Pioneer and Prosper Application Guidance

Pioneer and Prosper (P&P) is a two-year programme that will support a small number of ambitious charities and social enterprises with a repayable grant and support to help them to increase their social impact, raise investment, grow their business and become more financially resilient.

Charities and social enterprises can apply for:

- Funding of between **£10,000 - £25,000** through a Revenue Participation Agreement (see page 4) to support the development of enterprising activity and enable the organisation to become more resilient and sustainable.
- Support from our skilled and experienced relationship managers. (e.g. putting together a cashflow forecast, writing your business plan or putting together your marketing plan).
- Pro Bono legal support where this is essential to the application.
- Follow-on funding from our other funds / programmes.

Should you wish to apply for more than £25,000 you will need to contact the programme manager to discuss details of your funding needs prior to applying on 020 3096 7900 and or social impact in the communities they serve.

Who can apply?

The programme is for charities and social enterprises tackling social problems amongst disadvantaged communities:

- To enable them to break through the barriers to growth and deliver social impact at scale.
- To enable them to increase the number of beneficiaries and or social impact in the communities they serve.

The Programme is targeted at supporting activities focused on growth (it is not intended to replace existing finance for normal business activity).

Definition – social problems / disadvantaged communities

Our working definition of "disadvantaged community" is mapped against available data concerning individuals[1], community places[2], and social/community business[3].

[1] Drawing on the Department for Communities and Local Government's (DCLG) triennial *Indices of Multiple Deprivation* concerning income, employment, education & skills & training, health & disability, crime, housing & services and living environment. The latest statistical release for 2015 is available here.

[2] *Building inclusive and resilient social economies*, December 2016, SEUK, identifies five common factors that can help develop communities: (1) key individuals, (2) social and economic deprivation, (3) geography, (4) institutional support and (5) history and culture. These factors can be triangulated against relevant data such as the Centre for Cities research on primary urban areas (see here) and other Government data on infrastructure investment.

[3] We know from SEUK data that one third of social enterprises are based in the top 20% most deprived areas, and would therefore draw on relevant sector research, such as *The community business market in 2016*, Social Finance, March 2016; and relevant local and national policy information on business regulation, tax and support, to help provide a working definition.

Eligibility criteria:

- Your business or organisation must be based and operating in England.
- Have an income between £10,000 and £1,000,000 and have been established for 12 months or more.
- You must have a clear social mission and carry out trading activities in support of this.
- You must also have one of the following types of legal structure:
  - Registered charity;
  - Community interest company;
  - Company limited by guarantee;
  - Co-operative or Community Benefit Society
  - Company limited by shares not profit distributing
- You must have a social mission / asset lock in place or be in the process of doing this.
- Distribute less than 50% of post-tax profits.
- Reinvest more than 51% surpluses into pursuing your social mission.
- Some of your income needs to come through trading and you are looking to increase this.
- You deliver social impact and aspire to grow this in the coming years.

An overview of the process

Expression of Interest	• Check you meet the Eligibility criteria - Submit completed form by Friday the 12th of Sept 12PM. • We will provide initial advice as part of the process if required by phone/email.
Initial Telephone Assessment	• Be available for an initial telephone call about your EOI. • We will conduct an initial review of all applications to assess which ones best meet the criteria.
Onsite/Online Assessment visit	• Be available for a staff visit or conference call • Successful applications will be required to provide further information (Cash flow forecasts, Business case).
Decisions	• If you have been successful, we aim to send you an offer letter by post within two weeks, if unsuccessful, we will provide feedback within two weeks. • All proposals will be considered by our Internal Investment Committee.
Outcomes agreed	• Set two measurable outcomes to monitor • Relevant outcomes to be agreed between SIB and you.
Accounting and Monitoring	• Provide information that SIB requests on a quarterly basis(including but not limited to providing monthly financial management and social impact reports using our templates.)

What is a Repayable Grant?

Partial repayment of the Funds under a Revenue Participation Agreement (RPA)

The Funds are partially repayable depending on the revenue performance of the Recipient. This means that the Funds represent patient and flexible capital for early stage social ventures as repayments are linked to whether revenue growth is achieved.

Acceptance of the offer confirms the Recipient's agreement to enter into an RPA on the terms below.

Charities and social enterprises will be able to draw down the first 50% of the offer. Subject to hitting milestones (within six months) which will be agreed between the Recipient and the Fund Manager (Social Investment Business) prior to the offer being made, they are then able to access the additional 50% and the agreement is converted to a RPA.

Calculation of Revenue Participation Agreement payment

Calculation of the RPA will occur within three months of the relevant year end. An invoice for the repayment will be presented by the Funder for payment within 30 days.

Non-payment of the invoice will constitute an event of default

There will be a maximum of one repayment made: **'Year 2 RPA'** (**note, this is a two-year programme**).

Repayments will be calculated based on a 20% charge to incremental revenue.

Baseline RPA: Trading revenue that is generated in the 12 months prior to the date of the second drawdown will provide the baseline for calculating the RPA.

We define 'trading revenue' as revenue generated through the sale of products and services offered by the Recipient and not including any grant funding received.

Year 2 RPA: Year 2 Revenue is defined as trading revenue generated in the 12 months following the Baseline Year.

Any potential repayments are calculated as revenue generated the following twelve months, minus the baseline revenue, multiplied by 20%.

This will be required to be paid within three months of the invoice being issued.

The maximum repayment amounts to 50% of the awarded funds. No more repayment will be requested once this amount has been reached

Worked up example

'Charity A' is accepted onto the programme. They are issued with an offer letter dated Sept 2018 with an investment amount of **£20,000.** They can draw down 50% (£10,000) and subject to them hitting certain milestones will be able to drawdown the final 50% (£10,000) in March 2019.

The Baseline line that will be used to calculate the RPA is one month following the date of the second drawdown so April 2019. To determine the baseline, we will request monthly management accounts for the period Apr 18 – Mar 19.

The baseline amount in this case is **£40,000** which is the trading revenue that has been generated for the 12 months prior to the offer. This will now form the basis for determining if or how much repayment will be due at the end of the RPA period.

We then collect a further 12 months of management accounts and in this case, the amount is **£65,000** (trading revenue generated in the period following the baseline = YR2 RPA).

To determine if there are any payments due, we subtract the income generated in YR2 **£65,000** from the baseline income **£40,000 (which was the income generated in YR1)** and multiply it by 20%. In this case there are repayments due, because 'Charity A' has increased its income by **£25,000**.

Therefore, the repayments due = **£65,000 - £40,000 = £25,000 *0.2% = £5,000**

If there was no increase, then no repayments will be due.

First Award Offer Date	Second Drawdown	PPP Investment	Baseline Year	RPA Period	Baseline	Monthly Mgt Accounts Month 1-12	Amount Increase	Estimated RPA Payment
September 2018	March 2019	£20,000	01/04/2018 – 31/03/2019	01/04/2019-31/03/2020	£40,000	£65,000	£25,000	£5,000

Need help?

If you have any questions about the application process, please contact:

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