Response to the Independent Review of Access

June 2021

We warmly welcome the report of the panel, which both clearly highlights the significant positive impact which Access has had on the charity and social enterprise (CSE) sector since our creation six years ago, as well as helpfully identifying questions and areas for further development of our work moving forwards. We agree with the clear need, identified in the report, for new long-term sources of subsidy to support blended finance models in the future, and look forward to working with our key stakeholders including with Government to address this need. We also welcome the suggestion of the panel that there should be an independent evaluation of successor options to Access noting the potential penalty of a stop/start approach post 2025.

We are also grateful that in their work the Panel has acknowledged both the impact of Access's programmes, as well as the culture and values through which we approach our work, and the extent to which this chimes with the sector we seek to support.

This response does not seek to echo the description in the report of Access's work or impact. Rather we focus on two areas:

1. An outline of our approach to how we will take forward our work in the six strategic areas for consideration which the report highlights, and;
2. Brief commentary on others areas of the report which strike us as particularly significant.

Access's Response to the Six Issues for Consideration Highlighted by the Panel:

Issue 1: Sustainability of the flow of blended capital beyond 2022, given the inevitability of subsidy to offset the costs of investing in and supporting small CSEs.

We completely agree with the panel's assessment about the essential nature of the subsidy to achieve these outcomes, and that the provision of this subsidy is easily justified in public policy terms. The comparison with the work of the British Business Bank is well made.

The urgent need for a successor to the Growth Fund to meet the demand for small scale unsecured loans from 2022 is highlighted, as well as the need for longer term subsidy to support this market.

Securing the short-term legacy of the Growth Fund and the longer term legacy of Access's work to develop blended finance approaches is a top priority for the organisation moving forwards, and one which overlaps with the questions of market infrastructure, advocacy work and legacy covered below.

Our approach to this will include:

- Working with DCMS to advocate for additional dormant account money to meet the short term need to succeed the Growth Fund and to explore the longer term opportunities, subject to forthcoming legislation, for dormant assets to play a sustained role in supporting the sector in this way.
- Working closely with other grant funders, including the National Lottery Community Fund, to explore opportunities to support the social economy through blended finance models.
- Supporting the social investment providers and their infrastructure to most effectively advocate for the need for this sort of finance, and ensuring that the voices of minoritised groups are heard as part of this process.
- Ensuring that future blended finance programmes involving Access learn the lessons of the Growth Fund, both in terms of the very significant positive impact of the programme, and in addressing some of the structural challenges.
- Share lessons from our programmes widely so others can build on the progress made over the last few years.
- Seeking to ensure that future use of subsidy in the social investment market is coordinated with other initiatives such as guarantees and tax incentives.

<u>ISSUE 2: Complexity, fragility and cost in the social investment ecosystem</u>

This section of the report covers two areas which we address separately.

<u>*Market infrastructure:*</u>

We recognise the challenges highlighted in the report about the social investment market being complex and difficult to navigate for charities and social enterprises (although Good Finance, a joint Access and BSC project, has helped to mitigate this). However we would observe that there are different and often conflicting incentives at work across the market, and that the desire for scale and efficiency can be at odds with investment being made available by, sometimes new, local and trusted partners.

Our approach to backing new intermediaries through the Growth Fund has had mixed success, as the report highlights, and in general we agree with the principle that it is important for the key intermediary and infrastructure organisations in the market to continue to be well supported, given the critical role they play. However, it is also important that Access continues to identify gaps in the supply of social investment and support and seeks to identify partners which can best address them, whether they are new to social investment or not.

We also recognise our role as a direct supporter of the infrastructure in the market and have committed 10% of our endowment through the Connect Fund for this purpose. There has always been a balance between supporting infrastructure directly and funding programmes which support charities and social enterprises. This ratio continues to feel appropriate to us.

Moving forwards we will:

- Continue to work closely with Barrow Cadbury Trust in its delivery of the Connect Fund to ensure that the infrastructure which is needed to support charities and social enterprises with access to blended finance – and to achieve Access's other legacy goals – is supported as effectively as possible over an appropriate timescale.
- Through our advocacy work we will more explicitly give support and voice to the organisations we see as critical to the long-term healthy functioning of the market, and champion what they offer to policy makers both in terms of scale and reach.
- Design future blended finance programmes with more flexibility, clearer objectives and a more proportionate reporting burden, learning lessons from some of the challenges with the Growth Fund structure.

Access's own operating model:

The model of operation as a wholesaler has a number of foundations, including the clear mandate we were given by Government when we were created, and the desire not to create substantial temporary infrastructure for a fixed life organisation. But perhaps most importantly the model allows us to do the minimum possible in the ecosystem, simply financing existing intermediaries and other infrastructure organisations to fulfil their roles, without Access competing with them. This allows us to work with partners which can provide both scale in operational support, and those which can provide deep sector expertise and essential networks.

We take the point that we are unable to compare the costs of this approach with an in-sourced model, and will more clearly highlight the fees we pay to suppliers, which are already publically available. We also note that the model carries risks in terms of gathering and assimilating learning and we work hard with partners to mitigate this. However, we would assert that even if an in-sourced model would be cheaper to deliver, it would still be less strategically desirable for Access and would do less to support the market infrastructure referred to above.

We take seriously the point that some of our programmes feel over-engineered. There is a tension between trying to keep things simple, and being very specific about the problem we are seeking to solve with the application of subsidy and designing against demand. We also take seriously the point raised by intermediaries that there can be substantial sunk cost in developing new programmes with us (although we increasingly pay development grants for this sort of activity). We further acknowledge that our desire to address challenges through bringing intermediates together has downsides in terms of the time commitment we expect from them.

Moving forwards we will:

- More clearly demonstrate the overall delivery costs of our programmes via partners, how we set and manage those costs, and explain the choices which lie behind Access's delivery model.
- Work with partners and intermediaries to seek to address these challenges when designing programmes, and invite feedback specifically around complexity of our intended approach.

ISSUE 3: Vulnerabilities of Access running a lean organisation

The report highlights a key individual risk in our Chief Executive. This is acknowledged, although it belies the strength and expertise of the senior team surrounding him, and the relatively flat structure of the organisation with significant authority devolved.

We also recognise the significant workload of the team, and although there are peaks of work we would not agree that the team is fundamentally stretched too thinly. Programme development work, such as with Local Access, is driven by the pace of progress in partner organisations to a greater extent than by Access's own capacity.

Moving forwards we will:

- Ensure the board works closely with the CEO to seek to mitigate the key individual risk, and the perception of the risk, through more clearly defining the collective role of the established Senior Leadership Team. Open dialogue between the CEO and Chair about likely term and succession will continue.
- Augment the senior team with a new role focused on advocacy and partnerships during 2021.
- Undertake an independent and anonymous staff survey, which will include gathering views on capacity and workload, and we will address the findings.

ISSUE 4: Equality, diversity & inclusion

We welcome the recognition of the panel to our existing commitment and agree with the recommended actions for Access to contribute to the sector's progress in this area. We also agree with the panel's assessment that these are complex issues, that we must avoid assuming that we have answers, and continue to listen and test assumptions. Addressing issues of trust and perceptions of relationships is key. We believe that our network leadership approach lends itself well to this through both our existing and emerging partnerships.

Moving forwards we will:

- Drive impact with our partners through the delivery and learning from our dedicated Enterprise Development strands: one focused on equality organisations, and one specifically for charities and social enterprises led by people from black and minoritised communities.
- Build in progress we are making in the Flexible Finance for the Recovery programme and integrate equality, diversity and inclusion objectives across

all new programmes from the outset. We will also continue to enhance our governance structures with relevant knowledge and experience, including on our investment committees.
- Work with the Connect Fund to continue to support key market infrastructure to progress this agenda, such as our support for the Diversity Forum and the Equality Impact Investing project.
- Further research our reach into underserved communities, and build on recommendations which emerge from this work, including around how we report on and manage our data more effectively.

ISSUE 5: Advocacy – to build the case to Government and beyond for the importance of blended finance for CSEs and their social role across England.

While recognising that there can be inherent tension given our network leadership approach, we entirely agree that Access should play a more significant role going forward in making the case to the Government, and others, for the broader systems change which we exist to create.

We have begun to define these core advocacy objectives through our legacy planning work and mapping the key stakeholders which we will seek to influence. Our approach will be faithful to our network leadership approach and we will seek to enhance the voices of our partners, in the areas where they have the greatest expertise and impact with different audiences, to the greatest possible extent.

Building resilience in charities and social enterprises takes time, but increasingly we are able to evidence the extent to which this is happening across our programmes: evidence which will be at the heart of our emerging narrative.

Moving forwards we will:

- Create a new senior role in 2021 to lead on this agenda.
- Provide additional support and where necessary resources to partners to help them raise the profile of our core influencing themes (blended finance, enterprise and resilience, and supporting the sector to better understand its business models), and convene key partners around these themes.
- Broaden and deepen our engagement with government, both central and where relevant local, around key issues which align with areas of policy interest, such as the contribution Local Access can make to the 'levelling-up' agenda.
- Continue to learn from our programmes and translate this content into useful insight for different audiences, from foundations to government, and to charities and social enterprises directly.

ISSUE 6: Legacy

We welcome the contribution of the panel to the thinking we have already done around our legacy and the question of our planned fixed life. The additional insight and challenge will further enhance our thinking and our engagement with key stakeholders in the coming months.

The point about the risks of a stop/start approach to meeting the subsidy challenges of the social investment market is well made and we will integrate this into our thinking about the pros and cons of Access's fixed life. The opportunity for there to be a "conclusive" independent evaluation of successor options is strongly supported and we would engage actively and constrictively with DMCS and other stakeholders in such a review, which would need to be concluded by the end of 2023.

Moving forwards we will, in addition to the objectives listed in #5 above:

- Finalise a vision for Access's legacy (post 2025/6) by September 2021 with an associated influencing strategy and measurement plan.
- Continue our work to form our own view about the desirability of Access's fixed life, and increasingly broaden this conversation to include the views of Government, stakeholders and the wider sector, while recognising that the reality depends on resources being available.
- Continue to build specific legacy goals into our programmes over the remainder of our planned life, in particular EDP where the opportunity to align additional resources from other foundations seems most significant.
- Maintain our overall programme structure and not seek significant innovation over the planned remaining years to ensure that learning from our existing approach is maximised and that our analysis around the subsidy needs of the market, and highlighting remaining gaps, can be as clear as possible.

Access's commentary on other selected points raised in the report:

This brief section addresses some key areas of the report, in addition to the six points above, which strike us as worthy of comment:

Programme, team and innovation:

There is a theme in the report regarding the interplay between the capacity of the Access team, the range of programmes which we are running, and the extent to which we have a focus on innovation at the expense of tried and tested practice. We note that the panel has heard a range of views, some that we are spreading ourselves too thinly across too many programmes, others that we are too concentrated in too few programmes.

These are complex issues and we will digest and reflect on this feedback. Our strategic approach is based on a rationale that different sorts of interventions are required for charities and social enterprises at different stages of enterprise development. We have focused our approach on just three such stages: developing and growing an enterprise model (Enterprise Development Program, EDP), overcoming barriers to accessing investment (Reach Fund), and receiving suitable investment (blended finance). Within the latter our four blended finance programmes respond to different gaps in the supply of capital and respond to the various mandates of our funders. It is our intention to maintain this basic framework in the coming years rather than to specifically focus on further innovation.

Furthermore, we note that, irrespective of whether or not this is the right programmatic approach, it is not dictated by Access's team structure; rather the team structure is based on the needs of the organisation's strategy.

<u>Complexity of the Growth Fund:</u>

There are multiple references throughout the report as to the complex structure of the Growth Fund and the challenges this has presented to some of the organisations which have contributed to the report. We recognise and acknowledge these points, and are well aware of them. While many of these challenges are outside of our direct control, we will engage closely with the partner organisations in the Growth Fund to seek to mitigate the ongoing impact of them as much as possible.

The Growth Fund was designed prior to Access's launch, since when we have had the opportunity to clarify our strategy and role. As reflected within the report, Access is now clear that its role is as the wholesaler of subsidy into the social investment market. Blended finance structures will always need to be jointly managed and supported by providers of both the subsidy and the matching repayable capital. For example, we plan to be a co-investor with Big Society Capital and other investors in the new programmes we are supporting through our Flexible Finance for the Recovery programme, funded directly by dormant accounts.

One of the main challenges in the Growth Fund structure is that Access has a role as service provider to National Lottery Community Fund (NLCF) in some elements of the management of the grant, while it has been necessary for NLCF to retain direct control of other elements. . Therefore we have a hybrid structure in which Access has overall responsibility to manage the programme, but all day to day decisions are agreed with NLCF. This two-tier process is confusing to the fund managers delivering the Growth Fund and a simpler structure with clearer roles and responsibilities in the partnership, such as NLCF endowing the fund to Access, would, in hindsight, have been preferable.

We will continue to develop our blended finance programmes with a focus on greater clarity about Access's role as the provider of grant into these structures, which is much easier when funded directly, such as has been the case with dormant accounts.

<u>Total Impact approach:</u>

We welcome the panel's recognition of our Total Impact approach being "ahead of the curve" and that we have exceeded our financial benchmarks.

The choices we made in establishing our approach to endowment management were those which were suitable for Access, as a ten year spend-down. Our fixed income portfolio would not be suitable for those with a longer term endowment, and we recognise that other foundations will have different financial and impact objectives. However, we will continue to share the story of our process, as well as the performance of our portfolio in terms of financial and impact return, as one data point in the broader trend for greater intentionality among foundations in how their investment approach can be aligned to mission.

Conclusion:

We thank the panel for their thorough and thoughtful assessment of Access's work to date and the raising of the pertinent issues above. It has been a very useful and timely exercise for Access and we are confident it will provide the Oversight Trust and our other funders with the necessary assurance and confidence that Access is achieving its mission in an impactful and effective way.