Arts & Culture Finance

by nesta

Arts & Culture Finance - Virtual Learning Series

Social Investment in times of uncertainty

Tuesday 18 October 2022 - 12:30 - 13:30

@artsculturefin
Agenda

1230-1245  Introduction to Arts & Culture Finance
- What is social investment?
- Uses, advantages and risks
- Process

1245-1305  Panel discussion
- How can organisations manage the economic crisis?
- What does resilience mean?
- What role can social investment play?

1305-1325  Audience Q&A

1325-1330  Close
• 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

• Arts & Culture Finance provides repayable finance (social investment) to arts, culture and heritage organisations that have a clear social benefit.
  www.artsculturefinance.org
**artFix**
*Arts Impact Fund Investment*
The art-focused community café 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 reimagine 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 £500,000 credit facility to purchase and develop property.

**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.

**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.

**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.

**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.

**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.

**Kurious Arts**
*Arts & Culture Impact Fund Investment*
Establishment of a new post production facility in Sheffield, benefiting under-represented local creatives.
**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.

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**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.

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**MeWe360**
**Arts Impact Fund Investment**

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

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**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.

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**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.

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**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.

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**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.

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**Pop Up Projects**
**Cultural Impact Development Fund investment**

The literature organisation received investment to expand its programming, develop promotional materials and launch its 15th-anniversary fundraising campaign.

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**Project INC**
**Arts Impact Fund Investment**

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

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**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.

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**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.

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

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.
The Spectrum of Capital

- **Investment Approach:** Traditional, Responsible, Sustainable, Impact-driven, Philanthropy

- **Financial Goals:**
  - Deliver competitive risk-adjusted financial returns
  - Tolerate higher risk
  - Tolerate below market returns
  - Partial capital preservation
  - Accept full loss of capital

- **Impact Goals:**
  - Avoid harm and mitigate ESG risks
  - Benefit all stakeholders
  - Contribute to solutions

- **Impact Goals:**
  - Don’t consider
    - May have significant negative outcomes for people and the planet
  - Avoid harm
    - Try to prevent significant effects on important negative outcomes for people and the planet
  - Benefit
    - Effect important positive outcomes for various people and the planet
  - Contribute to solutions
    - Have a material effect on important positive outcome(s) for underserved people or the planet

Our open funds

- Loans of £150,000 - £1,000,000, secured and unsecured
- Up to a nine-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:
  - Business development / sales
  - Delivery
  - Consultants/freelancers

- To purchase equipment & infrastructure:
  - IT & data management systems
  - Delivery equipment

- PR & marketing activity
- 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)
What are the advantages?

- Flexibility

- Support offered (for example… www.sibgroup.org.uk/funds/reach-fund/ )

- Interested in social outcomes & values alignment

- May be cheaper in a rising interest-rate environment

- May lead to improved financial resilience
What are the risks?

- Defaulting on repayment obligations may lead to insolvency and wind-up.
- Time commitment at due diligence (and reporting) may pull resources away from core work.
- Balance sheet implications - could move borrower into a net liability position.
Our process

- Submit an enquiry on our website, 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
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

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A conversation with...

Steve Mannix
Executive Director, Mercury Theatre

Marcel Baettig
CEO, Bow Arts Trust