# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>About CAF Venturesome</td>
<td>3</td>
</tr>
<tr>
<td>SE-Assist Review</td>
<td>4</td>
</tr>
<tr>
<td>Highlights</td>
<td>4</td>
</tr>
<tr>
<td>Case story: SE-Assist Wales</td>
<td>6</td>
</tr>
<tr>
<td>1. Learnings from the investee interviews</td>
<td>7</td>
</tr>
<tr>
<td>2. Fund deployment by region</td>
<td>9</td>
</tr>
<tr>
<td>3. Analysis of SE-Assist portfolio</td>
<td>10</td>
</tr>
<tr>
<td>Case story: SE-Assist Croydon</td>
<td>11</td>
</tr>
<tr>
<td>4. Fund performance</td>
<td>12</td>
</tr>
<tr>
<td>Case story: SE-Assist Greater Brighton/Sussex</td>
<td>13</td>
</tr>
<tr>
<td>Funder reflections</td>
<td>14</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>15</td>
</tr>
</tbody>
</table>
ABOUT CAF VENTURESOME

CAF Venturesome is the social investment team at Charities Aid Foundation (CAF). We are proud to be part of CAF, a charity helping other charities, supporting them by using philanthropic money specifically given to drive social impact.

Since 2002, we have made over 600 social investments totalling £50m, from all our funds. Thanks to the support of over 100 philanthropists, corporates and grant-making trusts, we offer affordable social investments of £10k to £400k+. We work with social organisations across the charitable sector, as well as managing specialist funds supporting early-stage social enterprises and community-led housing.

SE-ASSIST REVIEW

In late 2018 and early 2019 CAF Venturesome undertook a review of SE-Assist with the aim of sharing key learnings of how the fund has supported early stage social enterprises and charities across Greater Brighton/Sussex, Croydon and Wales since 2012. We conducted telephone-based qualitative interviews lasting up to an hour with 15 investees (four in Greater Brighton/Sussex, four in Croydon and seven in Wales). We developed a bespoke interview guide using tools and guidance papers on impact measurement and impact management.¹

Since our first social investment round in 2012, SE-Assist has supported a diverse range of social enterprises and entrepreneurial charities to grow – these include:

- HISBE, an ethical supermarket in Brighton
- ELITE SEA, a trading charity supporting disabled and disadvantaged people into work in Wales
- Brighton’s community pub, The Bevy
- GT Scholars, an in-school and after-school leadership programme for young people in Croydon.

¹ We consulted tools and guidance papers by Acumen (The Lead Data Field Guide), Big Society Capital (Social Outcomes Matrix), Bridges Ventures (Impact Management Project), Nesta (Guidance for Developing a Theory of Change for Your Programme), GIIN (IRIS data briefs), an Inspiring Impact (Measuring Up!).
Following the interviews with investees and partners our key learnings are as follows:

- Interest-free finance was hugely valuable to the organisations we supported. SE-Assist became a ‘lender of last resort’ and played a crucial role in addressing an important gap in the social enterprise sector.

- Our loans empowered these social enterprises by serving as an initial ‘validation’ of the investees’ business models.

- Several investees praised our thorough application process. Furthermore, several investees found their regular interactions with the team at CAF Venturesome to be very positive and supportive.

- Pitching to the local investment committees was seen as challenging, but incredibly helpful and several organisations fed back that this proved crucial to the longevity and resilience of their enterprises.

However, another key learning, coming out of this impact review, was that the way SE-Assist matched mentors to an investee organisation did not always work and very often was hit and miss. Several investees fed back that they were being matched with mentors that either lacked the expertise or time. Others mentioned that when their mentor dropped out they did not receive a replacement.

Having a strong local partner is an important factor for success including for the overall viability of the fund management. Some regions have been much more successful than others in terms of more loans offered per investment round and in terms of having a strong and well-connected local partner, such as the Wales Co-Operative Centre in Wales.

CAF Venturesome is keen to build on these learnings with a view to refining and improving the processes for the SE-Assist Fund for future funding rounds.
We want to thank our local partners (listed below) for their support, time and expertise volunteered. We are hugely grateful to our funders and partners, and delighted to have played a small part in supporting the growth and impact of 31 (to date!) social enterprises and entrepreneurial charities in Greater Brighton/Sussex, Croydon and Wales.

This list also includes an individual philanthropist who wishes to stay anonymous. Unfortunately our partner in Brighton, The Platform, closed in autumn 2018.
Elite Paper Solutions applied to the 2016 funding round of SE-Assist Wales and received an unsecured, interest free loan of £30,000 to help them scale up their fledgling social enterprise. It was used to pay salaries, buy more recycling bins and to get accreditation to help them win and take on larger contracts.

Since receiving finance from CAF Venturesome the social impact of Elite has been enormous and they have been able to increase turnover to be less reliant on grants than before. In the last 18 months 34 permanent jobs have been created.

Elite Paper Solutions is a social enterprise providing paper recycling, disposal, shredding and scanning services to organisations in Wales. It offers people who are disabled, long term unemployed and homeless access to obtain and maintain employment.

Elite has in total employed 41 people; of these 28 have some form of work limiting health condition, including learning disabilities, autism, epilepsy, sensory impairments, recovery from strokes, mental ill-health. The remaining 13 had been in long term unemployment, with several also having experienced homelessness. On top of getting a job, 97% of people also gained a qualification, for some it was the first one ever!

Improving social skills

One young man who started to work with Elite had severe autism and was selective mute. During the first 18 months of working with Elite he went from having lunch in a separate room to joining his colleagues for lunch and speaking with his peers for the first time in 16 years. His parents are delighted!

“Going through the application process was one of the most thorough things we had to do, yet on the very positive side of that process the reality is the loan.”

Andrea Wayman, CEO
1 LEARNINGS FROM THE INVEESEE INTERVIEWS

Our support was instrumental in the survival of several early-stage social enterprises and charities

“The SE-Assist loan kept us afloat. Cash flow was a real issue at the time. Without that money we would not be here today.”
SE-Assist investee

“The bank would not support us. Our community engagement strategy was immature. We had no funding. SE-Assist was the lender of last resort.”
SE-Assist investee

Speaking to our investees we learned how instrumental SE-Assist finance was to their organisation’s survival and longevity. Several organisations we spoke to mentioned that they would not exist today were it not for the finance they received through SE-Assist. Very often the finance was provided at crucial moments in the lifetime of these organisations. For several the SE-Assist finance came at the beginning, for others it was used to launch new business streams. One organisation launched an energy service, which became a very important part of their business; another invested the loan in scalable distribution channels for their community newspaper.

Several investees praised the thoroughness of the SE-Assist application process and while many said the SE-Assist pitch day was very daunting; several agreed that that process helped them focus on what was important for their businesses. One investee recounted to us that they were challenged on their balance sheet and they felt as if they “had gone through the wringer” on pitch day, but that the experience had been worthwhile. Other investees were also able to leverage other investment following SE-Assist funding by referencing CAF Venturesome in their fundraising.

To our investees our support was a major stamp of approval

“The investment meant that there was a group of people that believed in your idea. This is the most powerful validation.”
SE-Assist investee

For several organisations the SE-Assist finance was the first finance they had taken on and understandably this proved very nerve-wrecking for several organisations. However, once the organisations had received the funding they were enabled “to do so much more” as mentioned to us by one of the investees and were “provided with the breathing space to do business planning” which “proved absolutely critical at that point in time.” Another investee likened the finance to it being “the most powerful validation” of their business idea.

The mentoring was highly sought after, yet the matching could be improved

The majority of our investees mentioned that they were primarily attracted to SE-Assist because of the non-financial support provided through mentors and industry experts. For several investees, receiving SE-Assist finance represented a major stamp of approval and validation for their business ideas, yet taking these ideas forward was daunting. The non-financial support represented a structured development programme with an opportunity to share skills, expertise and networks.

Some of the investees interviewed highlighted the importance of good mentoring at crucial moments in the lifetime of their enterprises and described it “as a great sounding board for our own ideas.” Another investee mentioned that the support she received through her mentor at Croydon Council proved invaluable and to this day she still meets with that mentor.

Unfortunately some of our investees did not receive such targeted and high-quality non-financial support as mentioned above. For some, the expertise of the mentors was not in line with their needs nor was there an infrastructure in place that enabled SE-Assist to replace mentors or secure additional mentors when mentors dropped out or when their expertise was not helpful. Several investees were afraid of being paired with ‘ex-bankers’ and in some cases their fear of the mentors not fully understanding their business models was confirmed. An investee mentioned to
us that ‘the non-financial support we received was not good enough.’ They were ‘trying to do something quite challenging’ and they ‘wanted someone that could challenge them sufficiently.’ Others required very specific expertise in app development and did not receive the help they needed. Similarly, others were trying to break into entirely new sectors, such as theatre, where they would have benefited from an expert in the commercial theatre world.

In hindsight, we should have managed expectations as to what type of expertise was available at the beginning of the application process.

HISBE, an ethical supermarket based in Brighton, applied to SE-Assist in order to open their first store and start trading as an organisation. Through SE-Assist they were paired with a mentor from L&G who was able to leverage his personal network and was able to connect HISBE with a food retail expert with more than 20 years’ experience at Sainsbury’s. HISBE said that this advice was absolutely crucial in the beginning of their enterprise.
Differing performance in the regions – Greater Brighton/Sussex, Croydon and Wales

Out of the three regions that SE-Assist operated in, Wales has by far been the most successful in terms of number of loans approved per funding round held, demand for social investment, performing loans as well as the collaboration between CAF Venturesome, Legal & General and its local delivery partners in Wales:

- the Welsh Government (Llywodraeth Cymru),
- Wales Co-operative Centre (Canolfan Cydweithredol Cymru),
- Business in the Community, and
- The Institute of Directors (IoD).

Furthermore, Wales represented a larger geographic area which increased our pool of applicants. In Wales we have also supported more enterprising social companies such as companies limited by guarantee rather than traditional charities which again points to an entrepreneurial ecosystem that SE-Assist can easily be part of. In comparison Croydon, South London, did not have a sufficiently large enough social enterprise ecosystem. There are also a number of social enterprise incubator programmes available throughout London. This might have affected demand for SE-Assist in Croydon. Sussex / Greater Brighton has a vibrant social enterprise sector with most organisations being CIC’s or companies limited by guarantee. However outside of Brighton and Hove there were very few appropriate social enterprises supported by SE-Assist.

SE-Assist capital across the three regions

SE-Assist has had nine investment rounds to date with four in Sussex/Greater Brighton, two in Croydon and three in Wales. In total 70+ organisations² applied for SE-Assist funding and 36 were successful which means that SE-Assist accepted approximately 50 % of applications. This high success rate could be seen to indicate a lack of demand and limited pipeline and might raise the question as to whether our investment rounds were held open long enough and whether our marketing initiatives were reaching the appropriate organisations.

Deals approved per region and investment round

² This is an approximate number as data is missing of rejected applications for earlier investment rounds.
3 ANALYSIS OF SE-ASSIST PORTFOLIO

Legal structures

SE-Assist supported an overwhelming number of companies limited by guarantee (16 in total) including CICs limited by guarantee. Out of the 36 loans offered only four loans went to support registered charities with the rest of the social investments going to cooperative societies, companies limited by guarantee and companies limited by shares.

This indicates the diversity of legal structures – and is a quite different mix to the main CAF Venturesome portfolio which has a higher proportion of charities.

Turnover and income diversification

During the interviews, investees were asked to give an indication of whether their turnover had increased, decreased or stayed the same following SE-Assist funding. Several organisations were not able to provide conclusive answers with several mentioning that their turnover had stayed the same following the loan. Some organisations, however, did state that their turnover increased following SE-Assist funding and these tended to be organisations with trading subsidiaries that used SE-Assist funding to launch new income generating streams.

During the interviews investees were asked to give an indication of how their income was made up (expressed in % of income vs % of grants) before and after receiving SE-Assist funding. While we were not able to detect an overwhelming trend indicating that investees were less reliant on grants following SE-Assist funding, some investees interviewed were able to significantly reduce their dependency on grants following the loan. Of the 15 investees interviewed, six mentioned that at this moment in time they would still need repayable finance. One organisation mentioned that “the SE-Assist cash loan was the best form of finance they were able to get.”

Overall experience of SE-Assist expressed in score out of 10

Out of the 15 organisations interviewed 11 provided SE-Assist with a very positive score (8, 9 or 10 out of 10). The majority of the organisations with the most positive experience were either based in Wales or Sussex.

Loan sizes

Out of the loans offered through SE-Assist the average loan size was £22k with 17 loans provided at £30k (two of these loans fell away) and 6 loans provided at £10k.

Financial health of investees

Several organisations had trading histories of 10 – 20 years (!)
GT Scholars

GT Scholars, started in Croydon, is a registered charity and social enterprise. They run a range of after-school tutoring, mentoring and enrichment programmes designed to raise and support the aspirations of young people aged 11-18. Their social enterprise model provides accessible and affordable programmes to increase social mobility for young people from low income disadvantaged backgrounds.

GT Scholars approached SE-Assist for a £30k loan (approved in October 2015) focused on marketing, PR and focused on promoting their services to local authorities and schools. The SE-Assist loan was able to help the founder of GT Scholars by helping her to revise the business model and grow beyond Croydon, expanding to new areas and has now enabled her to roll out a range of high impact programmes to reach other parts of London including an online tutoring programme which is provided free of charge to young people on free school meals.

In conversations with the founder, she mentioned that she still talks about the start-up funding that she received and that her organisation ‘would not be where it is today without that initial funding.’ She elaborated further and mentioned that ‘the investment meant that there was a group of people that believed in their idea’ which ‘is the most powerful validation.’

GT Scholars’ impact on the lives of young people has again been enormous with the majority of their students improving by at least 2 grades within a year of being on their tutoring programme (e.g. from a D to a B grade) and with the majority of their students believing that the programme had a significantly positive impact on their mind-set and self-belief. In addition to this, over the past couple of years, by working in collaboration with charity partners, universities and corporate organisations, GT Scholars has been able to impact young people from hard to reach groups, such as children living in care who are often ambitious but face a large number of barriers preventing them from reaching their aspirations.
Of the £806k of funds committed (£367k in Wales, £328k in Sussex and £111k in Croydon), £338k has been repaid.

Out of the 33 loans, seven organisations have so far fully paid back their loans. Five loans have had to be written off to date, with another six investee organisations currently struggling to pay back their loans and rated very high risk.

On recycling capital, one investee mentioned to us that receiving repayable finance made them approach the loan with a greater sense of responsibility. They knew that if this ‘money got recycled under similar terms’ they ‘felt very motivated to repay.’

Overall, 7% of capital drawn down has been written-off; taking into account fully-provisioned loans, we expect this write-off rate to increase to c20%. This is better than our initial expectations of 30% write-off for this fund. Repayment in Greater Brighton/Sussex and Wales has been higher than initially expected – both have expected write-off rates of 10-15%.

This good performance has enabled us to support more organisations with the same pot of capital. However, repayment and performance in Croydon has been higher than initially expected, with an expected write-off rate of 70%.
The Bevy

The Bevy Pub in Brighton had a poor reputation and was eventually shut down by police in 2010. It was reopened in 2014 as a cooperative or “community pub” owned by local residents who saw the potential of the pub as a vibrant community space, helping tackle social isolation, exclusion and lack of opportunity in a neighbourhood with lots of community spirit, but one which is often overlooked by the rest of Brighton.

The Bevy approached SE-Assist for a £20k loan in order to fit out their commercial kitchen to include ovens, fridges and freezers as well as to cover business start-up costs such as first month’s wages and first fortnight’s stock. The impact of the loan (approved in June 2014) was instrumental as it enabled The Bevy to leverage other investors and grant funders. Shortly after SE-Assist The Bevy received a substantial Power to Change grant of £175,257, which according to the team at The Bevy was a “game changer”.

The social impact of The Bevy is also undeniable – the pub acts as a hub in a community of 30,000 residents that have little other public spaces to meet. The Bevy hosts everything from a choir to disability services, from Bevendean Down parkrun to men’s and women’s darts teams. 70 different groups used the pub in 2017, including tenants’ associations, Scouts groups and arts and craft clubs.
Our reflections and learnings

As mentioned in the beginning of our report, the learnings have been rich and varied. Working with early stage organisations on finance for the first time is challenging and patience is required. Nevertheless, the interest-free finance that SE-Assist provided was hugely valuable to the organisations we were supporting. SE-Assist became a ‘lender of last resort’ and played a crucial role in addressing an important gap in the social enterprise sector.

Several investees praised our thorough application process and pitching day. Several investees also found their regular interactions with the team at CAF Venturesome to be very positive and supportive. Another key learning of the review highlighted the importance of having a strong and well connected local partner such as SE-Assist has in Wales. For a place-based fund such as SE-Assist this is absolutely crucial. Furthermore, CAF Venturesome would like to continue its interactions with WCCA (Wales Co-operative Centre) in order to raise the profile of SE-Assist and increase the number of referrals.

However, another key learning was that the way SE-Assist matched mentors to investee organisations did not always work. Several investees fed back that they were being matched with mentors that either lacked the expertise or time. Others mentioned that when their mentor dropped out they did not receive a replacement. Here, we would like to reframe the mentoring as optional and place the onus on the investee organisation. Furthermore, we would like to explore opportunities to improve the non-financial support such as targeted business advice by identifying a partner organisation willing to provide grants towards targeted interventions.

CAF Venturesome is keen to build on these learnings with a view to refining and improving SE-Assist for future funding rounds.
ACKNOWLEDGEMENTS

We would like to thank Legal & General and all the SE-Assist investees who gave their time freely to take part in the interviews. This has ensured the findings in this report are rooted in the practical experience of those actively working in social enterprise.

We would also like to thank the stakeholders who were interviewed as part of this report, and who provided valuable insights into the current state of social enterprises and entrepreneurial charities. This report would not have been possible without the assistance of all these parties, and we are extremely grateful to all who devoted time and resources to support the research.

About CAF Venturesome

At CAF Venturesome, we make social investment straightforward.

We're dedicated to helping social enterprises and charities secure the affordable, flexible finance and other social investment they need to sustain and grow their social impact.

We believe that partnership is the only way to work.

We’ve supported hundreds of social enterprises and charities across the UK and overseas. And our team's experience, specialist expertise and collaborative approach mean many of our clients come back to us time and time again.

Find out more about our work and the organisations we have supported www.cafonline.org/venturesomeblog

About CAF

Charities Aid Foundation (CAF) is a leading international charity registered in the United Kingdom, with nine offices covering six continents. We exist to make giving go further, so together we can transform more lives and communities around the world. We are a champion for better giving, and for over 90 years we have been helping donors, companies, charities and social organisations make a bigger impact.

T: 03000 123 300
E: venturesome@cafonline.org
B: www.venturesome.org