Building capacity and resilience in 2021

Listening to our borrowers creates the most powerful partnerships

Borrower survey

Working with our borrowers to understand our impact across SASC

This year we launched an annual Borrower Survey. We wanted to better understand what borrowers felt they got from SASC and how we can help them more. Crucially we wanted to start collecting some quantitative data on their capacity and resilience and how that linked to our investment.

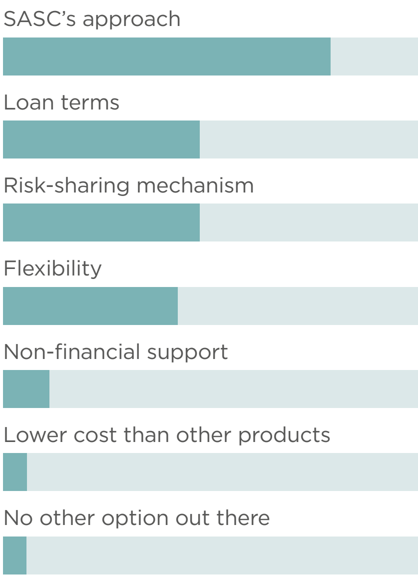
SASC's Mission is "Finance for good. Funding organisations that support communities and transform lives." We have anecdotal evidence and direct feedback from borrowers that supports this ambition. We also have repeat customers, which is a key goal for any organisation like ours.

But we are interested in understanding if our collaborative, longer-term engagement and broader support for social sector organisations delivers lasting benefits, and to understand how that changes over time.

Why SASC?

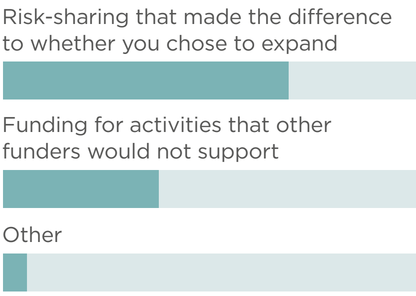
90% of organisations that have received funding from SASC had looked at or received other sources of funding before they came to us. The reasons they give for accepting funding from SASC are encouraging because they match our ambition. SASC's approach has always been to develop product that addresses the needs of the sector.

Why did you choose SASC (over alternatives if you considered them)?



SASC sees risk-sharing as core to the impact proposition. It allows borrowers to grow in a way that would otherwise not be possible, and deliver a larger number of higher quality services to disadvantaged people. Our borrowers view this as the ingredient that sets us apart from others.

What did SASC offer that was not available elsewhere?



Most of our lending is used to help organisations grow.

What is the purpose of your SASC loan?

Borrowers say our loans help them do things they couldn't have done otherwise

95% of borrowers would recommend us to other organisations because...

- we create meaningful partnerships
- we offer a supportive approach
- we provide flexible funding

What makes SASC a good partner?

We asked our borrowers to be honest about their experience of working with us. **We were pleased to discover that 100% of our borrowers said our communication process with them was positive.**

All respondents also described our reporting processes as clear, although 28% said there was room for improvement. We are addressing this by creating a new reporting portal for borrowers.

90% **Easy to work with**

89% **Good at resolving post-investment issues**

89% **Processes quick and efficient**

63% **Materials clear and informative**

89% of SASC borrowers say their capacity to deliver impact has increased due to our funding

More than just money

We always set out to be more than just a lender, and offer non-financial support where we can. This can include advice, convening, or connecting to partners organisations.

58% of respondents tell us they have received, or expect to receive, this additional support.

62% say they would welcome such support in the future. Suggestions include more learning opportunities with other borrowers, and ongoing strategic help.

Improved capacity and resilience

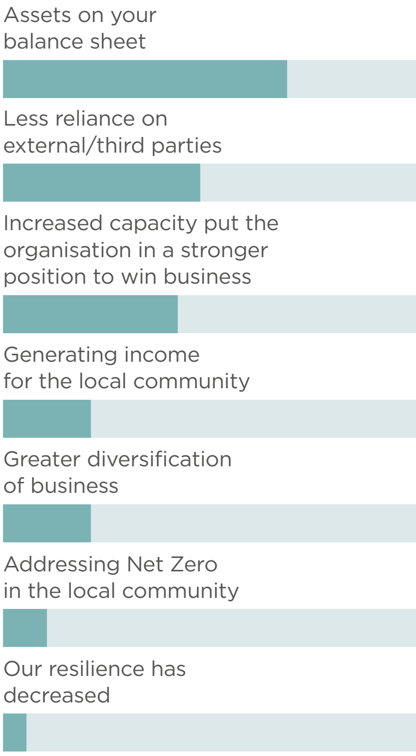
SASC's products are designed to generate increased social outcomes whilst improving the sustainability of our borrowers through greater financial resilience.

Our goal is that our borrowers are stronger at the end of the loan than they were at the start. This is what will allow them continue to provide best in class support for disadvantaged people.

84% of borrowers say their resilience has grown since taking on a SASC loan

Where your organisation's capacity is growing/has grown, how do we help?

What are the key factors in your changed resilience?



We continue to listen and respond

We were grateful that our borrowers also made suggestions about how we could help further. For example, borrowers suggested we could help by creating networks, pressing policy makers on relevant issues and supporting with internal models and business plans. We have already been working hard to improve our processes and materials, making it easier for potential borrowers to understand and access our funds.

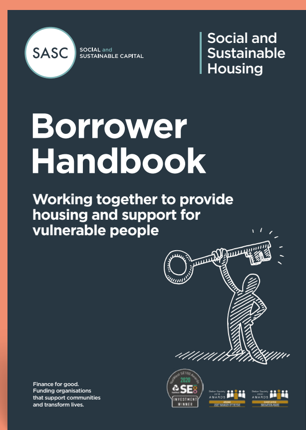
In 2021 we improved processes and materials for our borrowers:

To make it easier for organisations to understand SASH funding, we created a Borrowers Handbook

To make property purchase smoother for our borrowers, we provided more external support

To make reporting and communication simpler for our borrowers, we are launching an online portal

To make the legal closing stage less complicated for our borrowers, we are creating 'plain English' documentation



Dispatches from our borrower CEOs

The borrower survey demonstrated that finance from SASC supports our borrowers to build capacity and long term resilience, making them better able to weather uncertainty – crucial in the current environment.

Following the survey, we asked a selection of CEOs from across the portfolio to describe how their loan from SASC is enabling them to scale responsibly and meet the needs of their communities.

Many of these conversations were recorded and short video edits can be found in the Impact section of our website. The following articles are extracts from transcripts of those interviews.

CEOs

Ray Jenkins, CEO
Emerging Futures

Susan Aktemel, CEO
Homes for Good Glasgow

Jake Burnyeat, CEO
Communities for Renewables

Lorraine McGrath, CEO
Simon Community Scotland

LJ Winterburn, CEO
Valley House

Visit our website to watch short video edits of conversations with our portfolio CEOs

Emerging Futures is a community interest company which has been going for about seven years. We work with people with substance misuse problems who are experiencing low level mental health, homelessness or have some involvement with the criminal justice system. We provide community-based programmes and psycho-social interventions to support behavioural change. We work closely with partner agencies so that our clients get wraparound clinical or family support services.

Of our 200 employees, 75% have their own lived experience of substance misuse or homelessness. We see ourselves as an academy which offers opportunities, via recovery coaching and accredited courses, for people to work in the health and social care profession. We support individuals to build on their own experiences, and work with people effectively. We believe that to sustain change you need someone to love, something to do and somewhere to live.

Early on, we developed a strategic plan that included us providing a transitional housing element so that the people we were supporting could have a secure base. Housing has become the core of our work, allowing us to deliver a combined offer of housing and support. In the beginning we only had access to the Private Rental Sector (PRS). We learnt quickly that there are some landlords that are less scrupulous than others. We wanted to work with people we trusted and have a mixed portfolio. So, in order to improve the quality of the housing, we believed ownership was the route to explore.

> **We didn't jump in. It took us a couple of years of looking and doing our own due diligence to ask 'are we investment ready?'**

We looked at all the different products, including commercial deals, but, ultimately, it made sense to work with an organisation who shared values and also wanted to make a difference. Social investment was new to me but luckily not to our chair. We didn't jump in. It took us a couple of years of looking and doing our own due diligence to ask 'are we investment ready?' The organisation was growing, our contracts were growing, and we needed housing we controlled.

> **We were always a professional organisation but now we are a commercial one too**

Taking social investment has had the desired effect of driving up the quality of the properties that we've taken on board so far. Internally, it's changed the dynamics of not just the board and the governance, but the executive team as well. The discipline of getting the investment has enabled us to invest in the capacity of that executive team, building our commercial sense. But that step change has been pushed down throughout the organisation. So local service managers have a commercial awareness of their responsibilities and how they prioritise work. I would say that we were always a professional organisation but now we are a commercial one too. Ownership has enabled us to concentrate on the offer to the people in our housing. Improve the quality of staff and the interactions. Focus on the impact on clients.

> **It has been a real learning curve but I think the organisation is in a much, much better position now**

It has been a real learning curve but I think the organisation is in a much, much better position now. The whole team feel as though we've got that capacity and are more resilient. And I think from the off, certainly through the whole process of due diligence, we felt as though we were in a partnership with SASC. What we found is that it wasn't just about giving us the knowledge of what we can and can't do with the money. SASC offered commercial suggestions; they were willing to work flexibly when markets changed. So when house prices went up in areas we wanted to work, we made alternative plans. We've always found SASC willing to find a solution, as long as it's within the principles of our business plan and loan requirements. The flexibility has been invaluable.

Ray Jenkins
CEO, Emerging Futures

EMERGING FUTURES
creating opportunities for change

Watch Ray Jenkins's video here

I created **Homes for Good** (HFG) for two reasons. Initially, I wanted to improve what I could see going on in the private sector, both for landlords and tenants. And that was as a direct result of my experiences as a landlord myself and in particular the negative experience that I had with letting agents that I worked with. I wanted to create the letting agency that I wanted to work with, that was values driven, that felt like home and that was a social business.

But then what I also realised was that there was a massive problem, which also then created a massive opportunity around people who couldn't get access to social housing because of waiting lists and then having to access the private rented sector. And often it was poor quality, it was expensive and it was insecure. I basically needed to 'compete with the cowboys' and deliver something very different – beautiful homes, with tenancy support and people feeling safe at home. So that really was HFG and after nine years we have 540 properties under management and with the help of SASC and other investment we own about 300 of those ourselves.

We were one of your guinea pigs for the original SASH fund loan structure in 2018 and we came back again in 2021 for a second loan. The reasons are fairly simple

We were one of your guinea pigs for the original SASH fund loan structure in 2018 and we came back again in 2021 for a second loan. The reasons are fairly simple. Firstly, the more properties we can buy, the more homes we have for people. It's just a really simple metric to be able to increase our impact through growth. The second thing is that by having this additional investment from SASC it has also strengthened our capacity by strengthening our operational income through rental income and management fees and those different things.

Investment like your loan is the oil for the cogs of the organisation to grow. And it's also strengthened and it will strengthen over time the balance sheet of HFG. All of this strengthens our financial resilience, which in turn makes it easier for us to deliver our impact. It's a virtuous circle.

The third thing is that it continues to strengthen our track record of continuing experience in the investment market. Every time you do the due diligence process and you get another approval for investment, it just strengthens your presence, which then is an added layer in the virtuous circle that enables you to grow more.

The reason we came back for a second loan is really simple. It's four years that we've been working together and we've all come such a long way in those four years. We've built up a really strong relationship with SASC around shared values and trust. And so it makes sense when you've got a partner that you really enjoy working with, to do more with that partner. And although designing the loan agreement four years ago was tricky, it's the shared risk, genuine shared risk that makes it an easy product for us to like and for our board to understand that we want to do more with that.

Susan Aktemel
CEO, Homes for Good Glasgow

We've built up a really strong relationship with SASC around shared values and trust. And so it makes sense when you've got a partner that you really enjoy working with, to do more with that partner

Watch Susan Aktemel's video here

CFR is a not-for-profit company that helps communities, councils and charities that want to set up clean energy businesses. Since we set up in 2012, we've helped to develop and finance community owned solar projects with a capital value of over £60m. We look after 50 megawatts of community owned solar projects across seven diverse localities, generating enough energy to power 13,500 homes. These projects are projected to generate £20m of surplus income over their lifetimes to support Net Zero transition and community projects in their localities.

A key part of our work is about supporting communities with the financing needed to set up a large-scale community energy project. It can cost well over £100,000 of risk investment, even to set up a project, secure planning, land and grid connection agreements and manage the transaction costs of building or purchasing a solar farm. That's before any capital spend building it.

> **These projects are projected to generate £20m of surplus income over their lifetimes to support Net Zero transition and community projects in their localities ”**

The projects are all governed by local volunteer directors. Their operating business model is to generate energy which they sell to the grid and earn a revenue that is used to cover the running and finance costs. Any surplus income after operating finance costs and building up sufficient reserves is used by that company to support its community purpose.

Typically, schemes are funded by a combination of long-term bank debt, community investment and in some cases a bridge loan that fills the gap in between. SASC has provided our projects both bridging loans and long-term debt depending on what the project has required.

For this sort of non-standard commercial project, communities need flexible funders who share our social objectives and values, and are comfortable supporting social enterprise structures. SASC is one of a handful of UK funders that can do that. We have now worked together on five projects across the UK. All the short-term bridge loans have been refinanced, including Burnham and Weston Energy that raised £4m in a community bond raise – the largest ever community solar bond raise in the UK.

On one group of community projects, SASC has been through several refinancing transactions with us. The flexibility SASC has shown in allowing us to restructure the loans has been vital in helping us create a long-term affordable finance structure for the project.

Energy is an economic drain on any community*. Community renewables projects, where there is a locally-owned energy economy, allows profits to stay in the community, creating a local economic multiplier.

Our ambition is to scale the community renewable sector, but there are two main challenges: competition with commercial companies and development risks for communities.

Communities are competing with well-funded, well-resourced, experienced commercial developers. Quite often we find a community energy enterprise got going in a town, with a great idea for a local energy economy, and with the backing of the community and towns institutions, but when it comes to trying to find suitable sites for a community and wind farm or solar farm, they find that the sites have already gone to commercial developers and that grid is full.

When we can help communities to get a large scale, profitable community energy scheme off the ground, they then have the challenge of how best to use the profits from that project. Lots of our projects are looking to support their local community with the transition to Net Zero. They are exploring a range of models, in particular with a focus on supporting the retrofit economy in their areas. Others are looking at deploying rooftop PV or funding energy advice services to support people in their communities who are struggling with fuel poverty.

CFR believes that community energy is an opportunity to address not just Net Zero but also the cost-of-living crisis, and has been overlooked by investors. In the long term, SASC has an opportunity to play a key role in helping charities, not for profits and potentially public sector bodies deploy significant amounts of capital into community-owned low carbon infrastructure which is aligned with their social and environment values and delivers sustainable returns.

Jake Burnyeat
CEO, Communities for Renewables

CfR manages Ferry Farm, Burnham and Weston Energy, Gawcott Solar and Heart of England

Watch Jake Burnyeat's video here

* This interview was conducted before the regulator announced the raising of the new energy price cap in August 2022

Simon Community Scotland (SCS) provides hope and homes for people experiencing homelessness or who are at risk of homelessness. SCS works in partnership with local authorities, other agencies and other funders. We provide a whole range of different accommodation services from emergency immediate crisis intervention accommodation through to long term and now, with SASC support, permanent homes.

We were introduced to SASC by Homes for Good Glasgow who are part of our extended network and explained what social investment does. The loan has already had a huge impact on us because as a provider of social care homelessness services, we now know we also can also facilitate people directly into permanent homes. So that means that we have a real end to end offer.

It has been remarkable in our interaction with our clients. We have sometimes worked with people for many years. They have been in and out of the system and our care. To finally have the opportunity to offer them a safe, secure home with a landlord that really understands them is wonderful. It can take people four or five years to access even basic accommodation in Edinburgh with hundreds of applications for every social tenancy. So, to be able to help long-standing clients is so important for us. And in return, our new tenants have been incredulous about the quality of the housing we are able to offer them because we are in control of the properties and their maintenance.

> **To finally have the opportunity to offer them a safe, secure home with a landlord that really understands them is wonderful ”**

Owning our own properties has also given SCS the ability to talk to other housing providers on an equal basis. The SASC-sponsored growth has been hugely welcomed by the local authority because anything that increases the options for housing in the city is appreciated. Especially anything that helps people to move on from long-term support and care accommodation which is very expensive.

> **Owning our own properties has also given SCS the ability to talk to other housing providers on an equal basis ”**

Working with SASC gave us the confidence to trust ourselves and our ability to manage the housing. It was a very, very steep learning curve for me and the team. We had to really develop our understanding of the finance and legal worlds. We worked hard to make the business case work but we never lost sight of the impact we were trying to achieve.

> **It was a very, very steep learning curve for me and the team. We had to really develop our understanding of the finance and legal worlds. We worked hard to make the business case work but we never lost sight of the impact we were trying to achieve ”**

And, of course, the learning has continued as the pressure remains high on the housing market in Edinburgh. But the loan pays for someone to purchase the housing and that has been critical as they can respond really quickly and we've managed to buy houses despite the competition.

What we weren't expecting but what is going well already is how quickly our tenants have settled into their new homes, despite their many challenges and their chronic experiences of homelessness. It can't be overstated just how much impact this has had. Even on just one life. It is giving people a sense of hope and aspiration and offering them something they have never had.

Being in control of the purchasing means we can buy in areas where people want to live. Near their families or a location that will work best for them. It means we can give them the best possibility of service.

We'd love to do more social investment and be able to offer more people a different type of accommodation. SCS does not have an ambition to be a large landlord, we want to make things happen, create capacity, and allow people to move forward. With the social investment, we are the first to establish a model that shows that was possible. We want to continue to build the evidence so we can encourage local authorities and other agencies and housing providers to come alongside us and be part of that ambition.

Lorraine McGrath, CEO
Simon Community Scotland

Simon Community Scotland

Watch Lorraine McGrath's video here

Before meeting SASC, we were reliant on registered providers and private landlords to source accommodation and it often wasn't right for our service user groups in terms of schools, transport links, or quality. We also weren't particularly attractive to private landlords. They stereotyped our service user groups and, if they could rent to other people, the general public, they would choose to do that. Additionally, some registered providers are pulling back from leasing their properties to organisations like **Valley House** because of increased demand on them.

But we had obligations in terms of our contracts with the local authority, so we decided to look at trying to buy our own properties. We realised it was going to be a lot of money – way more than our annual turnover – but we believed it was something we had to do to move forward. SASC went through a very long due diligence process that allowed me to get our board to a place where they felt safe to take on this.

> **Before meeting SASC, we were reliant on registered providers and private landlords to source accommodation and it often wasn't right for our service user groups in terms of schools, transport links, or quality ”**

And it means that we now own 22 properties in areas that we want them to be in. It has been a journey. You start off thinking that you just want to borrow money, then you realise there are the challenges that sit behind that in terms of knowledge and skills you need. So, we're going through a process of upskilling so we can be the very best landlord.

The loan hasn't yet increased our capacity in terms of the contracts that we've currently got. But what it does mean going forward is that

> **You start off thinking that you just want to borrow money, then you realise there are the challenges that sit behind that in terms of knowledge and skills you need. So, we're going through a process of upskilling so we can be the very best landlord ”**

when a contract tender goes out, we are able to say that we have our own properties and have the housing management expertise. This will be beneficial in terms of looking for additional funding going forward for services.

In our SASH properties we are completely responsible for all the maintenance, rather than in our rentals where we are reliant on the landlord. We have an ongoing issue with one property where there is mould in the bathroom. The Registered Provider has come and done a bit of work here and there but it has been going on for six months and to me that's unacceptable.

For our owned properties we've got external contractors and work gets done a whole lot quicker and to a better standard, with better communication with us than we have with our other landlords.

I've just finished writing our new strategic plan, and within that there's the commitment to write an environmental sustainability strategy aligning with the green agenda, which will address all the regulations and standards.

My advice to new borrowers is to think about the green agenda and how their strategies speak to that.

LJ Winterburn, CEO
Valley House

Watch LJ Winterburn's video here

Shaun Needham, departing CEO of Target Housing, has the final word

In 2018, an event was held in Rotherham which provided an opportunity to reflect on, and craft solutions to, the community-level issues facing the city. SASC Research Director, Peter Morris, who was then part of the investment team, had been invited to discuss financing for property purchases.

Shaun Needham was attending as CEO of Target Housing, a charity and social landlord working with vulnerable groups across Yorkshire and the Humber.

A conversation between the two led to a loan, that has since been increased twice to allow Target to scale to meet local need. One increase was during the pandemic to help the Everyone In cohort of rough sleepers who found themselves without support of shelter during the pandemic. The second, this year, allowed Target to continue to expand in line with need. The charity now manages 865 properties and owns 96 of them of which SASC helped fund 47 through two loans.

After 15 years at Target, Shaun is now retiring. We would like to thank him for choosing to work with SASC and for all his invaluable support of the SASH fund and its development. His ability to articulate the view from a charity's perspective, and how funding needs to be adjusted to support frontline work, has been a vital tool in explaining the impact of the fund to a wider audience. He first sat on a panel discussion when we launched SASH; since then, he has spoken to investors, government and potential new borrowers numerous times on our behalf. We are grateful for Shaun's encouragement of the fund which is generously offered in that ongoing spirit of partnership.

Before he steps down, and as our first borrower CEO to retire mid loan, we talked to him about his career and how he will hand on the management of the SASC loans to his successor.

It would be great to hear again about your reasons for taking social investment, and what you might have been concerned about at the time.

I attended an E3M presentation in Rotherham and although very worthy it was obvious that it wasn't clear that the Local Authorities were going to support more of the radical procurement ideas being discussed. But one person spoke with a voice I liked and understood and that was Peter Morris, so when I managed to get him on his own I listened and thought social investment from SASC might be a way for Target to massively speed up its ownership of property goal.

I had previously been approached by a number of other "social Investors" all of whom offered lots of money but either they came across as unscrupulous organisations or they just wanted to know what their return was first and foremost.

Peter and then everyone we met at SASC wanted to know what we would do with the money; how it would benefit our clients. SASC took an interest in Target – who we are; how we did things; why we did things; what did the wider sector think of Target. That is, were we worth investing in! It was only when they had looked into that did we started to look at returns.

Because of the demand (then and now) for our services, I was always comfortable with our ability to cover the monthly fees and once we had agreed additional funding to bring in an extra staff member to procure the properties, I knew we would take the investment.

My initial concern was would I be able to persuade my Board to agree to the investment. We had never borrowed such a large sum in our history and the Board is very conservative; but during their first visit to us, SASC spoke clearly and openly to Chair and Treasurer and won them over. Since then, it has been very pleasurable plain sailing.

You took a second investment to help address the Everyone In crisis at the start of the pandemic, and we hope Target Housing will take future investment too. What is it about SASH loans that make you feel comfortable about doing that when at the beginning you were concerned about what you would be leaving future CEOs?

Being flexible and designing a monthly fees calculation in a way we could easily budget for, and everyone could understand, made future investment discussions far simpler with our Board and some senior staff.

So, taking the second investment was a no brainer. At that time, we were swamped with demands for property from commissioners and others in the local area. Plus, our property procurement team was finding property when we all thought it would be far more difficult; so we had the demand and the supply at the same time.

Sadly, demand is still there and I suspect always will be. It may be wrong to say it but the Pandemic was an opportunity for Target to continue to grow; everyone else battened down the hatches but Target did as always and said yes because there was huge need, and then tried to work out how we'd manage it. It has worked out, as we knew it would and we are pleased that we heeded that call to help.

Can you describe why you choose to own houses rather than rent. Has your view on this changed over the years you have had the loans?

Owning gives total flexibility. In financial terms owning is always going to be cheaper than renting and eventually we have equity in the portfolio to use to expand it even more.

Perhaps more importantly though, we get properties that we can switch between one project to another, so as to retain income. For us this has fairly important consequences as we can adapt to the neighbourhood.

One example might be if we had very complex, drug-using clients who had undesirable friends that came and caused neighbourhood issues. If we own the house, we can move that client and look to use the property for another client group, for example a mother and child fleeing domestic violence.

Private landlords tend to demand their property back at the first sign of neighbourhood issues reaching their ears; sometimes they have inflamed issues with neighbours without our knowledge. Having this flexibility allows us to repair a complicated situation if something goes wrong.

You are our first SASH CEO to be stepping down. What will you be telling your successor about SASH and SASC?

Obviously, it is a large sum of money we have taken on and so the repayment after 10 years will be something I think about even after I retire. I've already run the idea of mortgaging the whole portfolio past a potential future lender and, although a long way off, it is clear they would like to take it on if they can. I also still think and tell anyone who will/might listen, that Government should be offering long-term mortgage deals for social housing providers. SASC could also deliver this to borrowers as a follow on.

While I will always worry for my successor, Target has already grown far more resilient and is able to deal with issues on a much bigger scale than ever before. I am confident that simple solutions can be found.

In addition to this, I will be saying that SASC is a vital and important partner to Target Housing. I hope they will be able to access SASC resources for a very long time to come and continue to contribute to the work of SASC.

We wish Shaun every happiness in retirement and want to thank him for all his support and encouragement

Watch Shaun Needham in conversation here

For more information about Target Housing, see pages 44 and 46