



Kent Big Society Fund

Review 2012 – 2017



BACKGROUND

Kent Big Society Fund (KBSF) was established in 2012 with funding from Kent County Council to support existing and newly created social enterprises become more active, benefit the local community and enhance the economic, social and environmental vibrancy of Kent. An important aim of the Fund was to support a shift in the local voluntary, community and social enterprise sector from dependency on grant funding towards more sustainable business models, including contracts within the public sector.

KBSF was set up primarily as a social investment loan scheme, providing finance and support for:

- Existing social enterprises that wish to grow their earned income to become self sufficient
- Charities or voluntary groups that want to increase income from payment from their activities, including those transitioning to outcomes based funding
- Social enterprises formed to transfer or build a physical asset, such as a community shop
- Completely new start up social enterprises
- New ventures specifically targeted at supporting highly disadvantaged or marginalised people (e.g. ex-offenders)

As a recyclable fund, all capital, fee and interest repayments are returned to KBSF, thus ensuring the longevity of the Fund as an important resource for local charities, social enterprises and the wider community well in to the future.

ABOUT THE FUND

KBSF offers the following support to new and existing social enterprises:

- Loans to social enterprises of between £10,000 and £100,000 over an anticipated term of 2 to 5 years.
- Finance anticipated being unsecured.
- Investment-readiness assistance with the financial planning and application process
- On-going relationship support
- An element of grant is available (max 20% of arrangement, up to a maximum of £10,000)
- Terms are flexible and competitive.

These are guidelines and there is ability to offer flexibility of terms to suit appropriate applications.

SOCIAL INVESTMENT MARKET UPDATE

KBSF's inception came at a time when a number of factors were affecting the funding arena in which most of these enterprises were based, namely:

- Banks were holding back on lending whilst they were rebuilding their balance sheets following the economic crash of 2008 and the subsequent fallout.
- Austerity measures were having an impact on public money available. The result was widespread acknowledgement that the provision of services whether funded or directly provided by government and local councils was going to have to be reformed and that this evolution was going to be a lengthy one. These changes have and will include more widespread commissioning of services rather than straight grant provision and the outsourcing of internal provided services.
- A general increase in the demand for grant funding (due to an increase in social need seen during economic downturns, coupled with the changes in central/local government funding), with resources to meet this being finite.
- An increasing awareness of the role of social investment in enabling innovative new ways of tackling long-standing social challenges and social enterprise as a significant contributor to the economy, and one that is more likely to benefit disadvantaged groups such as those furthest from the labour market.

The social investment market has developed significantly over the past seven years enabling a greater number of charities and social enterprises to access finance. However, it is becoming increasingly well-recognised that there is a gap in the social investment market at the lower end i.e. below £150,000. In this regard, Kent County Council's vision for KBSF was well ahead of the trend. Research by the Charities Aid Foundation, Clearly So and New Philanthropy Capital found that the provision of affordable risk capital available for borrowing at these lower amounts is the most demanded but the least available. There is now a growing focus on ensuring that smaller, early-stage enterprises, such as those specifically targeted by KBSF, are prioritised in order to create a sustainable social investment market that can create a lasting impact on society.

INVESTMENT READINESS & BUSINESS ASSISTANCE

Charities, community groups and social enterprises which come forward with the appetite and ideas to grow their social business for community benefit, do not in general have the experience of preparing business and financial plans to allow them to fully understand their financial needs and whether social investment is the correct way to proceed.

Over the last 5 years the Fund has received over 250 enquiries around the KBSF offering. Enquiries in themselves do not necessarily mean that there is a demand and perhaps a greater indication of demand is the number of organisations where business assistance is provided due the potential applicant being at a stage where their plans suggest that borrowing is a possibility.

Business assistance includes start-up advice including legal structure, assessment of need and demand, financial modelling including profit and loss and cash flow statements as well

as guidance around other sources of finance whether they be lending (e.g. Charity Bank) or grant provision (via KCF or other grant providers).

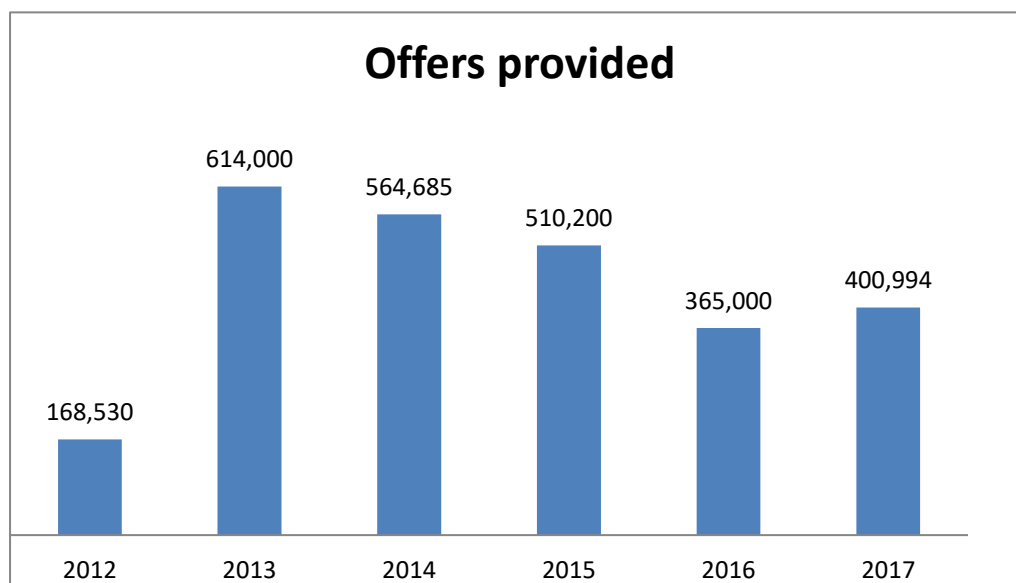
The amount of assistance and time required to bring an application to panel varies with each applicant but KCF estimates that applicants receive on average between 2 and 4 days of assistance and support from point of initial contact to panel decision, and that does not include on-going support post-award.

One of the particular learnings from the first five years of the Fund is the pressure that running any sort of business brings on the individuals involved, and a particular challenge is when the venture over-relies on one particular individual as the driving force.

FUND PERFORMANCE

Enquiries to the Fund, where an amount of potential funding is known, equates to over £5m since the fund started. We consider this to be evidence of the significant interest in considering lending finance.

The graph below shows the offers made each year by the Investment Panel of the Fund, equating to £2.623m.



To date facilities totaling, £1,509,484 has been drawn. There are various reasons why loans agreed are not drawn down including organisations who are unable to provide additional paperwork required by the investment panel to release the funds e.g. planning permission, or the applicant has secured funding from elsewhere or has simply decided to put their plans on hold.

Bad debts stand at £210,271.78, equating to 14% of the facilities drawn, made up from five organisations. The original bad debt threshold was expected to be in the region of 20%.

Some additional organisations have experienced difficulties meeting their obligations, however, KCF are in dialogue with these organisations and the investment panel is updated on the situation on a regular basis.

The table below provides a breakdown of the activity of the fund since its inception in June 2012

Number of applications sent to panel.	53
Value of applications made at panel.	£2,830,909
Number of offers made by panel.	52
Value of offers made by panel (Inc. £130,000 grant provided to Fredericks Foundation for micro loan hub)	£2,623,409
Number of acceptances.	40
Value of acceptances.	£1,660,4845
Number of drawn facilities.	36
Value of drawn facilities.	£1,509,484
Number of facilities awaiting draw (subject to conditions being met)	2
Value of facilities awaiting draw.	£11,000 (grant elements)

ECONOMIC BENEFITS

The Fund has been very successful in assisting with the direct creation or safeguarding of 400 jobs for the enterprises that have been supported, equating to £3,773 per job.

In addition to this achievement, the number of volunteer positions that KBSF has assisted in creating over the last 5 years has steadily grown to almost 100.

These volunteer positions help those who are far from the work place to experience real work conditions, improve soft skills and in many cases gain recognised qualifications that move them towards permanent employment.

LEVERAGING OF ADDITIONAL FUNDS

The Fund has directly been able to leverage in additional monies to the value of £720,543. £213,000 was funds from a private individual (from KCF's network of donors) who was willing to part fund and share the risk on one of KBSF's loan arrangements and funds leveraged to establish the Fredericks' micro-loan hub. The balance of £507,543 has recently been secured as a grant from the Big Lottery Growth Fund.

The Growth Fund is a funding programme established by Big Lottery and Big Society Capital Limited to provide mixed grant and loan funding designed to help social lenders in

England make investments of up to £150,000 in charities and social enterprises.

In addition, a number of the enterprises that have been supported have been able to leverage additional external funds directly following the initial support provided by KBSF. These funds total over £1.5m and come from a variety of sources including individual donors, other grant making trusts and central government.

THE FUTURE OF THE FUND

The Investment panel agreed in summer, 2017 to re-launch the fund with a new name - Kent Social Enterprise Loan Fund (KSELF) in order to breath new life in to the fund and arrest the decline in applications which it had been experiencing throughout 2016.

Due to the injection of additional grant monies into the fund from the Big Lottery the fund can now offer an improved finance package of up to 30% of the loan value as a grant.

KSELF was launched in December 2017 and to date has delivered a strong pipeline of enquiries.