



Final report of the Growth Fund evaluation

**Lilly Monk, Philipp Zintl, Lucy Newman, Rachel Wooldridge, and James Ronicle
(all Ecorys), and Edward Hickman (ATQ Consultants)**

December 2025

Table of contents

The Growth Fund on a page	4
Key Findings	4
1.0 Introduction	9
1.1 About the Growth Fund	9
1.2 About the evaluation and methodology	11
1.3 Report structure	12
2.0 Overview of Growth Fund delivery	13
2.1 Growth Fund reach	13
2.2 Progress in repayments so far	14
3.0 Design of the Growth Fund	18
3.1 Grant A, B and C	18
3.2 Programme partnership	20
3.3 Monitoring and reporting	22
4.0 Social investors' experience and outcomes	23
4.1 Social investors' experiences of the Growth Fund	23
4.2 Outcomes for social investors	25
4.3 Outcomes for the wider social investment ecosystem	26
5.0 VCSE experiences and outcomes	27
5.1 VCSE experiences of the Growth Fund	27
5.2 Financial resilience outcomes	29
5.3 Social impact outcomes	31
5.4 Looking beyond the Growth Fund: awareness and understanding of social investment	32
6.0 Conclusions and recommendations	33
6.1 Has the Growth Fund built the market of small-scale unsecured or higher-risk loans?	33
6.2 What is the most effective approach to providing loans and grants to VCSEs?	34
6.3 What impact has the Growth Fund had on how social investors provide social investment to VCSEs, with and after subsidy? How have other funders been influenced?	34
6.4 What impact has the Growth Fund had on the understanding and take-up of social investment amongst VCSEs?	35
6.5 What impact has the Growth Fund had on VCSEs' financial resilience and social impact?	35

6.6 Recommendations.....	36
7.0 Appendices	39
7.1 Acknowledgements	39
7.2 Glossary	40
7.3 Full list of social investment funds	42

Table of Figures

Figure 1 Growth Fund structure.....	10
Figure 2 Growth Fund loan performance June 2019 – March 2025	15
Figure 3 Perceived effect of the investment on organisations' social impact.....	31

The Growth Fund on a page

The Growth Fund was an innovative blended (i.e. grant and loan) finance programme launched in May 2015 by a Programme Partnership of The National Lottery Community Fund, Better Society Capital (BSC) and delivered by Access – The Foundation for Social Investment (Access) through a range of social investors. It aimed to address gaps in the small-scale (<£150k) social investment market in England for voluntary, community and social enterprise organisations (VCSEs). Loan repayments were scheduled to be made by 2029.

Increased supply of small-scale social investment

- ▶ **726 investments** were made to **580 VCSEs** by **15 social investors**
- ▶ **89% of VCSEs** were small- to-medium sized, many of which had never received social investment before
- ▶ **£48.6m** deployed as repayable loans (84%) and grant funding (16%)
- ▶ **£67k average investment size**
- ▶ Loans were mainly sought for **scaling up activities, refurbishments and asset acquisition**
- ▶ As of September 2025, **at least 77% of all funds deployed as loans had been repaid**. 6% were 'performing', 4% were 'at risk' and 13% were in default

Expanded the social investment market

The Growth Fund built evidence around small-scale loans (<£150k) through evaluation and learning activities: there is a clear demand for investment at this scale.



10 new social investors entered the market through the Growth Fund - half of which plan to continue with blended finance (as investors or in consortia with others).

Less experienced social investors were upskilled in fund setup, marketing, deployment, managing late repayments, and portfolio oversight.

Outcomes for VCSEs

Improved financial resilience

50% of VCSE survey respondents reported significant improvements in financial resilience after receiving the loan. The loans were credited for: diversifying their income, reducing reliance on grants, enabling them to acquire assets, staff development, boosting their reserves, and enhancing their fund management reputation.

Increased social impact

Over 70% of VCSE survey respondents indicated the social investment increased their overall social impact and the number of beneficiaries they supported. They achieved this by developing delivery spaces, improving service quality, and reaching more beneficiaries.

More uptake and appetite for social investment

The Growth Fund and successor programmes have increased access to affordable social investment. Looking ahead, 80% of investees surveyed expressed interest in seeking additional social investment, indicating a strong willingness to apply for further investment.

Conclusions

Impact on the supply of social investment: the Growth Fund boosted the supply of small-scale, unsecured loans for VCSEs.

Lessons on providing blended finance: Grant funding alongside loans helped attract VCSEs to the investment opportunity, build a relationship between them and social investors, and was particularly useful for VCSEs, especially when used to lower loan repayments or cover core costs.

The role of subsidy (blending grant and loan): Subsidy enabled new social investors to enter the market and lowered the cost of borrowing so more VCSEs could access social investment. The subsidy allowed social investors to take a flexible approach to supporting VCSEs, helping them find solutions to repaying interest on loans and counter repayment challenges.

Looking forwards: Access learnt lessons from the Growth Fund to apply to future funding; around greater flexibility in the use of grants, the potential for working in consortia to reach target VCSEs, and the need for investment-readiness support.

Key Findings

The Growth Fund was an innovative blended (i.e. grant and loan) finance programme launched in May 2015 by a Programme Partnership of The National Lottery Community Fund, Better Society Capital (BSC) and delivered by Access – The Foundation for Social Investment (Access) through a range of social investors. Loan deployment concluded in September 2023, with all loans scheduled for repayment by December 2029.

The Growth Fund was designed as a ‘test and learn’ pilot programme, with the aim of addressing specific gaps in the social investment market in England by increasing the availability of relatively small loan amounts (<£150k) for voluntary, community and social enterprise organisations (VCSEs).

An independent evaluation of the Growth Fund was carried out by Ecorys and ATQ Consultants from 2016 to 2025. The key findings from the mixed-methods process and impact evaluation are summarised here, with further detail provided in the main body of this synthesis report.

Overview of Growth Fund delivery

In the Growth Fund, 17 individual social investment funds were launched by 15 social investors¹ with a range of experience with social investment – some were experienced social lenders, others had grant experience, and a small number were completely new to providing funding. During its 7 active years, the Growth Fund made 726 individual investments reaching 580 distinct VCSEs. Altogether, it deployed £48.6m; 84% (£40.6m) in the form of repayable loans and the remaining 16% (£8m) as grant funding to VCSEs.

The Growth Fund reached predominantly small organisations. 54% of funded VCSEs had fewer than five employees (Full Time Equivalents (FTEs)) and only 12% employed more than 25 FTE staff. Half of all investments were £50k or below and another 31% were more than £50k but less than £100k. The most common reasons for seeking investments were the scale-up of existing activities (27%), refurbishments (15%) and asset acquisitions (16%). The grant element of the blended finance offer to investees was a key motivator for applying for the loans, alongside pre-existing relationships with the social investor and the offer of non-financial support.

As of September 2025, 77% of all funds deployed as loans had been repaid by investees, 6% were marked as performing, and 4% were considered ‘at risk’. 13% of loans were classed as ‘in default’, representing a total investment of £5.47m. By September 2025, social investors had written off £4.23m of this.

The likelihood of defaults was higher for smaller organisations and when the loan was large compared with the organisation’s annual income. Defaults were also noticeably more common when loans were used for growth-oriented purposes (such as scaling up activity, pursuing new income streams, or delivering new products and services) and less common when loans were used for building purchases and improvements.

¹ One social investment fund closed before it deployed any funding.

Design of the Growth Fund

The Growth Fund programme blended grant and loan through three grants (Grant A, B and C, respectively), known as the ‘subsidy model’. Grant A was designed to contribute to social investors’ operating costs of making small loans, Grant B allowed investors to afford for some of the loans to fail, and Grant C allowed social investors to offer grants alongside loans to VCSEs. The design of the Grant A, B and C subsidy model was an innovative model. Each grant element included untested constraints and parameters, providing an opportunity to test and learn from them. The language has now become an established part of blended finance. Overall, the main success of the subsidy model was the flexibility of the programme management of the grant subsidies. The main challenges with the subsidy model related to the amounts and timing of the availability of Grants A and B, which impacted some of the smaller and newer social investment funds. Further findings about the successes and challenges of each Grant A, B and C subsidy lever are detailed in the [Use of Subsidy: Lessons from the Growth Fund report](#).

The Growth Fund Programme Partnership evolved over the course of the Growth Fund delivery and had moved from early deployment, to portfolio management, to a period of more reflective discussion and learning as active loan book management slowed at the time of final data collection for this evaluation. A number of challenges were highlighted during the early set-up and deployment phase, sometimes leading to slow decision-making. This was largely attributed to the nature of an innovative but complex partnership without a blueprint. The key learning is the need for strong governance structures to ensure the clarity of roles, particularly in light of different – and what can be – competing priorities of different partners, and appropriate decision-making authority. A further challenge was the lack of standardised and meaningful social impact data collected over the course of delivery, due to the intentionally broad design of the Growth Fund.

The flexibility of the Programme Partnership has been a key success of the Growth Fund, and has trickled down to social investors and investees. Interviewees suggested this flexibility was a main driver for the lower-than-expected losses seen to date. Programme Partners and social investors also valued the role of Access.

Social investors’ experiences and outcomes

Despite social investors reporting that it took longer and was more resource-intensive to deploy and manage the funds, ultimately the Growth Fund was able to deploy all of its funds to more VCSEs than intended, within a broadly similar budget envelope (with some additional budget provided for Covid-19 response).

The experience of individual social investors and respective investment funds was mixed, with less experienced and new social investors facing the most challenges. The capabilities of social investors were developed through their Growth Fund experiences, and overall, the Growth Fund has been successful in building the scale and capacity of social investors.

Looking beyond the Growth Fund, half of the new-to-blended finance social investors were continuing with social investment, either managing funds themselves or working with others in consortia. Lessons from the Growth Fund around greater flexibility in the use of grants, the potential for working in consortia to reach target VCSEs, and the need for investment-readiness support have been applied in the design of successor funds managed by Access.

VCSE experiences and outcomes

Overall, investees were satisfied with their Growth Fund investment. 72% of VCSE survey respondents were very satisfied with the Growth Fund investment they received, and 77% of survey respondents indicated they would definitely recommend similar investment to others. They were particularly satisfied with the support and advice offered by investors, and the flexibility of the funding. The cost and resources required to manage the social investment were broadly in line with VCSEs' expectations. Some VCSEs found collecting social impact data challenging and survey respondents were less satisfied with monitoring and reporting requirements (51%) than other aspects of loan management.

In terms of the impact of the Growth Fund on VCSEs, the following outcomes were identified:

- ▶ **Positive perceived impact on financial resilience:** half (50%) of all annual survey respondents reported that the Growth Fund had significantly improved their income, and 27% noted a slight improvement. VCSE case study interviewees attributed improvements in financial resilience to their ability to diversify their income streams, acquire assets, the flexibility of the funding, and investing in skills development.
- ▶ **Positive perceived impact on social impact:** over 70% of survey respondents indicated that the social investment increased their overall social impact and the number of beneficiaries supported.
- ▶ **Improved awareness and understanding of social investment:** 70% of annual survey respondents had applied for further investment since their Growth Fund loan and 80% would recommend social investment to other VCSEs.

Conclusions

Has the Growth Fund built the market of small-scale unsecured or higher-risk loans?

The evaluation evidence suggests that the subsidy model used for the Growth Fund did indeed enable this and thus plugged a gap in the supply of social investment for VCSEs. More detailed evaluation findings on the use of subsidy in the Growth Fund are presented in the separate [Use of Subsidy: Lessons from the Growth Fund](#) report. Despite social investors reporting that it took longer and was more resource-intensive to deploy and manage the funds, ultimately, the Growth Fund deployed all of its funds to more VCSEs than intended, and the grant element of the offer was a key motivator for VCSEs to apply for the funding. However, there are still gaps in the VCSE funding environment and whilst the needs of investees were broadly met by the Growth Fund, many others are unable to access sufficient or suitable finance.

What is the most effective approach to providing loans and grants to VCSEs? At a programme level, clear governance structures were important for ensuring the effective management of the blended finance programme. The flexibility afforded at all levels within the Growth Fund was a resounding success from the perspective of all stakeholders including Programme Partners, social investors and VCSEs, and likely resulted in the lower-than-expected losses seen so far. VCSEs also valued the ease of applying to and managing their investment, the positive relationships they developed with social investors, and the grant funding they received alongside their loan (particularly when used to reduce the cost of loan repayments or cover core costs).

What impact has the Growth Fund had on how social investors provide social investment to VCSEs, with and after subsidy, and how have other funders been influenced? There continues to be a need for subsidy to encourage social investors to lend at this level, as there is a higher level of risk when providing loans to smaller organisations. Since the Growth Fund, further governmental subsidy was made available via Dormant Asset monies awarded to Access in 2025. Other non-governmental providers of subsidy have not emerged. The Growth Fund also provided learning on how to provide social investment, and this has informed the structure of successor funds.

What impact has the Growth Fund had on the understanding and take-up of social investment amongst VCSEs? Receiving investment through the Growth Fund positively influenced VCSEs' perceptions of social investment (although new knowledge and awareness could be lost when staff members left).

What impact has the Growth Fund had on VCSEs' financial resilience and social impact? The evidence collected suggests the Growth Fund increased VCSEs' financial resilience, enabled them to deliver greater social impact.

The report provides recommendations for blended finance providers, wider funders and VCSEs in section [6.6](#).

1.0 Introduction

This synthesis report is the final report of the independent evaluation of the Growth Fund, an innovative blended finance programme. The evaluation was undertaken by [Ecorys](#) and [ATQ Consultants](#) (ATQ). This report draws together learning on the implementation of the Growth Fund and the outcomes achieved. It may be useful to social investors, funders, policymakers, voluntary, community and social enterprise organisations (VCSEs) and researchers interested in the use of blended finance.

1.1 About the Growth Fund

The Growth Fund was launched in May 2015 by The National Lottery Community Fund and Better Society Capital (BSC), and delivered by Access – The Foundation for Social Investment (Access) through a range of social investors. Loan deployment concluded in September 2023, with all loans scheduled for full repayment by December 2029.

The Growth Fund was designed as a ‘test and learn’ pilot programme, with the aim of addressing specific gaps in the social investment market in England. The Programme Partnership established the Growth Fund to increase the availability of relatively small amounts of finance (<£150k) for VCSEs. It was aimed at VCSEs in the early stages of growth or looking to sustain their activity, organisations whose risk profile or trading history would normally exclude them from both the social investment and commercial loan markets, and organisations that had not accessed social investment before. The Theory of Change (ToC) underpinning the Growth Fund and this evaluation can be found in the separate [Technical Annex](#).

1.1.1 The structure of the Growth Fund

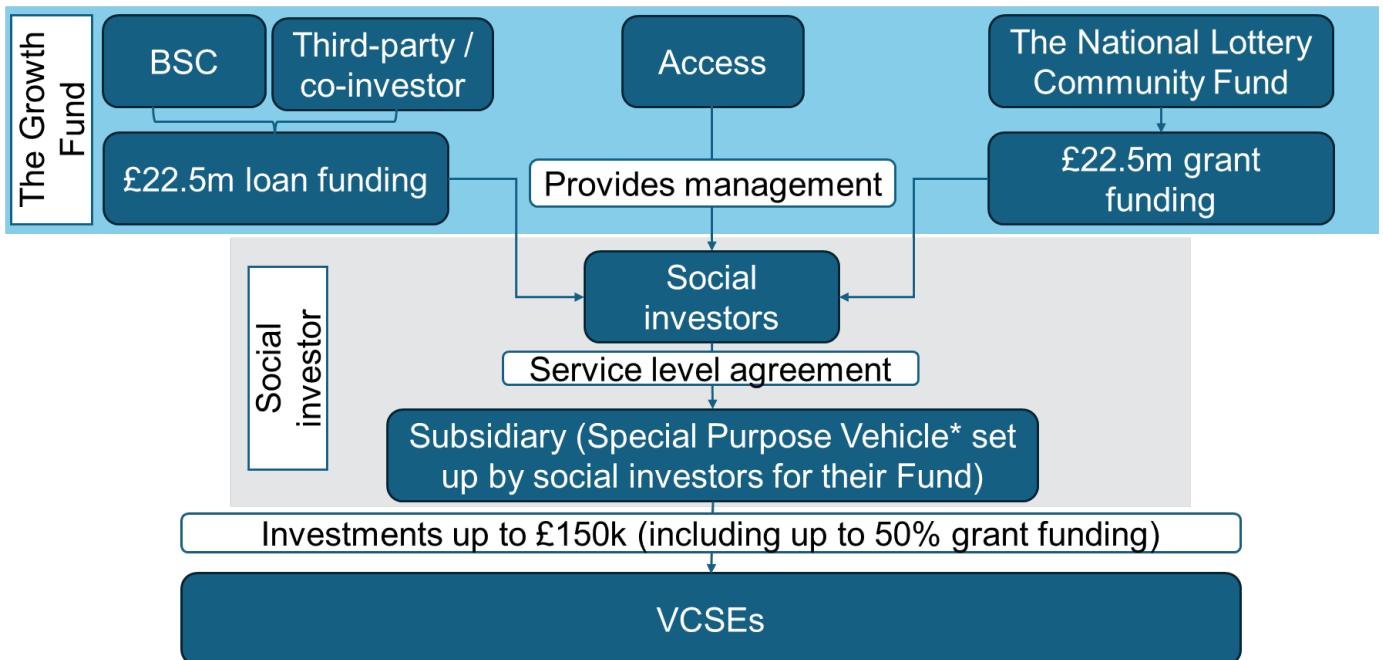
The Growth Fund is facilitated by an innovative partnership between The National Lottery Community Fund, BSC, and delivered by Access (the “Programme Partnership”). To enable finance to be available in a form that is affordable for both those providing and receiving it, the Growth Fund has a unique structure of blended finance,² which combines grant funding and loan funding in a total pot worth £48.6m.

The National Lottery Community Fund committed grant funding of up to £22.5m, and BSC committed loan funding of up to £22.5m.³ Third party investors (or co-investors) were encouraged to invest alongside the grant; in some cases this was instead of BSC investment, and in other cases, it was alongside it. At the time of reporting, Access continues to lead the management of the Growth Fund, with operational support from BSC and The National Lottery Community Fund. Investments of both loans and grants (blended finance) were made into funds run by social investors, which then made loans and blended loan/grant packages into VCSEs. The Growth Fund structure is outlined in Figure 1.

² Blended finance is a mix of repayable investment and grants which do not need to be repaid.

³ Growth Fund social investors were able to bring in other capital alongside or instead of BSC – a small number of social investors brought in external wholesale investors alongside BSC and/or used their own capital.

Figure 1 Growth Fund structure



*A Special Purpose Vehicle (SPV) is a separate legal entity created to isolate a subsidiary with a particular function, risk or asset to protect the parent company from financial liabilities.

The social investors must repay the loan to BSC, including interest. The Programme Partnership initially set the interest rate at 5% to demonstrate sustainability and attractiveness for other investors of loan funds providing small-scale finance to VCSEs, whilst also being affordable to VCSEs. In September 2020, in response to the financial shocks related to the Covid-19 pandemic, the Programme Partnership reduced the monthly interest to 2% on accrued balances due for repayment to BSC by the social investors.⁴

In the Growth Fund, 17 investment funds were launched by 15 social investors with a range of experience with social investment; some were experienced social lenders, others had grant-making experience, and several were completely new to providing funding or loans. Of the 17 funds, 11 were still in the run-off phase⁵ and 6 had closed by September 2025. A full list of social investors is provided in the annex (see [7.3](#)). To protect the anonymity of the social investors' responses to the evaluation, social investment funds are pseudonymised (i.e. described as 'Fund A', 'Fund B' etc) throughout this report.

1.1.2 The Growth Fund subsidy model

The Growth Fund used a 'subsidy model'; blending loan and grant funding so that social investors could offer smaller loans (less than £150k) to VCSEs on a sustainable basis, because these loans cost more to run and come with higher risk. The Growth Fund subsidy model was designed with three grants, called Grants A, B and C, as follows:

- **Grant A** – helped to contribute towards the operational costs to social investors of making lots of small loans.

⁴ Social investors were liable to pay more than 2% (up to the original 5%), but only if they could afford to, at the end of their individual Fund's life.

⁵ 'Run-off phase' refers to when existing loans continue to be repaid where possible but no new loans are being provided.

- ▶ **Grant B** – allowed investors to afford for some of the loans to fail.
- ▶ **Grant C** – allowed social investors to offer grants alongside loans to VCSEs.

More details on the subsidy model and the different grants are available in the [Use of Subsidy: Lessons from the Growth Fund](#) report.

1.2 About the evaluation and methodology

In 2016, The National Lottery Community Fund commissioned [Ecorys](#) and [ATQ Consultants](#) (ATQ) to carry out a mixed-methods process and impact evaluation of the Growth Fund. The evaluation aimed to assess and track the effectiveness of the Growth Fund in enabling a wider group of VCSEs to successfully access social investment, become more resilient, and deliver greater social impact. The main topics for the evaluation were to understand:

- ▶ The most effective approaches to the use of subsidy in building the market of small-scale unsecured or higher-risk loans and the provision of loans and grants to VCSEs.
- ▶ The impact of the Growth Fund on how social investors provide social investment to VCSEs – with and after subsidy – and how other funders and lenders outside of the Growth Fund have been influenced.
- ▶ The impact of the Growth Fund on the understanding and take-up of social investment amongst VCSEs.
- ▶ The extent to which greater take-up of social investment leads to greater financial resilience and social impact within the VCSEs.

The findings presented in this report draw on previous evaluation publications which are cross-referenced throughout,⁶ and the following research activities:

- ▶ **20 longitudinal case studies with VCSEs** that received social investment through the Growth Fund.
- ▶ **7 rounds of annual interviews (2019-2025) with the Growth Fund social investors.**
- ▶ **Interviews (in 2018, 2020 and 2025)** with stakeholders from the 3 organisations that make up the Programme Partnership.
- ▶ **Analysis of the latest available Growth Fund Management Information (MI) up to September 2025.**⁷ This contained information on 726 investments made to 580 VCSEs.⁸
- ▶ **VCSE surveys**, which consisted of:
 - ▷ **A baseline survey** shared quarterly by social investors with new investees who had received investments in the previous three months. In total, 167 VCSEs completed

⁶ All reports and thematic insights published as part of the Growth Fund evaluation can be found on The National Lottery Community Fund's website [here](#).

⁷ The MI analysed included the most recently submitted data by social investors to Access by March 2025. Whilst most social investors submitted data in March 2025, not all did, and four investors no longer submitted any data to Access at the time of reporting due to their data sharing agreements having finished (with their most recent submissions being in December 2021, September 2023, March 2024 and December 2024). This means that the MI data does not present the full picture for all of the VCSEs.

⁸ Some VCSEs received more than one investment.

the baseline survey out of 580 organisations funded through the Growth Fund (a response rate of 29%); and

- ▷ **A follow-up survey sent to all VCSEs each year**, distributed by the social investors. The annual survey was sent out 7 times (2019-2025). Annual response numbers typically ranged between 40 and 50, peaking at 85 in 2023.

The Technical Annex sets out the methodological limitations and considerations, as well as further details about the methodology and analysis.

1.3 Report structure

The rest of the report is structured as follows:

- ▶ **2.0 Overview of the Growth Fund delivery:** Assessment of the Growth Fund's reach; Progress in repayments so far.
- ▶ **3.0 Design of the Growth Fund:** The Grant A, B, C structure; Programme Partnership evolution, successes and challenges; Overall reflections on the monitoring and reporting requirements.
- ▶ **4.0 Social lenders' experiences and outcomes:** Social lenders' experiences of the Growth Fund; Outcomes for social lenders; Outcomes for the wider social investment ecosystem.
- ▶ **5.0 VCSE experiences and outcomes:** VCSE experiences of the Growth Fund; Financial resilience outcomes achieved by VCSEs; Social impact outcomes achieved by VCSEs; Looking beyond Growth Fund – VCSEs' awareness and understanding of social investment.
- ▶ **6.0 Conclusion and Recommendations.**

This report uses footnotes to reference sources. All charts have been produced by Ecorys unless otherwise stated. A separate [Technical Annex](#) provides more detail on the methodology and additional data tables and figures.

2.0 Overview of Growth Fund delivery

Key findings

- ▶ During its 7 active years, the Growth Fund made 726 individual investments reaching 580 distinct VCSEs. Altogether, it deployed £48.6m; 84% (£40.6m) in the form of repayable loans and the remaining 16% (£8m) as grant funding to VCSEs.
- ▶ The Growth Fund reached predominantly small organisations. 54% of funded VCSEs had less than five employees (FTEs) and only 12% employed more than 25 FTE staff. Half of all investments were £50k or below and another 31% were more than £50k but less than £100k.
- ▶ The most common reasons for seeking investments were the scale-up of existing activities (27%), refurbishments (15%) and asset acquisitions (16%).
- ▶ As of September 2025, 77% of all funds deployed as loans had been repaid by investees, 6% were marked as performing,⁹ 4% were considered 'at risk'. 13% of loans were classed as 'in default', representing a total investment of £5.47m. By September 2025, social investors had written off £4.23m of this.
- ▶ The likelihood of defaults was higher for smaller organisations and when the loan was large compared with the organisation's annual income. Defaults were also noticeably more common when loans were used for growth-oriented purposes (such as scaling up activity, pursuing new income streams, or delivering new products and services) and less common when loans were used for building purchases and improvements.

This section presents findings from analysis of the MI data collected by Access about the VCSEs that received investment through the Growth Fund.

2.1 Growth Fund reach

In total, the Growth Fund made 726 individual investments reaching 580 distinct VCSEs, demonstrating both its breadth of reach and repeat engagement with some organisations. Altogether, the Fund deployed £48.6m in investment. The majority of this (84% or £40.6m) was in the form of repayable loans, with the remaining 16% (£8m) provided as grant funding.

The most frequently cited purposes for taking on a Growth Fund loan were to scale up existing activity (27%), followed by refurbishments (15%). The rationale behind the Growth Fund was that repayable finance can help VCSEs to start or grow trading. In practice, the funding was used more commonly to grow existing activity, with only 15% of VCSEs aiming to use it to start new activities.

The Growth Fund achieved its aim of providing relatively small-scale finance (typically under £150k) for VCSE organisations. Before the Growth Fund, the supply of loans at this

⁹ Performing loans are loans where the borrower is making payments on time and as agreed.

scale was limited. For many social investors, the high operating costs involved meant that it was not financially viable to provide smaller loans, while the perceived risk associated with lending to early-stage or less established VCSEs created further barriers. As a result, VCSEs were often left without access to the type of flexible, repayable finance that could enable them to invest in growth, resilience and long-term sustainability. The Growth Fund reached relatively small organisations and provided relatively small-scale investment as intended:

- ▶ **VCSEs receiving Growth Fund investments were predominantly small to medium in terms of income and employed few staff, aligning with the Growth Fund's ambition to support organisations with the potential to grow and expand their activities**, rather than those that were already large and established. The majority of organisations (52%) had medium-sized reported incomes (£100k-£1m), and 37% were 'small' (between £10k and £100k) or 'micro' (less than £10k). The median annual income of funded organisations was approximately £177k. More than half (54%) indicated they employed no more than five FTE staff members.
- ▶ **The average investment size over the lifetime of the Growth Fund was approximately £67k**, underlining its focus on providing smaller-scale finance within the <£150k range. Half of all investments were £50k or below, with just under a quarter (22%) at £25k or less. Roughly a third (31%) of investments were between £50k and £100k, reinforcing the Fund's role in providing mid-range, but still relatively modest, finance to VCSEs.

The Growth Fund's aim of reaching organisations without a prior investment history was somewhat achieved. In the baseline survey, half of the 167 respondents reported that they had never applied for investment beyond grants, while a further 7% had applied unsuccessfully. Conversely, 42% indicated that they had secured investment prior to receiving Growth Fund support. This shows that the Growth Fund did indeed reach VCSEs without a prior investment history, but just under half had received prior investment. That said, the investment may have been quite different (e.g. secured or from commercial banks) and Programme Partners suggested that prior investment may have been historic. Accessing social investment at the time of receiving a Growth Fund loan may not have been possible.

The Growth Fund was successful in reaching VCSEs operating in areas with high Index of Multiple Deprivation (IMD) scores. Analysis completed by Access found that around a quarter of all invested funds went to the North West, reflecting both its large population and its above-average concentration of deprived areas.¹⁰ Conversely, only about 3% of funds were deployed in the relatively affluent East of England. In all regions, except the South East and the East of England, the majority of funds were directed to areas with an IMD score of 5 or lower, indicating above-average deprivation. This aligns with BSC's broader investment achievements; 64% of all organisations which have received BSC investment are located within the most deprived areas of the UK.¹¹

2.2 Progress in repayments so far

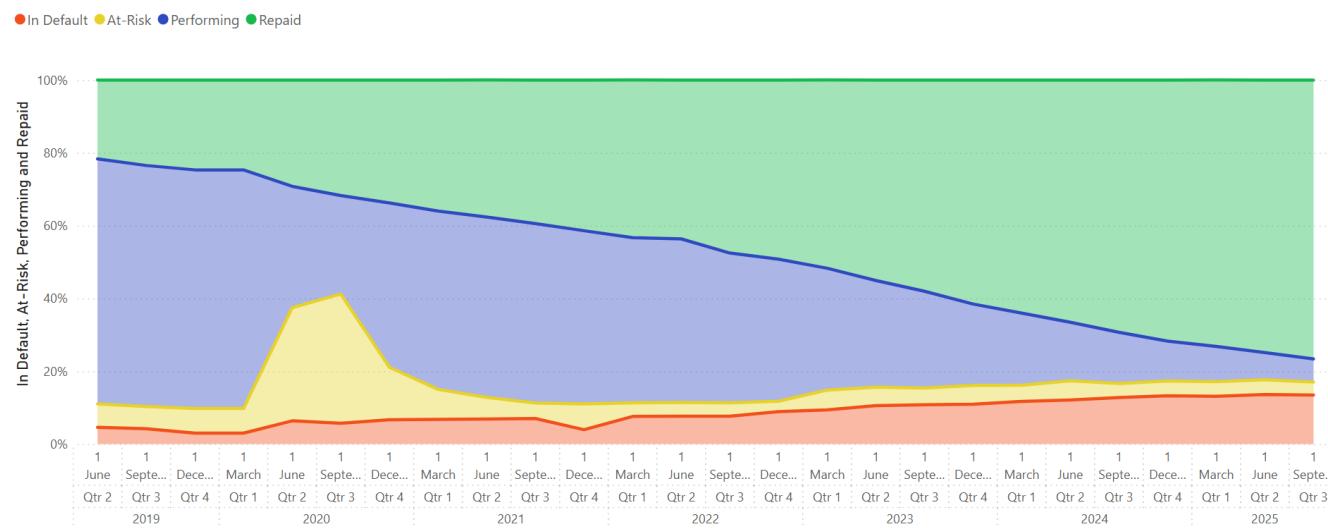
As of September 2025, at least 77% of all funds deployed as loans had been repaid by investees, 6% were marked as performing, and another 4% were considered 'at risk' (see

¹⁰ [The English Indices of Deprivation 2019](#). It is unclear how much of the investment was concentrated per LSOA.

¹¹ Better Society Capital. (2024). Impact report 2024.

Figure 2).¹² The remaining 13% were classified as ‘in default’, representing a total investment of £5.47m, of which £4.23m had been written off by September 2025.

Figure 2 Growth Fund loan performance June 2019 – September 2025



Data source: Growth Fund Management Information. Chart produced by Access.

While it is too early to predict the final Growth Fund loan performance, these figures show that the overall loss ratio is within forecast and suggest that overall repayments may perform slightly better than expected. At the programme’s launch, the Programme Partnership predicted a Growth Fund-wide weighted default rate of 20%. Reaching this level would require all currently at-risk loans, plus half of those currently performing, to default. Even given that the proportion of loans defaulting may increase due to the ultimate cut-off for repayments, reaching this level of defaults is unlikely given the previous loan performance trajectory. Figure 2 shows Growth Fund performance over time from June 2019 to September 2025.

There will be a level of surplus (or ‘residual grant’) in the successful social investor funds when they close. The residual grant will be available to the social investors to use in line with their original respective Grant A+B+C purposes in future blended finance lending programmes.

As might be expected, the experience of individual social investors with provisions¹³ and defaults is different. As things stood in September 2025, Access’ data and interviews with investors suggests that four social investors could end up with final default rates extremely close to their original Grant B projection and eight social investors were set to deliver a lower-than-expected default rate (which means there will be a surplus at fund close). Two investors were set to deliver a higher-than-expected rate. Three others repaid BSC and took the outstanding loan risk onto their own balance sheets, so are no longer providing data

¹² Defined as investment which is more than 29 but less than 90 days in arrears (on capital or interest repayments) AND/OR an investment which has been restructured in the last 6 months OR an investment which the social lender considers to be at-risk for a different reason (e.g. VCSE facing loss of premises, key director leaving or similar).

¹³ Provisions are made by lenders when there is an expectation that some and potentially all of an outstanding loan balance may not be repaid (sometimes also known as write-downs). Write-offs are made when there is no expectation that an outstanding loan balance will be repaid. Cumulatively, write-offs add up to the proportion of a fund in-default.

to Access on losses (meaning any further respective losses since repaying BSC are not included in our analysis).¹⁴

There was a notable increase in loans considered at risk during the height of the Covid-19 pandemic in Q2 and Q3 of 2020. The Programme Partnership responded by introducing financial breaks that enabled social investors to offer capital and interest repayment holidays; additional finance (The National Lottery Community Fund provided additional Grant A and C); freezing of BSC interest accrual to social investors during the six months after March 2020; and easing of administration requirements so investors could focus on providing direct support to VCSEs. The flexibility afforded within the Growth Fund and the various support funds¹⁵ established during this period and accessed by investees helped prevent many VCSEs from going bankrupt, subsequently avoiding additional loan defaults. The final level of write-offs across the individual funds will be available in 2029 and will provide a vital evidence base for interpreting the performance of the loans.

2.2.1 Factors affecting loan repayment

Comparing loan performance from the Growth Fund MI data by VCSEs' primary source of income before applying for the investment showed a correlation between organisations' pre-existing business models and likelihood of repayment.

VCSEs primarily reliant on contracts before taking on a loan and those mostly dependent on grants and donations both had the lowest share of loans in default (9%) by September 2025 (from a total loan size of around £11.1m).

Organisations mainly relying on trading, such as generating revenue from activities like running a cafe or offering artistic or exercise classes, exhibited a higher default rate (16%), likely due to greater exposure to economic fluctuations and shocks including the Covid-19 pandemic and the cost-of-living crisis. Loans provided to organisations dependent on rental income also showed a notably higher default rate (17%), although the small number of such organisations and the comparatively low total loan value (£3.3m) makes this finding less certain. Overall, these results underscore how different income models can shape organisations' financial resilience and exposure to external shocks, with implications for risk assessment when providing loans to VCSEs, and how investors could direct additional support.

Looking at different loan purposes, the VCSEs that used their loans for building purchases and improvements generally exhibited lower default rates (5-9%). This reflects wider literature review findings that many community businesses¹⁶ considered owning and maintaining buildings critical as a starting point to develop sustainable traded income streams and improving financial sustainability.¹⁷ Conversely, default rates were higher for loans aimed at scaling up activity, pursuing new income streams, or delivering new products and services (default rates of 13-19%), highlighting the increased risks associated with

¹⁴ These findings are based on the [Use of Subsidy in Social Investment Report 3](#), produced by Access, and interviews with social investors.

¹⁵ Examples include the Social Enterprise Support Fund (SESF), the Coronavirus Community Support Fund (CCSF) and the Bounce Back Loan Scheme (BBLS).

¹⁶ Community businesses include VCSEs and other businesses which benefit and are accountable to their local communities. Source: [What is community business? - Power to Change](#)

¹⁷ Craig, J. (2024). Financing the future economy: How community businesses can access the right finance to achieve their ambitions.

growth-oriented investments compared with more asset-based uses (such as developing buildings). The highest default rates were observed for loans intended to refinance existing debt, highlighting the risks of investing in organisations already struggling to meet their financial obligations. When considering both at-risk and defaulted investments, growth-oriented loans proved even riskier than those intended for debt refinancing, with 28% of funds allocated to delivering new products or services currently at risk or in default. However, the final outcome of those loans is not yet known.

Although the Growth Fund targeted predominantly small organisations due to their growth potential, these loans also carried the highest risk. Substantial differences in loan performance emerged when organisations were grouped by size, with respect to annual income brackets and size of staff teams:

- ▶ **Default rates increased steadily with larger loan-to-income ratios.** Loans representing 10% or less of annual income had a relatively low default rate of 5%. Default rates then increased steadily with larger loan-to-income ratios, peaking at 19% when the total loan exceeded the organisation's annual income (loan-to-income ratio above 100%).
- ▶ **The highest rate of default (20%) was seen amongst VCSEs with the smaller staff teams of under 5 (but not zero) FTEs.** The lowest default rates were observed among organisations with more than 100 FTEs (5%) and those with 25–100 FTEs (6%). Medium-sized organisations with 5–25 FTEs experienced a higher default rate of 12%. Interestingly, organisations reporting no FTEs showed a lower default rate, likely reflecting their lower financial obligations, such as not needing to pay staff.

Comparing loan performance by loan size revealed only minor differences. Larger loans (over £100k) were as likely as smaller loans (under £10k) to be at risk or in default.

3.0 Design of the Growth Fund

Key findings

- ▶ The design of the Grant A, B and C subsidy model was an innovative model. Each grant element included untested constraints and parameters, providing an opportunity to test and learn. The language has now become an established part of blended finance.
- ▶ Overall, the main success of the subsidy model has been the flexibility of the programme management of the grant subsidies.
- ▶ The main challenges with the subsidy model related to the amounts and timing of availability of Grants A and B, which impacted some of the smaller and newer social investment funds.
- ▶ The Growth Fund Programme Partnership evolved over the course of the Growth Fund delivery and had moved from early deployment, to portfolio management, to a period of more reflective discussion and learning as active loan book management slowed at the time of final data collection for this evaluation.
- ▶ A number of challenges were highlighted during the early set-up and deployment phase, sometimes leading to slow decision-making. This was largely attributed to the nature of an innovative but complex partnership without a blueprint. The key learning is the need for strong governance structures to ensure the clarity of roles, particularly in light of different – and what can be – competing priorities of different partners, and appropriate decision-making authority.
- ▶ The flexibility of the Programme Partnership has been a key success of the Growth Fund, and has trickled down to social investors and investees. Interviewees suggested this flexibility was a main driver for the lower-than-expected losses seen to date. Programme Partners and social investors also valued the role of Access.
- ▶ Programme Partners were unable to collect standardised and meaningful social impact data over the course of delivery, due to the design of the Growth Fund. The investment was intentionally broad-reaching, therefore collating data on social impact across a diverse range of VCSEs with a wide variety of aims for different cohorts was not possible. Future social investment programmes may provide more opportunity to collect standardised and appropriate social impact data, which could enable further programme-level evidence-building on the link between social investment and social impact, building on the findings from this evaluation.

3.1 Grant A, B and C

In the Growth Fund, design parameters were built around the Grant A, B and C model with amounts proportionally allocated to each grant element for individual social investment funds. The details of the Grant A, B and C model and the parameters around it are outlined in the [Use of Subsidy: Lessons from the Growth Fund](#) report. In the summary words of one social investor:

“A lot of thought was put into the structure of A, B and C. It makes a lot of sense as a structure. It is fairly transparent; these are the problems that arise and here are the grants designed to address / fix them.” (Social investor)

The Growth Fund subsidy model was flexed over the life of the programme. The Programme Partnership applied the ‘test and learn’ philosophy throughout the Growth Fund. Both Grants A and C ended up with higher totals allocated and spent compared to original expectations, largely linked to the Covid-19 pandemic response. Grant B was lower, due to the early closure of three funds and reductions in the size of other funds. Covid-19 response variations included the relaxation of the rule around Grant C so that it could be given out after loan drawdown (rather than only at the time of drawdown), the size of investments was increased up to £200k from £150k, and BSC lowered its interest rate to 2%.

Grant A attracted new-to-social investment organisations to apply to become Growth Fund social investors (see Table 1 in chapter 4.0), by subsidising operating costs.

However, when Grant A was set at a maximum of 10% across all types of social investors, it was not sensitive to the needs of either new entrants or those targeting niche lending markets. Other challenges that social investors found with Grant A were linked to the difficulty of forecasting operating costs over such a long period of time, particularly as these costs were bound to fluctuate because of investee issues and external shocks. The modelling assumed a falling cost base at the end of respective funds’ repayment phases, but costs had not decreased as much as anticipated. If a future subsidy provider is intent on widening the base of social investors as an objective, then the true costs of setting up and running a fund from scratch should be considered (see the [Use of Subsidy: Lessons from the Growth Fund](#) report for more detail). A relatively higher level of Grant A operational cost subsidy is required to allow for the additional time needed for specialist investment management skills and supporting systems to embed in the new organisations, and more flexibility in its draw-down over the life of a fund (particularly for new social investors or untested markets).

“You can’t run a social investment fund ‘on the side’. Specialist skills and systems are required, which has a cost.” (Social investor)

As intended, Grant B incentivised social investors to take more risks. Social investors reported they were able to take on more risk because of the combination of Grant B first loss insurance protection¹⁸ alongside the availability of BSC capital. They confirmed that Grant B had set the risk appetite wider than they would otherwise have been comfortable with. Grant B insurance cover also enabled social investors to establish constructive relationships with investees when they were facing difficulties. The way that Grant B was drawn down in line with loan deployment had a logic from the Programme Partnership’s point of view as it was simpler to administer. However, it meant that those social investors which experienced both low deployment rates and early losses did not have enough projected income to continue as viable funds.

“Grant B pushed us to take risk. Of the scheme design, I thought that was a stroke of genius.” (Social investor)

Grant C was seen as an essential enabling element of the blended loan finance package by social investors. Social investors reported that Grant C was very helpful in marketing the Growth Fund loans to VCSEs (echoing the views of VCSEs presented in

¹⁸ In Growth Fund, Grant B provided first-loss insurance for an average of 25% of each loan. First loss insurance bears the financial loss before any other investor loses money.

section 5.1), especially in the early stages when the social investors were trying to create a deal pipeline and deploy on schedule. Grant C was the differential point for investees and, for example, helped some VCSE investees to consider and then take on loan finance for the first time. The social investors found it helpful that they were allowed to deploy Grant C on an entirely discretionary basis and this is a key learning for any future fund. The different take-up and usage of Grant C is discussed further in the [Use of Subsidy: Lessons from the Growth Fund](#) report.

The language of Grant A, B and C has continued because it is clear and readily understood by all the stakeholders involved. Subsequent blended finance loan programmes such as Enterprise Growth for Communities (EGC) and Flexible Finance use the same Grant A, B, and C language. Indeed, there is now also a new Grant D which covers for pre-and-post investment support and for Grant A, B and C contingencies.

3.2 Programme partnership

The Programme Partnership has evolved over the course of the Growth Fund delivery. During the early set-up and deployment phase, several challenges were highlighted, largely attributed to the nature of an innovative partnership without a blueprint. As the programme moved from deployment to portfolio management, learning was taken on board and the governance structure adapted through the introduction of the Growth Fund Management Group (GFMG) to complement the Joint Investment Committee (JIC), which aided decision-making. We discuss the key successes and challenges of partnership working below.

3.2.1 Challenges

At the beginning of the programme, partners with different agendas, priorities for the Growth Fund, and organisational backgrounds came together in an innovative but untested partnership. The different organisational structures and priorities hindered decision-making when partners disagreed. However, as partners became established over time, trust grew, enabling more collaborative and faster decision-making. For example, authority was delegated through the Growth Fund Management Group (GFMG) (see below).

Another complexity in the partnership working was the constitutional restrictions of the use of public money and The National Lottery Community Fund grants. The National Lottery Community Fund needed to establish complex legal agreements with the partners to enable them to use grant funding alongside lending. This was challenging for all partners in the early days of the Growth Fund, however The National Lottery Community Fund reflected that little could be done differently to change this in future programmes due to the nature of their organisation and lack of remit for onward lending. That said, building trust between partners over time and having leaders within each partner to drive forward the Growth Fund agenda helped to improve the timeliness of decision-making, including steering the legal teams.

The lessons learnt from the Growth Fund are to ensure strong governance processes are in place to revisit and make decisions as a programme evolves. Whilst some of the challenges outlined in this section can be deemed inevitable due to the context in which the Growth Fund was established as an innovative partnership with little blueprint, others have been mitigated over time by a flexible approach, delegating authority, strong leadership, building trust, and effective governance. Overall, the different objectives of the Growth Fund

were met (see sections [4.2](#), [4.3](#), [5.2](#) and [5.3](#)), demonstrating that the complex composition of the partnership, with new and established organisations with different priorities – and sometimes competing – objectives, did provide effective checks and balances.

3.2.2 Successes

It would not be possible to predict the course of a long-running programme such as the Growth Fund, and the flexibility enabled by the Programme Partnership (and the subsidy model, discussed in Section [3.1](#)) has been a critical success. Flexibility has been afforded at every layer – within the Programme Partners, between Programme Partners and social investors, and between investors and VCSEs. For example, as discussed in more detail in our [last report](#), there was unanimous praise for how the Programme Partnership overcame previous challenges with slow decision-making to rapidly respond to the Covid-19 pandemic. Investors and VCSEs valued the decision to provide financial breaks and additional finance. Social investors believed this level of supportiveness and flexibility was transferred into their relationships with investees and may have contributed to lower-than-expected losses during the pandemic period, as seen in section [2.2](#). Social investors suggested this flexibility gave borrowers time and space to work through challenges, which meant repayments could later be made. However, as an ultimate cut-off for loan repayment approaches in 2029, social investors will be less able to provide flexibility with repayments.

"We've had a number of investees that we've had to flex around. It's been a real strength of our scheme, and our financial model allows us to be very flexible in a way that perhaps some other lenders couldn't be." (Social investor)

The role of Access, in delivering the Growth Fund, has been valued by all Programme Partners. Programme Partners commented that the role of Access, being a new entity at the start of the Growth Fund, was not entirely clear at the beginning of programme set-up. However, over time the value of their role as a trusted partner for the social investors was recognised by the Programme Partners.

"Lenders [social investors] can see Access as a third party which maybe is not biased in their own interests, and can advocate for them." (Programme Partner interviewee)

The social investors consulted were all complimentary about the role Access played as programme manager, as one investor said: *"Access have knocked it out of the park"*. For example, in 2024, one of the social investors went into administration for reasons unrelated to its Growth Fund activities. Access worked with the administrators to ensure staff remained in place while it negotiated the transfer of the individual social investment fund to another social investor, made easier by 'what-if' scenario-planning prior to this eventuality. The team and portfolio were quickly taken on by another Growth Fund investor, with, according to Programme Partners and investors, minimal disruption to the VCSEs.¹⁹

¹⁹ One VCSE case study was in the final stages of repayments to this social investor and noted no difference to their final loan repayments, however it was unclear if they made their most recent repayment before the transfer had started and it is therefore not possible to conclude the VCSE experience of this.

3.3 Monitoring and reporting

The Programme Partnership were unable to collate data at a programme-level to demonstrate the social impact delivered by the VCSEs that took on loans. While there are many case studies at individual social investor level, investors and Programme Partners found it too challenging to collate standardised yet meaningful data from investees about their social impact. Some interviewees perceived this a “*missed opportunity*” to evidence the role of social investment in influencing social impact at-scale. This came as a result of 17 funds aimed at disparate investee types, sectors, and locations, and varying quality of data captured by the investees. Furthermore, there was a deliberate decision to allow VCSEs to choose their own social impact indicators, rather than creating a standardised set. Investees also reported challenges in collecting meaningful social impact data and sometimes found the reporting requirements to be complex, as discussed [previously](#) and in section 5.3.²⁰

Assuring that investees did indeed deliver social impact is important; however, there are many ways to achieve this. With the reporting burden and validity concerns expressed by investees in mind, an alternative approach should be considered for future, similarly diverse programmes. For example, through investor due diligence processes²¹ or through visiting VCSEs in-person to see their work at regular intervals.

This evaluation plugs that gap by making the link between the Growth Fund investment and perceived outcomes explicit (see section 5.3). **However, future programmes which target specific social impact outcomes may present a greater opportunity to collect standardised data at a programme-level.** It is therefore important to focus outcomes data collection on refined, appropriate and measurable direct outcomes of social investment. For the Growth Fund, collecting metrics at the VCSE level (such as financial resilience) may have been a more useful focus for the programme-wide monitoring information data returns.²²

Additionally, there is a growing need to understand the reach of social investment into organisations that face underinvestment, including Black and minoritised ethnic-led organisations,²³ women, LGBTQ+ and disability-led²⁴ VCSEs. The Growth Fund did not have specific targets in terms of reaching VCSEs led by minoritised leaders or in areas of high levels of deprivation. Whilst reaching VCSEs in areas with high levels of deprivation has been an indirect outcome and clear success of the programme (discussed in section 2.1), subsequent social investment programmes have taken learning from the Growth Fund and are actively both targeting and measuring the reach into communities and VCSEs with diverse leadership teams.²⁵

²⁰ This challenge is not unique to the Growth Fund – see Hazenberg, R., & Denny, S. (2020). Social Investment & Sustainability – A Critique of the Normative Paradigm.

²¹ See Update Report 2.

²² Our [Financial Resilience research](#) highlighted considerations and challenges around measuring VCSE financial resilience, including that net assets was an unhelpful metric, the need for a proportionate approach with relative financial indicators, and the need to financial modelling to produce a forward-looking view of resilience.

²³ Access. (2023). Lessons from use of Subsidy in Emergency Lending; Sepulveda, L., & Synnove , R. (2021). Minoritised Ethnic Community and Social Enterprises.

²⁴ Goggin, N., McGinn, P., & Baker, L. (2021). Reach Fund Evaluation: Final Report.

²⁵ For example, Access’ [Flexible Finance](#) blended finance programme is targeted to fund and support Black and Racially Minoritised VCSEs and actively collects data on the diversity of the leadership teams invested in.

4.0 Social investors' experience and outcomes

Key findings

- ▶ Despite social investors reporting that it took longer and was more resource-intensive to deploy and manage the funds, ultimately the Growth Fund was able to deploy all of its funds to more VCSEs than intended, within a broadly similar budget envelope (with some additional budget provided for the Covid-19 response).
- ▶ Overall, the Growth Fund has been successful in building the scale and capacity of social investors.
- ▶ The experience of individual social investors and respective investment funds was mixed, with less experienced and new social investors facing the most challenges.
- ▶ The capabilities of social investors were developed through their Growth Fund experiences.
- ▶ Half of the new-to-blended finance social investors were continuing with social investment, either managing successor funds themselves or working with others in consortia.
- ▶ Lessons from the Growth Fund around greater flexibility in the use of grants, the potential for working in consortia to reach target VCSEs, and the need for both pre- and post-investment support have been applied in the design of successor funds managed by Access.

4.1 Social investors' experiences of the Growth Fund

The Growth Fund was designed to bring new entrants into the social investment market as social investors. This aim was achieved, with the Growth Fund containing a mix of both experienced social investors and organisations new to social investment (see Table 1). Experienced social investors delivered 7 of the social investment funds. 10 social investment funds were delivered by organisations with no prior loan book management experience although 6 brought an understanding of the VCSE sector through delivery of grant management programmes. Four social investment funds were delivered by organisations entirely new to providing funding.

Table 1 Summary of the Growth Fund social investment funds

Fund	Prior experience	Deployment Period	Total Grant Utilised	Total Capital Utilised	Total Amount Deployed
Fund A	Experienced social lender	2016 - 2020	£1,750,300	£1,708,212	£3,206,481
Fund B	Experienced social lender	2016 - 2023	£4,091,600	£2,780,128	£9,683,935
Fund C	Experienced social lender	2016 - 2019	£1,638,107	£3,626,594	£7,613,110
Fund D	Experienced social lender	2018 - 2022	£2,063,290	£2,301,552	£5,212,225
Fund E	Experienced with grants and loans	2017 - 2023	£527,869	£604,606	£1,165,232
Fund F	Experienced with grants and loans	2017 - 2021	£419,303	£504,488	£861,800
Fund G	Grants experience, new to loans	2017 - 2021	£1,093,932	£926,855	£1,986,200
Fund H	Grants experience, new to loans	2017 – 2022	£1,394,981	£1,324,772	£3,254,498
Fund I	Grants experience, new to loans	2017 - 2019	£233,485	£189,972	£396,886
Fund J	Grants experience, new to loans	2017 - 2021	£1,403,551	£1,690,656	£2,860,787
Fund K	Grants experience, new to loans	2018 - 2022	£287,785	£228,929	£398,370
Fund L	Grants experience, new to loans	2018 - 2022	£589,496	£555,262	£962,622
Fund M	New social lender	2016 - 2021	£2,464,318	£2,249,151	£5,220,351
Fund N	New social lender	2017 - 2022	£1,426,551	£1,668,460	£3,181,525
Fund O	New social lender	2018 - 2021	£546,001	£547,267	£790,000
Fund P	New social lender	2018 - 2020	£119,500	£0	£0
Fund Q	Experienced social lender	2020 - 2022	£840,350	£935,249	£1,780,000
TOTAL			£20,890,419	£21,842,153	£48,574,022

Source: Access

The deployment experience of individual social investors was mixed. Six investors received additional funds after deploying all of their original capital. In contrast, 3 funds were closed early due to performance shortfalls (a combination of below plan deployment rates and early losses) and one fund did not deploy any investments. On average, every social investor agreed to 3 restructures through the deployment period of their respective fund, with only one social investment fund requiring no change.²⁶ Approved restructures included increases and decreases in fund size and early fund closures.

²⁶ Fund C managed by an experienced social investor deployed its fund ahead of schedule and required no adjustment.

A key learning from the Growth Fund is for funds not to be too restricted to either geography or sector. Funds K, L, O and P (which all closed early) faced challenges in developing a pipeline of potential loans due to their target base of VCSEs being too narrow. Interviews with social investors and Programme Partners reflected that whilst the Growth Fund intended to use new social investors with reach into new audiences of VCSEs, some of the target groups were an untested market and ultimately, eligibility criteria were not broad enough to make the expected number of loan deployments (e.g. one investment fund focused on both a place-based and thematic area of interest).

Another key learning from the Growth Fund, which successor programmes have focused on improving, is the need for investment readiness support to VCSEs as a precursor to accessing social investment. In the Growth Fund, final-stage pre-investment support grants were available through the separately managed Reach Fund, which had its own application and approval processes.²⁷ However, throughout the deployment phases of respective investment funds, social investors still experienced delays due to the time taken for VCSEs to start on an investment journey and then become investment-ready.

4.2 Outcomes for social investors

The 5 experienced social investors that managed investment funds were responsible for deploying over 60% of the total Growth Fund. These social investors were the anchor for the Growth Fund with established systems and processes for managing a loan book. As outlined in section [2.1](#), the approach taken generally worked effectively to reach the target cohort, suggesting that it may be possible to reach specific cohorts of VCSEs and expand social investment into new areas using existing key players in the social investment space. This may be enhanced by consortia working with organisations embedded into VCSE networks to reach target VCSE cohorts, rather than requiring new social investors.

The Growth Fund ToC posited that the availability of subsidy in the form of Grants A, B and C would enable new social investors to enter the market. As shown in Table 1, there were new social investors operating within the Growth Fund, but there is a mixed picture looking beyond the programme. Half of the 10 organisations new to loan book management that delivered social investment within the Growth Fund are continuing with blended finance and half are no longer active. Not all successful social investors have chosen to continue managing successor funds and, by way of contrast, others that were less successful with the Growth Fund are, nevertheless, engaged with managing successor funds or other social investment programmes.

The reasons for this mixed picture are varied but one important factor behind decisions not to continue was the resource requirement. The administrative burden of operating a loan book is resource intensive. Consortia approaches are one way of gaining economies of scale. Another could be to provide a centralised service to support new entrant fund managers. Supporting the operating costs of 15 social investors was not necessarily the most efficient way to deploy subsidy. However, this should be balanced against building the

²⁷ Social Investment Business' '[Reach Fund](#)' was launched in 2016 and has supported over 800 VCSEs between 2016-2018 and has been re-funded by Access to continue provide grants to help VCSEs provide the final information required by investors before loans can be granted until at least 2026. See [here](#) for further information.

capacity and capability of new entrant fund managers and adding to the wider social investment ecosystem.

As reported in [Update Report 2](#), social investors have improved their capabilities. The experience was gained from: setting up individual investment funds; establishing criteria for Investment Committee decisions including those about Grant C allocations; in some cases building up marketing and promotional activities and networks from scratch; deploying funds; managing issues that arose with investees; and finally, working with investees to ensure repayment. In the period since deployment ended, the capabilities have grown in managing the respective portfolios and, especially, investees facing repayment challenges.

4.3 Outcomes for the wider social investment ecosystem

The Growth Fund has achieved its goal of building a body of evidence around small-scale social investment market of loans less than £150k, mainly through this evaluation but also through regular learning outputs and activities from the Programme Partnership.

There was only limited financial product innovation. The main product offered by the social investors was a 'vanilla' loan product, which had the benefit of being readily understood by VCSE investees and their trustee boards. There was some further financial product innovation with one social investor offering an equity-type product and another offering the opportunity for a lower loan interest rate linked to pre-agreed social outcomes targets being met. With it in mind that the Growth Fund was already a highly innovative programme, the testing of more innovative financial products aimed at VCSEs is a more suitable potential focus for successor funds to address.

Two successor programmes have built on the learning from the Growth Fund. Access took a number of key lessons from the Growth Fund into the design of its successor Enterprise Growth for Communities (EGC) and Flexible Finance programmes. Firstly, there is greater flexibility in the amounts and timings of Grants A and B to cover operating costs, addressing one of the Growth Fund's subsidy model constraints. Second, there is encouragement of consortia and partnerships that is allowing for sector specialists to remain involved with social investment whilst not incurring the operational costs and risks of running an independent fund. Grant C remains the same as the discrete non-repayable grant element within the investment package. Successor funds have also incorporated a 'Grant D', which covers for pre- and post-investment support and for unexpected grant A, B or C contingencies.

The Growth Fund and successor programmes mean that there has been increased access to affordable social investment for VCSEs. Governmental subsidy was made available via the Dormant Assets monies and in 2025, Access was allocated a further £87.5m of Dormant Assets monies to support the development of new programmes. It was hoped that the Growth Fund would influence wider funders to provide the grant or subsidy element moving forward, but non-governmental providers of subsidy have not emerged.

5.0 VCSE experiences and outcomes

Key findings

- ▶ The grant element of the blended finance offer to investees was a key motivator for applying for the loans, alongside pre-existing relationships with the social investor and the offer of non-financial support. This should be borne in mind when considering the development of a pipeline of demand from organisations to invest in.
- ▶ Overall, case study interviewees and 72% of VCSE survey respondents were very satisfied with the Growth Fund investment they received, and 77% of survey respondents indicated they would definitely recommend similar investment to others. They were particularly satisfied with the support and advice offered by investors, and the flexibility of the funding.
- ▶ The cost and resources required to manage the Growth Fund social investment was broadly in line with VCSEs' expectations. However, some VCSEs faced challenges in collecting social impact data; the survey respondents were less satisfied with monitoring and reporting requirements (51%) than other aspects of loan management.
- ▶ The impact of the Growth Fund investments on the financial resilience of investees was viewed positively overall. Half (50%) of all annual survey respondents reported that the Growth Fund had significantly improved their income, and 27% noted a slight improvement. VCSE case study interviewees attributed improvements in financial resilience to their ability to diversify their income streams, acquire assets, the flexibility of the funding, and investing in skills required for future resilience. However, the evidence suggests that social investment is not a silver bullet and further innovation is needed to meet VCSEs' unmet funding needs.
- ▶ Over 70% of annual survey respondents indicated that the social investment increased their overall social impact and the number of beneficiaries supported. A popular use of social investment, which had allowed case study VCSEs to increase their social impact, was to create new or develop existing delivery spaces.
- ▶ Looking beyond the Growth Fund, there was evidence of improved awareness and understanding of social investment; 70% of annual survey respondents had gone on to apply for further investment since their Growth Fund loan and 80% would recommend social investment to other VCSEs. However, there is some evidence that changes in skills and perceptions were achieved for the individuals directly involved and institutional knowledge may not be retained.

5.1 VCSE experiences of the Growth Fund

The grant element of the Growth Fund offer (reported by 43% of 167 baseline survey respondents), investees' pre-existing relationships with their social investors (38%) and the opportunity to access non-financial support (33%) were key motivators for applying for the blended finance loans. Other notable factors included accessing the best available deal (31%) and trust in major funding bodies like The National Lottery Community Fund, BSC, or Access (29%).

Most VCSEs were satisfied with the overall application process (94% of 167), including their interactions with the social investor. While the proportion of survey respondents that were dissatisfied with the decision-making timelines is relatively small (12%), in some instances, VCSE interviewees shared that the application process had been acutely challenging as they were motivated to apply for the investment under the belief that social investment was timelier than other forms of finance, and delays caused further problems, such as with cash flow (see [Update Report 2](#) for more details). Whilst still overall satisfied (80%), VCSE survey respondents were less satisfied with the resources required to complete the application than other aspects of the application process. However, case study interviewees noted the time required was less than grant funding applications and worthwhile due to the higher value of funding available.

Baseline survey respondents (92% of 167) also reported being satisfied with the overall investment offer and its terms and conditions. This suggests the investment packages were generally well-received by funded organisations. As previously reported in the [Update Report 2](#) and [Annual Summary Update 2025](#), VCSE interviewees valued the longer repayment periods, flexible terms (such as interest-only options), the unrestricted nature of the funding, smaller loan amounts, and unsecured nature of the loans.

When asked about their overall satisfaction with the investment, most of the 244 annual survey respondents (96%) indicated they were satisfied, of whom 75% indicated they were 'very satisfied'. Almost all respondents (97%) also reported they would recommend the Growth Fund loans to other organisations in similar circumstances.

5.1.1 Use of the blended finance

Building on findings presented in the [Update Report 2](#), most of the VCSE case studies used their loans as they originally intended. This included, for example, securing new premises, upskilling staff, or renovating existing space. However, there were a few examples of planned activities that turned out to be unviable or had less demand than expected. For one case study organisation, recruiting participants from a specific target audience for their new education programme proved challenging, which resulted in the VCSE pivoting to develop an education programme with a different focus and new target audience.

The blended finance offer tended to be most important for those using it to reduce loan repayment costs or cover core costs. Findings from VCSE case studies and open-text survey responses suggest that Grant C was used in several ways, including reducing loan repayment costs, improving infrastructure (such as IT systems), enhancing data collection, investing in staff and exploring opportunities to diversify. However, the grant element was deemed most important to reduce the cost of loan repayments or cover investees' core costs. The grant element seemed to be especially attractive to those VCSEs familiar with grants.

Case study VCSE managers reported that they found the Growth Fund social investment loans to be a flexible investment method. Echoing the views of Programme Partners and social investors outlined in section [3.2.2](#), flexibility was seen as a lifeline during periods of economic stress. Case study VCSE managers reported that they had been offered adjustments to loan terms including: interest-only periods; repayment holidays; no-fault extensions; and restructuring.

5.1.2 Relationships with social investors

VCSE managers in the case studies built strong, collaborative relationships with social investors, valuing the investors' flexibility and willingness to adapt support to the VCSEs' changing needs, especially during challenging periods. This was echoed by VCSE annual survey respondents who reported being satisfied with the support from their social investor (72%), communication with their investor (69%) and the level of tailoring to meet their needs (69%). These positive relationships not only fostered trust and open communication but also enabled VCSEs to access new funding opportunities and benefit from tailored advice, though maintaining a balance between closeness and professional boundaries was noted as important for effective collaboration.

Case study VCSE interviewees believed the cost of managing the investment was in line with their expectations. The frequency of contact with their social investor was relatively light touch (although noting that the case study VCSEs all had a relatively positive experience of the social investment). Indeed, many interviewees reflected that the resources and therefore costs required for reporting on the Growth Fund were less than grant funding requirements – though this has impacted the ability to report on social impact at the programme level, as discussed in section [3.3](#). The annual survey, however, found that just over half of respondents (51%) were satisfied with the monitoring and reporting requirements, suggesting this could be further streamlined. We [previously suggested](#) eliminating the social impact reporting requirements entirely due to the lack of analytical value.

5.1.3 Repayment

Most VCSE survey respondents had a positive experience when repaying loans (70% reported making payments on time without difficulty), but 30% of VCSEs reported repayments being challenging due to financial uncertainty or difficulty. This was echoed by case study VCSEs; several reported difficulties in making repayments, but praised investor flexibility when they had trouble. It should, however, also be noted that several VCSEs closed down, including three of the VCSE case studies. Where the social investor was consulted, it was felt that the Growth Fund loan had not played a part in the VCSEs' closures.

The baseline and annual surveys showed general alignment between investees' planned and actual methods of repayment, although there were some differences, particularly where traded income was going to be the main source of repayment (echoing the finding presented in section [2.2.1](#) that a greater proportion of loan funding was at risk where the primary source of income was trading). Most organisations intended to repay using revenue from trading (77%), which was slightly higher than the actual repayment method (71%). Notably, more organisations ended up using cash reserves than anticipated (13% actual vs. 5% planned), suggesting there were financial adjustments made during the repayment period. As noted in the [Update Report 2](#), where VCSE case studies had experienced a change in their source of income for their repayments, it was generally due to a change in business needs, project timescales, or generating less revenue than expected.

5.2 Financial resilience outcomes

There is strong evidence that Growth Fund investment contributed positively to the financial resilience of funded VCSEs. The evidence is summarised below.

VCSEs would have been forced to adapt their business plans had they not secured Growth Fund investment. Half of respondents to the baseline survey reported they would have had to revise their plans, while 17% said they would not have been able to achieve them at all. For many of the VCSEs consulted, the investment came at a critical moment when their financial position, and in some cases even the survival of the enterprise, was at risk. For example, a case study VCSE manager explained that the investment was critical to taking on the additional staff and premises required to deliver on existing contracts, without which they believed their organisation may not have survived. They believed this improved their sustainability, as they were able to sustain operations, pay off the loan in full, and continue to deliver social impact. Another case study VCSE manager reflected that receiving social investment allowed their organisation to maintain their cash flow, ensuring they could cover their core costs whilst becoming more enterprising.

"There is 100% no way that we would have survived. We needed that investment at that time." (VCSE case study interviewee)

The impact of the Growth Fund investments on the financial resilience of investees was viewed positively overall, though the observed effects were slightly less than VCSE's expectations. In the baseline survey, two thirds of respondents (66%) expected the investment to significantly improve their income, while a further 26% anticipated a slight improvement. Responses in the annual surveys were more nuanced but still indicated a very positive effect of the Growth Fund funding on income streams: half (50%) reported the Growth Fund had significantly improved their income, 27% noted a slight improvement, 14% said it had helped maintain income levels, 4% that it had reduced, and 3% reported no impact.

VCSE case study interviewees attributed improvements in financial resilience to their ability to diversify their income streams and acquire assets, which they would not have been able to do without receiving the Growth Fund investment. Before receiving the social investment, one VCSE manager shared that they felt their VCSE would *"never be truly resilient"* due to its reliance on grants. However, after using the investment to redevelop their cafe space, the VCSE grew its revenue and secured a government contract to deliver previously grant-funded work. Another noted that the social investment they had received had enabled them to grow their trading arm, thus contributing to their reserves and enabling them to afford to cover other organisation costs. These views were also reflected in the annual survey of Growth Fund investees, where 9% of 244 respondents reported that the investment had significantly reduced their reliance on grants, and a further 37% said it had reduced reliance to some degree.

"The investment has created income that not only pays the loan, but contributes to the core costs of running the building." (VCSE case study interviewee)

Case study VCSE interviewees identified that the Growth Fund investment had helped them secure further funding, which improved their financial resilience. For example, one case study VCSE reported that receiving Growth Fund investment helped them to build their reputation for being able to manage large funds, thus increasing their likelihood of securing further investment. Another VCSE case study manager felt the loan enabled them to secure a government contract as it helped them scale-up both their offer and space to the level commissioners are looking for.

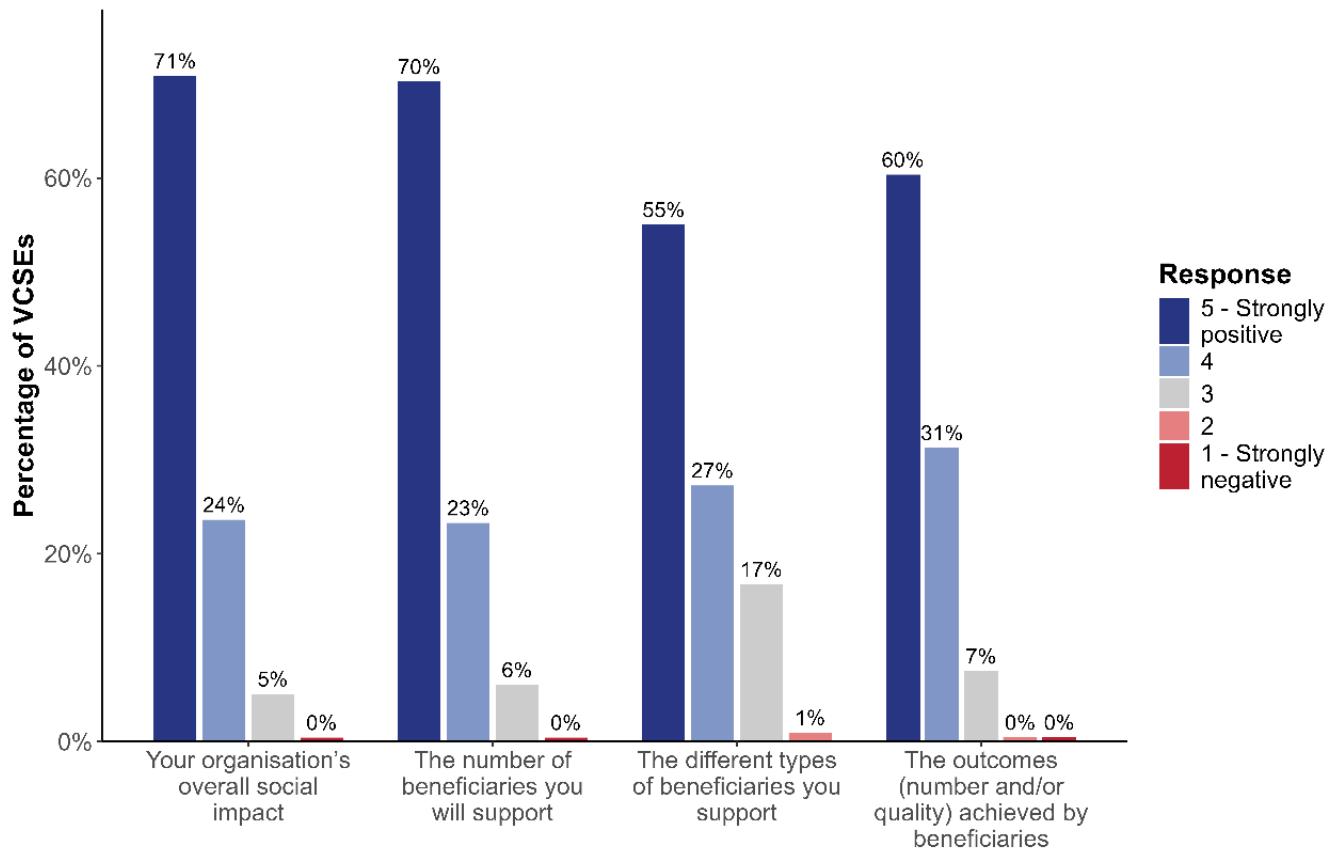
"If we hadn't taken on the loan from the outset, I'm not sure we would've got commissioned by the NHS." (Case Study VCSE interviewee)

However, both VCSEs and investors acknowledged that social investment is not a silver bullet. While social investment can unlock growth and innovation, it does not resolve deeper structural issues - particularly the lack of sustainable funding for core costs. Despite having made repayments and delivered their intended impact, one case study VCSE manager shared that the VCSE was still *"just about covering costs, with limited reserves"*. This reflects findings from our wider [Financial Resilience research](#) which found that VCSEs operate in an insecure funding environment, and face a plethora of external pressures, e.g. the rising cost of inflation, increased national insurance and living wage, and changes to funding availability.

5.3 Social impact outcomes

Investees surveyed and interviewed generally reported that the investment had a **strongly positive effect on the organisation's social impact**. Figure 3 shows that the strong positive effect was most pronounced for overall social impact and the number of supported beneficiaries (where more than 70% of annual respondents perceived a strongly positive effect), followed by outcomes for beneficiaries (60%).

Figure 3 Perceived effect of the investment on organisations' social impact



Source: Growth Fund Annual Survey (n=244).

Figure 3 shows that survey respondents reported a positive effect on the number of beneficiaries supported (93%), as well as the different types of beneficiaries supported (82%). However, for some VCSEs this was less than expected. For example, one VCSE used

its social investment to establish its service in several new geographic areas. However, there was not as much demand for the service as the original business plan anticipated.

A popular use of social investment, which had allowed case study VCSEs to increase their social impact, was to create new or develop existing delivery spaces. Examples of new spaces created or developed using social investment included: a specialised delivery space for the target cohort, a refurbished cafe space, and more housing stock. This enabled VCSEs to serve more beneficiaries, serve more diverse communities, or deliver new activities. Having more suitable delivery space meant VCSEs could deliver more activities for their service-users, which case study VCSE beneficiaries valued.

As noted in the [Update Report 2](#), interviewees across the case study cohort also reported an increase in the quality of their provision. For example, one of the VCSEs used some social investment to upskill its staff by giving them more access to training courses. In one case study, the Growth Fund social investment gave a VCSE specialising in counselling services the ability to expand its team, increase the number of counselling sessions delivered, and tailor its services to meet a range of service-user needs.

5.4 Looking beyond the Growth Fund: awareness and understanding of social investment

Receiving social investment through the Growth Fund positively influenced VCSEs' perceptions of social investment. VCSE survey respondents were generally in favour of applying for more social investment after their Growth Fund experience – 80% of annual survey respondents indicated they would probably or definitely apply again. When asked about financial products that would best fit their needs in the future, two-thirds opted for grants followed closely by 'a blend of grant and loan' (61%). The qualitative data presented in this report illustrates that since taking on investment, case study investees were also more financially literate and engaged with funders. However, these financial capabilities and the appetite for social investment was held by the members of staff directly involved in managing the Growth Fund social investment and could be lost if the staff members moved on.

6.0 Conclusions and recommendations

The Growth Fund ToC has been interrogated using the evidence presented in this report. The assessment shows that, although there are some areas of nuance that have been highlighted, the programme has delivered in line with the theory, and the expected outcomes have been achieved.

6.1 Has the Growth Fund built the market of small-scale unsecured or higher-risk loans?

The evaluation evidence suggests that the subsidy model for the Growth Fund enabled a greater supply of small-scale unsecured loans and thus plugged a gap in the supply of social investment for VCSEs. This is demonstrated by the final deployment figures; the Growth Fund provided investment under £150k to 580 VCSEs, with an average investment value of £67k. The Growth Fund sought to provide investment to VCSEs that were unable to access other sources of investment. Indeed, 57% had not received investment prior to the Growth Fund loan, meaning this aim was achieved. Around two-fifths of VCSE survey respondents (42%) had accessed investment before. This may suggest that some investees could have accessed investment outside of the Growth Fund. That said, the investment may have been quite different (e.g. secured or from commercial banks) and Programme Partners suggested that prior investment may have been historic, therefore accessing other social investment at the time of receiving a Growth Fund loan may not have been possible.

Despite social investors reporting that it took longer and was more resource-intensive to deploy and manage the funds, ultimately the Growth Fund was able to deploy all of its funds to more VCSEs than intended. This was achieved within a similar budget envelope, although more funding was provided during the Covid-19 pandemic.

There are still gaps in the VCSE funding environment. Whilst the Growth Fund largely met the needs of the investees, many VCSEs are still unable to access sufficient or suitable finance,²⁸ including social investment. This is due to the incompatibility with their business models (i.e. not having a way to generate income to repay a loan), not being investment ready or, as reported in the [Repayable Grants](#) research, they require softer, more patient capital. Whilst it was right for the Growth Fund to focus on simple loans due to the high level of innovation in other areas (new Programme Partnership and to keep the programme simple enough for new entrants to social investment to engage with), there is a need for further innovation to provide a greater range of products to VCSEs. Progress has been made by Access in this area since our last evaluation report.²⁹

A challenge for the Growth Fund has been the development of a pipeline of VCSEs to deploy investment to i.e. converting latent to active demand. The grant element of the Growth Fund offer was a key motivator for VCSEs without prior experience with social investment to apply. However, further effort is needed to ensure that VCSEs, which could benefit from social investment, are enabled to apply. Access and others have developed

²⁸ Craig, J. (2024). Financing the future economy: How community businesses can access the right finance to achieve their ambitions.

²⁹ Access' [Flexible Finance](#) programme is offering longer-term (more patient) capital and aims to address higher-risk financing needs than the Growth Fund.

recent initiatives to support the investment-readiness of VCSEs, and Programme Partners reflected that future use of subsidy could consider further supporting this element. Now that more is known about the pipeline challenges associated with deploying investment, more can and should be done to support accurate pipeline predictions and levels of demand. However the same pipeline development challenges still exist, including the need to sufficiently market the funding to reach VCSEs and encourage demand.

6.2 What is the most effective approach to providing loans and grants to VCSEs?

At the programme level, clear governance structures with delegated authority and flexibility were important for ensuring the effective management of the finance. The Growth Fund Programme Partnership approach encountered some challenges in the early stages of set-up and deployment, however, the three-way partnership became increasingly successful in supporting social investors to provide loans and grants to VCSEs as ways-of-working embedded.

Across the programme, all parties valued the flexibility afforded within the Growth Fund, at every level. The Programme Partnership took a flexible approach throughout the programme, including through the pandemic, and proactively adapted in a test-and-learn manner, as planned from the outset. This, combined with the subsidy model underpinning the Growth Fund, enabled social investors to support VCSEs flexibly. The flexibility afforded to VCSEs by their social investor including adjustments to loan terms, which then helped VCSEs in times of financial difficulty and, in some cases, meant VCSEs could go on to recover and restart making repayments. This likely resulted in the lower-than-expected losses seen to date.

Beyond flexibility, other things that mattered to VCSEs included:

- ▶ **The ease of applying to and managing the Growth Fund investment**, which was deemed more straightforward than other funding. Making repayments was also considered straightforward.
- ▶ **Positive relationships with the social investors** throughout the duration of the loan term.
- ▶ **Grant C was most important when used to reduce the cost of the loan repayments or to cover core costs** such as staff wages and other overheads.

6.3 What impact has the Growth Fund had on how social investors provide social investment to VCSEs, with and after subsidy? How have other funders been influenced?

There is a higher level of risk when providing loans to smaller organisations and there continues to be a need for subsidy to encourage social investors to lend at this level.

There will always be a need for Grants A and C to ensure social investor viability and the ability to offer a subsidy to VCSEs. Grant B is likely to be needed as well, although this depends on the source of capital and whether the risk of defaults needs to be insured against. In the Growth Fund, Grants A and B clearly fulfilled their purpose in supporting the social

investors to provide appropriate blended loan financing to VCSEs, although some greater flexibility in how the grants were drawn down is a lesson that has been taken into successor funds. Grant C was a key enabling factor in the Growth Fund, providing direct grant to the VCSEs. During the life of Growth Fund, Grant C was deployed more flexibly and successor funds also now include a Grant D to provide pre- and post-investment support as well as Grant A, B and C contingency. It is notable that the subsidy model language of Grants A, B and C used in the Growth Fund has been adopted by the market.

Since the Growth Fund, further governmental subsidy was made available via the Dormant Assets monies. Access was allocated £87.5m of Dormant Assets funding in 2025 to support the development of new programmes. Other non-governmental providers of subsidy have not emerged.

One learning is that you may not need 15 different social investors, including those with no prior loan management experience, to reach specific cohorts of VCSEs or expand social investment into new areas. An alternate model may be for established social lenders to work with specialist VCSE infrastructure organisations as referral organisations - this is how some of the Growth Fund's social investors are working together in successor funds.

6.4 What impact has the Growth Fund had on the understanding and take-up of social investment amongst VCSEs?

The Growth Fund reached a large number of VCSEs that were new to social investment. Receiving social investment through the Growth Fund also positively influenced VCSEs' perceptions of social investment. However, these financial capabilities and the appetite for social investment was held by the members of staff directly involved in managing the Growth Fund social investment and could be lost by the VCSE if those staff members left the organisation.

6.5 What impact has the Growth Fund had on VCSEs' financial resilience and social impact?

The evidence collected through this evaluation suggests the Growth Fund social investment helped VCSEs to increase their financial resilience, particularly with respect to self-reported indicators of resilience and reliance on grants. The social investment enabled VCSEs to scale-up activities that were generating revenue, invest in assets, or diversify their income streams. Beyond resilience, for some VCSEs, receiving the investment when they did was critical to their organisation's survival.

The evaluation has demonstrated that the investment supported VCSEs to maintain, expand and reconfigure their activities, and this helped VCSEs deliver greater social impact, reach more beneficiaries, and improve the quality of the support they offered. The qualitative data suggests that whilst these outcomes are indirect from the social investment, they often would not have happened had the VCSE not received Growth Fund funding. However, the evidence of greater social impact has not been systematically recorded through the Growth Fund programme delivery due to challenges at the VCSE and

programme-level. Below, we outline opportunities for improving social impact data collection in future programmes.

6.6 Recommendations

6.6.1 Recommendations for blended finance stakeholders

- ▶ There is clear demand for and satisfaction with the small-scale (<£150k) social investment provided by the Growth Fund, and future similar investment amounts should be provided to meet VCSE needs.
- ▶ The VCSE baseline survey found that 42% of all respondents had received investment prior to their Growth Fund loan. To maximise value-for-money and avoid displacement of demand, eligibility criteria should be applied to ensure that VCSEs that receive funding are unable to access other forms of loan finance.
- ▶ Most VCSEs receiving investment of this size were small to medium, with few FTE staff and some faced challenges to meet the social impact reporting requirements. Measures should be taken to ensure assurance of social impact is proportionate and as streamlined as possible, for example visiting VCSEs to see impact in person.
- ▶ When the Growth Fund was designed, it aimed to fill a broad gap in the social investment market. Future programmes should aim to address remaining gaps by reaching further VCSEs facing underinvestment, supporting VCSE investment readiness, and providing a broader array of investment products. This includes targeting groups of VCSEs historically under-invested in or with ongoing barriers to accessing suitable finance with diverse leadership teams.
- ▶ The reach of future investment to particular cohorts should be measured to build the evidence base of social investment with respect to Equity, Diversity and Inclusion to monitor and ensure areas facing underinvestment are served.
- ▶ The flexibility afforded to investors and investees has been a key success of the programme and may have led to greater repayment rates than expected thus far, and supported investees and investors through the challenges of the Covid-19 pandemic and wider financial uncertainty. Future programmes should adopt a similar, flexible approach.
- ▶ Section 2.2.1 highlights several factors that negatively influenced the likelihood of repayment, such as lending to smaller organisations and for growth-oriented purposes in contrast to more asset-based purposes. These factors should be borne in mind by future providers of blended finance when assessing risk but also when providing support to different types of investees.
- ▶ VCSEs whose pre-existing business models relied on trading and who wanted to use the investment to develop trading income streams faced more uncertainty with their repayments and needed to pivot their activities. This should be taken into account when considering how best to support VCSEs with these existing or intended business models.
- ▶ Clear governance structures are important for complex social investment programmes and should be built in from the start, with operational and strategic working groups with

clear remits, and roles allocated to staff members with appropriate authority to make timely decisions. This is particularly important in the grant application and disbursement stage, which requires substantial decision-making capacity to avoid delays.

- ▶ Now that Access have built their reputation in handling the grant element of the social investment programme, future programmes may overcome the complexity of a three-way partnership (such as legal agreements for onward funding necessitated by The National Lottery Community Fund as part of their due diligence for handling public money) by providing the funding directly to the manager of the programme (i.e. Access or similar).
- ▶ It has not been possible to quantify the social impact of the Growth Fund, due to a number of factors, including the programme structure (focusing on lots of different policy sectors), capacity and capability (at both the VCSE and investor level), the challenge of attributing outcomes to investment pots, and some design decisions (prioritising local differentiation over standardisation). It may be possible to quantify the social impact of a future blended finance programme (i.e. if the programme focuses on a specific policy area, includes standardised metrics, and invests more in building evaluation capacity), but that programme would need to be designed with that aim in mind.
- ▶ To continue to build the evidence base for small-scale social investment, including publishing the final overall loss ratio of the Growth Fund when the Fund closes in 2029.
- ▶ The blended structure of the Growth Fund finance for VCSEs was a key motivator for VCSEs to apply for the funding, particularly for VCSEs unfamiliar with repayable finance. However, many VCSEs used the grant to repay their loan, suggesting an alternate structure may be equally beneficial. Future blended finance at this level should retain the flexible grant plus loan offer to VCSEs, particularly if demand for the loan-only element is unclear, but may consider alternative flexible uses of the grant on a case-by-case basis e.g. to reduce the interest rate for some VCSEs.
- ▶ If a future programme objective seeks to widen the base of social investors, then the true costs of setting up and running a fund from scratch should be considered when designing the ‘Grant A’ subsidy (see the [Use of Subsidy: Lessons from the Growth Fund](#) report for more detail). This will allow for the additional time needed for specialist investment management skills and supporting systems to be embedded in the new organisations.
- ▶ Lending to smaller organisations comes with more risk. There is a need to provide a grant for social investors to operate blended loan finance funds at this level. More detailed recommendations on the provision of subsidy are outlined in the [Use of Subsidy: Lessons from the Growth Fund](#) report.
- ▶ The Growth Fund has built the evidence base around particular cohorts of VCSEs desiring social investment, and the challenges associated with developing pipelines to niche cohorts (e.g. geographical and/or sector specific). Therefore, future funds should build on the evidence available to more accurately predict pipeline and establish the target cohort, and blended finance providers should support the development of realistic expectations.
- ▶ Consortia-building to reach different cohorts of VCSEs should, and is being, encouraged to enable established social investors and VCSE sector specialists to collaborate based on their strengths.

- ▶ VCSEs valued the consistency of a key contact within the social investors and close communication was seen as key to overcoming challenges. This should be sustained wherever possible.
- ▶ Social investors should set clear and consistent expectations for VCSEs' reporting requirements to maintain quality.

6.6.2 Recommendations to other funders

- ▶ This report has highlighted that social investment is not the silver bullet to meet all of VCSEs' unmet funding needs, as highlighted in our wider [Financial Resilience](#) and [Repayable Grants](#) research. Further innovation is required to meet VCSEs' needs, specifically to provide more unrestricted funding to support back-office costs.

6.6.3 Recommendations for VCSEs

- ▶ Building positive relationships with social investors can support networking and build awareness of wider support and funding opportunities through the social investor. It is therefore advisable to maintain close relationships with social investors throughout the course of investment and beyond.
- ▶ Social investors such as those in the Growth Fund have a range of tools and adaptations available to them when considering applications and flexibilities over the course of the funding. It is recommended that VCSEs maintain close contact with investors and reach out at an early stage to problem-solve together, so that support and flexibility can be offered as needed.
- ▶ Members of staff directly involved in managing the Growth Fund investment may take the knowledge and awareness of the loan with them when moving on to other organisations. It is suggested that the experience is shared internally to ensure institutional knowledge is retained.

7.0 Appendices

7.1 Acknowledgements

We thank the Programme Partnership who supported this evaluation, including The National Lottery Community Fund, Access and Better Society Capital.

We would like to express our gratitude to the VCSEs who, despite their capacity constraints, took the time to share their views and insights through the evaluation surveys, longitudinal VCSE case studies, and wider financial resilience and repayable grants research.

The evaluation was optimised through the valuable inputs of experts in the VCSE funding space who participated as Steering Group members for the main evaluation and the wider exploratory research completed therein. This included representatives from: Access; ATQ Consultants; Barrow Cadbury Trust; Better Society Capital; CAR Venturesome; Centre for Regional Economic and Social Research; Charity Bank; Department for Culture, Media and Sport; Fair4All Finance; Joseph Rowntree Foundation; Key Fund; Kindred; Lloyds Bank Foundation; National Council for Voluntary Organisations; National Lottery Heritage Fund; New Philanthropy Capital; Open University; Social Enterprise UK; Social Investment Business; Sumerian; The National Lottery Community Fund; The Rank Foundation; and The Third Sector Research Centre.

This evaluation was delivered by Ecorys and ATQ Consultants. The evaluation team included James Ronicle, Rachel Wooldridge, Lilly Monk, Philipp Zintl, Ray Lindley, Beatriz Sasse, Matthew Cutmore, Helen Main, Catherine Goddard, Lucy Newman, Franciska Boros, Erica Bertolotto and Harry Norman (all Ecorys) and Edward Hickman (ATQ Consultants). Former evaluation team members included Jamie Smith, Marta Moretto, Ilina Georgieva, Johnny Lillis, Rebecca Smith, Natasha Burnley, Alex Pangalos and Sam Isaac.

7.2 Glossary

Below is a list of definitions of terms used within the report. These definitions have been taken from the [Good Finance glossary](#) or developed by the evaluation team.

Asset: in relation to an organisation's accounts, a financial benefit recorded on a balance sheet. Assets include tangible property (i.e. a property with a physical form such as buildings, equipment and vehicles) and intangible property, and any claims for money owed by others. Assets can include cash, inventories, and property rights.

At-risk: when a loan shows signs of a borrower being unable to repay, such as missed or late repayments or financial difficulty, which may lead to default.

Balance sheet: a "snapshot" of the assets and liabilities of an organisation at a single point in time.

Blended finance: a mix of investment, that needs to be repaid, and a grant that doesn't need to be repaid. The Growth Fund was a blended finance programme.

Capital: capital usually refers to financial capital or money and in particular the amount of cash and other assets held by an organisation.

Cash flow: the actual cash held by an organisation over a given period. A cash flow forecast shows the total expected outflows (payments) and inflows (receipts) over the year, usually on a monthly or quarterly basis. It is an essential tool for understanding where there will be shortages and surpluses of funds during the year and planning for ways to resolve these.

Default: a default occurs when a borrower fails to meet their repayment obligations as set out in their loan agreement. A lender can term a loan as '**in default**' when a borrower misses a single or consecutive payments.

Deployment: the process of providing the funding to the recipient organisation.

Equity investment: investment in exchange for a stake in an organisation, usually in the form of shares.

Financial return: the monetary surplus generated by an organisation on an investment.

Fund: a collective investment scheme that provides a way of investing money alongside other investors with similar objectives on a pooled basis. Funds are managed by fund managers for a management fee on behalf of investors.

Grant: a conditional or unconditional gift of money with no expectation of repayment.

Interest: fee paid by a borrower to a lender to pay for the use of borrower money. When money is borrowed, interest is typically paid back to the lender as a percentage of the amount owed.

Investment readiness: an organisation having the systems, processes and business model to be able to attract investment.

Loan: a sum of money which is borrowed and has to be paid back, usually with interest.

Liquidity: refers to the availability of cash that an organisation has to meet short-term operating needs. It is the amount of liquid assets that are available to pay expenses and debts as they become due.

Patient capital: loans or equity investments offered on a long-term basis (typically 5 years or longer). It is often used to describe long-term investment by investors looking for non-financial as well as financial gains and may be offered on soft terms (e.g. capital/interest repayment holidays and at zero or sub-market interest rates).

Performing: when a borrower is repaying their loan as agreed in the loan arrangement.

Pipeline: the organisations that are ready or available to deploy loans to.

Quasi-equity investment: a hybrid of equity and debt investment. Equity investment may not be possible if an organisation is not structured to issue shares. A quasi-equity investment allows an investor to benefit from the future revenues of an organisation through a royalty payment which is a fixed percentage of revenue. This is similar to a conventional equity investment but does not require an organisation to issue shares.

Repayable finance: money that has been provided to you to use, which you will need to return on certain terms at some point in the future.

Secured debt/loan: a loan that is backed up by assets belonging to the borrower. This may be a property or asset that is being bought with the loan itself, or other assets held by the organisation. If an organisation defaults on its debt, the lender can sell the asset to recoup, in full or in part, its loan.

Social investment wholesaler: an investor which makes larger investments in funds or financial organisations (social investment finance intermediaries) that will themselves invest smaller amounts in a number of charities and social enterprises. Better Society Capital is a UK social investment wholesaler.

Unsecured loan: a loan that does not take security over an organisation's assets. Because the risk for the lender is greater, interest rates are usually higher than for secured loans.

Working capital: finance used to manage the timing differences between spending money and receiving it (income and expenditure).

7.3 Full list of social investment funds

In the Growth Fund, 17 funds were launched by 15 social investors with a range of experience with social investment – some were experienced social lenders, others had grant experience, and a small number were completely new to providing funding. A list of social investors is provided below, including those that closed early but excluding one organisation which never deployed any funding:

- ▶ Big Issue Invest (BII): Impact Loans England; Impact Loans England II
- ▶ Devon Community Foundation: Devon Social Investment Fund
- ▶ Finance Earth: PICNIC Fund
- ▶ Greater Manchester Centre for Voluntary Organisation (GMCVO): Access to Growth
- ▶ Homeless Link: Homeless Link Social Investment Fund
- ▶ Kent Community Foundation: Kent Social Enterprise Loan Fund
- ▶ Key Fund: Northern Impact Fund
- ▶ LIVV investment (formerly First Ark): Invest for Impact
- ▶ NESTA: Cultural Impact Development Fund
- ▶ Orbit Group and partners: Community Impact Partnership
- ▶ Resonance: Health and Wellbeing Fund I; Health and Wellbeing Fund II
- ▶ Social Investment Business and Forward Trust: Forward Enterprise Fund
- ▶ Somerset Community Foundation: Somerset Social Enterprise Fund
- ▶ Sporting Assets: Sporting Capital Fund
- ▶ UnLtd: UnLtd Impact Fund

To protect the anonymity of the social investors' responses to the evaluation, funds are pseudonymised throughout.

