



BIG SOCIETY CAPITAL

Mapping the Needs Insights Summary of Findings

July 2020

Why did we go about “Mapping the Needs” and why are we sharing the results?

As Covid-19 hit, we wanted to understand the range of implications the Covid crisis is having for social enterprises and charities, especially as that affects social investment work, and so reduce the chance that we overlook vital pieces of information and help us uncover the best next steps.

This Summary of Findings forms part of a wider analysis that can be accessed on the Big Society Capital [website](#).

In the short-term, this was about identifying which were most affected, what were their needs through the emergency response phase, and how large were the potential gaps.

This work also revealed information and **lessons that could help in the medium and long-term**, as these impact-creating organisations seek to recover to serve the customers and people at the heart of their missions.

The scope of this exploration was related to repayable social investment rather than broader social sector organisations and policy. It is perhaps most relevant to **parts of social investment that deal with liquidity, cash-flow, and access to finance**.

These key insights are a starting point and will inform our own work in the coming months. However some lessons are definitely applicable more widely.

In this document we are sharing what we have found and highlight some key takeaways on page five that might be most useful for others. While we are not able to take all of these forward, we believe some findings in here will benefit from further investigation by others in their own work on supporting the recovery.

Social investment is only one part of the solution, alongside much needed efforts from others, including policy and other necessary support.

Are there findings in here that are pressing and relevant for your own work?

What role might you be able to play to help build back better?

Who did we do it with?

Building on work by people at Big Society Capital, we have partnered with, and regularly sought insight, inputs and guidance from a range of other organisations with whom we work closely.

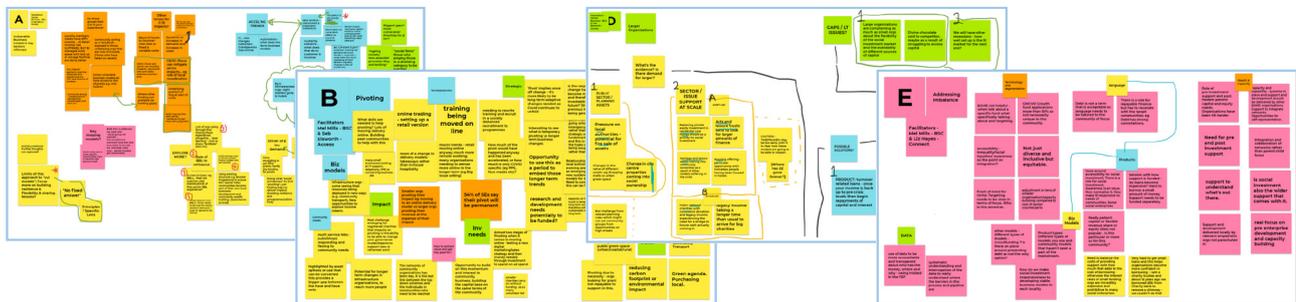
Regular catch ups with other organisations focused on similar questions



Targeted questionnaires via existing networks to expand reach; participating on others' platforms



Roundtable with a broad set of over 20 sector infrastructure organisations to test emerging findings



For the notes from the roundtable discussions held on 30/06/2020 see here: https://jamboard.google.com/d/1CZfW_BfIPYL5Zye6eTlIfYVw5CaEiMF274hx40yQMzg/viewer?f=0

What did we find: What are the key takeaways?

1.

In general, smaller organisations have been less resilient to the shocks from Covid, and have required more support through the emergency period.

- Across Big Society Capital's portfolio, >500 organisations have received some form of adjustment; almost 1/3 by number but roughly 10% by £ value
- In Social Investment Business' (SIB) analysis, turnover has correlated with length of time before expecting to get into difficulty
- Bounce Back Loans at an average of £30K each targeting micro and small organisations have seen >1M loans made in ~2 months

2.

While slow in getting off the mark, we have seen that government finance schemes at volume have been well used by impact creating organisations during the emergency phase.

- Bounce Back Loans targeting micro and small organisations with an average loan of £30K have seen >1M loans made in ~2 months; unprecedented scale (>£32Bn since first week of May; Avg pa gross UK Small to medium-sized enterprises (SME) bank lending has been £50-60Bn since 2014); likely 80-90+% approval rate
- Social Enterprise UK's (SEUK)'s Social Enterprise Advisory Panel (SEAP) survey has found that 15% of surveyed social enterprises (SEs) accessed the BBL; vs 1% who tried and were declined
- That said, more to be done to make them voluntary, community and social enterprise (VCSE) inclusive (changes have helped with e.g. BBL and amendments to trading requirements) but RRLF needed as other schemes CBILs not accessed as widely
- As we look ahead, what guarantees come next is the key question

3.

The nature of the shock felt by voluntary, community and social enterprise organisations is largely predictable.

- Predictable impacts by underlying model. Main pattern of impact on different business models due to source of revenues and how product / service delivered
- Implications for supporting and assessing organisations: e.g. what's right finance to meet vulnerabilities? Where is repayable finance no longer an option?

4.

Big imbalances exist. In fact, we see those that existed before have been exacerbated.

- This is along geographic and regional lines. Those areas that were already "left behind" and targets of "levelling up" have been further affected (e.g. esp. coastal communities)
- It is along lines of diversity: Organisations with Black, Asian and Minority Ethnic leaders most impacted (9/10 facing closure) and least likely to get access to emergency financing
- This poses key choices in terms of the focus and priorities for what support and financing organisations do next, and what may be possible to achieve

5.

There is huge uncertainty ahead, and a wide range of outcomes possible.

- Especially due to a) transition between government schemes, and b) knock-on effects on economic recovery
- Parts of these largely unknowable, and have big impact on what comes next
- Key implications for those who can to (1) provide certainty (e.g. policy choices) and (2) provide the ability to react (e.g. terms of funding and financing flexibility).

And so what might be the next steps?

What could social investment groups (including Big Society Capital) consider next?

✓ Dig into the Business Models

- Share data on usage and range of returns of social investment by business models, pre and post Covid
- Deeper analysis into specific business models with particular vulnerabilities or strengths; to identify gaps in supply of finance and support

✓ Understand the Demand for Repayable Finance

- With partners, understanding demand post-Covid for social investment across key segments, such as debt
- Identify where the right types and amounts of capital exist to meet this demand are, over what period of time

✓ Work on Products, Structures and Guarantees

- Learn lessons of historic (and forecast) return on investment to target capital and subsidy appropriately
- Design financial products and structures on appropriate terms for different business models

✓ Refine the Distribution Channels

- Review intermediary landscape for each type of social investment
- A key link to help finance and support reach the right areas is right mix of funders, platforms and intermediaries who understand the products and the organisations

✓ Take a more Targeted Approach to Resources

- Ensure takes into account those areas “left behind”
- Consider product, distribution and process of support with communities and groups where imbalances exist

What should other partners and government consider next?

✓ Key Insights to Inform Priority Policy Asks

- The social economy is a crucial part of ensuring the UK can build back better. There should be coherent policy supports in place to drive recovery, which takes both the needs and positive value of VCSEs into account. For example:
 - a. The short-term success of Bounce Back Loans stores up potential issues as repayment begins at a key stage in recovery. For guarantee schemes to replace CBILs and BBLs the shape, nature and channels for these schemes should be tailored for as much VCSE access and impact as possible.
 - b. Follow-on schemes to Coronavirus Job Retention Scheme (CJRS) should recognise the positive impact of VCSEs in supporting people and communities that will be lost as services and delivery have to reduce as workers are furloughed.
 - c. [Understanding different communities and places should be at the heart of the response](#). Part of this is about a greater commitment and strategy from central government for VCSE and wider social economy. It includes putting powers in the hands of those closer to delivering the recovery on the ground, and taking a lead from other devolved governments in the UK.

✓ Expand Non-financial Resources

- Consider what is the right form of support for the right organisations at the right point in time to overcome the specific effects related to Covid in order to aid recovery

✓ Unlock Grants for Smart Subsidy

- Identify future grant pools and mechanisms for providing support that allows the right capital to flow

Getting in touch across our work

At Big Society Capital we will incorporate the lessons, insights and some of the next steps highlighted for social investment groups into our upcoming priority programmes outlined below.

Could you play a role here? If any of these are pressing and relevant for you **please get in touch**.

Recovery Funds: Continued deployment and next steps for RRLF, Access Growth Funds (and CIEF)

Contact: [SIB](mailto:SIB@big society capital.com) and gng@big society capital.com

Homes - "Everyone in": Funds to provide homes after lockdown for people at risk of homelessness

Contact: kng@big society capital.com

Place - Local Access: Place-based programme working with 6 partnerships to provide blended funds to meet local context

Contact: hhand@big society capital.com

Early Action - Venture Funds: Work to find best in class impact managers to scale impactful ventures

Contact: dsloan@big society capital.com

Place - Community Finance: Supporting Community Development Finance Institutions (CDFIs) to provide finance in disadvantaged areas of UK

Contact: jburrows@big society capital.com

Community Renewables: Looking at the next steps to connect more capital to renewable projects to benefit underserved communities

Contact: jshamash@big society capital.com

Small Loans and Blended Finance: Access Dormant Accounts consultation for next phase of support

Contact: [Access](mailto:Access@big society capital.com) and gbourne@big society capital.com

Innovation Project: regular meetings, developing ideas bank and regular calls for fund ideas

Contact: cparke@big society capital.com

Early Action - Social Outcomes Contracts (SOC):

Work to secure next phase of policy support for SOC

Contact: ajohal@big society capital.com

Social Investment Policy: Key influencing and partner work for shaping government next steps and support e.g. guarantees, Social Investment Tax Relief (SITR) etc

Contact: tgodley@big society capital.com

Good Finance: Continued sharing information and social investment education for VCSEs

Contact: [GF](mailto:GF@big society capital.com) and mmills@big society capital.com

If you would like to discuss these findings further, or explore some of the data and analysis that contributed, please get in touch with the team - TGodley@big society capital.com, JBurrows@big society capital.com, MMills@big society capital.com.

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)
CJRS	Coronavirus Job Retention Scheme = furlough scheme
FTE	Full Time Equivalent (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]
VCSEs	Voluntary, Community and Social Enterprise organisations