

**Arts & Culture** Finance

by **nesta**

# Arts & Culture Finance

## Demystifying Due Diligence

Wednesday 15th March - 12:30 - 13:30

@artsculturefin



# Agenda

- 12:30-12:50 Introduction**
- What is social investment?
  - Our process
  - What is due diligence?
- 12:50-13:05 Jay Haigh, Can't Sit Still**
- 13:05-13:25 Audience Q&A**
- 13:25-13:30 Close**

# Background

- Nesta is the UK's innovation agency for social good. We design, test and scale new solutions to society's biggest problems, changing millions of lives for the better.

[www.nesta.org.uk](http://www.nesta.org.uk)

- Arts & Culture Finance provides repayable finance (social investment) to arts, culture and heritage organisations that have a clear social benefit.

[www.artsculturefinance.org](http://www.artsculturefinance.org)



### artFix

*Arts Impact Fund investment*

The art-focused community cafe will use the loan to expand its offer across two new sites.



### Birmingham Royal Ballet

*Arts Impact Fund investment*

The ballet company used a loan to re-imagine its iconic production of *The Nutcracker* for alternative venues.



### Bow Arts Trust

*Arts Impact Fund investment*

The Arts Impact Fund offered the educational arts charity a £600,000 credit facility to purchase and develop property.



### Culture24 / Emerge Festival

*Arts Impact Fund investment*

The sector support organisation launched the Emerge Festival, a new collection of museum lates held over one weekend.



### East London Dance

*Arts & Culture Impact Fund investment*

A new centre for developing diverse young talent in dance and music, driven by a collaborative partnership with UD.



### Effervescent

*Arts Impact Fund investment*

The loan will allow the organisation to grow the team, explore commercialising their IP to build different revenue streams and enable them to take advantage of new opportunities.



### Can't Sit Still

*Cultural Impact Development Fund*

Can't Sit Still is a small, innovative theatre company from the South West. The organisation will use its investment to scale up their stage adaptation of the award winning children's book *Oh No, George!*



### Central School of Ballet

*Arts Impact Fund investment*

The School used a bridging loan to provide working capital to open its new London premises in Paris Gardens.



### Creative Land Trust

*Arts & Culture Impact Fund*

Creative Land Trust addresses the rapid loss of affordable workspace for artists and makers in London, targeting improved financial stability and wellbeing of artists and makers, enhanced sense of place amongst local communities and systemic change in the provision of long-term affordable creative workspace.



### Fuse Art Space

*Arts Impact Fund investment*

The Bradford-based arts organisation used investment to launch a pioneering residential arts training programme.



### Future Yard

*Arts & Culture Impact Fund investment*

The socially-driven music enterprise used a loan to purchase a building which will serve as a community music venue and skills hub.



### InHouse Records

*Cultural Impact Development Fund investment*

The prison-based record label is using its loan to extend its services from behind bars to ongoing support upon release.



### IRIE! dance theatre

*Cultural Impact Development Fund investment*

The leading African & Caribbean dance theatre company is using its loan to create a modern and well-resourced centre for degree students and the local community.



### Key Changes

*Cultural Impact Development Fund investment*

Key Changes is an arts and health charity that promotes positive mental health through music. The organisation will use its investment to scale its existing music engagement and recovery programme in secure mental health units and the wider community.



### Kurious Arts

*Arts & Culture Impact Fund investment*

Establishment of a new post production facility in Sheffield, benefiting under-represented local creatives



### Migration Museum Project

*Cultural Impact Development Fund*

The Migration Museum explores how the movement of people to and from Britain across the ages has shaped identity – as individuals, as communities, and as a nation. The organisation will use social investment to develop its online gift shop capacity and to expand its digital audience.



### Muse Projects

*Cultural Impact Development Fund*

Muse Projects delivers an immersive, multi-sensory experience called Dialogue in the Dark with a goal to employ blind and partially sighted people and raise awareness of their experiences in the community. The CIDF loan will be used to evolve and adapt the experience.



### Paintings in Hospitals

*Cultural Impact Development Fund*

Paintings in Hospitals, an arts and health charity, will use its investment to increase staff capacity to execute its fundraising strategy and to develop commissioning partnerships with CCGs, local authorities, and health and social care membership organisations.



### London School of Mosaic

*Arts Impact Fund investment*

The mosaics studio will use its loan to create a venue for a new mosaic focused education programme.



### Mercury Theatre

*Arts Impact Fund investment*

The loan will allow this acclaimed producing theatre in Essex to manage working capital as it renovates its 40 year old building into a cultural hub fit for the 21st century.



### MeWe360

*Arts Impact Fund investment*

The creative hub used a loan to acquire a new, larger-capacity building and scale up its incubator programme for BAME creative entrepreneurs.



### Pinc College

*Arts Impact Fund investment*

The innovative arts and culture education initiative is using its loan to scale between 2018-2020.



### Pop Up Projects

*Cultural Impact Development Fund investment*

The literature organisation received investment to expand its programming, develop promotional materials and launch its 10th-anniversary fundraising campaign.



### Resonance

*Arts Impact Fund investment*

The new music education venture used its loan to create a contemporary music institute at the heart of the Black Country.





### Saffron Hall

*Cultural Impact Development Fund investment*

The acclaimed performing arts venue is using the loan to invest in its fundraising capacity and grow its earned income streams.



### Second Floor Studios and Arts

*Arts Impact Fund investment*

The London-based studio space provider used a loan to purchase and develop a new site, the Deptford Foundry.



### Soho Theatre

*Arts Impact Fund investment*

The London venue used investment to set up a digital content subsidiary and produce a pilot run of digital comedy content.



### The National Holocaust Centre and Museum

*Arts Impact Fund investment*

The historic institution developed new programmes that preserve the voice of Holocaust survivors for generations to come, and explored new uses of cutting edge technology for the museum sector.



### The Old Courts

*Arts Impact Fund investment*

The arts centre in Wigan is using investment to transform a derelict former hotel into an arts hub for the area.



### The Story Museum

*Arts Impact Fund investment*

The investment is supporting a major redevelopment project for the museum to upgrade existing spaces and create new galleries.



### South East Dance

*Arts Impact Fund investment*

The Brighton-based dance agency is using its loan to bridge fundraising and allow work to start on its new hub.



### Studio Wayne McGregor

*Arts Impact Fund investment*

The dance organisation used a cashflow loan to complete the construction of its new studio space in the Queen Elizabeth Olympic Park.



### The Birmingham Repertory Theatre

*Arts & Culture Impact Fund investment*

The loan will be used to undertake major refurbishment of front-of-house spaces and commercial facilities at this historic theatre.



### Titchfield Festival Theatre

*Arts Impact Fund investment*

The volunteer-run theatre group used investment to improve its venue and become more energy-efficient.



### UD

*Arts & Culture Impact Fund investment*

A new centre for developing diverse young talent in dance and music, driven by a collaborative partnership with East London Dance.



### V22

*Arts Impact Fund investment*

The studio space provider is using investment to increase its portfolio and preserve a valuable heritage site for community use and benefit.



### **Village Underground / Earth**

*Arts Impact Fund investment*

The music venue has created a new multi-arts centre in Hackney and partnered with an arts charity to deliver social programmes.



### **Walk the Plank**

*Arts Impact Fund investment*

The leading outdoor arts organisation used its loan to create and relocate to a new creative hub in Salford.

**All case studies can be found on**  
<https://www.artsculturefinance.org/case-studies/>



## What is repayable finance?

A form of funding that you have to pay back.

## What is social / impact investment?

Social investment is the provision of finance (typically, **a loan**) for a social, as well as a financial return.

It can be used to fund new activities, scale up existing ones, buy property, bridge to fundraising or simply manage cash.



# Arts & Culture Impact Fund

## Investors and partners



## Our open funds

- Loans of £150,000 - £1,000,000, secured and unsecured
- Up to an eight-year repayment term
- Indicative interest rates: 3%-8.5%, depending on risk
- 1% arrangement fee, no early repayment fees
- UK-wide



## How social investment has been used by previous investees:

- To fund new/additional staff
- To purchase equipment & infrastructure
- Undertaking a capital project
- Underwrite the risk of (new) activities



## How can social investment be repaid?

- Profits from trading activities
- Funding paid in arrears
- Organisation's reserves
- Refinancing (taking on new finance to pay off old)





## Our process

- Submit an enquiry on our website, [www.artsculturefinance.org](http://www.artsculturefinance.org)
- 30-minute initial conversation to learn about you, your needs and eligibility
- Information gathering & due diligence
- We write the investment application
- Quarterly investment committee makes the decision

<https://www.goodfinance.org.uk/>



Stay in the loop 

Search



[Understanding social investment](#)

[Is it right for us?](#)

[Investors and Advisors](#)

[Measuring social impact](#)

[Latest](#)

[Resources](#)

## Welcome to Good Finance

Our mission is to help **charities & social enterprises** navigate the world of **social investment**.

[UNDERSTAND SOCIAL INVESTMENT](#)



**nesta**



What do we mean by due diligence?

- It happens before a major decision is made
- It's about **understanding**:

The aims of the decision

The assumptions driving the decision

The risks & how they are mitigated

- It is both qualitative and quantitative

More than anything else - it's a mindset!

- It enables us to:
  - Navigate uncertainty & complexity
  - Build trust
  - Make informed decisions / take calculated risks
- It is a form of accountability to stakeholders

- Most importantly - for leaders
- Also:
  - Investors
  - Funders
  - Examiners / auditors
  
- Who benefits from due diligence? Potentially - all stakeholders

## What does due diligence involve?

- Lots of conversations (in-person and over email)
- Review of key documents that provide the relevant information
- Analysis of
  - Past performance (of key people, achievements to date, impact, financials)
  - Future performance (scenario analysis, cost-benefit-analysis, what could go wrong)
- Reflecting & taking stock

# Due diligence in a social investment context

Financials

Social impact

People &  
governance



	<b>Key questions</b>	<b>Relevant documents</b>
<b>Financials</b>	<p>If it's about taking on repayable finance - how will it be repaid?</p> <p>Has this organisation been able to cover its costs in the past?</p> <p>Will it be able to cover its costs in the future?</p> <p>How stable are its sources of income?</p> <p>What are its fall-back options if things don't go to plan? What do its reserves look like?</p> <p>How much income do the business need to break-even?</p> <p>How flexible is the cost base?</p>	<p>Past annual accounts</p> <p>Recent management accounts – profit &amp; loss statement &amp; balance sheet</p> <p>Cashflow forecast / financial model</p> <p>Project budgets</p> <p>Fundraising pipeline document</p>

	<b>Key questions</b>	<b>Relevant documents</b>
<b>Social impact</b>	<p>Who benefits from the work?</p> <p>To what extent do they need it?</p> <p>What outcomes are being achieved?</p> <p>How many people will you work with, and over what period?</p> <p>Does the work have track record?</p> <p>How is progress being measured?</p> <p>What resources &amp; relationships are needed to deliver the work?</p> <p>Who else is doing work like this &amp; what are their lessons?</p>	<p>Theory of change</p> <p>Internal performance data &amp; evaluations</p> <p>Impact reports - externally verified</p> <p>Academic evidence</p>

	<b>Key questions</b>	<b>Relevant documents</b>
<b>People &amp; governance</b>	<p>How experienced is the management team in delivering what they're planning to deliver? Do they have track record?</p> <p>Who holds management accountable?</p> <p>Is there a board (e.g. of trustees)?</p> <p>What's the relationship like, between management and the board? Are they aligned?</p> <p>How has the management team navigated difficulties in the past?</p> <p>Are there any skills gaps (at management or board)? How are skills assessed?</p> <p>Can we trust these people? Are we confident in their abilities?</p>	<p>CVs &amp; bios of key people</p> <p>Board skills audit</p> <p>Board packs</p> <p>Board minutes</p>

What are some of the  
common challenges?

- Not considering the issues & questions in advance (i.e. not being prepared!)
- Not having accurate information to hand
- Not having enough time to do the work



## Thinking of social investment?

- You'll need a clear idea of the positive social change you're wanting to achieve
- Skilled and experienced leadership and governance
- Buy-in at governance level to take on repayable finance
- Sound financial and risk management and future-planning
- An evidence-based approach to social impact
- Strong business opportunity and evidence of ability to repay investment





# Can't Sit Still

---

Demystifying Due Diligence

# Can't Sit Still ....

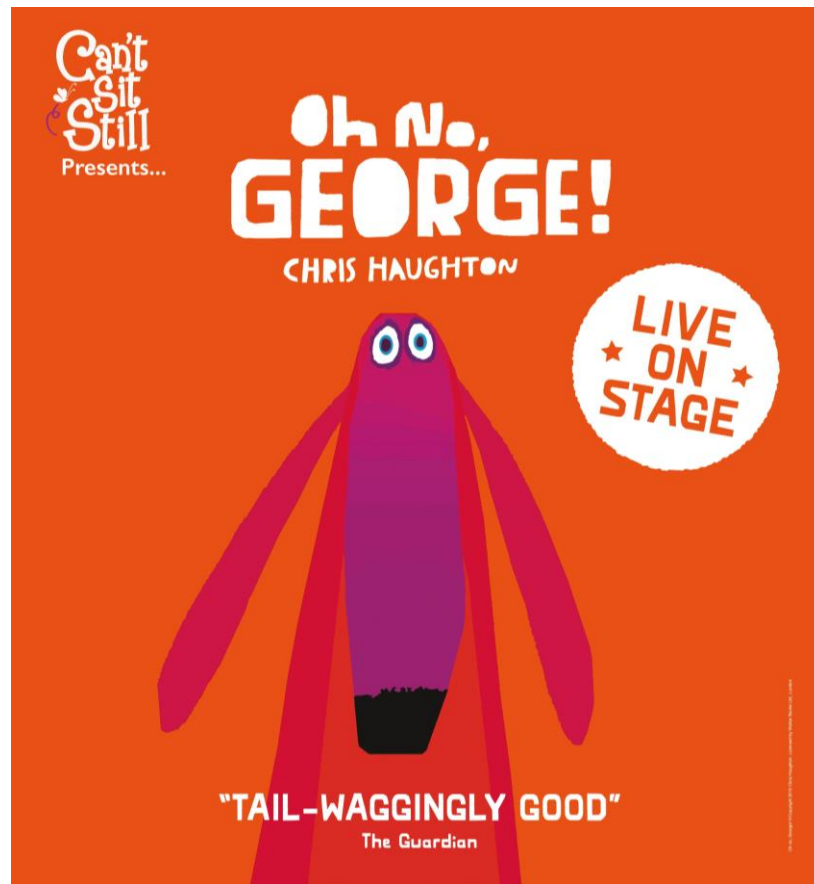
- Creates theatre shows & projects
- Aims to start conversations that have the power to change the world
- Makes work with, and for, unusual audiences
- Co-creates work with those it is intended for
- Integrates access throughout our company

# Can't Sit Still ....

- A small company with big ideas!
- Registered Charity (CIO)
- T/o £130K p.a.
- 0.8 FTE staff when we applied to NESTA (now 1 FTE)
- Registered address in South Gloucestershire
- Remote working team of 2 (soon to be 3)

# Our aims for the loan

- We approached NESTA 2021
- We wanted to scale up Oh No, George!
- From small scale touring to mid / large-scale venues
- Test a new financial model based on 'splits' rather than 'guarantees'
- We needed support with our cashflow, specifically during the production phase



# Social Impact

As part of the relationship with NESTA we evaluated the social impact of one of our engagement projects, Being Me.

- Being Me is a Creative Clubs for autistic girls & non-binary young people whether or not they have a diagnosis.
- NHS ICB funded test programme combatting the 241% increase in waiting time for diagnosis and its implications.
- Being Me is run by autistic & neurotypical adult facilitators and volunteers.
- It aims to build the young peoples' acceptance of themselves & others, their sense of belonging & confidence.
- It enables self expression, agency and ability to self-advocate.



# Due Diligence: what we supplied

- Proposal
- Company info & bios
- Company budget
- Insurance proof
- Cashflow forecasts (various versions – often updated)
- Policies
- Management Accounts
- Access details & riders
- Fundraising track record
- Project budgets
- Evaluation logic model
- Ticket sales projections
- Capacity modelling
- Financial risk management strategy
- Balance Sheets
- Bank statements
- Annual accounts
- Board Approval Minutes for the loan
- Certification for drawdown of funds
- Constitution
- Bank Mandate
- Board papers





# What we gained from the experience

- Confidence: external scrutiny of our systems
- Improved systems: support for continual improvement
- Ability to test a new income generation model
- Credibility
- Network building
- Evaluation: new, useful tools to increase value of impact reporting



# Top Tips

- Time: Due diligence period took longer than anticipated, but worthwhile.
- All the spreadsheets: Our preparatory work through ACE funded OD was invaluable and meant we had the info required.
- Board on board: Essential to have the Board closely involved.
- Honesty: no silly questions.
- Partnership: we approached the loan as a values aligned partnership with NESTA.





# What happened?

- Tour launched January 2022, just after Lockdown 3 finished.
- Post Covid audience behaviour was highly unpredictable.
- Financial return? We almost broke even.
- What next for George? Back on tour this Autumn - London, Bristol, Dublin (and possibly Singapore).



THANKS NESTA

From Jay, Cat & Chestnut

[www.cantsitstill.net](http://www.cantsitstill.net)

[jay@cantsitstill.net](mailto:jay@cantsitstill.net)

[cat@cantsitstill.net](mailto:cat@cantsitstill.net)

[@cant\\_sit\\_still\\_theatre](https://www.instagram.com/cant_sit_still_theatre)





**Arts & Culture**  
Finance

---

by **nesta**

 @artsculturefin

artsculturefinance@nesta.org.uk



<http://www.artsculturefinance.org>

