Post Investment Support Programme Evaluation

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Executive Summary

From the beginning of 2018 until April 2019, Eastside Primetimers (EP) provided 11 post investment support projects for investees at Key Fund and Social and Sustainable Capital (SASC). The investee organisations undertook various projects including merger and partnerships, financial planning, fundraising support, strategic and business planning and organisational restructure. In evaluation of the programme, it is evident that the post investment support provided benefits for the investees, helping them to better understand their financial and business position and create a viable plan for the future. These achievements, however, did not come without challenges and consultants, investors and investees all agree, with some improvements to the timing and structure of the programme, the post investment support could bring even more benefits to the investees.

Programme Background

Why Post Investment Support?

Eastside Primetimers delivered a pilot programme of post-investment support for investees of Key Fund and SASC, jointly funded by Power to Change and the Connect Fund (through the Barrow Cadbury Fund / Access Foundation). This programme was created to tackle the significant gap that exists around post-investment support. In the current social investment environment, investors have small teams and resources are typically targeted at origination and assessment of deals while post-investment capacity building and support remains unmet or under-invested in. Consequently, VCSE resilience and loan repayment is at risk, with organisational capacity issues reducing the likelihood that business plans and loan objectives are achieved.

Across the board there is recognition that post investment support is a problem area and many progressive investors are seeking ways to address this. While investors are often aware of issues with investees through monitoring, the investors do not have the in-house resource or capacity to provide intensive consulting support, nor can they approach the challenges objectively. Furthermore, as investment readiness programmes such as Big Potential Advanced and Breakthrough have recently come to an end, funders such as Access Foundation and Big Lottery Fund are also looking at the wider capacity building needs of charities and social enterprises involved in social investment including post investment support.

The Post Investment Support Programme

The Post Investment Support Programme worked with two investors to identify candidates for Post Investment Support, Key Fund and SASC. Although both are social investors, they represent different ends of the social investment market. Key Fund is a high-volume, low value lender, while SASC is a low volume, high value lender. As a result, SASC is more hands on and has the resource to devote more time to individual investees. Therefore, the profile of investees and the needs of their portfolios were different.

The Post Investment Support Programme kicked off in Q1 of 2018. A project manager was appointed, and a diagnostic originally developed to measure organisational resilience was refined and customised for post investment support. Selection criteria was agreed by SASC, Key Fund and Eastside Primetimers to ensure there was a good mix of investees by geography, size, organisational development needs and risks. An additional selection criterion was willingness of the investee to engage in the project and commit the time

required to get the most out of the support. At this point, investors began to recommend candidates for Post Investment Support.

Each of the selected organisations undertook a resilience review to identify weak areas which may affect their ability to service loans and/or meet business plans and growth targets. From this assessment, support plans were developed jointly between the VCSE lead, investment manager and Eastside Primetimers. At this stage, one of the selected organisations did not move into the project phase due to staff turnover and the resulting lack of capacity to engage. Given the lack of suitable replacement candidates and the short time frame for delivery, the remaining consultancy days were reallocated to other projects where need for additional support was identified.

For the remaining 11 organisations, EP consultants provided support across a twelve-month period, allowing organisations to create new business plans, evaluate strategic options, receive specialist advice, build financial models, produce marketing plans, restructure an organisation to find cost savings, fundraise more effectively and improve on their social impact measurement. At the end of the support, each investee, investor and consultant participated in an evaluation to assess the effectiveness of the programme against the intended benefits.

Through this support programme, the intention was to bring positive change to all stakeholders, including the VCSEs, the social investors and Connect Fund along with the wider sector. The VCSEs would benefit from improved capacity and ability to achieve their plans, tackle unforeseen challenges, pay back the social investment and/or take advantage of growth opportunities. The social investors would benefit from an improved offer and enhanced capability to provide an engaged investor role while improving the resilience of their portfolios and ultimately returns. Lastly, the aim was to benefit the wider social investment community by improving the sector's understanding of post investment needs and tools, and developing a practical evidence base for future post investment programmes.

Investor and funder engagement

As planned, a meeting took place at Key Fund in Sheffield on 27 June 2018 with the project manager, a consultant from Eastside Primetimers and investment managers from both funds to discuss the process, progress and the evaluation. A meeting of key stakeholders including grant funders, investors and representatives of Eastside Primetimers was held on 19 July 2018 to present the aims of the project, findings to date and to consult on the evaluation of the project.

Activities and deliverables

Running from the first quarter of 2018 until the end of April 2019, 12 consultants from Eastside Primetimers delivered a total of 103 post investment support consulting days, in addition to the time Eastside Primetimers spent with each organisation while conducting the initial diagnostic. 42 of the consulting days were allocated to five Power to Change blended finance investees from both investors. The consultants were matched to projects either individually or in teams based on the expertise and experience required. The organisations received 4-15 days of support depending on the needs identified in the support plan, with an average of 9 consulting days per project. The organisations receiving support ranged in annual income from £50k - £1.5m, with an average around £500K. They included both charities and social enterprises across multiple sectors from community centres, children and youth, and workspace rentals. There were a variety of different support projects including merger, financial review, financial modelling, fundraising support, strategic and business planning, business development and organisational restructure.

	Org income	Number of orgs	Days of Support	Loan Size
Low	£50k	4	4	£25k
Mid	£400k	4	8	£300k
High	£1.5m	3	15	£4.2m

Feedback and Evaluation

Following the completion of the post investment support project, Eastside Primetimers collected evaluation and feedback from the 11 investees, 12 consultants and 2 social investors. The findings are summarised as follows.

Investee Feedback

Investees reported that they were able to develop a new or revised financial plan, model and/ or strategy for their organisation. Additionally, a major success was the outside perspective which helped investees gain a better understanding of their current situation and how to prepare for the future. The majority of the investees found the support very beneficial stating that without the advice and support provided "*our situation would have been much more precarious*" and "*we would not have been in a position to articulate our business plan…without which we would have struggled to both think through and then implement the current business strategy*." 6 out of the 11 said the support was a sufficient length, 3 were happy with the length but believe more could have been achieved with additional or follow up support, and 2 did not find the support length to be long enough. The main challenge for investees was the time commitment of the support programme, especially given the lack of organisational capacity. There was a struggle to balance investment support with keeping the business running as usual.

Amongst investees, there was a fairly even divide between those reporting investor involvement and a lack of involvement. Where the investor was more involved in the projects, investees found this support helpful to review their progress and give them access to resources and skills they wouldn't have had otherwise. Looking forward, many investees recognise opportunities for additional post investment support projects, including expanding their services and opportunities for new sources of income. However, a common challenge investees face is financial feasibility/ lack of cash flow for new projects, as well as the previously mentioned trade-off between expensing resources on business as usual versus securing new investment. Consequently, investees are looking for extra support in terms of financing and professional advice including mentoring and support to increase organisational capacity. Investees were generally content with the programme with only a few providing recommendations for improvements or changes. The recommended improvements were along the lines of continued, further support in terms of both finance and consultant time. One investee suggested a small grant to provide a bridge between the completed and future development, and others said the programme could be improved with consultant support starting earlier and concluding with a review at 6 months and 1 year after the programme. One investee suggested streamlining the mechanism for accessing support, though the process may have been particular to this project specifically.

Consultant Feedback

From the consultants' perspective, the support programme was very beneficial, helping investees to better understand their current financial and business position. A common deliverable achieved was the

development of a financial, marketing and/or business strategy with a clear financial assessment and model. One consultant Roger Bauckham reflects "*I think they learnt a lot about marketing and gained a great deal of clarity in relation to the way forward for them to generate income out of their assets and skills."*

While five of the consultants confidently agreed that the support was a sufficient length, three said it was sufficient only after the project was extended from the initial plan, and two consultants found the programme a bit too short. There was a general consensus that the timescale to deliver the days was short, thus while the amount of days served its purpose, the deadline to deliver the days put extra pressure on some of the consultants. Similar to the investees, consultants noted the lack of time and resource on the investee side as one of the biggest challenges they faced. This made engagement difficult throughout the project. The timing of the programme was also challenging as it spanned the Christmas/ New Year holidays causing a break in some of the support projects. Regarding improvement of the programme, consultants recommended more flexibility around deadlines and capital structure, along with recommendations for starting the support earlier in the programme potentially from the outset with the loan. Additionally, better engagement with the investor was recommended as about half of the consultants noted low investor involvement. Those who had more engagement from the investor found it helpful, while the consultants who reported a lack of engagement found this to be an impediment to their clarity of the project and the investors expectations. A shared suggestion for change, noted by both investees and consultants, is a follow-up review post programme support. Lastly, given the challenge of limited organisational capacity, one major concern that was raised is sustaining the efforts of the projects without continued investment and/ or support.

Investor Feedback

On the investor side, despite the different approaches to relationship management and the level of engagement with investees and consultants, there was broad agreement that the post-investment support programme was beneficial for each of the investees. The projects achieved the planned objectives and left a moderate to significant benefit across organisations, where those who seemed to benefit the most were the ones who were initially in the most need of support. When asked if the post investment support would have occurred without funding, investors said the support was only likely to have still occurred for three out of the 11 organisations, highlighting the key role of the grant funder in making this support and its benefits possible. In evaluation of the due diligence phase, investors were split in their evaluation. One investor noted that the risks which led to unforeseen circumstances were not identified in the due diligence phase for any of their investees, while the other investor reported that the due diligence did identify the risks for the majority of their investees. Investors were also split in their views about the length of the programme. One investor found the support to be of sufficient length for their investees, while the other generally found that for most of the projects, longer availability of support would have been helpful. While this investor still found that the programme was beneficial for all their investees, the evaluation suggests that the full potential of the programme may not have been met given the relatively short length of support.

Turning to the benefits for the social investors, both agreed that the support programme was useful for themselves to assist investees with their financial planning. One investor commented,

> *"We have a very "hands on" approach to portfolio management and try to provide support to our investees ourselves. However, with limited resources, we can't allocate as much time as would be necessary in the cases that need more extensive support. Furthermore, sometimes organisations require support in ways which require sets of skills which we don't have in-house. Finally, in some*

cases, having an independent consultant is appreciated by the investee, as they may perceive us as conflicted, as lenders to the organisation."

While investors felt the post investment support was useful, they were divided on their views as to how it would impact their investment process if it was continued. One investor did not feel that the availability of continued post investment support would have any influence on their investment decisions, due diligence or the number of requests that get through the committee, it may just make following up and monitoring easier. On the other hand, one investor did think continued support would affect investment decisions and possibly the appetite for taking on risk, though unlikely to affect due diligence or committee decisions - "*we'd still want to know about the risks, but we may be willing to take on risks that we identify, if we knew that there was reliable and appropriate support available in case they were to materialise".* A caveat however, is that for this support to lead to change, it would need to be reliably accessed, appropriate in amount and long-term in length as a minimum.

In improvement of the programme, one investor suggested more frequent communication, recommending a three-way handover meeting at the end of the programme with a follow-up meeting after. Another investor suggested a more flexible and focused diagnostic and follow-up process to allow both pieces to be tailored to the individual project. Tying into the organisational capacity challenges cited by consultants and investees, this recommendation was to try and make the needs assessment less onerous on resource stretched organisations when the need is already clear, and to include an element of identifying resources required to address the needs and scale support during the diagnostic. Lastly, investors suggested that a longer programme, potentially multi-year, with more funding and a wider range of grants that can be allocated to each organisation would be an improvement to the programme.

Learnings from Eastside Primetimers

In addition to the feedback gathered above, Eastside Primetimers team gained the following learnings from the Post Investment Support programme which will be shared and used to design future Post Investment Support Programmes:

- The **type of post investment support** required by investees was very different depending on the involvement of the investor pre- and post-investment. Investees who had relatively little involvement from investors prior to and after investment and lighter due diligence required support around business planning, strategic planning, financial planning and marketing. Investees who had an investor who was more hands on tended to have completed much of this type of work in detail prior to the investment. Therefore, the types of projects required from investees in the latter category were different. These projects included merger support, restructure, fundraising support, complex financial modelling, business development, and options appraisal on use of an asset. In the future, support programmes should be structured to take into account the investors approach and involvement pre and post investment.

- The **quality of the relationship** the investors held with the investees prior to the project had a big impact on engagement with the project. Where the investor had a hands-off approach post investment, the investees were much less inclined to accept the support or if they accepted, to be engaged enough to drive the projects forward. One organisation had to be withdrawn from the process as a result. In contrast, when the investor was very hands on and aware of the current situation of investees, the investees were more engaged with the project. In these cases, the

investor required regular updates, made visits to investees and was much more involved in ensuring the investees had positive outcomes. This meant the investor was in conversation with us and investees throughout the process on the best use of the grant funds and to support implementation.

- **Social impact** measurement and monitoring was not a priority with investors when deciding on support plans nor for the majority of organisations receiving support. In some cases, the diagnostics identified that social impact was hard to understand or not being measured or monitored adequately. By virtue of being a charity, community organisation or social enterprise, most organisations are making a social impact, but the emphasis on demonstrating this was not a priority. Investors require social impact measures and reporting as part of the loan monitoring agreement, but even in these cases, these measures often need improvement and would not be considered best practice. As a result, these organisations are weakened in their ability to attract further funds. We recognise that social investors are on a journey to improve social impact measurement and improvements are being made, but only to a point which is appropriate and proportional in their role. It is worth considering whether future post investment support programmes should have a requirement to include social impact as a priority in support packages where it has been deemed inadequate.

- It was beneficial to have an **objective third party** because investors and investees are not always aligned in their agendas and priorities. By having a third party perform the diagnostic and agree the priorities for consultancy support between the two parties, it removed the bias of either party. This allowed investees to be much more honest and open about issues and problems with business models and the assumptions the investments were based on. It gave confidence to investees that support plans would be based on the needs of the organisation and not just the investor.

- The degree to which **information should be shared** with investors throughout the consulting project should be considered. In some cases, investees were uncomfortable sharing this information and in other cases they wished the investor was more involved. In future funding programmes for post investment support, we recommend that the ways of working between investor and investee is set out at the beginning.

- The **evaluation was challenging**. Given the short time duration of the project, the benefits and impact of the projects on the organisations had often not yet materialised by the time of the evaluation. Given the short duration of the programme as a whole, medium term and longer-term impact will not be able to be measured.

Conclusion and Recommendations

Overall, the post investment support programme filled in a gap of unmet needs for investees and investors providing critical support post investment that was otherwise unavailable, thus giving organisations who received social investment the best possible chance to be successful. Through the pilot programme, a few key takeaways emerge that can help inform future post investment support programmes in the sector. First, there is a clear benefit of funding post investment support, though the design of the programme itself is important. A key element is the timing and length of the programme. Through evaluation of this

programme, there does not appear to be an ideal length, as those who indicated a need for longer support ranged from the mid to longer length projects, while feedback on the shortest projects indicate the length was suffice. Additionally, the biggest challenge is the lack of organisational capacity on the investee side to balance the resource requirement of the support programme and continuing to run the organisation as usual. This sums into a recommendation for a more flexible programme where the support time needed and resource requirement can be identified in the diagnostic phase and adjusted for accordingly. Lastly, a key component for success is engagement between all three partners from the investee, investor and consultant to share knowledge, monitoring and risk assessments throughout.

The Post Investment Support Programme will conclude with a roundtable meeting with key stakeholders including Power to Change, Access, Big Lottery Fund, Barrow Cadbury and the social investors to discuss the results of the evaluation, learnings to date and how to ensure the continuation of post investment support on a wider scale.

Appendix

The table below provides details of the investees involved in the post investment support pilot and the projects that were undertaken for each.

Investee Organisation	Org Description	Org Income (£)	Loan size (£)	Support days	Time elapsed since investment	Support description	Geography	Deprivation in local area*
Spacious Place	Community spaces for vulnerable individuals	200k	1.5m	8	2 years	Review of property and tenancy options	Lancashire	10% most deprived
The Cornerstone Partnership	Child adoption and fostering mentoring	800k	500k	10	8 months	Evaluating strategic options including joint venture + acquisition	Kent	20% least deprived
Child Dynamix	Facilities, activities & services for families with children	1.5m	260k	13	2 years	Support for restructuring: organisational review	Yorkshire	10% most deprived
Storeroom 2010	Furniture re-use charity	300k	364k + 80k grant	8	2 years	Identify and apply for additional sources of funding; secure funding	Isle of Wight	40% least deprived
Heart of England Community Energy	Community Solar Energy Provider	1.5m	4.2m	4.2	1.5 years	Create financial model for CICs owned by HECE	Warwickshire	30% least deprived
Wheatsheaf Trust	Employment and training charity	1.3m	300k	8	4 months	Merger and/or partnership feasibility	Hampshire	20% most deprived
The Silk Gardens	Heritage organisation	N/A	150k	15	3 years	Financial support, business planning and marketing support	Cheshire	30% least deprived
Tanhouse Community Enterprise	Community events; hall for hire	400k	100k + 50k grant	8.6	1 year	Business development & planning; financial review and planning support	Lancashire	10% most deprived
Chapel Street Studio Co-Operative	Consortium agency of creative freelancers and businesses	N/A	25k	10.4	6 months	Financial planning, business planning, governance, impact measurement	Yorkshire	30% most deprived
Sneinton Community Traders	Community market	25k	21.5k	9	3 years	Business planning and business development; marketing support	East Midlands	20% least deprived
Centre at Threeways	Community Hub	210k	320k	5	6 and 3 years ago	Reviewing tenancy options and business challenges	Yorkshire	10% most deprived

*Index of Multiple Deprivation 2015