



## Connect Fund – Enterprising Ideas Fund – Funding Guidance

The Enterprising Ideas Fund (EIF) is a pilot of the Connect Fund to provide flexible finance for social investment intermediaries in England to catalyse new business ideas. The objective of the EIF is to support innovation to fill gaps in the infrastructure of the social investment market.

The Fund seeks to build the “impact first” social investment market that works for smaller to medium-sized social enterprises and charities.

Social investment intermediaries in England can apply for:

- 1) **Small grants of up to £10,000** to develop feasibility, financial projections and a business plan
- 2) **Social Investment of up to £50,000** in the form of:
  - a) Zero-interest loan facility, requiring partial match of funds and repayable on success
  - b) Equity investment, or
  - c) Convertible zero-interest loan to equity, on flexible or patient terms.

An initial pilot phase of the EIF will run for one year from January 2019. Applications are accepted on a rolling basis, until the pilot funds are fully committed.

During the pilot phase, we will **aim to make 10-12 small feasibility grants** to develop promising proposals and hope to advance a further **5-6 proposals to full investment**.

We will evaluate the EIF investment process and work with our partner Access – the Foundation for Social Investment to determine next steps following the 2019-2020 pilot.

### Who Can Apply?

The Enterprising Ideas Fund is designed to support social investment intermediaries in England. These are investment funds, advisors, brokers, networks and intermediaries operating in the social investment, social impact and social venture development sector.

Please note, the Fund does not invest in frontline charities or social enterprises involved in direct service delivery. You should consult [Good Finance](#) if you have questions about social investment.

The EIF will support new business or enterprise ideas that:

- **Solve a problem** facing the social investment market in England
- **Evidence demand** in the target market
- **Generate revenue** and/or have a clear path to sustainability
- Align with the **track record and experience** of the founder(s) or applicant organisation
- **Advance and embed social impact** in operations

### Eligibility Criteria

- You are a registered charity, social enterprise, community enterprise or mission-led business in England.
- If you are a private company or planning to incorporate as a mission-led business, there is clear evidence and legal commitment to social impact via certification and/or company articles. (See [Purpose.ly](#) or [BCorpUK](#))

- Some, ideally a majority, of your income comes from trading and you are looking to increase this with a new venture or service offer targeting the social investment market.
- You measure and report on the social impact of your activities.

## Overview of the Process

### 1) Small Feasibility Grant – Up to £10,000

During the pilot, we aim to make 10-12 small feasibility grants to develop promising proposals.

1. Expression of Interest (EOI)	a. Check that you meet the eligibility requirements b. Submit a short online form outlining your idea c. We can provide initial advice if required by phone or email
2. Initial Phone Assessment	We will discuss your EOI submission by phone and follow up with further questions.
3. Full Online Application	a. If you progress, we will ask you to complete a full online application. b. You will also submit supporting financial and legal documents
4. Face-to-Face Assessment	a. We will meet with you onsite to review your proposal. b. We will carry out due diligence
5. Decision	a. We will present our full assessment for decision b. We will get back to you with a decision and/or feedback c. If successful, we will send you a grant offer letter and payment schedule for your agreement.
6. Reporting	a. Together we will agree 2-3 outputs or KPIs to measure b. You will complete online reporting on agreed KPIs every 3-6 months, depending on project length.

### 2) Social Investment – Up to £50,000

During the pilot, we aim to take 5-6 proposals forward to a full investment. Selection will be based on the results of the feasibility plan, or an existing business plan, and our internal investment criteria.

1. Expression of Interest (EOI) – if not an existing feasibility grantee	a. Check that you meet the eligibility requirements b. Submit a short online form outlining your idea c. We can provide initial advice if required by phone or email
2. Initial Phone Assessment	a. We will discuss your EOI submission by phone and follow up with further questions. b. If you are a previous grantee, we will review the outputs from the feasibility grant with you to determine next steps.
3. Full Investment Proposal	a. If you progress, we will ask you to complete a full investment proposal form. b. You will submit further financial and legal documents, cash flow projections, and a business plan.
4. Face-to-Face Assessment	a. We will meet with you onsite to review your investment proposal. b. We will carry out due diligence.
5. Decision	a. We will present our full assessment for a decision b. We will get back to you with a decision and/or feedback following.

	c. If successful, we will send you investment documents to review and sign.
6. Reporting	a. Together we will agree KPIs to measure, which may be linked to repayment. b. You will complete online reporting on agreed KPIs every 3-6 months, depending on investment terms and conditions.

### What Type of Finance is Available?

The EIF seeks to offer flexible finance tailored to the needs, legal structure and requirements of the enterprise. We expect the funding to act as early stage risk finance to support new ventures or initiatives. The effectiveness of this type of finance is an element of the pilot.

We propose several types of finance up to £50,000, and are willing to discuss the terms and conditions:

#### 1. Zero-interest loan facility, requiring partial match of funding and repayable on success

A facility up to £50,000 to underwrite the costs of development and set up of new funds, service offerings or ventures. This may include staff costs or the costs of third parties, including legal advice, to provide the time and specialist advice required to structure and launch a new initiative. A minimum matched amount of 20% of the value of the facility is required from another third party. Repayment is based upon the success of capital raising or launch of the new initiative, with KPIs to be agreed.

#### 2. Equity investment

A purchase or advance commitment to purchase the equity of a company limited by shares with social mission embedded in the legal articles of incorporation. Valuation to be agreed on the basis of cash flow projections. For new ventures, a discount to pre-money valuation may be agreed.

#### 3. Convertible zero-interest loan to equity, on flexible or patient terms.

A zero-interest loan with an option to convert to equity, or to be repaid, within a specific timeframe and subject to pre-defined conditions. This type of finance may be useful for enterprises that anticipate further funding rounds, or that would require a shift in legal structure to issue share capital.

### Case Study – Singlify

Three social entrepreneurs ([Maarten Rooney](#), [Matt Harrison](#) and [Guy Clairbois](#)) launched Singlify Ltd in July 2018 as a start-up social enterprise spun out of Homeless Link. The company is designed to bring management information technology to the social investment sector at an affordable price.

[Singlify's Investment Management System](#) is an end-to-end data management system for social investors, microfinance institutions and grant-making organisations. Singlify's Investment Management System is built on the Salesforce platform. Through Salesforce.org, Singlify offer their software at significantly discounted rates to the social sector.

The Connect Fund initially provided a £10,000 grant to Homeless Link to explore market demand, determine feasibility of the product and develop the business plan.

Singlify incorporated as a company limited by shares, using the Purposely Model 3 to embed mission into its articles of incorporation.

Singlify secured an investment of £50,000 from the Connect Fund in November 2018 to help develop its product and bring it to market. The Connect Fund provided angel investment in the form of a zero-interest loan with an option to convert to equity, or be repaid.

Although still early days, Singlify has used this funding to complete product development, has taken part in both the Salesforce Accelerate and Natwest Accelerator, and is working to implement with two initial clients.

#### **Further Questions – Contact?**

If you have further questions, please contact Alex Padilha to schedule a time to speak with us:

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