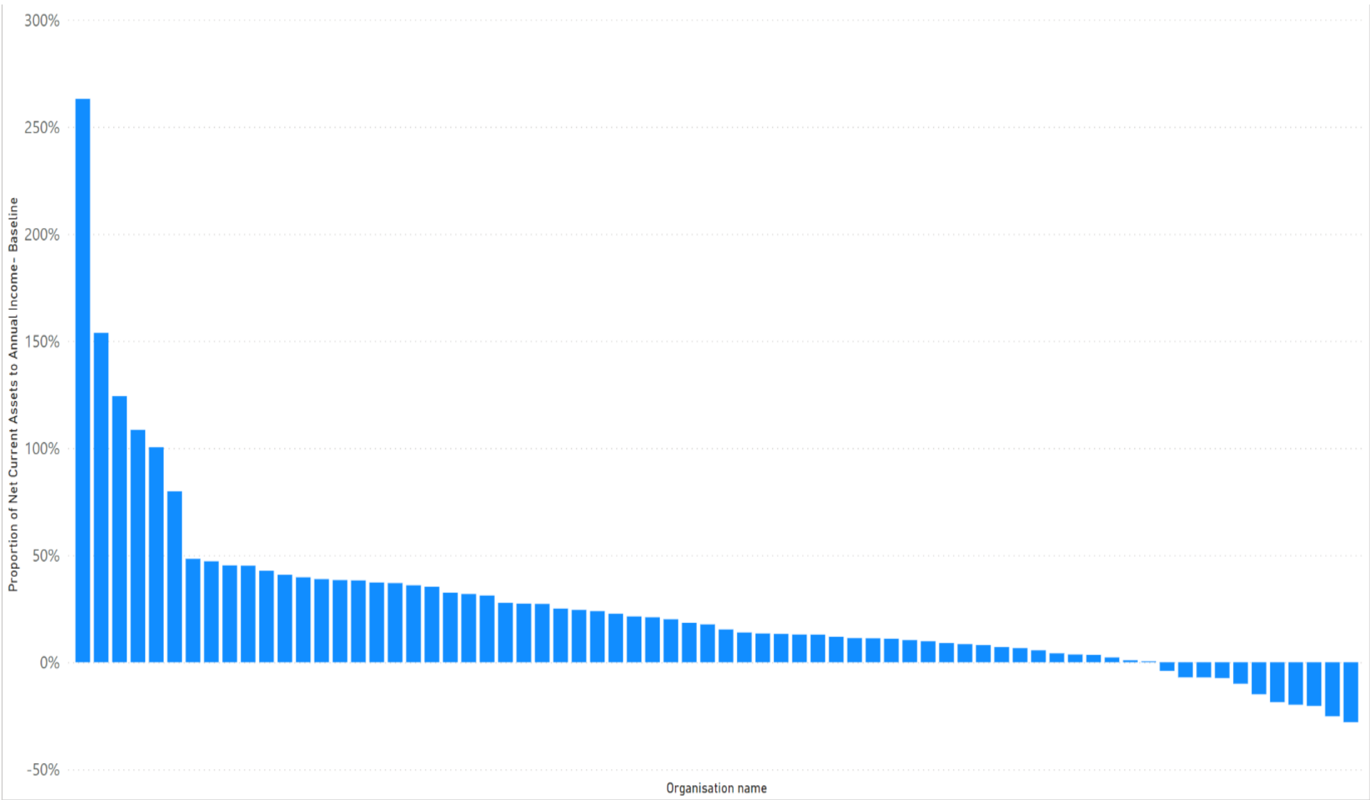
The programme tracked three key financial metrics for every investee (Total Net Assets, Net Current Assets, and Annual Total Income) both at the point of investment and 12 months after deployment.

Net Current Asset to Annual Income ratio

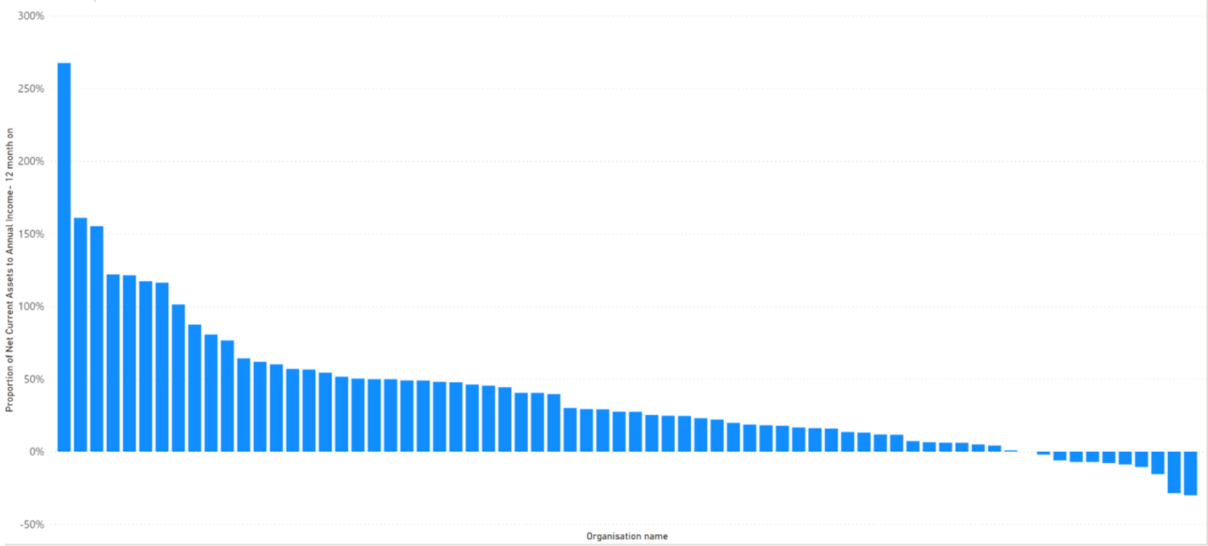
- The majority of organisations (84%) reported a positive net asset to annual income ratio at the point of investment, with the rest reporting a negative ratio (16%). With the median Net Assets to Annual Income ratio being 17%.
- 12 months after their initial deployment a higher proportion of investees report a positive net current asset position to annual income ratio (86%) with 14% report negative ratio, it is worth noting that the median net current asset ratio is 27%, effectively equating to a reserves position of just over three months.

Between the point of investment and 12 months after deployment 24% of organisations saw a deterioration of their short-term liquidity, whilst 73% saw an improvement, indicating a slightly stronger and more liquid set of investees.

Similar improvement profiles are seen for net current assets and total net assets between the point of investment and 12-months on. The graphs show net current assets as a proportion of turnover before and after (a very similar pattern would be shown by equivalent total net asset graphs). They show, for example, that at the point of investment only 6 of 70 investees (9%) had net current assets totalling more than half of turnover, but this had grown to 23 of 70 (33%) a year after investment.



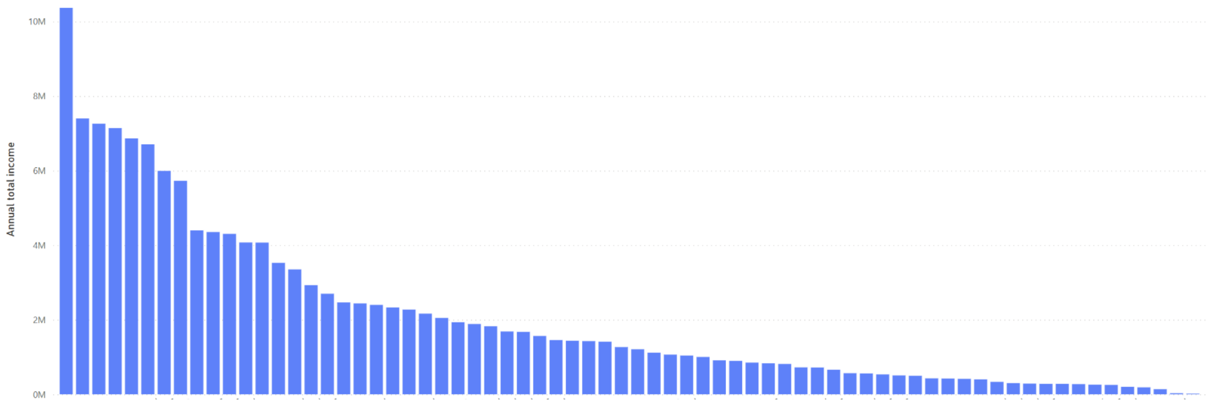
Net Current Assets to Turnover ratio at Baseline



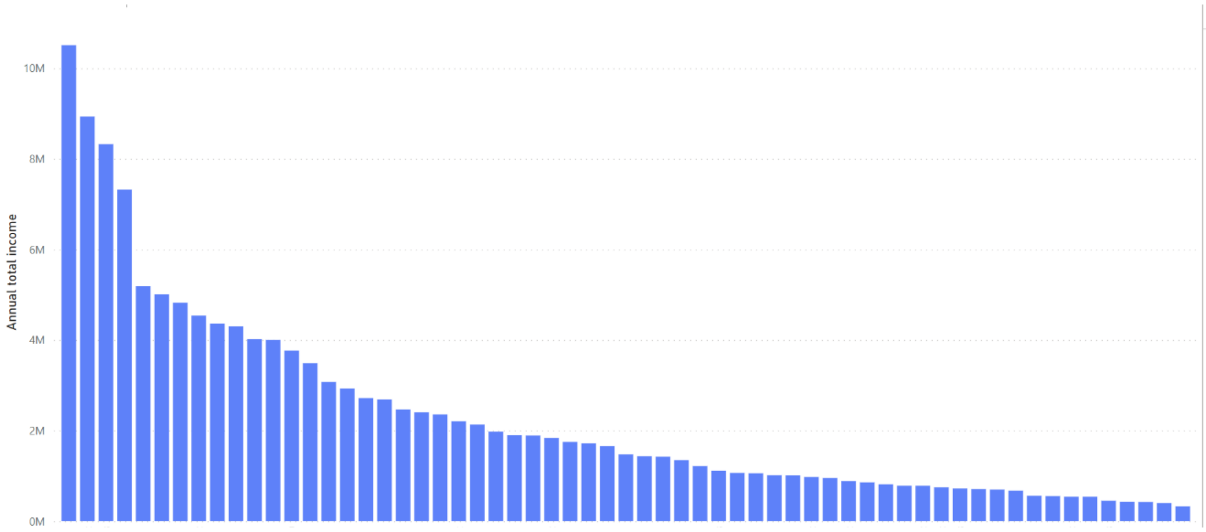
Net Current Assets to Turnover Ratio- 12 months on

Turnover

Between 2020 and 2021, most organisations (57%) saw an increase in their income, 34% experienced a loss of income whilst 9% of organisations had their income stay at the same level.



Annual total income- Baseline

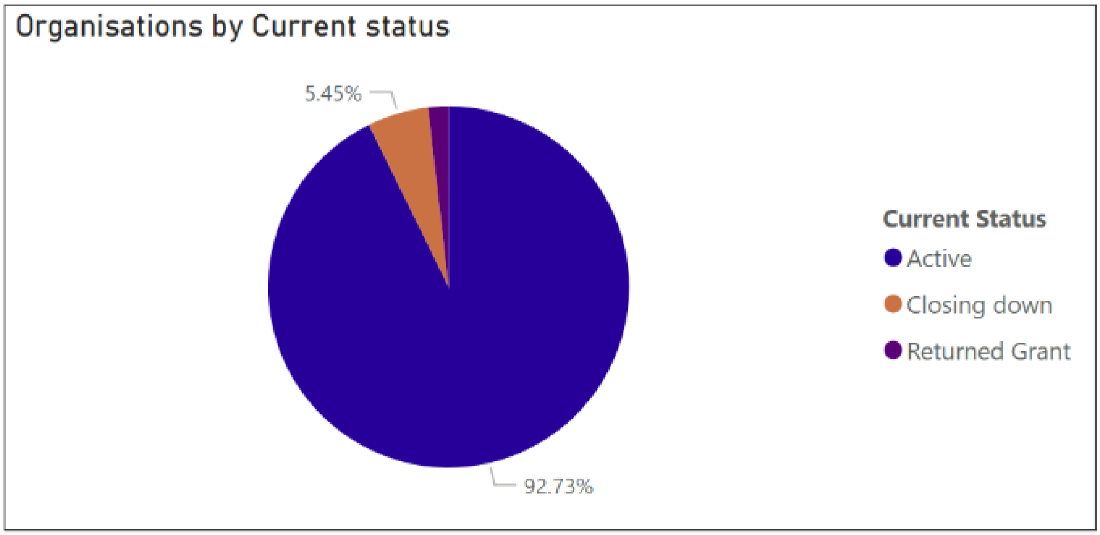


Annual total income- 12 months on

Overall, the trend across both of these financial metrics is positive, with most organisations seeing an increase in their resilience metrics 12 months after deployment, with most organisations seeing an increase in both income and net current assets

Finally of the 70 organisations that received support through the programme, three of them are known to be in the process of closing down. The anecdotal feedback as to the reasons these organisations are closing are linked to:

- Cost of living and inflation affecting organisations working in the hospitality industry; and
- Organisations over-reliance on a single source of income.



Furthermore, of the 70 organisations supported through the programme, only one returned the grant in its entirety. Their investment was for property improvements and renovations, which couldn't go ahead due to increases in costs of materials and challenges with supply chains, rendering the project unviable.

In addition to analysing financial data a year after investments were made, we also asked investors and investees to complete a short survey at that point, asking for reflections on what the investment, and (given that the vast majority of investments were blended loan and grant packages) what the grant element had meant for the organisation. This survey had a high rate of completion with 58 responses received.

- 22 responses directly mentioned the effect of the investment on their financial health. Although it might have been expected at the start of the programme that the most prevalent effect on an organisation was to ensure survival, these 22 survey responses suggest that this was not universally the case:
  - 10 of these actually cited growth, sometimes rapid growth, that had been achieved even in the teeth of the pandemic. For some organisations the pandemic presented opportunities and the investment allowed these to be seized.

    "[enabled us to] accelerate plans to expand"

  - A slightly smaller number (8) quoted survival as being the outcome of the investment.

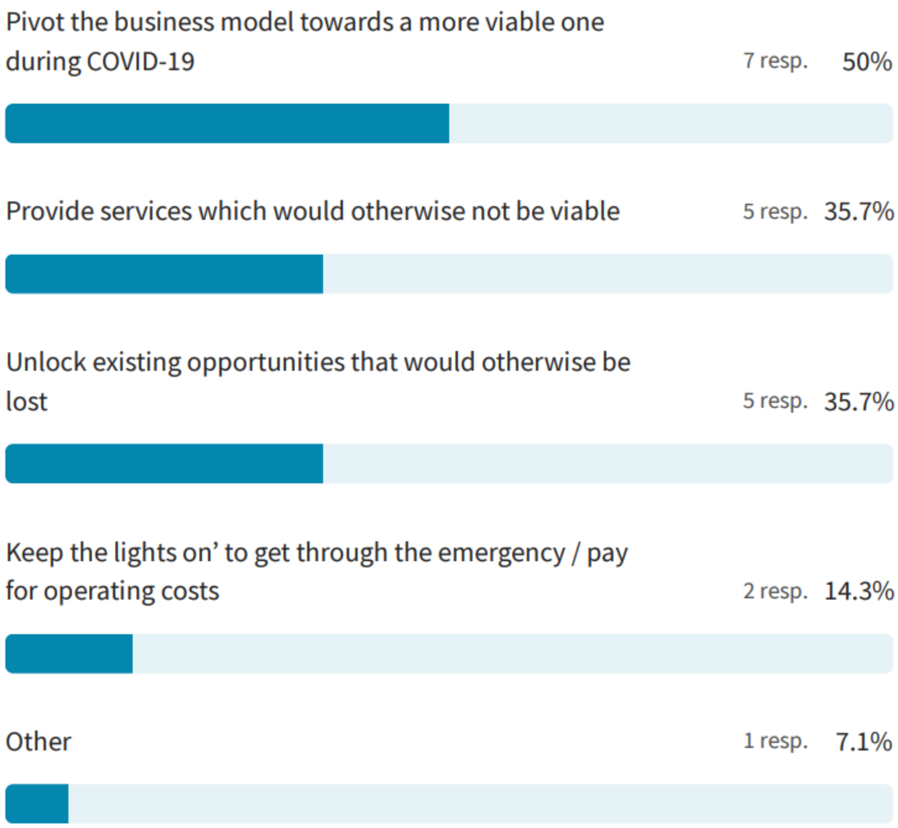
    "without [the investment] we would be in a dire financial situation"; "helped demonstrate

going concern in order to sign off the statutory accounts"

- 4 indicated that the investment helped to secure the organisation, but talked in terms of stabilisation rather than survival

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

A separate survey conducted on a sub-set of Emergency Lending investees found a similar result:



- For a significant proportion (9) the effect of the investment was actually to ensure that vital services were maintained rather than mothballed, an ability to continue trading providing both financial and social benefits. In some cases this referenced the ability to continue to deliver services under contract to the public sector.

  "help[ed] us avoid suspension of membership and swim school income"

- A common word used (7 responses) was "confidence". At a very uncertain time investment seemed to keep organisations together and avoid knee-jerk decisions about reductions. Often this was mentioned in relation to levels of confidence amongst board members .

  "hugely influential in giving us the confidence to push ahead with product development"

- A similar number (7) used the opportunity of lockdown and the availability of affordable investment to make adjustments and refurbishments to assets, in order that they could re-open with improved facilities once the situation changed. Projects ranged from minor adaptations and overdue refurbishment through to significant environmental improvements and even new purchases, with the presence of grant making the investment feasible.

"…..enabled us to complete the refurb works and open earlier."

- A number of other individual benefits were also cited in 12 cases. For example, one explained that maintaining trading had avoided the need to utilise the furlough scheme, saving significant money for the public purse. Another had used furlough but needed to cashflow the element of salary costs not covered by the scheme and thus retain all staff rather than issuing redundancies. In one case investment supported a leisure centre to be transferred from a struggling organisation and kept open.

4c. What we've learned about blending in this way and the difference subsidy made

Analysis of the quantitative and qualitative data, together with internal conversations with investors and external interviews and a process review, lead us to reflect on the follow lessons regarding the provision of blended finance in a crisis:

1. 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 in just a few 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. The 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)*

   "[The] gestation period for investment is long, hence why most [of our] deals were in the pipeline already." (Fund Manager)

2. 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 (and 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 meet an emergent need, and the majority of the resource set aside for the programme was deployed.

3. 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. As discussed above, 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. Similarly, 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 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 organisations to strengthen their financial position.

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

5. Despite these elements of difference from how the programme might have been expected to progress, Access is **confident that Fund Managers applied grant carefully and efficiently**, and that it allowed investment to flow that wouldn't otherwise have. Fund Managers were generally managing a finite grant pot as part of a wider investment pipeline and were encouraged by mandate, but also practically incentivised, to apply grant only to the extent required to de-risk investments. Reviewing the investments made without grant, and the responses provided in the "12-months on" survey for those which did have grant, it is clear that the grant played a vital role. We are confident that in the vast majority of the 70 cases, Access grant allowed finance to flow to organisations that simply would not have been viable and would not have received loan finance at all at a crucial point of the pandemic
   "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)

5. Case studies

Organisation: **Chanctonbury Community Leisure**
Based: **Sussex (South East)**
Investment: **£150k (£100k loan, £50k grant)**
Investor: **CAF-Venturesome**

Chanctonbury Community Leisure is a health and wellbeing charity that operates a community leisure centre in Storrington, West Sussex. 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. The café is open to all, providing a warm space and free Wi-Fi (they are listed as a warm space with their local parish council and are part of the chatty café scheme). They host a number of local community groups – for example there is a Nostalgia café every third Thursday for people living with dementia and their carers, a book club and a bereavement café.

Organisation: **Autism Plus**
Based: **Sheffield (Yorkshire and Humber)**
Investment: **£480k (£340k loan, £140k grant)**
Investor: **Social Investment Business (Resilience and Recovery Loan Fund)**

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.

6. Conclusions and Recommendations

From our experience of the process, discussions with Fund Managers, and the quantitative and qualitative reviews undertaken, we would draw the following conclusions about applying grant capital into blended funds in an emergency setting:

Added value can be built and retained through rapid response

Access adopted different and more rapid processes for this programme, and this required social investors to react quickly in turn. Grant was committed quickly as blend into funds which allowed emergency finance products to be available in the market which weren't available from any other source. Access developed partnerships with two social investors we had not worked with before, and in at least one of these cases the experience has led the investor to continue to pursue a blended offering following the programme's conclusion. Although there was not the time to follow usual consultation, design and delivery processes, the programme created significant value for Access, fund managers and the charities and social enterprises that received support, beyond just the provision of finance.

Blended grant can still be deployed effectively and efficiently, even at pace

We can be confident that in the main grant available from the programme was deployed well, both getting to the places needed and done in a cost-effective way. Decisions about allocation of grant into blended funds both at the wholesale level (into funds themselves) and at the retail level (from funds to charities and social enterprises) were expedited, recognising the circumstances of the pandemic. These processes normally make clearer the precise mandate and decision making requirements behind grant allocations. In this programme there was a high reliance on trust and real-time adaptation. The combination of robust processes within selected fund managers, and the balance of available grant and loan resources, ensured that grant was used where it was needed to make a loan viable from risk or affordability perspectives, and was not used where it was not needed.

Rapid design and delivery can nevertheless have downsides

Without the usual consultation and design processes, and without the time to analyse the specific market need in the early stages of the pandemic, the programme ended up with fewer participant fund managers and less variety than we would normally see. Only five social investors were able to respond and take part, and the use of grant was more unified and less nuanced than other Access' programmes, where the available grant can be used to solve multiple problems at different levels of fund delivery. Products were (inevitably, and appropriately) simple and straightforward, and the grant did not interact with other capital in ways that changed the nature of the underlying product or allowed even more capital to flow. Rather it acted to allow existing or planned products to be viable in a greater number of cases. A key design feature of Access programmes is usually an intention to ensure reach, and filling gaps in underserved markets. The Emergency Lending programme had a different profile, reaching larger organisations, with stronger balance sheets, and those more likely to have received social investment previously. A very small proportion (2.6%) of grant values flowed to organisations that are black and minoritised-led. It is difficult to assess the extent to which a different reach profile might have been achieved had the programme had a little more time to consider issues of market demand and design, but it is possible that it would. One of the Emergency Lending delivery partners (Social Investment Business) carried out their own more detailed analysis of their portfolio in this regard.

A crisis response must expect to be flexible and adaptable

By their nature, crises are fast-moving and any response will launch alongside and prior to other responses. With multiple sources of support becoming available, both from the public sector and third sector, the Emergency Lending programme found its niche and delivered its value in areas that we might not have predicted at outset. Also the timeframes for the programme needed to shift as the nature of the pandemic and different phases of lockdown progressed. Access needed to accept that some of the parameters of the programme needed to change in order to ensure that the investment it facilitated could flow in a timely fashion to organisations that needed it, but we also needed to ensure that it remained true to its ultimate purpose, of providing short-term finance for organisations that couldn't acquire finance from elsewhere, and for purposes that required a short-term and rapid response.

A strong crisis response relies on trust and prior network capital

Other open-access Blended Finance programmes that Access has facilitated have had more social investor participants than the Emergency Lending programme had. This was partly a function of its size, as it had a smaller allocation of grant capital than those other programme, but was also due to the maelstrom within which the programme was launched, and the speed with which Access required fund managers to respond to the opportunity. The delivery path of the programme left little room for design, market research or extended outreach, and in order to participate fund managers needed established processes and existing connections to charities and social enterprises seeking capital. Nevertheless the programme did support some innovations, particularly in relation to the partnership created to deliver RRLF, and the use of government loan guarantees in social investment. Although the Emergency Lending programme attempted to create processes that were as simple as possible, in order to generate momentum rapidly, a great deal of complexity still needed to be managed by partners in a short space of time. The sector pulled together strongly, and the prior connections in the social investment market, further enhanced by the work of the Social Investment Forum during the early stages of the pandemic, were crucial but largely invisible elements that underpinned the successes that the Emergency Lending programme achieved.

18 months on from the deployment of the last blended investment facilitated by the Emergency Lending programme, Access remains very grateful to the five social investors that helped to delivered it and support the 70 organisations that it provided with crucial and timely finance during the first difficult year of the pandemic.