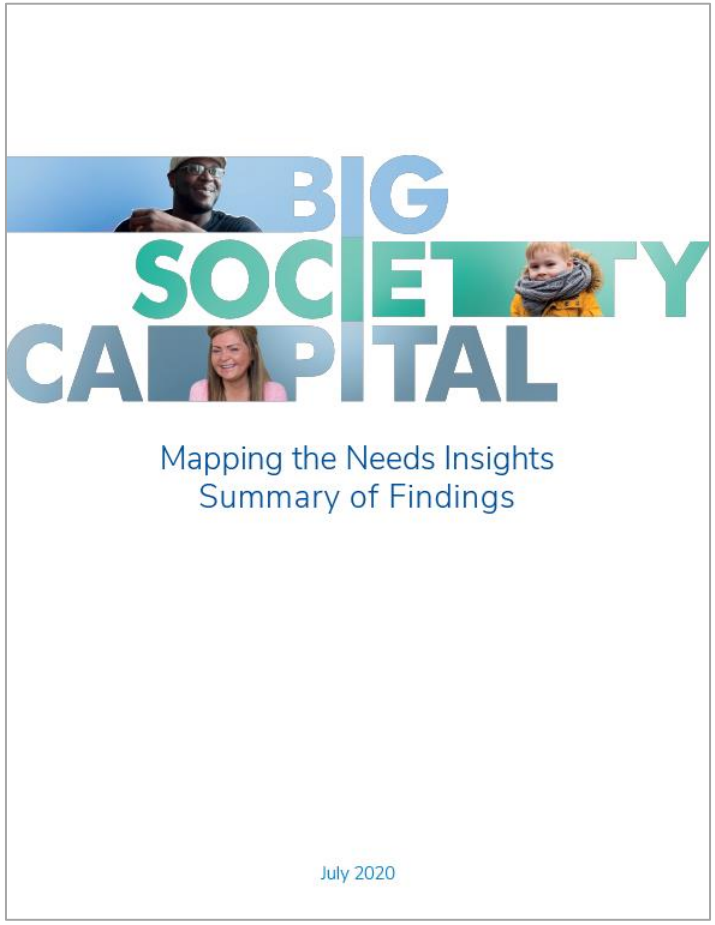
Mapping the Needs: Emerging Insights & Conclusions

Data as at 20 July 2020

Outputs from a range of partner-working and key inputs from wide range of organisations

Mapping the Needs: Emerging Insights & Conclusions

Summary of Findings



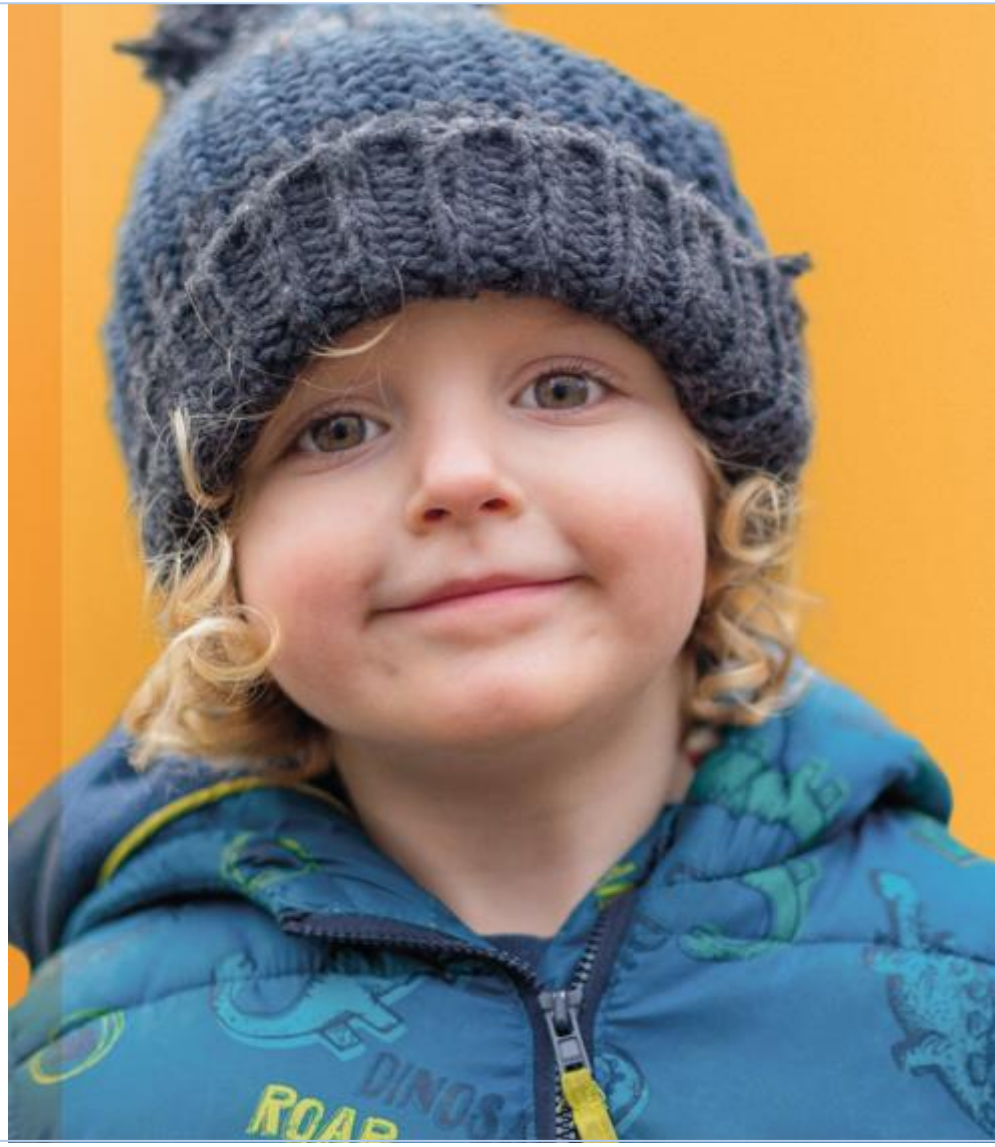
Access Summary of Findings on the Big Society Capital website

The Summary of Findings is a separate report which sets out the context for this piece of work, summarises the emerging trends and future recommendations.

1) **Why did we do this exercise?**
2) **How did we go about this work?**
3) **Who did we do it with?**
4) **What did we find? What are the key takeaways?**
5) **What next?**
   a) For social investment groups?
   b) For other engaged partners, including government?
6) **How to get in touch across our work?**
   a) Linking into our priority programmes

Data & Detailed Insights

- **Data & More Detailed Insights**
  A. The effects not felt equally by all
  B. The effects are generally predictable
  C. Lessons from existing responses / programmes
  D. Trajectory from this point forward
- **Key groups to use this information**
- **Glossary & Abbreviations**



Mapping the Needs: Summary of more detailed insights

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Insights, as they contribute to mapping potential sector needs and demand for repayable finance, are grouped as follows:

Effects from Covid-19 are not equally felt

- Social investor portfolio data, economic data, and BBL data demonstrate that smaller organisations are less *resilient* to shocks and uncertainty
- This has implications for how we respond, including how solutions may be targeted

Effects for business models are generally predictable

- Effects on the main revenue sources for each organisation
- Effects on the main ways products, services and impacts are delivered
- Such analysis has limits, but provides a useful lens for exploring what next

Learnings from existing responses

- There are a range of lessons which we must take forward / implement. For example, learnings from the Resilience & Recovery Loan Fund, CDFIs, BBLs, and other emergency social investor responses, and grant funders.

Trajectory from this point forward

- More significant than entering lockdown will be how we transition out, with the potential for *cliffs* which will affect large parts of our sector
- There is inherent uncertainty around the potential paths out of lockdown and huge dependencies exist; planning and responses must factor this in

Wide but necessarily limited scope

- Scope has related to options and solutions related to repayable social investment rather than broader social sector – but some lessons applicable
- Related to liquidity, cash-flow, access to finance segment; but not exclusively
- Not deep analysis into specific areas yet – but necessarily narrowing to follow

Mapping the Needs: Who might explore the next steps?

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- We do not intend to follow up everything ourselves and, in many cases, are not best placed to do so; other groups may be better placed due to their mix of skills, resources, and missions.
- In the material that follows, we make some suggestions for ease of navigation which cover the following groups. Are any of these priorities relevant or most pressing for you?

Government & Policy Makers

Fund Managers

Big Society Capital

Foundations & grant makers

Capital providers & investors

Charities & Social Enterprises (Impact Organisations)

Social investment partners*

Infrastructure Organisations

*Eg, Access, Social Investment Business etc

A) The impacts are not felt equally by all

Effects are felt differently based on the size & nature of Impact Organisations (1/4)

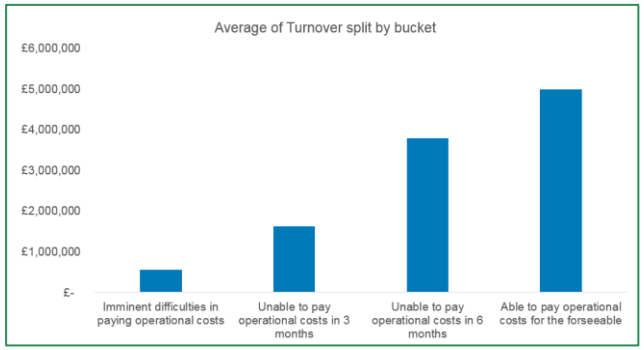
BIG SOCIETY CAPITAL

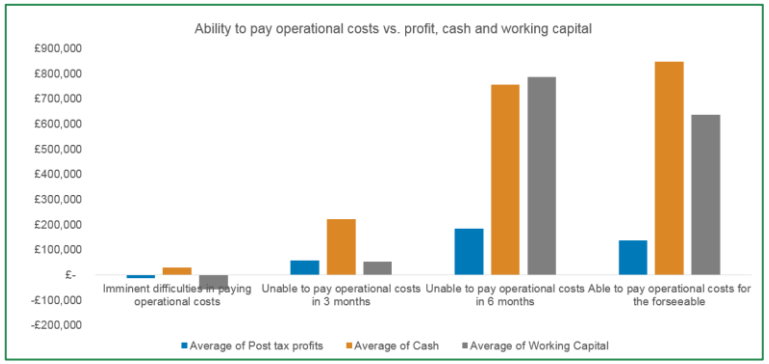
Smaller organisations (by turnover, margin, reserves, FTE) typically worst affected

(1) BSC: Adjusting and restructuring existing finance

- >500 organisations across BSC's portfolio by #
- But notably, only ~10% by £ value of finance

(2) Social investment Business





Information & insights

- Across a range of existing social investors there is a correlation between size of orgs and effects - with limited runway
- Not all small orgs have business models and revenue streams where repayable finance is suitable; but the size and make up of the charity and social enterprise sectors means large numbers affected (NCVO and SEUK "state of sector" datasets)
- In estimating demand for repayable finance, very wide ranges are possible
- Highly fragmented, and ability across sectors and spaces for collaboration or mergers for VCSEs of this size

Questions to explore

BSC | Fund Managers | Socinv partners

- i) Precise demand for £ given "size & make up"; ii) Nature (inc. blend) of products required to support this part of the sector with further repayable finance; iii) specifically appetite for collaboration 'fund

Govt & Policy

- What are the key lessons of existing provision to apply [see Bounce Back Loans coverage; Emergency Grant responses]?

1) *Big Society Capital data based on c. 1,200 frontline social enterprises and charities;* https://bigsocietycapital.com/latest/week-7-never-more-needed/
2) *Social Investment Business portfolio data based on c.65 organisations*

Effects are felt differently based on the size & nature of Impact Organisations (2/4)

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Larger organisations may face challenges in the longer term – but also have opportunities at scale

Evidence of specific asset acquisition opportunities

- Pressures on Local Authority finances through this crisis period mean potential for raising income through disposal of public assets or investment properties
- Changes in asset values (town centres; retail) provide opportunity for community acquisition at discounted rates; though caution re planning reg. changes and competition

Sector-led opportunities (asset-backed)

- Replacement of private equity investment in residential care home sector; Longer term housing solutions for rough sleeping as lockdown eases; Arts & Leisure trust assets pending recovery packages

New revenue finance needs emerging at scale

- Donation and legacy based charities with need to bridge across short- to medium-term drop in income

RRLF: Flexibility & Amending Terms

- Originally size-capped at £500K; already expanded to £1.5M to reflect demand and potential needs

Information & insights

- Large scale opportunities exist over the coming 6 months
- Evidence for this: emerged from sector specific surveys; key research reports; social bank lending (inc. CBILS) remaining stable throughout lockdown and has been tested with sector groups
- These opportunities vary by sector, and depend on local context and action
- Will likely require non-financial support, or supporting evidence to move forward

Questions to explore

BSC | Fund Managers | F'dations | Govt & Policy

- Estimating size of demand for finance for different models/needs, and nature of cash flows and returns; Exact mix of products & expertise required
- Understanding of non-financial support needs, & those best-placed to bring forward
- Timeframes: Is it too early to know?

https://www.sibgroup.org.uk/resources/resilience-and-recovery-loan-fund-dashboard; https://locality.org.uk/wp-content/uploads/2020/06/We-were-built-for-this-Locality-2020.06.13.pdf; https://fundraising.co.uk/2020/03/31/coronavirus-impact-could-see-legacy-income-fall-by-9-this-year/

Effects are felt differently based on the size & nature of Impact Organisations (3/4)

BIG SOCIETY CAPITAL

Some of these effects can be seen by different social investment *product type* (or asset class), as illustrated by BSC's portfolio data, on financial exposure, & effect on service delivery

At an overall product type (asset class) level, where we have the data, we see fairly clear trends about where **greater exposures** to Covid-19 impacted businesses exist.

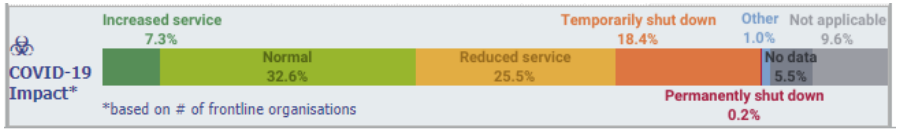
These cluster in those products related to **debt** predominantly, with working assumptions of losses up to 20-30% by value of each segment;

Venture also affected adversely, though balanced with organisations who are well-positioned to benefit from the disruption and acceleration of existing trends.

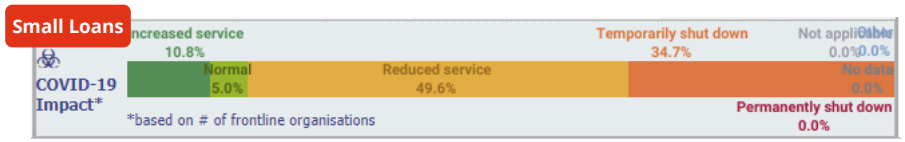
Across the frontline organisations in BSC's portfolio there is also significant difference identifiable in terms of the frontline areas that are more or less affected in terms of service delivery.

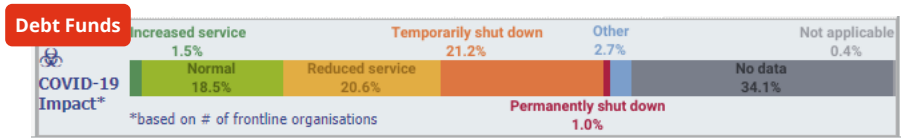
Some areas are highly affected; others operated almost as business as usual

The balanced picture at an aggregate level of impacts to service delivery in BSC's portfolio is here:

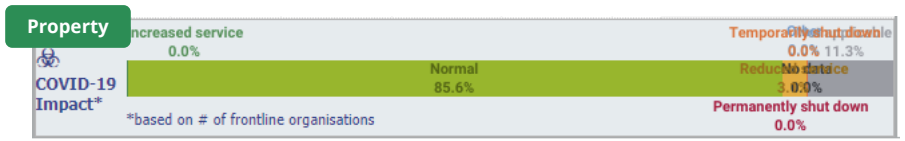


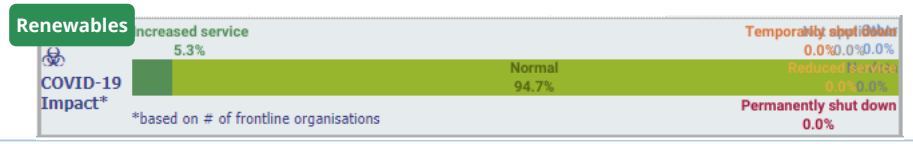
This is made up of those that are more affected – where **Small Loans** and **Debt Funds** see significant shut downs and service reductions





And those that are less affected – where **Property** and **Renewables** are almost entirely unaffected



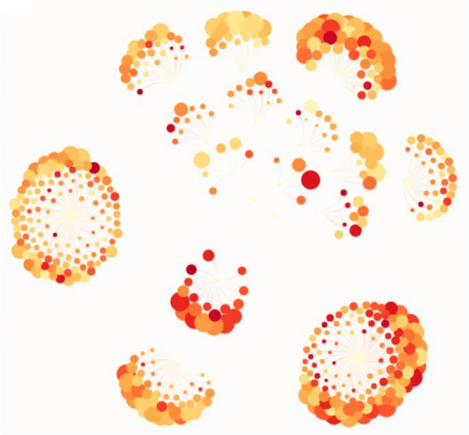


Effects are felt differently based on the size & nature of Impact Organisations (4/4)

BIG SOCIETY CAPITAL

Within organisations of similar sizes, there are also some key starting resilience indicators that are useful

Net current assets Measure: A proxy based on the ratio of total net assets to income Why: working capital can indicate an organisation's ability to pay back debt	**Debt to equity ratio** Measure: Growth Fund debt to total net assets as a proxy measure for the levels of debt an organisation is carrying Why: ability to generate enough cash to repay debts
At risk Measure: a pre-existing flag in the data for when an organisation's loan is classified as being distressed Why: indicates risk of financial difficulties	**In default** Measure: a pre-existing flag in the data that signals when there has been a default on loan repayments by an organisation Why: indicates financial difficulties
Rate Measure: based the assumption commonly held in social investment that loans are made on the basis of a risk-adjusted-return Why: higher interest rates on loans taken as an indicator of higher risk	**Cash shortfall:** Measure: taken from the "use of Growth Fund investment" in the data. Where the money was identified for "Cover shortfalls in cash and sustain business-as-usual" Why: indicates potential vulnerability
FTE staff intensity Measure: how vulnerable an organisation might be because of its dependence on staff for its income generation Why: during crisis period staff are especially vulnerable to illness and isolation	**Outcome area** Measure: how severely a particular sector of the social economy is likely to be affected by the coronavirus crisis Why: based on insight that some sectors are affected worse



Depth of colour indicates fragility; size of dot indicates size of investment clustered across Access' portfolio

Information & insights

- Looking beyond simply size of turnover, margins and staff, there are some useful and broader ways of pinpointing elements of vulnerability and for diagnosing / predicting the resilience of organisations
- Across portfolios can be a useful way of targeting support and understanding where key risks might lie, and whether any patterns, key trends and what role each partner has

Questions to explore

BSC | F'datio ns | Socinv partners

- For organisations with different levels of resilience (and at different stages of maturity), what's the role of different mix of finance, role of product type and support available?
- Potential trajectories of different individual organisations and realistic "bounce back" through recovery phases: Is it too early to know?

Fund Managers | VCSEs | Infra Orgs | F'dations

https://access-socialinvestment.org.uk/blog/the-fragility-index/; similar assessment based on different range of factors for community businesses: https://www.powertochange.org.uk/wp-content/uploads/2020/05/Exploring-the-durability-of-community-businesses-in-England_final.pdf

Effects also have a distinctly place-based element (1/2)

Areas worst hit have included those reliant on tourism, coastal communities and university towns

1	Wadebridge	South West	Small	↓ 51%
2	Penzance	South West	Small	↓ 42%
3	Pwllheli and Porthmadog	Wales	Small	↓ 40%
4	Peterborough	East Midlands	Large	↓ 39%
5	Colwyn Bay	Wales	Small	↓ 38%
6	Tywyn and Dolgellau	[illegible]	[illegible]	[illegible]
7	Kendal			
8	Bridgwater			
9	Pembroke and Tenby			
10	Penrith			
11	Bangor and Holyhead			
12	Kingsbridge and Dartmouth			
13	York			
14	Ashford			
15	Aberystwyth			

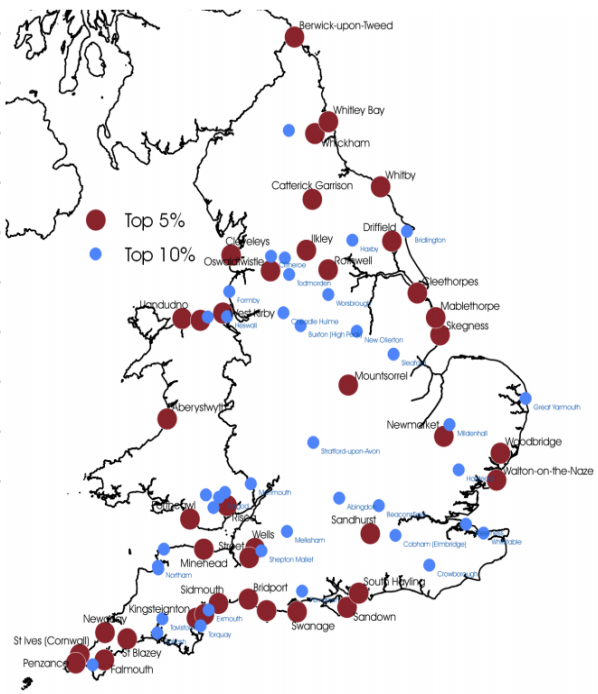


Figure 4, The places with the highest exposure to the effects of the COVID-19 shutdown

Information & insights

- Spending data and analysis from Tortoise & SIB show the biggest impacts through the early part of the crisis were in areas reliant on tourism, especially coastal communities, as well as university towns
- Centre for Towns data has built on this (and the macro-economic analysis from likes of the IFS, and Resolution Foundation) and found there are key structural economic, and particularly demographic or socio-economic factors that affects resilience
- Combined, it shows huge variation, but also that those already left behind economically have been hit hardest, and are likely to "bounce back slower"

Questions to explore

Fund Managers | Socinv partners | BSC

- What's the differentiated role of finance and support in recovery across these places?
- How does this align to agendas such as levelling up, building back better, and enabling a Just Transition? What opportunities could that create for social economy?

Govt & Policy

https://members.tortoisemedia.com/2020/07/08/corona-shock-july/content.html?sig=z2g5vODG8oj_6Q3m6kBGV2OcD3QsOI2VxsMUY_ALpwo
https://www.centrefortowns.org/reports/covid-19-and-our-towns/viewdocument

Effects also have a distinctly place-based element (2/2)

With implications for demand, products needed, and local distribution

Information & insights

- The regional data provided on the state of the sector, while reflecting key parts of the national picture shows diversity by sectoral make-up, trends, and needs. For example the North West has strong cooperative and worker-led movement & larger turnover; different type/scale of demand
- Experiences of locally embedded CDFI, understand customers, have different reach

Questions to explore

- What are the key local distribution channels needed? Expanding RRLF regional reach? BSC | Socinv partners
- What's the specific role of the Local Access Programme in this context? (& new dormant assets for Access?) Govt & Policy | Socinv partners | F'datio ns
- The policy, regional powers and non-financial support required to support effective delivery? Govt & Policy | F'datio ns
- How does existing context in different parts and nations of the UK play an enabling role here? Govt & Policy | Infra Orgs | VCSEs

https://www.socialenterprise.org.uk/blogs/why-working-together-is-part-of-our-commitment-to-help-social-enterprises-build-back-better/; http://www.communityinvestment.co.uk/; Also it is worth acknowledging different contexts across the four nations of UK, with Scottish & Welsh social enterprise strategies enabling different approach to prioritisation & coordination etc

Specific inequalities and imbalances have been exacerbated, especially around diversity

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Groups that have typically lacked access to finance have been hardest hit through C-19

Fig 15: Financial support decrease since crisis started (n= 86)

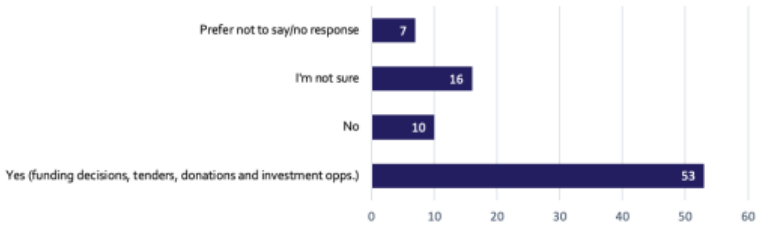
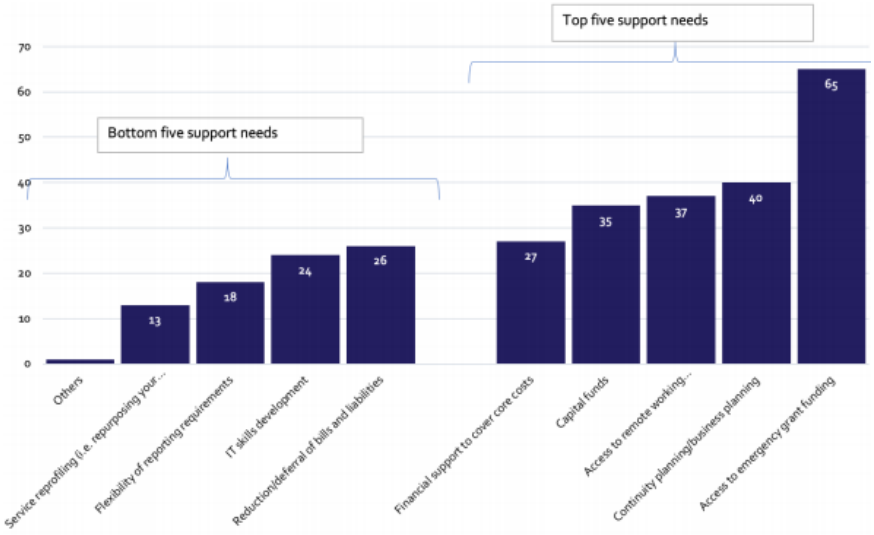


Fig 16: Support needs of BAME organisations (n= 86)



Information & insights

- Impactful Organisations run by Black or non-white are typically smaller and therefore more likely to be affected: "If crisis continues beyond the *notional 3 months, given level of reserves being held, then 9 out of 10 organisations could conceivably cease to operate after three months*"
- As organisations which were developing access to markets and funding pre-Covid, the crisis has set them back further
- CDFIs typically have broader reach than mainstream lenders into these groups

Questions to explore

Infra Orgs | Govt & Policy | F'dations | VCSEs

- Are there non-financial responses that can help here: including data transparency, use of language and segmentation?
- Role of specific finance pools in stimulating demand and providing access (many examples esp. US); products different, or channels?

BSC | Socinv partners | Fund Managers | Govt & Policy | F'dations

Ubele Initiative research: https://static1.squarespace.com/static/58f9e5924402434120513 14a/t/5eaab6e972a49d5a320cf3af/1588246258540/REPORT+Impact+of+COVID-19+on+the+BAME+Community+and+voluntary+sector%2C+30+April+2020.pdf; & regionally https://www.blacksouthwestnetwork.org/reports/research-reports

B) Impacts on underlying enterprise models

Relatively predictable nature of effects on underlying Business Models, means this is a useful lens (1/4)

BIG SOCIETY CAPITAL

Primary lenses to understand vulnerabilities and opportunities:

Impacts on Revenues

- What is the main source[s] of revenue for each business models?
- How have C-19 responses impacted these? (*How resilient to C-19?*)
- Over what timeframes is it affected? Is it permanent or will it rebound quickly in a "post-lockdown" world?
- Are there alternative sources that can be? (*How responsive?*)

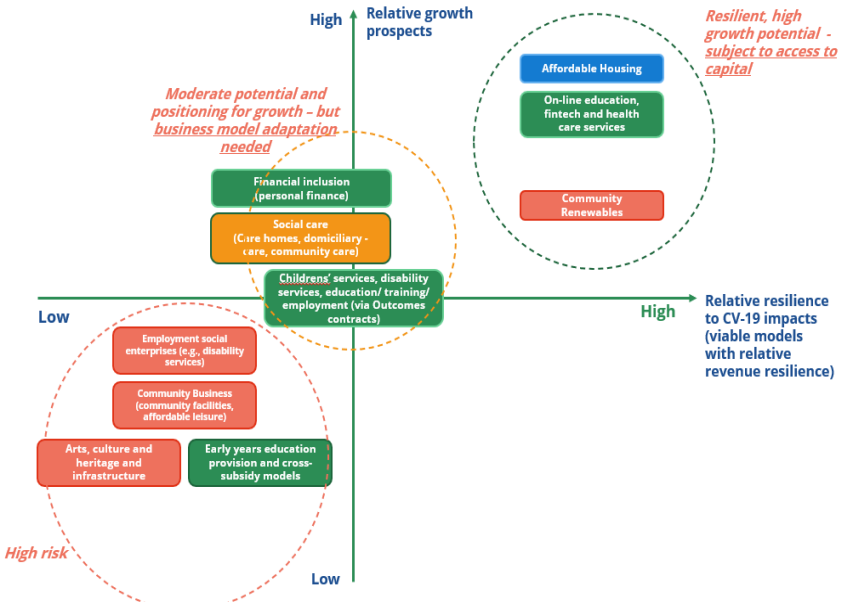
Impacts on Delivery Models

- What is the main way[s] that these organisations deliver their products/services to create impact?
- How does C-19 affect these? (*How resilient to C-19?*)
- What needs to happen and by when for these effects to subside?
- Are there alternative *channels* that can be used? (*How responsive?*)

A) High Potential	C) Temporarily Affected	D) Higher Risk
Potential to emerge through C-19 with opportunities to grow their impact, in some cases extensively	Depending on the nature of the effect, might need temporary support or funding to bridge through the crisis	Unless something material changes or support is found, these models have key issues in the coming months

Information & insights

- A range of this analysis builds on work that Big Society Capital has done in the past on deal level data
- This analysis can highlight trends and opportunities especially by certain areas



For access to the underlying data within the business model dataset, please get in touch

Relatively predictable nature of effects on underlying Business Models, means this is a useful lens (2/4)

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There are key clusters of potentially vulnerable enterprise models based on this initial analysis

Arts & Culture Organisations

- Including delivery orgs & Heritage orgs

Early Years, Children's services, or Education

- Including Children & youth services & Early years provision

Range of Community Businesses

- For example Community pubs, & other consumer-facing comm. business

Non-essential healthcare

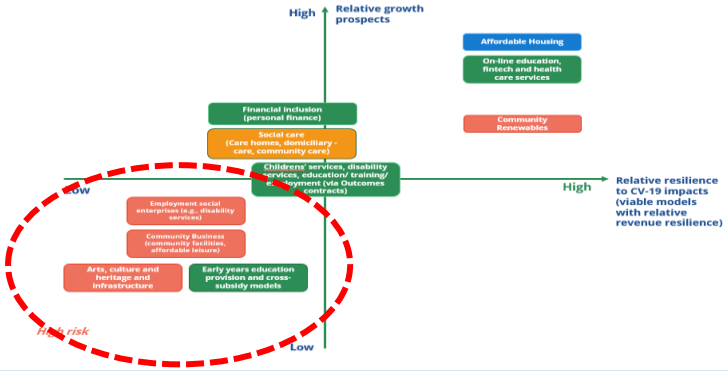
- For example some Healthcare spinouts & infrastructure orgs

Employment impact models

- Including employment social enterprises (employ vulnerable groups)

Sports & Leisure Facilities

- For example community sports & affordable leisure



Information & insights

- Overlaying key additional data can improve the analysis here and help support greater focus, including: grant provision available by sector and amounts, size of each segment and nature of orgs within this
- Analysis shows these are predominantly models that have taken on social investment in the form of debt products (bank lending, typically non-bank lending and sometimes using blended finance); vulnerability to these models along these lines will affect how appropriate these products may become.

Questions to explore

- What is the role of existing social investment market to serve these models, and what potential future paths / provision? (*Debt Demand*) — BSC, Socinv partners, Fund Managers
- Future returns on investment in these models? (Crucial for £ repayable) — investors, BSC, Socinv partners, Fund Managers
- Are there possibilities to make these models more resilient? — F'datio ns, VCSEs

For access to the underlying data within the business model dataset, please get in touch

Relatively predictable nature of effects on underlying Business Models, means this is a useful lens (3/4)

BIG SOCIETY CAPITAL

And other models that appear robust, or positioned for greater opportunity

Affordable products & services (remote delivery)

- Affordable food models, &other products & services

Payment by Results models

- Eg Education, Homelessness & Children Services

Renewable energy models

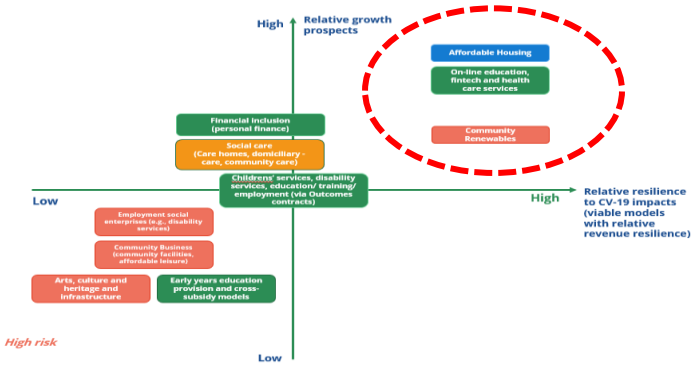
- Community renewable energy & Wider environmental models

Housing models

- Including Specialist housing, Supported living & Transitional accommodation

Online services

- Including education online, & Fintech / financial inclusion enterprises



Information & insights

- Partly less affected by C-19, partly positioned well for future growth prior to crisis and C-19 has accelerated the trend
- Analysis shows these are models that have taken on social investment in the form of non-debt products (esp. venture, renewables, and property) with some evidence of debt products financing within these segments (esp. social bank lending); potential lessons for where to focus repayable finance provision

Questions to explore

- Key timeframes for scaling and any external dependencies? BSC | Fund Managers | Socinv partners | investors
- Additional investment capacity to meet potential opportunity? (Understand sizes of demand) BSC | Fund Managers | Socinv partners | investors | Govt & Policy
- Role & potential areas for pivoting vulnerable models into these more resilient or growing models? Fund Managers | VCSEs | Infra Orgs

For access to the underlying data within the business model dataset, please get in touch

Relatively predictable nature of effects on underlying Business Models, means this is a useful lens (4/4)

BIG SOCIETY CAPITAL

However, in reality there are a range of nuances on the ground & therefore has its limits

- Nuances within underlying *revenue* models that aren't always captured. For example those with assets and rental models aren't always equally impacted by effects from C-19: big difference in experience between assets for workspace (highly affected) vs assets for storage (less affected)

- Nuances resulting from *entrepreneurial leadership*: in certain sectors "high risk" organisations have been relatively robust through partnerships, pivoting quickly, and use of multiple support and finance options

- Nuances by *geography*. Local context, local resilience and supportive networks can mitigate a range of these effects as assessed by "model"

- Nuances within specific sectors (1/2): Eg Homelessness models might appear unaffected but night shelters have been particularly affected as government steps in and funds hotel models

- Nuances within specific sectors (2/2): Eg Health social enterprises generally perceived as sacrosanct but not if future provision is directed 100% through NHS meaning demand goes up as revenue available decreases

Questions to explore

Fund Managers | VCSEs

- There are external dependencies when looking at certain business models. Are there areas which are more certain for a longer period of time? Are there other ways these uncertainties have been overcome?

- Funds and funding principles likely to need to build in flexibility in order to meet changeability. What is the right capital and investor groups who might be able to provide this?

Fund Managers | Socinv partners | F'datio ns | BSC | investors

There are a range of case studies and open questions available. A range of these captured in the outputs to the roundtable: https://jamboard.google.com/d/1CZfW_BfIPYL5Zye6eTlIfYVw5CaEiMF274hx40yOMzg/viewer?f=0

The limits and dependency on context & future paths implies utility in a more principles-based approach

BIG SOCIETY CAPITAL

As fund managers & funders, what is a core set of principles to look at when determining C-19 investable models?

Past, present & future **revenue streams**

Past, present & future **returns on investment** by different model

Ability to pivot – and reason to do so

Variability / flexibility of costs

Team & leadership: specifically capacity to adapt and be flexible

Long-term policy and **market context** in segment

Additional grant, or sector support, and over **what timeframe**

Effects on **demand,** and nature of the impact created

Questions to explore

investors | Fund Managers | BSC

- Can any of these principles be explored to provide a better sense of demand (by product, by investor need, by sector)?
- What are best combinations of finance & support to mitigate uncertainties?

F'datio ns | BSC | Socinv partners

We see Impact Organisations are pivoting in the face of these changes, and for a range of reasons (1/2)

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Some of these are in response to the C-19 crisis; some are accelerating trends

Driven by technology / digital / online solutions

- Changes in models to maintain delivery of impact given restrictions
- Eg, takeaways vs in-house
- Eg, shift of education provision online
- Eg Shift to apps/online networks for advice rather than F2F
- Eg Retail selling accelerated online

Short-term response to C-19

- Some searching out opportunities to create impact in this context given "mission"
- Some with new aligned partners eg LA; some with increase in services and scope – both likely need £
- Local networks & responses esp. important

Longer-term, strategic

- Test / pilot period for R&D and trialling new model, vs investing to roll out/scale – different £ needs for each
- For some it's been an opportunity to accelerate and embed longer term trends they've been wanting to do

Sustainability: "Green-ing" the model

- One such trend is the sustainability one, but has different impacts on different orgs
- Some of these (such as transport models, assets) will need large capital investment to embed

Information & insights

- SEs & charities used to adapting to meet changing needs & find resources; similar attitude taken by some here
- Local supply chains / networks thriving
- Differences exist in ability to pivot by larger vs smaller; urban vs rural context
- Shifts online may exclude some groups
- 54% of SE say there pivot will be permanent; may include continued adaptation through period to come

Questions to explore

- How do future lockdown conditions lead to pivoting as part of model for resilience? How to quantify demand and shape of an enabling product to enable this (beyond grant)? Who are the right partners to take this forward? Govt & Policy | F'datio ns | Socinv partners | VCSEs
- Depending on part of the model to pivot and for what reason/timeframe (short vs long) needs different approach to finance; is this different finance, or different ways of connecting to the opportunity? investors | Socinv partners | BSC | Fund Managers

https://bigsocietycapital.com/covid-19-information-social-investors/how-are-organisations-adapting/

We see Impact Organisations are pivoting, and for a range of reasons (2/2)

BIG SOCIETY CAPITAL

A range of case studies can demonstrate clearly the range of what response is happening

- Community Pub South East in receipt of SITR Crowd Match Fund (patient capital in the form of community shares) pivoting to provide take away service. Running at circa 70% of income now. Have accessed wide range of support both grant and Business Bounce Back Loan. Challenge is to recover income to previous levels pre-lockdown. Exercise is seen more as a temporary response.

- Community Arts Centre in Humberside repurposed to provide meals on wheels service to elderly and isolating members of the community. Cannot see immediate future for original business model would require capital for conversion to continue and scale new service provision as a permanent shift.

- Fashion education and training charity in London for young people from challenging backgrounds had to make all of their training products virtual. Need to pump prime cost into marketing and reach where previously word of mouth referral and face to face delivery where the core of the business model.

- Homelessness organisation in East of England considering long term sustainability and scaling impact pre-Covid. Received rejection for feasibility work which has now led to trustees retrenching undermining the confidence to take on borrowing of what would have been circa £1m. Direct result of the impact of current government policy on current social enterprise provision.

C) Current emergency responses lay clues for routes ahead

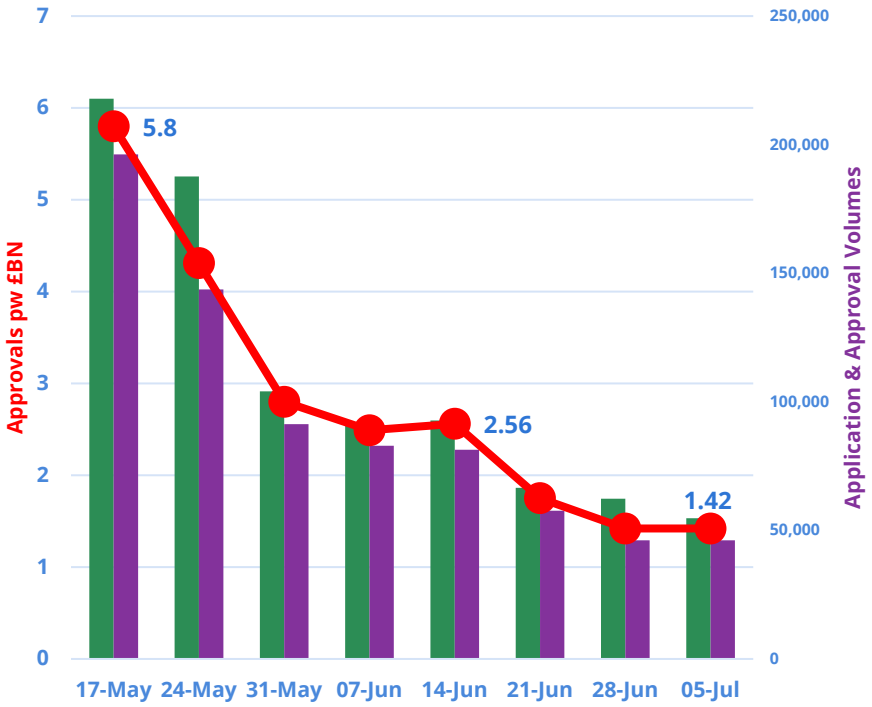
The short-term responses provide an insight into future needs and demand (1/3)

BIG SOCIETY CAPITAL

HMT's Bounce Back Loans have seen liquidity provided at unprecedented volume & speed

Bounce Back Loans Data:

- >£32B since first week of May, at avg. c£30K (*c.9 wks*)
- Avg pa gross UK SME lending has been £50-60B since 2014 across all types



Information & insights

- Product & distribution of small, affordable, relatively flexible finance (esp. in terms of usage) is unprecedented, and overall seems to work for SEs and charities
- SEUK Social Enterprise Advisory Panel (SEAP) survey (c.400 responses) shows BBL working for social enterprises: 15% say claimed successfully; further 9% planning to apply and only 1% being rejected
- Possibly structural issues re social bank accounts as providers excluded, but appears small relative to overall access

Questions to explore

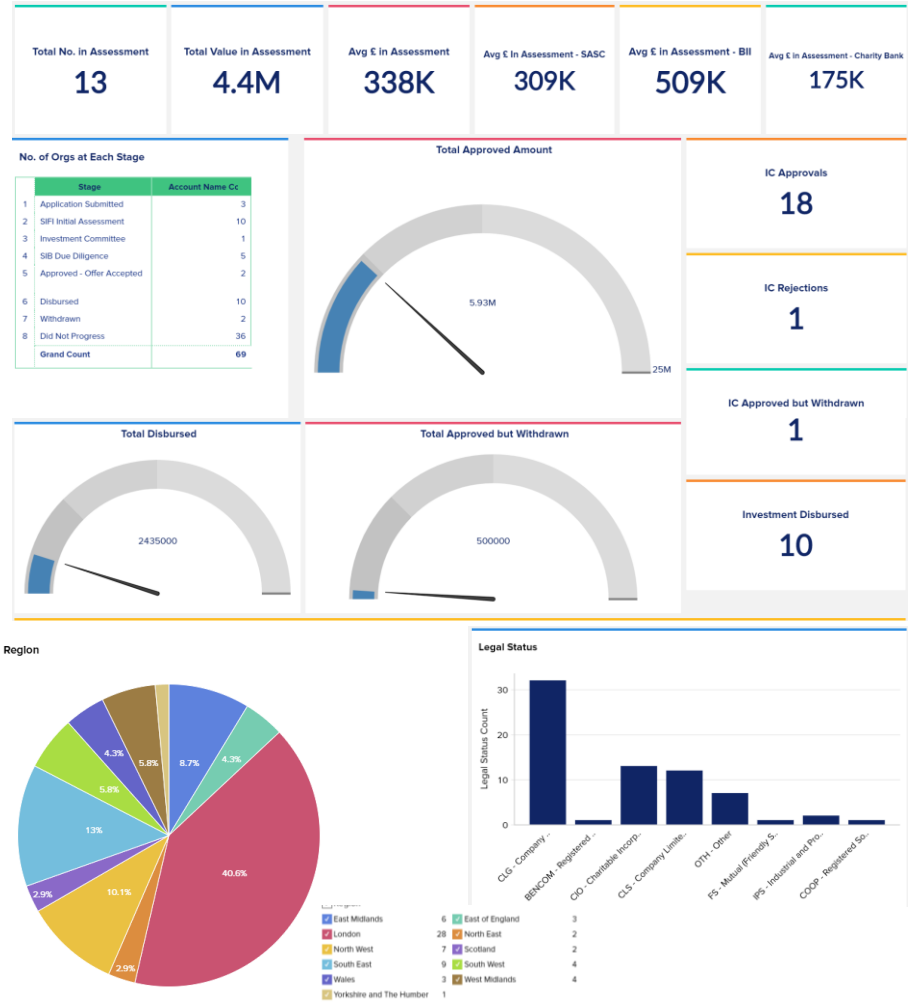
- Some barriers to charities and social enterprises gaining access to this product (bank accounts, education on eligibility). Are solutions possible? Can a social investor benefit BBL distribution? (Lessons for Access DA, RRLF etc) Govt & Policy | Socinv partners | VCSEs | Infra Orgs
- More permanent role of guarantees in light of the upcoming period in addition to "blended" grant. What is the range of places this can come from? How much? Govt & Policy | Socinv partners | investors | BSC | F'dations

Graph & stats shown up to 5 July; weekly updates here: https://www.gov.uk/government/collections/hm-treasury-coronavirus-covid-19-business-loan-scheme-statistics
SEUK SEAP Survey: https://www.socialenterprise.org.uk/wp-content/uploads/2020/07/SEUK-SEAP-First-Survey-June-2020.pdf

The short-term responses provide an insight into future needs and demand (2/3)

BIG SOCIETY CAPITAL

The RRLF using CBILS is already learning lessons, and proving one model



Information & insights

- Demand exists in spite of limited roll out and marketing; at 13 July, 18 approvals of >£6M
- Benefits of adapting product to meet needs as they emerge: already amended allowable usage, max size of loan, length of term possible, who providers are: well received
- Profiles of organisations have been surprising at times and in some cases gone beyond the usual suspects
- There are limits of what a debt product like this is able to provide

Questions to explore

- What happens at the end of the CBILS guarantee programme? Given shown as useful, what's the replacement potential? Govt & Policy | BSC | Socinv partners
- Does the broader distribution network (inc. regional providers) increase reach in practice? How to go further beyond existing customers model? Fund Managers | BSC | Socinv partners
- Lessons for Access DA re larger size & role of the guarantee Socinv partners | Govt & Policy | F'datio ns | BSC

Data and graphs from 05 July. Updated regularly at the dashboard here: https://analytics.zoho.eu/open-view/85863000000102795

The short-term responses provide an insight into future needs and demand (3/3)

BIG SOCIETY CAPITAL

Grant programmes have been welcome but given limitations are not the only answer

- Charities facing a £12.4 billion income shortfall in 2020. On average, during lockdown (between 23/03 & 12/05) they had 29% less income than budgeted.
- 84% of charities reported decrease or major decrease in income; 92% reported a fall in trading income during lockdown. Just 5% report increase in trading income.
- ~1/3 of charities report uncertainty around planning for future affecting them most.
- The government pledged £750 million to VCSEs, and we've identified at least £80 million of non-government grant support.
- Grants available targeted at existing partners, small or community orientated organisations, or particular sectors. For example, healthcare (inc. mental health), social care, homelessness, arts and culture, children, leisure, sport, & financial inclusion.
- There are particular concerns about gaps in support available to those hit by rising demand but falling income.

Information & insights

- The order of magnitude of impact on charity revenues versus the amounts of grant support available, and the speed of response from certain parts of government have not met need.
- When asked to rate the sufficiency of the government's financial support for civil society in the face of Covid-19 (where 1 = entirely insufficient and 10 = entirely sufficient), the average score across all respondents was 4.4, with 43% scoring it 1-3 and only 8% scoring it 8-10.
- For non-government grants, these are Finite (time and amounts), pretty targeted by sector or existing customer, with C-19 effects.
- Broader grant provision seems to have slowed/dried up too, compounding issues.

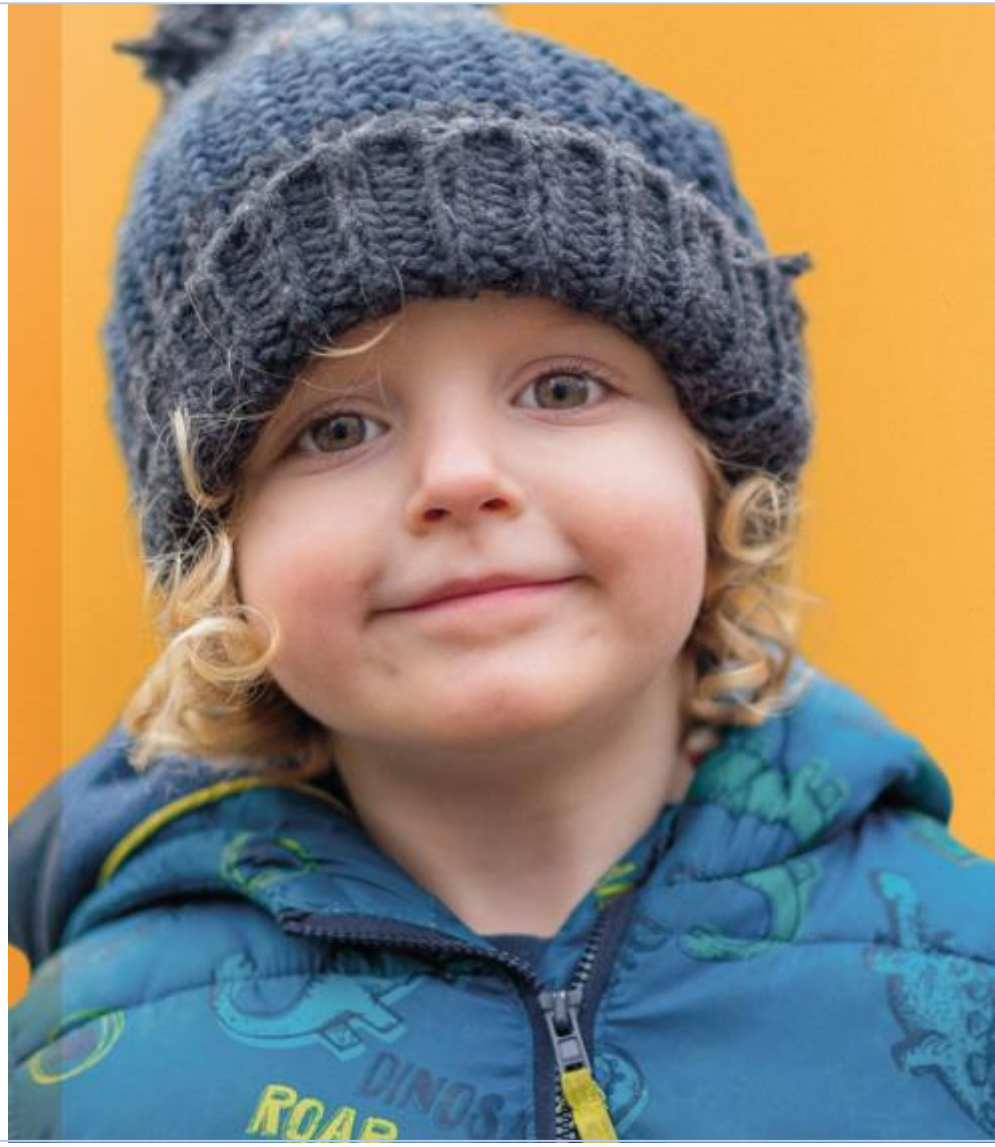
Questions to explore

- Use of grants alongside investment to expand provision and meet these needs; possibly explored through new DA programmes

BSC
F'datio ns
Socinv partners
Govt & Policy

https://www.institute-of-fundraising.org.uk/guidance/coronavirus/round-up-coronavirus-impact-on-charities/
https://access-socialinvestment.org.uk/wp-content/uploads/2020/06/EOI-for-emergency-lenders.pdf

D) But future outlook is uncertain, and will play a massive role



When looking to map the needs and the demand across the sector, these are dependent on what comes next

BIG SOCIETY CAPITAL

The impact of "cliffs" built in over the next 3-12 months is potentially large

End of the Furlough scheme – with potentially large impact

- CJRS has been a "lifesaver", but need for replacement schemes esp. at key point of transitioning to re-opening services
- Secondary effects potentially for charities currently relying on volunteers who are furloughed workers

Localised, rolling lockdowns, other schemes

- As seen in Leicester there are potentially future and v. localised effects that impact business plans
- Knock-on impacts of a more widespread "winter" lockdown to manage capacity will; these can be prepared for differently

& we're at the very early stages of uncertain recovery pathway

Divergent economic scenarios mean range of impacts

- These could exaggerate or reverse the fortunes of certain business models; some opportunity but mostly increase risk
- Key knock-on effects of wider economy include esp. revenues (customers affected reducing spending), supply chains (as businesses struggle), capacity
- Key consideration is the length of time this could last for; potentially v. long-term; with many organisations with limited reserves or ability to withstand beyond 3-6 months
- Layering this onto an economy that was likely approaching the height of a cycle the effects could be compounded

Information & insights

- Hugely divergent economic recovery paths possible; UK Govt "summer mini budget" didn't provide confidence or real replacement for next 12 months (more may come in due course – *big factor*)
- Broadly speaking, large cliffs *do* exist in Q3 & Q4, and beyond; social sector organisations not feel well prepared, tend to be thinking day to day (NCVO research has found >50% of charities will cut headcount as income lost)
- Role and shape of investment required must take into account what's knowable vs what's unknowable, and the timeframes in question (Short-term liquidity vs investing for future & resilience)

Questions to explore

BSC | Socinv partners | F'datio ns | Fund Managers

- What role for providing intentional flexibility and more "equity-like" products to face uncertainty? (Is there a key principles-based approach to investing in face of unknowns?) Role of debt in this context?
- Key policies required for the sector to thrive to be championed to bridge to future?

Govt & Policy | BSC

https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/an-instant-economic-crisis-how-deep-and-how-long#
https://access-socialinvestment.org.uk/blended-finance-for-covid-19-related-emergency-support/

8) Glossary of Terms

Appendix: Glossary of Terms / Abbreviations

- **SIB** = The Social Investment Business
- **SEUK** = Social Enterprise UK
- **SEAP** = Social Enterprise Advisory Panel (SEUK-led survey)
- **RRLF** = The Recovery and Resilience Loan Fund using CBILS for VCSEs
- **BBL / CBILS** = the government's emergency finance programmes (Bounce Back Loans and Coronavirus Business Interruption Loans Scheme)
- **BSC** = Big Society Capital
- **CJRS** = Coronavirus Job Retention Scheme = furlough scheme
- **FTE** = Full Time Equivalents (no. employees)
- **NCVO** = National Council for Voluntary Organisations
- **HMT** = The Treasury Department

- **SEDL** = Social Economy Data Lab
- **DA** = Dormant Accounts. Main source of funding for the family of Dormant Account organisations
- **CDFIs** = Community Development Finance Institutions. Lenders in typically underserved communities
- **CIEF** = Community Investment Enterprise Facility. Fund providing capital for lending for four CDFIs managed by Social Investment Scotland
- **SME (MSME)** = Small, Medium sized enterprises (or "Micro", SME)
- **GF** = Good Finance, resource for charities & social enterprises exploring social investment
- **SITR** = Social Investment Tax Relief
- **IFS** = Institute for Fiscal Studies
- **SE** = Social Enterprise[s]
- **VCSE** = Voluntary, Community and Social Enterprise

For all other terms not defined, please visit the Glossary here: https://www.goodfinance.org.uk/glossary