Report on: Social Investment Breakthrough Project

Based on Evaluation undertaken by
Neil Coulson Associates

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SFEDI Accredited

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Executive Summary

Project Introduction

The Social Investment Breakthrough project has taken place in Sheffield City Region and has been delivered by a partnership between Groundwork South Yorkshire and social enterprise advisor, Morgan Killick, of Level Up Solutions Ltd.

It has been funded by the Connect Fund, which is a £3 million fund for grants and investments that The Barrow Cadbury Trust manages in partnership with Access – the Foundation for Social Investment.

The project had 4 strands to it:

1. Developing the skills and capability of VCSE organisations' senior management and boards to make critical and informed decisions about social investment

2. Researching the nature of the demand for social investment, particularly amongst new social enterprises

3. Fostering engagement between social investors, support providers and VCSE organisations, including in the co-design of investment products

4. Expanding the number of VCSE organisations that are able to identify suitable social investment products and duly apply for and access such products

Evaluation Methodology

The evaluator engaged in 5 main evaluation methodologies/activities to evaluate the project:

Method 1: Desktop review of relevant project paperwork including the original Connect Fund application, the metrics framework for the project and performance data.

Method 2: Face-to-face and telephone-based interviews with project participants to determine what they had got out of the project.

Method 3: Discussions with the Project Co-ordinator.

Method 4: Participation in the final project deliverable - a round table event on social investment involving social enterprises and social investors. This involved the evaluator in practical facilitation of a workshop discussion that brought together both sides of the social investment market - supply and demand.

Method 5: Canvassing email feedback from one of the social investors about how they thought the roundtable event had gone.

Evaluative Conclusions

The Social Investment Breakthrough project has clearly been effective in bringing both sides of the social investment market together. The end-of-project roundtable event that the evaluator was involved in and helped to facilitate was a tangible demonstration of this.

The evaluator was able to observe directly how this event was able to not only break down barriers between investors and potential investees, but also build awareness and understanding of what is required on both sides of the market – supply and demand.

A number of key learning points emerged from the event, backed up by post-event feedback from one the social investors in attendance.

This is reinforced by the evaluator’s dialogue with the Project Co-ordinator. This revealed the findings and learning points derived from the research interviews component of the project, which demonstrate significant understanding of the world of social investment and the nuances and complexities therein.

The qualitative personal interviews carried out by the evaluator with a number of programme participants also reinforce the evaluative conclusions about the effectiveness and impact of the project. It was conspicuous how positive the interviewees were about their experience of the programme. Clearly, the participating VCSE organisations have received excellent, bespoke, person-centred support that has markedly helped to move them on as organisations, not only moving them closer to social investment, but helping them to think strategically – as one interviewee aptly summarised it, ‘It has made me think outside of the box and given us a different perspective.’

Last but not least, the project has achieved against its foremost output-based targets or success indicators, with 49 VCSE and 6 social investors being actively engaged in the scheme.

Suggested Areas for Development

The evaluator has 5 main suggestions for potential development of the work:

1. The evaluator suggests that it would be good to run another programme of this ilk in the near future within Sheffield City Region. This could focus on (a) providing additional mentoring and coaching support to some of the original project’s graduates who are moving closer to social investment so that they can strengthen their investment readiness yet further and go on ultimately to secure investment; alongside (b) recruiting new VCSE organisations. With respect to the latter, given that the 2016-19 Social Enterprise Exchange programme in Sheffield City Region worked with over 420 social enterprises, there should be a ready-made pipeline of demand from new organisations.

2. The graduates of the original project that have successfully gone on to secure investment could be deployed as exemplars or case studies. As such, they could pass on their practical experiences to the new organisations on the programme and generally role model enterprising approaches and behaviours.

3. It would be useful for any future project to incorporate study visits to social enterprises in other parts of the country that have successfully taken on social investment. This should help to extend the social investment-related awareness and understanding of social enterprises in Sheffield City Region.

4. By the same token, it would be useful for the partners delivering the project to link up with other infrastructure bodies that are delivering social investment-readiness programmes in other areas of the country, including those funded through the Connect Fund. Again, this would help to expand understanding and foster shared learning.

5. A future deliverable could be a dry run pitching session, whereby VCSE organisations get the chance to trial pitch their business ideas to a dragon's den panel of social investors. The evaluator was recently involved in a Connect Fund project that ran in Peterborough and such a dry run pitching event was part of the project. This proved to be highly effective in exposing the participating social enterprises to the practical requirements associated with developing and presenting in real-time an investment proposition and garnering bespoke feedback on what the investors are looking for.

Introduction and Background to the Social Investment Breakthrough Project

The Social Investment Breakthrough project has taken place in Sheffield City Region and has been delivered by a partnership between Groundwork South Yorkshire and social enterprise advisor, Morgan Killick, of Level Up Solutions Ltd.

It has been funded by the Connect Fund, which is a £3 million fund for grants and investments that The Barrow Cadbury Trust manages in partnership with Access – the Foundation for Social Investment.

The purpose of Social Investment Breakthrough was to boost demand for social investment amongst smaller voluntary, community and social enterprise (VCSE) organisations and to increase the supply of suitable social investment products. In this respect it aspired to influence both sides of the market – supply (i.e. social investors) and demand (i.e. VCSE organisations/potential social investees).

The project had 4 strands to it:

1. Developing the skills and capability of VCSE organisations' senior management and boards to make critical and informed decisions about social investment

2. Researching the nature of the demand for social investment, particularly amongst new social enterprises

3. Fostering engagement between social investors, support providers and VCSE organisations, including in the co-design of investment products

4. Expanding the number of VCSE organisations that are able to identify suitable social investment products and duly apply for and access such products

The key project deliverables included:

- Research into both supply and demand, including into barriers facing VCSE organisations in accessing social investment
- Provision of skills development workshops for VCSE organisations' boards and senior leaders, focused on (a) building leadership and management capacity and (b) formulating an investment proposition
- One-to-one and small group mentoring sessions to support organisations as they build their investment propositions
- Facilitated learning circles that bring together VCSE organisations, social investors and support providers

The project received the sum of £43,200 and ran for a total of 18 months.

This report embodies the summative evaluation of the project.

To carry out the evaluation and thus produce this report, Groundwork South Yorkshire commissioned independent consultancy, Neil Coulson Associates[1].

[1] Neil Coulson Associates (NCA) has been established since June 2000 and is a nationally respected consultancy company. It has attained accredited status through SFEDI (Small Firms Enterprise Development Initiative) in recognition of its commitment to delivering high quality business support and consultancy services to not-for-profit organisations and SMEs. NCA is also an NCVO consultant.

Evaluation Methodology

The evaluator engaged in 5 main evaluation methodologies/activities:

Method 1: Desktop review of relevant project paperwork including the original Connect Fund application, the metrics framework for the project and performance data.

Method 2: Face-to-face and telephone-based interviews with project participants to determine what they had got out of the project.

Method 3: Discussions with the Project Co-ordinator.

Method 4: Participation in the final project deliverable - a round table event on social investment involving social enterprises and social investors. This involved the evaluator in practical facilitation of a workshop discussion that brought together both sides of the social investment market - supply and demand.

Method 5: Canvassing email feedback from one of the social investors about how they thought the roundtable event had gone.

The evaluation was conducted over a 2-3 week period at the end of November/beginning of December 2019.

Evaluation Findings

■ *Method 1: Desktop review of relevant project paperwork*

It is transparent from the performance monitoring data that the project has more or less achieved against its primary output-based targets or success indicators.

On the demand side of the market, the target was for 50 VCSE organisations not currently accessing social investment to participate in the programme; against which the actual throughput is some 49 organisations, which represents a 98% achievement rate.

On the supply side, the target was for 5 social investors to engage with the programme; when in practice the number was 6, which represents a 120% achievement rate.

■ *Method 2: Face-to-face and telephone-based interviews with project participants*

The evaluator conducted one-to-one interviews with the following programme participants:

- Dominic Maloney, Personal Development Programme Manager, St Wilfrid's Centre (St Wilfrid's is a day centre based in Sheffield, open to homeless, vulnerable and socially excluded adults aged 18+)
- Janet Parkin, CEO and Trustee of Appletree Childcare (Sheffield) Ltd (Appletree is a nursery in Sheffield, providing care for children aged 3 months upwards)
- Kiran Antcliffe, Studios & Space Manager, Creative Arts Development Space (CADS is about developing the arts through the freeing up of creative space)
- Steve Rimmer, Co-Founder & CEO, Tickets for Good (Tickets for Good uses ticket sales to create donation programmes within the events industry for charities and social projects)

The interviews involved seeking responses to the following 4 questions:

1. How have you benefitted from the Social Investment Breakthrough project?
2. What do you think the overall impact of the project has been?
3. Do you have any suggestions for how the project could be strengthened or improved?
4. Is social investment right for your organisation or not, and why is this?

The table overleaf summarises the responses from each interviewee:

Interviewee	How have you benefitted from the Social Investment Breakthrough project?	What do you think the overall impact of the project has been?	Do you have any suggestions for how the project could be strengthened or improved?	Is social investment right for your organisation or not, and why is this?
Dominic Maloney, St Wilfrid's Centre	Dominic stated: 'It has exposed us to what is available.' 'I did not understand any of it before.' Dominic has learnt all about the rigour associated with social investment.	It has afforded the organisation growth in awareness and understanding: 'Social investment is not a scary monster anymore.'	Dominic suggested more use of cases studies and exemplars to provide beacons to learn from and follow – this would make the experience even more concrete (rather than conceptual). Dominic would like to see St Wilfrid's become the case study/exemplar.	Blended finance is 'up St Wilfrid's street' but they need it to be for the skills workshop aspect of their overall work (St Wilfrid's engages homeless people [and other beneficiaries] in training in a mixture of pottery, woodwork, glass engraving, sign-making, banner-making and printing; the by-product of which is a range of goods for sale by St Wilfrid's).
Janet Parkin, Appletree Childcare	Janet stated: 'Lahari (from Groundwork South Yorkshire) has been amazing – really supportive of our needs. It has enabled us to make new connections and indeed to renew old connections – already knew Dave Thornett at Key Fund but had lost touch with him.' Janet also remarked how access to Morgan Killick (Level	Janet pointed to having the constructive challenge from Morgan and Lahari. She said: 'It has made me think outside of the box and given us a different perspective.' 'Morgan and Lahari understand and believe in us.'	Janet came late into the programme – she remarked that she had only found out about the programme coincidentally (Lahari happened to be present at a separate meeting she attended). She therefore stated that it would have been good to find out about the programme earlier.	'Yes, absolutely perfect for us' 'The programme has been brilliant; just wish I'd known about it when it first started.'

	Up Solutions) for business support and mentoring had benefited the organisation.	As a result the organisation has managed to access the Reach Fund, and has developed a discrete business proposition through the project (development of social café, training room etc – parked into a wholly owned trading subsidiary)..	She also remarked that it would be good if more people knew about it.	
Kiran Antcliffe, CADS	Kiran stated that it has helped the organisation to undertake feasibility analysis relating to the acquisition of the Abbeydale Picture House, a historic events venue in Sheffield. For example, it has helped them secure quotes for the mortgage. They were supported to bid for a £300k Power to Change grant for the deposit required, but this was unfortunately unsuccessful. They are now close to accessing the Reach Fund.	CADS has never previously considered going for a large scale capital purchase, so it has really helped them to focus strategically. Kiran stated: 'We didn't know much about social investment before but now see it as a real opportunity.'	Kiran observed that although the Social Investment Breakthrough programme is much more flexible than other development programmes they have been involved in, it could still benefit from enhanced flexibility. For example, it was structured as 1 session per week, but CADS could have done with more intensive support when they were preparing the Power to Change bid for the building deposit. However, they are very happy with the programme and it has been really helpful.	Yes. Still a few changes that need to be made, e.g. the CADS board needs expanding and to become less risk averse. Accessing the Reach Fund will help them to build their investment readiness still further.

Steve Rimmer, Tickets for Good	Steve remarked: ‘We have received very helpful insights into social investment and the process involved in becoming investment ready.’	They are getting closer to securing a Reach Fund grant – have been told to come back for a grant once they have gained more traction. They have forged a relationship with Big Issue Invest as their Reach Fund Access Point. The support they have received has been very helpful, especially in supporting them to develop a business model and cash-flow forecast. Steve stated that Morgan has provided them with a high level of practical advisory support.	Steve commented: ‘The only thing that could have improved it is access to more support time!’	Steve remarked: ‘Yes, as it provides useful finance routes for a social enterprise like ours.’

- *Method 3: Discussions with the Project Co-ordinator*

Social Investment Breakthrough Project Co-ordinator, Lahari Parchuri, reported that the project team had interviewed social investors such as First Ark, Northstar Ventures and Key Fund, alongside some locally-based business support agencies such as Cultural Industries Quarter Agency and Social Enterprise Exchange. This was in order to canvass their views on social investment and what the core barriers and challenges are to accessing it.

The following key points emerged from these interviews:

Point 1: Some of the applicants for social investment feel that there are a lot of documents to provide and that it can be an onerous process.

The Project Co-ordinator suggests that a possible solution to this might be for investors to only ask for information that they cannot source elsewhere. One example of this is company accounts, which can be obtained from Companies House for a nominal fee without needing to request them from the applicant.

Point 2: The small size of the investment requested can be an issue. Most investors complained that the amount of work that goes into, say, a £5,000 application is almost the same as that which goes into a £100,000 application. Hence, the investors avoid doing small investments.

Lahari thinks that it would be better for investors to deploy a more streamlined, light touch metrics system to assess applications for small-scale loans, as this would encourage a pipeline of applications/start-ups that wouldn't have otherwise considered going for social investment. She highlighted the potential to model The National Lottery Community Fund's relatively light touch approach to Awards for All (grants up to £10k), which contrasts with the Fund's more robust and concerted assessment approach to Reaching Communities (no upper limit for funding awards).

Point 3: Lengthy application timescales can be a deterrent for bidders. Some investors can take anywhere between 6 to 18 months to assess an application, where it involves a large-scale investment.

In order to enable the process to flow and to maintain momentum, Lahari thinks investors ought to review their application processes so that they entail quicker, more expedient timeframes, though obviously without compromising due diligence and risk management.

Point 4: Within the VCSE sector there is philosophical blockage around borrowing and organisations often cannot take that step due to cultural hindrances.

Lahari commented that much more needs to done to build investment readiness, which can also impact positively on cultural outlook and behavioural change.

There are a number of organisations and programmes to signpost people to for the required investment readiness support – most typically the School for Social Entrepreneurs, UnLtd, Social Enterprise Exchange in Sheffield City Region and the Reach Fund.

- *Method 4: Participation in the final project deliverable - a round table event on social investment involving social enterprises and social investors*

The evaluator participated in the half day social investment roundtable event, held in Sheffield on 20 November. Alongside a number of VCSE organisations, this event was also attended by the following social investors:

Alison Collins, Investment Manager	Northstar Ventures
Dave Thornett, Business Development Manager	Key Fund
Jemma Leathley, Investment Manager	Sporting Capital
Michael Burns, Relationship Manager	Social Investment Business
Neil Berry, Director of Programmes	Access Foundation

As well as witnessing the event, the evaluator also facilitated a group discussion on the barriers to social investment.

The evaluator is of the opinion that this was a very useful and positive event in bringing both sides of the market together.

The event was interactive, with plenty of opportunity for VCSE organisations to ask questions of the investors and strengthen their understanding of social investment in the process. At the same time, the event gave the investors practical insights into the needs, aspirations and challenges facing the VCSE sector in accessing social investment.

One of the recurring themes of the event was the need to build trust between the two sides of the market, and the evaluator finds that this is exactly what the event helped to do – breaking down barriers between investors and potential investees and strengthening mutual understanding.

The 10 key learning points from the event were:

1. VCSE organisations need to build relationships with social investors as trust is key

2. There are examples of where new start social enterprises have flourished as a direct result of taking on social investment-based working capital and the enterprising culture and mentality this typically inspires (actively pursuing trading opportunities to leverage the surpluses needed to repay debt finance); compared to those that access grant-based capital, who have consequently stalled or, in fact, collapsed due to lack of enterprise or, indeed, straightforward complacency. However, there doesn't appear to be enough examples or case studies of these evidential benefits of taking on social investment.

3. There is still too wide a gap between grant funders and social investors. There needs to be more focus on a mixed form of investment (grant and loan). Interestingly, when Power to Change grant funding for community enterprise was first trialled, you could only receive a large scale grant if you were prepared to take on a matching social investment, even if only relatively small scale. This was because being predisposed to utilise repayable finance was seen by Power to Change as a proxy indicator of enterprise preparedness and therefore a signal that the community enterprise was likely to be successful. However, this joined up, grant syndicated with loan approach, didn't persist beyond the pilot phase of the fund.

4. Charity trustees are inherently risk averse (a primary fiduciary responsibility of charity trustees is to manage risk in line with public benefit and to ensure the charity's assets are protected) and, added to this, there is a general societal fear associated with being indebted - this makes the availability of flexible and responsive *risk* capital especially critical.

5. Social investors are much more understanding than banks. There is flexibility built into their approach – they want both financial and community payback – they are more inclusive than a bank. Their mission is to support communities so the last resort is to pull the funding – instead, they are more predisposed to reducing or relaxing payback, giving support etc.

6. The Reach Fund is designed to cover the gap between potential investee and social investor but it is sometimes not that visible and it does not fund feasibility work.

7. Could an argument be made for a pre-Reach Fund programme that supported feasibility and organisational development work?

8. It is often unclear how social impact data is used by social investors. Does there need to be more consistency in how social impact data is collected and reported?

9. Organisations often de-select themselves because the prospect of applying to social investors is too daunting – we need to avoid this tendency towards de-selection.

10. Going through the process of investment readiness in itself can be really useful, even if you don't end up getting investment or going for it in the end.

- *Method 5: Canvassing post-roundtable event feedback from a social investor*

The evaluator also canvassed post-event feedback from one of the attending social investors, Michael Burns, Relationship Manager at the Social Investment Business.

Michael's overall feedback about the event was:

'I thought the event was very positive…It was also great to see and network with the other funders.'

Michael's specific feedback comments are herewith relayed:

1. *From the "roundtable" and later break out group, I think there remains a bit of an uncertainty within the sector as to the difference between grant and loan assessment;*

    - *By this, there were at least two groups who seemed to miss that the fundamentals for loan finance [rather than grant] is the need to make a credit case to the assessor that any loan element can be repaid.*
    - *There seemed to be at least one case in particular that assumed that strong outputs alone would be sufficient to engage and secure a loan without considering how a loan would be repaid*

2. *Another challenge that came across is one group claimed lack of capacity to build up a plan and forecast [i.e. make the credit case] as they were too busy with the "day job";*

    - *Whilst this is clearly a challenge to any small groups, there are some good support products about such as Reach Fund.*

3. *Expectations to jump from "stage 1" to "stage 10" in one go;*

    - *I think this is similar to a good number of organisations*
    - *That there is need to consider the long view, whilst maybe breaking down into smaller steps to achieve this – and make this clear to funders which part of the journey they are on*
    - *And to engage with funders early – especially in large capital projects*

Evaluative Conclusions

The Social Investment Breakthrough project has clearly been effective in bringing both sides of the social investment market together. The end-of-project roundtable event that the evaluator was involved in and helped to facilitate was a tangible demonstration of this.

The evaluator was able to observe directly how this event was able to not only break down barriers between investors and potential investees, but also build awareness and understanding of what is required on both sides of the market – supply and demand.

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Last but not least, the project has achieved against its foremost output-based targets or success indicators, with 49 VCSE organisations and 6 social investors being actively engaged in the scheme.

All this being said, there are inevitably some areas for potential strengthening or development (please see overleaf).

Suggested Areas for Development

The evaluator has 5 main suggestions for potential development of the work:

1. The evaluator suggests that it would be good to run another programme of this ilk in the near future within Sheffield City Region. This could focus on (a) providing additional mentoring and coaching support to some of the original project's graduates who are moving closer to social investment so that they can strengthen their investment readiness yet further and go on ultimately to secure investment; alongside (b) recruiting new VCSE organisations. With respect to the latter, given that the 2016-19 Social Enterprise Exchange programme in Sheffield City Region worked with over 420 social enterprises, there should be a ready-made pipeline of demand from new organisations.

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4. By the same token, it would be useful for the partners delivering the project to link up with other infrastructure bodies that are delivering social investment-readiness programmes in other areas of the country, including those funded through the Connect Fund. Again, this would help to expand understanding and foster shared learning.

5. A future deliverable could be a dry run pitching session, whereby VCSE organisations get the chance to trial pitch their business ideas to a dragon's den panel of social investors. The evaluator was recently involved in a Connect Fund project that ran in Peterborough and such a dry run pitching event was part of the project. This proved to be highly effective in exposing the participating social enterprises to the practical requirements associated with developing and presenting in real-time an investment proposition and garnering bespoke feedback on what the investors are looking for.