

## Social Investment In Times Of Uncertainty

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Event: Social investment in times of uncertainty

SEVA: Hi and welcome to our webinar, Social investment in times of uncertainty.

My name is Seva Phillips and I head up the Arts & Culture Finance team at Nesta. Behind the scenes I am supported by my colleague Ellen and our Captioner Randi. Previously we have talked about repayable finance and other topics. All of these webinars have been recorded and are available for playback on our website [artsandculturefinance.org](https://artsandculturefinance.org). This webinar will have a general overview of investment looking at pros and cons as well as how it will be relevant in the current environment. Before getting started, a wee bit of housekeeping. Closed Captions are available. There will be an opportunity for questions about Arts & Culture Finance and our panellists at the end of the webinar. But please feel free to share questions in the Q&A box as we go along.

We will try to ensure all get answered at the end of the webinar. A reminder this will be recorded and available on our website for anyone who couldn't make it today. So, just to give you an idea of what you can expect, I am going to spend around 10-15 minutes talking about social investment, what it is, how it can be used, some of its advantages and risks and how organisations can be --

>>: Recording in progress.

SEVA: I will then introduce Steve Mannix from Mercury Theatre and Marcel Baettig from Bow Arts Trust. We will ask them to talk about their experiences. We're working towards having 25 minutes for audience questions. Please do post them in the Q&A box as we go along.

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So, just some background on Nesta and Arts & Culture Finance. Nesta is a charity that supports ideas for the public good, the current strategy focuses on a fair start for children and sustainable future for people and the planet. But Nesta has always had a focus on enabling organisations in the arts, culture and creative economy. Since 2015 we have been making investments in creative organisations for clear social benefits for their students. Our first arts Social Investment Fund, the Arts Impact Fund, provided over £7 million to organisations in England across a range of arts business models, music venues, museums, theatres, dance companies and everything in between. Building on that work, Arts & Culture Finance emerged as a distinct team in Nesta, employing and raising funds to the sector nationwide. You can see across the next couple of slides -- I don't know if you can cycle through them.

You will see the various organisations we supported, 50 of those we supported since 2015. Most of them are listed here. It is a diverse bunch spread across the country. There might be names here you can recognise. On our website you can find detailed information on all our funds as well as detailed investments we made to date, if you are curious to see in detail how organisations benefit from social investment.

Next slide please. And again: What do we mean by social investment and financing. Repayable finance is the term we use for any funding you have to pay back. We define social and impact investment kind of interchangeably as a type of repayable finance interested in the specific social outcomes delivered by investees. All of ours is social investment since the assessment of social impact forms a key part of our due diligence process. In most cases, social investment takes on the

form of a loan although it can include equity. It can be used to fund specific projects but also things that would be characterised as unrestricted or revenue spend in the charitable sector.

Next slide, please. Other than this slide, I wanted to situate social investment in the context of other types of finance. There are different approaches to finance from the traditional to the more impact-driven and each of these approaches will have slightly different objectives. In the traditional world of finance on the left of this chart, capital is invested without much care for social impact. In recent years there has been interest in responsible and sustainable forms of investment that seek to avoid harm to people or the planet. And then there are those that go a step further, possibly at the expense of capital gains. These tend to be more public-spirited and might include foundations and public funders. Our own arts and culture impact fund is a more impact kind of investor. You will see who our funders are on the next slide. Just to give you a bit of an overview on this fund, as you can see it brings together a mix of public, private and philanthropic investors to provide flexible repayable finance from £150k all the way up to £1 million mostly in the form of loans. The funds are lent on a secured or unsecured basis which means in some cases we look for assets in the applicant's organisation we can take security over. So, in the worst case scenario, if unable to pay we can recover the value of the loan from the asset. This is something we look for in bigger loans say £400k or, if there is a capital project involved, typically that means there will be security available. We know that not all organisations do have assets for this purpose so we are also prepared to lend in some cases where there is no security available at all. In the presence of security, it has a bearing on the interest rate of the loan so we price according to the financial perception of the risk. Things like how new and innovative the project looks and how much track record and experience the management and team have and the availability of security will all have an impact on the interest rate alone. Our interest rates are not connected to the Bank of England base rate.

In the current economic context, with rates going up across the board, ours may be cheaper than mainstream alternatives because our lenders are not connected to the wider environment. The fund is able to offer finance repayable by the summer of 2030. So, for unsecured loans in particular, there is a relatively long repayment horizon. And as a not-for-profit lender - Nesta is after all a charity - we aim to support arts and culture organisations achieve their goals, become more financially resilient and hopefully help people engage with culture and create more vibrant communities.

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So here I wanted to give you an overview of how social investment has been used by some of our investees. As you can see, it can be used for a wide range of purposes from paying staff to investing in equipment and infrastructure, or even buying property. I'll give you a couple of brief examples from our portfolio past and present. Soho Theatre, a long-term fixture for comedy and cabaret in the West End, used the loan to produce a comedy series, the rights for which they subsequently sold to broadcasters and video on-demand services such as Amazon Prime, where you can find the first two series of comedy content. They also made individual episodes available as video and on-demand downloads through their own website. All of that income goes to supporting their main artistic production and activities of the theatre, and also the theatre's a charity so they tried to cross-subsidise that more charitable work with the small commercial venture. Another example, another sort of cross-subsidy model, is Fuse Art Space which is a venue focussed on the visual arts in Bradford. They set up a completely new commercial operation in another country to subsidise their work back home, using the loan from one of our funds to acquire and refurbish a dilapidated farmhouse in the French Pyrenees open to people around the world. The aim was for profits generated from this commercial venture to subsidise the fees back in Bradford. Later today you will hear from Steve at Mercury Theatre, who used the loan to complete the renovation of their building in Colchester.

And it is worth saying, in the last example on the slide, in the case of underwriting, what we mean is that the finance facility is made available that you would only draw down if you needed to. So, a sort of safety net for certain activities, in case they don't go to plan. Naturally, in all of these cases, there needs to be an operating model to repay the money, as social investment is not a grant nor a replacement for grant funding. It will not be applicable in all cases and we understand that.

As social investors we look at business plans, financial models as well as the case for impact in the course of making our investment decision. I'm happy to take any questions on how we look at due diligence and the things we look for, in the Q&A.

Next slide, please. So, on this slide, I just wanted to touch on the common question: How can an organisation repay social investment. I guess these are the most common ways. Typically, profits and operating surpluses from the activities, bar sales, box office, merchandise sales, any commercial activity that an organisation might have, if it's profitable. Part of that, essentially unrestricted income, will be able to be used to repay the loan. In other cases where a loan might be bridging a gap in fundraising or confirmed funding that is paid in arrears, that could be the source of repayment. Essentially, the loan solves the cash flow problem where you don't have the working capital to deliver the work but there is a fairly high degree of certainty that it's coming in the future. Obviously the organisation's reserves where they have unrestricted reserves to pay off the loan, and finally refinancing which is where an organisation might take on a new loan, maybe on more favourable terms, maybe over a much longer term period. That repays our loan and that might be in cases where that longer term loan is from a more conventional lender, where the conventional lenders would find it riskiest at the early stage. We provide the financing, show that the venue is a tangible asset and can generate the income for financing the major loan.

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So what are the advantages of social investment? Well, first of all, I think flexibility. So, as you have seen in previous slides, social investment can be used in different ways. There can also be flexibility in terms of repayment, depending on the cash flow profile of the borrower. Capital holidays might be required and we can offer those as part of how we structure the deal.

We are also able to restructure repayment terms to help venues through difficult experiences, and we were able to do that during the pandemic for organisations in our portfolio. Depending on the investor, there may be other forms of support which are non-monetary that might be offered as well. So, whilst it is unlikely that social investors can help you write a business plan they probably can signpost you to other sources of support or grant funding to help you with aspects of investment readiness such as investment planning. The research fund here can help and there is a reference to that on the slide. Because the approach is generally more personable than mainstream finance, social investors are happy to have initial conversations to check whether you are planning, forecasting and thinking about investment, and you are thinking along the right lines. Finally our fund has a dedicated member of staff that supports organisations with their social impact, monitoring and evaluation as we're interested in strengthening the impact stories of our investees. As part of the investment package, that person, our impact manager, works with organisations to show they have a Theory of Change and they have a framework for monitoring and evaluating their work. We are interested in social outcomes and values alignment, which generally are motivated in supporting organisations with greater impact. I alluded to the next point earlier - we may be cheaper in a rising interest rate environment than more conventional lending. Lastly, there is some initial academic research that supports that social investment can lead to greater financial resilience, I think the logic being that the uses of social investment often drive projects that have economic benefits for the organisations taking on the money. So whether that is refurbishing a building so it is more

energy-efficient and saves on bills, has more rentable space or has capital to expand in a new area, all of these things in the long-term may help build financial resilience. Next slide, please.

So, which risks should prospective borrowers should be aware of. The most obvious one: The inability to meet repayment obligations may lead to insolvency and wind-up in the worst case scenario. In all cases social investors will do their best to avoid that outcome, providing more flexibility over the repayment terms and may ultimately be more sympathetic where the inability to repay arises from circumstances outside of the borrower's control. Actually for Arts & Culture Finance, although organisations have had to close, that has not been connected to our loan. We never sort of demanded immediate repayment of the loan, even when they struggled. We helped them get through those periods. But nonetheless that remains a risk and is something that has to be considered and taken seriously. The second point here is around time commitment, particularly at due diligence but also at the reporting phase. This may pull in resources too, addressing queries away from the core work of the organisation. I would not underestimate how time-consuming it could be, especially as the social investors are putting together the proposal for approval. There is a lot of back-and-forth between the management and the investment team that needs to be taken into account with respect to the investment. There may be balance sheet implications. A big loan for an organisation with limited assets may tip its balance sheet over into a negative or a net liability territory.

In other words, the money that it owes overall is greater than the assets it currently has. That may be a risk worth taking if the organisation is profitable; the debt can be repaid and ultimately leaves the organisation in a stronger position as a result of the investment. But some funders at a glance may see the net liability position as a cause for concern and make it a reason to decline funding. Particularly small organisations that rely perhaps solely on grants, may need to consider this.

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So, finally, just a note on processes. We have a fairly sort of relaxed process. Organisations can submit an enquiry on our website which asks for basic information on who you are, what you really need the investment for, where you are based, that sort of thing. We will then have an initial conversation. So, a member of our investment team will be in touch. In that roughly 30-minute conversation we will learn a bit more about the project you are applying for funding for and it is an opportunity for you to ask us about some parts of the process.

Then we have quarterly investment committees and we then take that proposal to them. They have the final say as to whether a proposal is approved or not. Those committees are scheduled to the summer of next year for the time being, although there may be a possibility there will be further committees going into 2024. Again, happy to answer any questions on process towards the end.

I finally should say that Arts & Culture Finance is just one possible source of social investment. In the follow-up email to this webinar we will send a link to Good Finance, an online resource which has links to many other social investment funds across the country.

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That brings us to the end of this part. Of course, here is just a recap of what you'll need to consider if you're thinking about social investment.

So I'll just leave that there for a second.

[See Screen]

SEVA: Again, happy to take any questions on this in the Q&A box.

Great, so if we can move on, I am very happy to finally introduce Steve and Marcel for their sort of more interview, I guess, focussed bit of the webinar and then, in 10-15 minutes we'll open this up for audience questions.

So, Ellen, if you could please stop the share. Thank you. Welcome, Marcel and Steve. Steve, would you mind just sort of briefly introducing yourself and telling everyone about the Mercury Theatre.

STEVE: Hi, I'm Steve, Executive Director here at the Mercury Theatre. We are a regional producing theatre, producing about eight shows a year across our 600-seat main auditorium/studio with a large creative engagement programme across Essex. Our turnover is just under 5 million, with 118 staff.

SEVA: Thanks, Steve. And Marcel. Same.

MARCEL: I am Marcel Baettig, Founder of the charity Bow Arts Trust based in East London. We were probably one of the very early or first charitable social enterprises set up in London to support artists through affordable work space and to engage with local communities and find actual work for people. We now manage 16 sites, around 600 workspaces, and 50 residential units. We work in over 100 schools and have a very active play-making programme working with London's larger sites.

SEVA: Thanks, Marcel, that is great; and Marcel, I am not sure if moonlighting is the word, but one of your many hats is that you are a member of our Investment Committee for one of our smaller funds, the Cultural Impact Development Fund, which is not making new investments at this stage but has been doing so the past of couple of years. So you kind of see investment proposals that our team have written up and you're one of the sort of independent people that kind of opines on them and makes a recommendation for an investment or not. So, curious about your perspective from that.

What are the sort of takeaways that you have seen from the investment applications presented and what would your advice be based on that?

MARCEL: I think it has been a fascinating relationship. I started my relationship with Nesta early on. I will approach that, the first thing is, if we don't fit properly, how can we work with you. But actually that was a very open door. It's quite a complex question: How funding can work with us. It is a smaller fund, quite right, as you say. I think between 25-150,000. That does mean we get very particular types of organisations coming in for that type of funding.

The big takeaway from it, I think, has been that organisations are very focussed on delivery of products they understand. But what they really need to understand is the impact it has on them if they achieve both the funding and the development and growth. I think what we discussed a lot in those meetings was all about how to support the organisations so they really fully understood the implications around their ideas and if they can achieve them and what if they do achieve them. I think that was a lot of our conversations. I can go on and on but I won't.

SEVA: Thanks Marcel, that is great. Steve, you have been on the other end of it. Your organisation applied for investment from the Arts Impact Fund. Can you tell us a little more about your journey and I guess why the need arose.

STEVE: Sure. We applied to the fund as you highlighted in your presentation, as a bridging loan in order to complete large capital projects, the gross value was about 14.2 million that we needed to refurbish the theatre. We're a classic theatre in that we don't actually own the building, so it was a joint capital project with our borough council. As you mentioned assets earlier, our assets are our people, a load of old sets, costumes and some computers. So, we had gone the traditional route everybody had, and gone to our bank. And they looked at us. They didn't quite laugh us out of the room; but assets were really -- we are very asset-poor. So, using this finance was really great. It meant that we could then confidently complete the capital project and, particularly, concentrate

support on our engagement programme and our increased trading because it's part of our refurbishment. We were building an enhanced front of house, bar and cafe offer, increasing our catering, bars, building a new education space onsite and then new rehearsal spaces and a dance studio.

So, opening up our earning potential through those spaces.

But making sure that we were earning in a way that fitted with our values at the organisation, let's say. So that's broadly our journey. One thing, just to really highlight that I was nervous taking on loans, you know? Had that kind of little thing on your shoulder going neither a borrower nor a lender be. Always pay my way. But, actually, by us taking on this loan, it then opened up more grant funding, because several funders then directly said to us ah, okay, so you're taking responsibility for your own future. You're taking on some risk, if you like, so then we will invest.

And particularly, for some of our local authority, more public sector funders, that really, really did get us over the line for some large contributions throughout the whole programme. So we had a mix, of course, as in any capital project. Of course that came back positively from several funders.

SEVA: On that point, I think it is interesting that major funders -- I think all funders are confident if there are other funders as well, spreads the risk and many expert eyes look over the project. That gives everyone a degree of confidence. So, spreading the funder mix may be challenging to manage sometimes, but I think it leads to stronger projects where the risk is shared more equitably.

STEVE: Yes.

SEVA: Part of your refurbishment, which has had an impact on the energy use of the building, is paying dividends in the cards. I don't know if you have any comments on that, Steve?

STEVE: It certainly is. We won an award for the building's environmental design and its sustainability. So we're now having very good certification, in the top 25% of very environmentally friendly buildings in the country and sustained in the soon to be City of Colchester. One thing it has not quite protected us from, our bills - though they would have gone up even more had those adaptations not been in place. Certainly if we hadn't invested in any of that, we would be in a worse position than we are now.

SEVA: Thanks, Steve. Marcel, because you work as a studio provider, you have many different sites. So the question about bills and sort of sustainability in the current, you know, operating context, is clearly a pressing one. I don't know if you have any reflections on that and how you are managing to deal with all of that.

MARCEL: We just came out of an incredibly successful test, which was the pandemic. That impacted our artists hugely as most lost economy, lost income and could have lost their studios, so we're facing the same sort of crisis again. We have probably seen an upturn of 5-8% of people leaving their spaces and we always do a questionnaire with people. They are all citing utility costs as the reasons they are stepping down. It is a very resilient sector, I have to say because of the vocational nature of it. We do expect people, once they get past the crisis in the winter, to start coming back again at the same capacity we saw post pandemic. So it's a very resilient sector, used to managing itself and surviving but we're having to be more permeable around how we manage that process for them.

SEVA: What opportunities do you think there are? I guess both of you have so much experience and kind of live and breathe the arts. From that frontline perspective, what do you think of the opportunities that social investment has for the sector. Steve?

STEVE: For us, it meant that we could get over the line with our capital project quicker. It meant that we could hit all of those deadlines and not incur any other additional costs or cost overruns. I am keeping COVID out of this. Of course we were late, but that was an unrelated incident, if you like. Nobody had that on their risk register. I think, for us it meant that we then had assets so we could go out and really start to have early discussions about partnerships. So, with this investment, we were able to then refurbish and create our creative engagement space and our rehearsal spaces; and through that we had very early discussions with our local adult education provider, FE college and other social services partners. Each of them now are regular hires on our anchor hires of the spaces, because in Colchester we are right in the City Centre. It enabled us to then secure those partners in advance of opening.

And similarly, the benefits of that side for social impact is encapsulated with the Essex County East Music Service. So they now use our spaces as a kind of music teaching centre. Whereas, children and young people previously had to travel 25 miles just to go to a music lesson. So if you can't afford to travel that distance, you can't access that service.

Finally, through this programme, we were able to then refurbish and recreate our front of house bar area, which includes a performance and cabaret area, and launch a new free monthly LGBT cabaret and club night. It's the only space for the LGBT community that's free for 25 miles. So that, then, has really created a whole new community and sense of ownership on a Saturday night with drag queens and all sorts of things, so it's brilliant.

SEVA: One of the things I have learnt in seven years doing this kind of work, arts organisations are seldom just a theatre or a dance company or whatever. It's so much more. It's sort of like pillars of the community providing various sorts of services but also a space for different community groups. I think it's really great and I'm really sort of quite passionate about how can we tell the story of those initiatives better, how can we raise the profile of all of the good work that arts and culture does in communities up and down the country.

STEVE: Just to add, as we move into the cost of living crisis and all of the challenges that we all face around that, we are able then to partner with HUK locally and our community and voluntary sector to be able to offer a warm, safe space as the winter emerges. And we wouldn't have been able to do that without the support of this loan in order to refurbish those front of house areas. Because essentially they are the nonsexy areas that nobody wants to fund. A trust and foundation is not going to walk up to you, nor can you do an application, "please fund our bar" because it's seen as commercial. So those added benefits really have started to kick in.

SEVA: Thanks, Steve. And Marcel.

MARCEL: Yes. I agree with everything Steve said: What a lot of people don't understand is how totally embedded many organisations like these are into the community and what a vital link it is for a lot of people.

Yet as organisations we are so very vulnerable to swings and changes within the market, with running our own businesses.

So, to have additional forms of access to funding to support your response to business needs, is absolutely imperative. If you go down, as Steve said, to the grant foundation's funds you are talking about a very long, slow, competitive process. You don't have a lot to offer. And you can't run a business like that.

SEVA: Thanks, Marcel. There are lots of questions in the Q&A box. I am going to work my way through these. I will start from the top. Someone asks what status an organisation needs to be to

access this kind of funding, what kind of governance do you need in an organisation? Quite simply, an organisation needs to be incorporated. But we look at all legal entity forms. The majority of our investees tend to be charities or community interest companies. Where we have supported companies with shares, we need to ensure there is the right balance of social impact versus private benefit because a lot of our money is public or philanthropic.

That is something that we consider if we are looking at for-profit companies. In terms of governance, well, we look for good governance, ensure the trustees understand the responsibilities of social ventures and they have a good relationship perhaps most importantly with their management team, so that's something that we'll investigate.

If there is anything more specific on governance we can talk to that. From Jo Reilly at Art Gene in Barrow: Have you funded small organisations historically solely reliant on grants? Possibly. There is nothing that really rules out any organisation. If you are incorporated and you are an arts organisation and you do some impact work, then it's probably worth having a conversation. That said, if you are very small and you are looking to borrow a disproportionate amount of money related to your income and turnover, that is probably inappropriate. Solely relying on grant funding, there could be an opportunity there, if you are trying to diversify your income streams and if there is a degree of confidence and predictability about the grant funding you have received. If we ensure it can be coming in the future, it is worth a conversation, exploring that further. In short, there aren't hard-and-fast rules here. We treat every enquiry on a case-by-case basis and it's probably worth having a conversation to discuss specific circumstances. From Jo as well: Are there geographical funding cold spots in your portfolio and do your funders expect you to address these? Yes, and yes. It may not surprise you that the majority of enquiries come from London, the South East, where we actively are looking to deploy funding across the entirety of the UK. So we have one investee in Scotland at the moment, Glasgow. We are working with an organisation based in Northern Ireland at the moment. Hopefully that will come through. We don't have any investments in Wales. So, really, we're very open to connect, to kind of getting the message out to the nations as well as, you know, the North of England and everywhere, yeah.

Next, from Clare Wood from the British Ceramics Biennial: For those organisations successful in their application, what is the average length of time between an organisation commencing a discussion with Nesta and receiving the loan? This really varies. If an organisation has its ducks lined up in a row, know what they need funding for, have all of their management accounts, business plans, all of the information and documents that would be -- we would need to see as part of our due diligence, if all of that is ready then we can move quite quickly. The fastest we have moved from the initial conversation to getting a proposal in front of our committee is about a month. After that there is typically a month of legal completion; so, getting everyone to agree on the loan agreement, the terms within it. Then, once that's in place, we can release funds and in some cases there may be funds to draw down. So, for example, if you are running a capital project with lots of fundraisers that are outstanding we might ask you to have confirmed a bit more funding before we can allow the draw-down of funds. Those conditions prior to draw-down vary on a case-by-case basis. There are some organisations that we have been speaking to for over a year. And those are projects where there is often a capacity issue with management teams and being able to provide us with the information we need, drilling down into the assumptions of the proposal. And there are other cases where the project that someone is speaking to us about is dependent on other things happening like planning permission being granted or other funders stepping in.

Yeah, before a funding decision being made there are a number -- we like to have stock conversations early but it's never sort of a straightforward, linear journey. There is always a back-and-forth between applicants and ourselves. So, I hope that answers the questions. Next, again from Clare:



Where social impact investment is related to a capital project how do you, Nesta, manage securing the loan where there are other funders who may also be seeking security? This is a great question. I think the answer is simply the funder who is willing to provide most funding to the project probably has first dibs to the security. We are in a loan at the moment where we were the smallest loan funder. Actually it was a case where in the Midlands a local authority provided a significant loan, so I think they had the first charge on that site. If there isn't that kind of lender it is a conversation between the borrower and the different funders.

I am speaking a lot here. I am going to look for a question that Steve and Marcel can answer.

MARCEL: There is a question with respect to artists.

A question from Simon about organisations and institutions. Is there any key resource to offer individuals? I don't know of any. One of the problems is because they are much smaller groups. We do contribute to the social impact fund, a number of smaller arts groups during its time. But really they're only open to more established organisations and then it's unfortunately more of a trickle-down process from organisations like us to individuals.

SEVA: Thanks, Simon and Marcel. Thanks, Simon, for the question and Marcel for the answer.

STEVE: Shall I take the lease question?

SEVA: Please.

STEVE: For us it's the local authority building. We negotiated a 40-year lease. Some people will take the length of a lease at 25 years minimum, 30 years. We just negotiated 40. But in negotiating that we negotiated a Peppercorn lease and then the borough has the fabric upkeep and we look after the internal.

SEVA: You were responding to the question 'do you need a certain length of lease to receive an investment'.

STEVE: My only suggestion is that the length of the lease is somewhere all funders would feel comfortable with, because every funder has a different definition of 'long lease'.

SEVA: Thanks. I don't want to be seen as shying away from a more controversial question. But someone who is remaining anonymous says this looks like a good opportunity. 'I can't help but wonder if there is an element of social greenwashing here happening if Bank of America continues to invest in fossil fuels and has not set any absolute emissions targets, I can't help but wonder if there is an element of social greenwashing here happening. Are they taking part in social investments as a way of looking good . . . ?'

>>: This is not a corporate responsibility investment in our funds. It is off their balance sheet. Actually in the US there is a lot of social lending done on this basis. I think for Bank of America in the Arts Impact Fund and our current fund this is an opportunity to test that model in this country and that long standing track record of supporting the arts. But I mean, yeah. At the same time we have short to medium term funding pressures in the sector. Organisations have to decide where on that pragmatism versus idealism spectrum they can afford to be.

The great challenge of life, I think, is how you straddle that, where you sit on that. And make things happen. Steve, any reflections on that?

STEVE: We have this discussion as a board - we have an ethical fundraising strategy and we felt that in this circumstance -- we do due diligence on all funders, Bank of America were part of a suite not the principal investor. The risk and the return if you like was low. Similarly we use the bank of

Barclays here on the High Street, who have not a good track record either, because of the amount of cash we have to take out and deposit with them. So, whilst nobody's clean we felt this was the lesser of two evils if you like of lots of evils around us. And, over time I would hope that us having this standard of environmentally friendly building gives them an example of a positive impact. But I take the point and it's very well-made. We wouldn't as an organisation receive funds from BP, for example, or Shell and we do not have the prominence of any logo position when promoting the scheme. We would promote the Arts and Culture Fund at Nesta.

SEVA: Marcel. Do you have anything to add?

MARCEL: Nothing to add. I think you would have to give the opportunity to talk to investors about the opportunity and make them aware. I think everybody's aware. It is a slowly changing world. The reality is there is no such thing as clean money. As I often say to artists who apply to Arts Council, well the British government does not have the greatest track record either. I think it's about properly engaging with the issues, as Steve says and having a sort of sensible conference, that's where change will eventually come.

I believe it is generational change as opposed to conversational change.

SEVA: Yes, that is pretty thoughtful, I think. I am just going to try to run through some of the more process questions.

How does a social investor do due diligence with an organisation with limited track record? What should the organisation be aware of? Good question. Limited track record can present itself in a number of ways. I think perhaps what the question is alluding to is trading track record. In cases where the organisation is completely new, has limited track record we would look at experience of the management team, see experience they have of maybe running a similar venture in delivering sales or doing something similar to what the new venture is going to do. What their governance is going to look like, what does their board have and how strong is the business plan. If there is a really strong business plan, that can go some way to mitigating the risk of no track record. Equally if there is, conversely, you may have a track record -- within an organisation but if you have a wholly new management team or significant changes on the board, then I think we -- that also is a risk. I think there are different dimensions to track records and we would look to investigate all aspects of that.

Next, Sergio Lopez asks: Would this fund be -- could you support any of the following goals: Arts, health science research projects to measure social impacts and or international partnership projects? In short, yes, we are quite agnostic as to what impact is achieved or what the use -- what the need for the finance is. So as long as we're working with cultural, creative organisations and there is impact somewhere to someone we are happy to look at that. And we leave this up to the applicant to demonstrate what positive outcomes they're creating. We don't really fund international organisations. So, many of the organisations that we work with do have some elements of international work. But they are mainly rooted in the UK and support UK-based communities.

Question for Marcel and Steve from Seun. What do you perceive to be the key differences between your experiences of applying and receiving grants and applying and receiving social investment? That is a good question. Thanks, Seun.

MARCEL: Great question. I am sure Steve has a lot to say about that as well. From my perspective, we find that a lot of grant-based activity is very unrealistic and very unfocussed on the activity that we are actually delivering on the ground.

So it is a challenge and also a highly competitive and closed sector: You really don't know what the outcomes are going to be. And you have to invest so much in organising, setting up and starting a

project to maybe get lucky, you know, a third of the way along the line. Whereas social investment is far more business like and allows you to plan, to understand your business, to face all of those tough questions at the very start. To know whether you actually understood what you are doing and if it is going to have a chance; and to see where and when the money's going to come.

So it's a very responsive planning tool to deliver a project that you understand and want to deliver as opposed to more of a lottery, I suppose.

STEVE: I'll quickly jump in. Not to avoid the question but it depends on the grant; it depends on the funders. Some of our funders ask for enormous amounts of detail, way, way beyond what this fund asks for. So really, I think, how we found this fund was that we were having to do a lot of budget planning, business planning, forecasting about what we would look like as an organisation in the future. So, this was able to plug in to that and go along the journey and the process, if you like and the rigorous internal governance questions from our board, et cetera and from other public sector functions. So it plugged in. What I should have said earlier: How we're paying back the loan, as our first call, is that we have a levy on each ticket we sell of £1.50. That is the first call to pay the loan. So, for any of you that sell anything, the public are very happy -- we don't charge any booking fees, just this levy. We were doing lots of dejected 'okay, we are taking this debt, oh, my god, how are we going to pay it'. But what we knew, the given was we knew we were going to be presenting shows in the future. We are now halfway through and we are okay. We're all fine.

SEVA: Thanks, Steve. There is a question from Lorraine Cox: Could you support a consortium of organisations on capital developments? In short, yes. It really depends on what a consortium looks like and what it means in practise. We have had what, one project that we supported through Arts & Culture Finance which was basically two organisations, UD and East London Dance, based very close to Marcel and Bow Arts, who applied for loans -- the same amount of money for the same project but it came from two separate organisations. That loan was to help them acquire and refurbish this new building which they both occupied. There are two halves of the building. They are in each one. It was kind of a consortium in that case. They were responsible for repaying the loan individually. But there may be other structures. There might be a special purpose vehicle or a separate company created which is owned by maybe a number of different organisations; and they're responsible for it, but it's that entity that takes on the investment and the loans and maybe the other shareholders are the guarantors. There are other, different ways of constructing a consortium for working with other organisations and we are open to supporting all of those.

A question from Gemma Dean, Creative Land Trust, one of our investees in the Arts & Culture Impact Fund. They are trying to make affordable workspace in London more available over time. It is an issue of affordable studio space in the capital. Gemma asks: Based on your experience of working on the fund do you see other social investors increasing or changing their understanding of the positive social impact of the creative sector?

In all honesty, it is a difficult question to answer. We speak to funders all of the time. I think the funders that we speak to already know the impact of the arts and certainly all of the funders of our fund have investors on our committees and review proposals. We have impact analysis in each proposal. I think they are pretty aware of that. But funders less invested in the arts, I don't know. I would be surprised, I guess, if they really knew all of the wonderful things arts organisations are doing. If they did, perhaps they would be funding them. But, yeah, I think there is definitely an ongoing task for those of us with an interest in the cultural sector to champion it and to better tell the stories of social change they deliver and the support that they provide for communities.

Great. I don't think there are any further questions. And we're at time. So I think I am going to draw this to a close.

There were loads of really good questions. Really impressed, yeah, with lots of relevance and food for thought there. Steve and Marcel, I think you made really great contributions. So: Thank you for your time, really appreciate it. This webinar will be uploaded I think in the next couple of weeks onto our website. So if you have colleagues who would like to see this, please do share this with them. I think there is also going to be a follow-up survey just to see how you found it. So please do fill that out. Really grateful and stay tuned for more webinars from Arts & Culture Finance in the new year. We will be putting a schedule of webinars and events up shortly. Stay tuned and please subscribe to our newsletter. Thank you very much for taking time out of your lunch to attend. Thank you for your questions and wishing you all the best for the remainder of 2022. Thanks. Bye-bye.