The Young Foundation

Impact Report 2021

Young Academy Investment Fund

April 2022

Sarah Faber

Shaping a fairer future

We are the UK’s home for community research and social innovation

The Young Foundation is the UK’s home for community research and social innovation. As a not-for-profit, The Young Foundation brings communities, organisations and policymakers together, driving positive change to shape a fairer future.

Working to understand the issues people care about, The Young Foundation supports collective action to improve lives, involving communities in locally-led research and delivering distinctive initiatives and programmes to build a stronger society. The Young Foundation also powers the Institute for Community Studies.

For more information visit us at: youngfoundation.org

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Foreword from our funders

Sarah Craner, Executive Director,
Community Impact at UBS

We believe that education plays a crucial role in tackling inequality. Through our Community Impact programme, we partner with our local communities to help overcome disadvantage through education and the development of skills. And we support innovation in education to help bring about the systemic change that will enable everyone to reach their full potential, irrespective of the background into which they are born.

This is why we've been a proud supporter of the Young Academy Investment Fund since it was launched in 2014. We were interested in how new models of social investment could be piloted to support very early stage organisations looking to tackle educational inequality. At that time, very few social investors were offering the type of finance needed by these types of ventures – a funding gap still identified eight years down the line by the Adebowale Commission. Through the flexible and patient finance that the Fund delivers, we saw a unique opportunity to support social entrepreneurs working for positive change within education.

We're also delighted that so many of our employees were able to help drive the impact the Fund delivers through our volunteering programme. UBS employees were involved at every level of the Fund's activities - sitting on the Investment Committee, mentoring the Fund's social entrepreneurs, and running workshops to develop business skills and proficiencies.

This report focusses particularly on the impact the organisations supported by the Fund had during the 2020/2021 academic year. The onset of the pandemic in 2020 and lengthy periods outside of the classroom has resulted in a scale of 'lost-learning' that has not been experienced previously.

National lockdowns, multiple waves of the virus, and changing restrictions meant that school leadership teams had to respond quickly and adapt. Even when schools were able to resume their normal activities, recovery has been hampered by higher than usual staff and pupil absences.

All of these factors also had an impact on the organisations supported by the Fund. They brought into critical focus how the flexible financial instruments pioneered through the Fund enabled these organisations to weather these uncertainties - if sales dipped, then so did repayment amounts. Rather than compounding difficulties, the Fund's financing mechanisms enabled these organisations to stay focused on their impact in supporting the young people who needed their help.

We hope that the learnings in this report support others in the social investment sector who are looking to deliver similarly impactful social investment models.

Executive summary

The Young Academy Investment Fund is a pilot that offered flexible and patient investments to early stage entrepreneurs working to reduce the attainment gap for disadvantaged students. The fund launched in 2014 , closed to new investments in 2018, and is currently portfolio managing its investments.

This report assesses the impact of the fund at two levels. Firstly, the impact of the investment fund on early stage social entrepreneurs through its financial instruments and fund management; and secondly the impact the fund has through its investees on narrowing the attainment gap for disadvantaged young people.

The intended impact of the fund is to support the social entrepreneurs it invested in to scale their impact. It does this through:

1. Instruments designed to be patient and flexible to better support the growth of early stage entrepreneurs
2. Fund management support, including support that develops impact measurement

In this report we set out learnings from our innovative financial instruments and our approach to impact measurement and management across the fund. We have transparently set out the challenges we have faced in the hope that other social investors can learn from them. We hope to contribute to the conversation started by the Adebowale Report about how patient and flexible social investments could better support social entrepreneurs.

As well as examining the impact our fund has made on its social entrepreneurs, we examine the impact of all the social enterprises we have invested in on young people, and more particularly disadvantaged young people. We present some detailed case studies from our portfolio.

Introduction

The Young Foundation has a long track record of incubating and scaling innovative ideas by building the capacity of social entrepreneurs and backing their ventures with social finance.

We have delivered social venture accelerators and incubators in dozens of locations around the UK and internationally and administered several large grant and social investment funds.

In 2014, we combined our accelerator methodology with a social investment fund to create The Young Academy; an intervention tailored specifically to the needs of mission-led ventures operating in the education sector. The Young Academy was designed to respond directly to the issues of education inequality, and the untapped potential of social ventures to address it that was headlined in our 2013 report: Social Investment in Education.

The Young Academy was launched in April 2014, with the aim of helping early-stage social ventures that tackle education inequality to scale and increase their impact.

What do we do?

The Young Academy fully deployed investment by the end of 2018. Since then, its focus has been to support our entrepreneurs to scale and make an impact, benefitting the most disadvantaged young people in our society.

The Young Academy fund management team has provided coaching and guidance, pairing our entrepreneurs with high-quality mentors , organising workshops on priority areas of focus for the portfolio, and encouraging and curating a community of peer support within the cohort and beyond.

Our goal is to eradicate the attainment gap for disadvantaged students in the UK (as part of a wider ecosystem of change and disruption). Our 'theory of change' sets out how the activities we run (in the programme of support we offer our organisations) contribute to that goal.

OUR THEORY OF CHANGE

The reality: The link between low income and low academic attainment is greater in the UK than almost any other developed nation.

Social entrepreneurs working on innovative solutions to tackle this educational inequality struggle to access the early stage risk finance needed to make their ideas into reality.

The Young Academy investment fund provides:
£1.15m of early stage risk capital
Business support and mentoring. Ventures share best practice with each other
Ongoing monitoring of key business areas

Outputs

Social entrepreneurs receive investment to scale up an early stage existing innovation. Ventures reach more individuals

More ventures tackling educational inequality working at scale. Support helps the ventures scale up by providing expertise alongside investment

Monitoring ensures good discipline and makes sure the venture has good processes in place around impact, finance and governance

Outcomes

Ventures grow following investment and are able to sustainably expand the work they do to reach more students who would otherwise have been disadvantaged by the education system.

The social impact made by ventures on reducing educational inequality is higher after investment.

Impact: A child's family wealth, income or ethnic background has no impact on their educational outcomes in the UK, *in part* due to the work of a thriving community of social education-focused entrepreneurs

An innovative model for investment

Social Investment in Education argued that the sector needed more risk-taking investment capital to flow to early-stage education ventures so they could scale their impact. There is a long-evidenced 'missing middle' in terms of the finance available to ventures; this is the gap between start-up funds (which may come from small grants, entrepreneurs' own savings, or contributions from friends and family) and investors, who require substantial evidence about the prospects of a venture before being willing to invest. The road in between - which includes research and development, piloting, market testing, launch, refinement and growth of the product or service - can be long and bumpy, with ventures failing because they simply run out of funds before they reach the investors waiting for them at the other end.

The Young Academy investment fund sought to fill this gap by providing the finance early-stage ventures need to scale up and access more readily available sources of investment at a later point, if required. Upon completion of The Young Academy accelerator, ventures could apply for up to £150,000 of investment from The Young Academy's £1.5m investment fund.

Investments were made using a convertible loan note (CLN). The note accrues simple interest at 7% per year and, after two years, converts either to equity (ideally as part of a second investment round) or to a revenue participation agreement, where the balance of the loan continues to accrue interest and is repaid at a fixed percentage of the venture's revenue over five years.

Repayments are aligned to revenue, so it's only when the social enterprises are receiving income that they are required to repay. With repayment taking place over seven to nine years from the time of investment, we have been able to offer time and flexibility to deal with some of the issues of Covid, including school closures.

The Young Academy was grant-funded, with 50% of the total budget provided by the Cabinet Office's Social Incubator Fund. The investment fund capital was match funded by UBS. UBS continues to support The Young Academy's ongoing fund management costs. In addition, UBS provides employee volunteer roles on the investment committee and pro bono support to ventures which have been critical factors in driving quality and impact.

The issue: educational inequality and the attainment gap

Education should be one of our greatest tools for delivering equality of opportunity, but that is not the case in the UK. Instead, children from poorer backgrounds and communities are less likely to access quality education and the opportunities that arise from that during and after childhood. Based on data collected from before the Covid pandemic, a child from a disadvantaged background was 18 months behind their peers by the time they sat their GCSEs.

A survey by the National Education Union in 2019 gave some insights into the challenges that young people in poverty faced in the classroom. Over three-quarters of respondents to an NEU survey said their students had demonstrated fatigue (78%) or poor concentration (75%) in school as a result of poverty. Around half of members said their students had experienced hunger (57%) or ill health (50%) as a result of poverty. More than a third (35%) said their students had been bulled because of poverty. All of this is experienced by nine children in every class of 30.

Over the last 18 months, the Covid pandemic has been extremely disruptive to children's education and has exacerbated inequality in education received. The Sutton Trust found disparities between middle-class and working-class students during the April 2020 lockdown across a range of measures, including the percentage of pupils joining online classes and the time spent learning online each day, access to online learning, the confidence of parents in supporting their child's learning and how much additional money parents had spent to access educational support for their child.[1]

Research commissioned by the Department for Education from January 2021 found that schools with high levels of disadvantage experienced higher levels of learning loss than other schools, particularly in secondary "2.2 months in schools with high free school meal eligibility and 1.5 months in schools with low free school meal eligibility". [2]

The EPI also concluded in October 2021 that "the most recently published research into learning loss caused by the Covid-19 pandemic suggests that pupils have fallen behind by between two to three months. It also finds that disadvantaged pupils have fallen behind even further and are catching up at a slower rate to their peers".[3]

Initial research looking at the 2020/21 academic year, summarised by the Education Endowment Foundation, shows that while children across the board have seen learning loss compared to the same age children pre-pandemic, those from disadvantaged backgrounds or in schools serving poorer communities have seen the greatest impact on their educational progress.[4]

Supporting social enterprises to scale

Educational disadvantage has always been an issue. It is entrenched in our society despite the work of successive governments. Social enterprises bring in skills and resources from across and outside the education sector to try to come at this issue from a new perspective. Schools often draw on the ideas of other schools in their local area. Social enterprises are one possible route for sharing best practice from one school to another.

Most social enterprises start off very small, as one person with a great idea. Through our accelerator programmes and through our investment fund, our approach is to help these enterprises to scale so they can have a bigger impact on more students.

1. Cullinane, C. and Montacute, R., COVID-19 and Social Mobility Impact Brief #1: School Closures (April 2020) https://www.suttontrust.com/wp-content/uploads/2021/01/School-Shutdown-Covid-19.pdf
2. Department for Education, Understanding progress in the 2020/21 academic year (January 2021) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/962330/Learning_Loss_Report_1A_-_FINAL.pdf
3. Education Policy Institute, Education recovery and resilience in England (October 2021) EPI-Education-Recovery-Report-2__.pdf
4. Education Endowment Foundation, Best evidence on impact of Covid-19 on pupil attainment, https://educationendowmentfoundation.org.uk/guidance-for-teachers/covid-19-resources/best-evidence-on-impact-of-covid-19-on-pupil-attainment (accessed 25 March 2022)

The importance of social enterprises was shown during the pandemic when they were able to quickly adapt and change, supported by many different loan and grant funds. Baroness Barran, then Minister for Civil Society, pointed to social enterprises being particularly important during the recovery from Covid because of their focus on "retraining, reskilling, education [and] health, whether it be physical health or mental health".[1] She added: "Those are all areas in which the government is going to be spending a great deal of money on in the coming years, for very obvious reasons". This has been further confirmed in the government's Levelling Up White Paper, which has earmarked funding for social enterprises.

The social enterprises supported through The Young Academy was making an impact on disadvantaged young people before Covid. However, the pandemic displayed how smaller organisations could pivot to provide appropriate support far more quickly. Almost all our organisations launched a new service, moved online, or made fundamental changes to their business to be better able to support their communities. TalentEd rapidly moved their tutoring support online. GT Scholars created an online platform to allow more young people to access the enrichment material which had been previously provided in person. Edukit developed an app that allowed young people to share their wellbeing with their teachers from home.

Our fund management and the flexibility of our instruments allowed us to better support our social enterprises during Covid and lockdown. When schools were closed, we suspended repayment and held monthly workshops where our organisations could share learnings and support each other.

1. Russell Hargrave, Government will work with social enterprises on Covid-19 recovery, minister says, (3 March 2021) https://www.civilsociety.co.uk/news/the-government-will-work-with-social-enterprises-on-covid-19-recovery-minister-says.html (accessed 25 March 2022)

Impact of the fund on the social enterprises we work with

Our theory of change describes how our impact on our social investments is made through both our innovative financial instruments, which we hoped would better support scale, and through our fund management. We assess the impact of each.

Our innovative financial instruments

Our fund grew out of our accelerator working with social enterprises, and our report on gaps in social investment. It was designed to be flexible and patient, with repayment paths through equity or quasi equity (Revenue Participation Loan) – the type of investment that is being called for across the sector currently. Unusually, investments were made in a broad range of organisational structures, from companies limited by shares to charitable incorporated organisations.

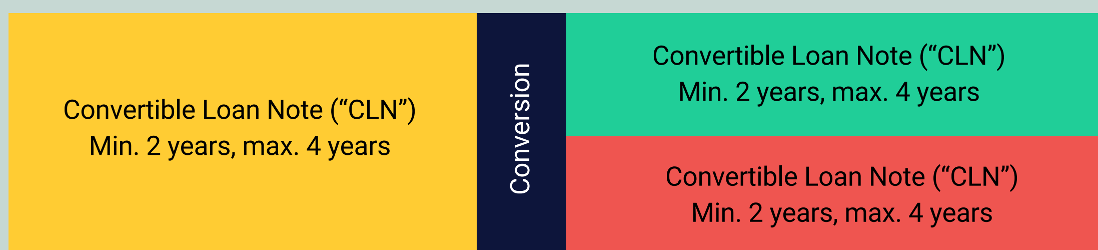
With our most recent investments made four years ago, and our oldest eight years ago, we are in a good position to be able to share our learnings. We interviewed existing investees and one investment we had successfully exited from to understand the perspective of current investees, and previous investees.

1.Patient capital needs to be very patient when it comes to social investment

The Convertible Loan Note ("CLN") agreement the social enterprises entered into was designed to last two years. After that time, the enterprises were expected to be in a position to either forecast future cashflows reliably enough to convert to a Revenue Participation Loan (RPL), or for our investment to have converted to equity with the next raise.

In fact, on average, it took just under three years from investment for social enterprises to have a sufficiently mature product or service to be able to predict cashflows with some certainty. It took on average just over three years for the social enterprises that did not end up converting to become insolvent or fail (with three of 16 investments made in unsuccessful organisations). No further raises completed within the first four years after investment for any of our organisations, apart from friends and family raises.

Structure of the investments



This was not surprising, because the vast majority of our investments were made into early stage social enterprises. The average age of the organisations we invested into with first round investments was just over two and a half years old. Several investments were made into organisations that were only a few months from incorporation and before they became revenue-generating.

This means the social enterprises we worked with needed to be, on average, five and a half years from incorporation before they could reliably predict cashflows and future growth. This time was spent refining and developing a product that made an impact on disadvantaged young people, understanding the market and how to approach sales, and making sure the right team was in place.

Those that failed were older, just over six years old. All our organisations are in the education sector, which does have a fragmented market and lots of different stakeholders, so it is possible that social enterprises in this sector take longer to mature.

The CLN meant that no repayments were made (on average) for three years, and then terms were agreed based on forecasts for repayment and repaying over the following five years. This meant that the term of the loan in its entirety was on average eight years long, which is unusual in the social investment sector. The maximum time limit before conversion had to take place was four years, and this was not long enough for some of our organisations.

From a social enterprise perspective, having the flexibility to offer even longer periods before agreeing repayment terms would be appreciated by early stage ventures and would likely lead to better investment outcomes.

2. Patience and flexibility can cause problems

All the investees we spoke to agreed that the initial 'payment-free holiday' was very helpful. They were all establishing something new using our investment and found it helpful to focus on scaling the business and building their impact using all their available cash.

However, the repayment holiday and long repayment period or long period as a shareholder means that the term of our investment is close to a decade long. This works if terms are agreed up front, but terms remained flexible until conversion. We found that at both investee and investor organisations, staffing changed over the CLN time period, and this created challenges for both investor and investee.

One investee struggled after a CEO pursued an investment and then left soon after it was made, with a long period when no permanent replacement was in post. This meant the money was not being effectively used to grow the business ahead of repayment. In another case, verbal agreements had been made as to which conversion option would be preferred and a new fund management team brought a new, different perspective on the investment.

We would argue that longer term instruments need more stability in the contractual arrangements. Our longer-term investments would have benefitted from a little less flexibility, especially when dealing with early stage organisations who may not fully understand complex quasi equity/equity instruments.

3. Conversions increase costs and can increase tensions

Converting the investment and renegotiating key agreements two or more years following investment meant two negotiation and due diligence points in the term of the investment; one at the start and then another one at conversion.

The parts which social enterprises found most useful about this investment structure were:

Structuring so there was no repayment for first two to four years allowing the enterprise space to focus on deploying the investment wisely and scaling up

At a point where a social enterprise is gaining maturity and starting to scale, the conversion provided a line in the sand to review business plans, and get into the habit of producing forecasts. When you run a small social enterprise with few employees it can be difficult to find the time to do all this work, but feedback was that the conversion process was beneficial to the business

As an investor, we found that it worked well to agree the repayment approach and the repayment percentage of revenue when the enterprise was mature enough to correctly forecast future growth and revenue. Revenue Participation Loans (RPLs) that were agreed after a repayment holiday were far more successful than the pilot loans that agreed repayment upfront.

The parts which both sides found difficult were:

Having negotiations long after the investment had been made and the cash had been used

Given the length of the investment, the teams involved might have changed at both the investee and investment fund, so verbal agreements or parameters were not able to be honoured

It's a complex structure and not widely used in the market so there aren't great case studies or peer experience for social entrepreneurs to draw on to better understand what they are signing up to. It could lead to a power imbalance with the investor, because of unequal experience in working with these instruments.

4. Revenue participation loans have worked well

The investees praised the Revenue Participation Loan (RPL) approach. They found that during a difficult period with few sales, flexibility on the repayment amount is built into the instrument. There was some opposition to repayments being higher when revenue is higher than expected. However, our RPLs protect our investees from ever paying more than an agreed principal amount and interest. If revenues increase rapidly, the loan is repaid more quickly but no investee ends up paying more than they owe.

One concern expressed was the length of time that revenue needs to be forecast ahead of conversion. Estimated revenue over five years is required in order to agree an initial proportion of the revenue, which will be used in repayment. A better route could be a biennial review of the revenue percentage to adapt for rapidly changing circumstances. However, this would have implications for fund management costs and capacity at the investee end to be able to perform these reviews.

One interesting point is that there is a lot of discussion among investors about whether revenue is the right level of the financial statement on which to base repayment; as opposed to the operating profit or the profit before interest and tax. The organisations we invested in had directly impactful products, so any sale made leads to impact. This meant that for us as an impact investor, revenue was one way of measuring impact and so basing repayments on revenue aligned with our mission. There is concern that cost is not being taken into account. Our organisations did not mention this issue, and so far, we have not found this to have caused a problem on any of our revenue participation loans.

At the stage our organisations are at, revenue is a measure that can be easily forecast (in order to calculate a proportion) and reported upon (for the quarterly repayments). Early stage organisations are unlikely to have sophisticated management accounts and reporting in place.

Often, they work on a cash basis month to month and only review the full management accounts at the end of the year. In these circumstances we would be unlikely to receive quarterly reports of profit. As the organisations scale up, we have also seen their cost of sales changing as they deliver the product differently. The gross profit or operating profit margin changed over time. We do review costs each quarter too, and once a year look at cost forecasts to ensure organisations are considering any potential concerns.

5. Balance between risk and reward

We know that investing in early stage organisations is risky. There have been failures as would be expected, given we were investing in new ideas. Across an investment fund the exits should be balanced by high returns from very successful organisations (of which the fund has also had its fair share).

The Young Academy Fund's returns were limited by the RPL agreements to repayment of capital and an agreed interest rate. This prevented these quasi-equity loans offering any real equity returns in the case of a very successful organisation.

However, the difference between a quasi-equity loan and equity is clearly felt by an organisation. A quasi-equity loan may be flexible and share more of the risk with the investee, but it also requires the cash for repayment to come from the organisation itself, rather than through an exit event.

If an organisation did outperform its original forecasts (as has happened for a number of our investees) then paying cash beyond the capital and a reasonable interest rate would mean the organisation would have less cash put back into making an impact and helping disadvantaged young people. It could cause some antagonism if the social enterprise felt that the return to the investor was unjustly high.

For most investors, this mismatch between risk and reward, paired with the high fund management costs of a flexible instrument means that serving very early-stage organisations with this level of flexibility is not possible.

6. Equity has worked less well

Our funding has not bridged the gap to the next equity round in any of our organisations so far. There is likely to be more scaling needed before they can access the next level of funding. The Young Academy Investment Fund was a pilot fund, and unfortunately we were not able to offer follow-on funding tranches that could have better supported our early-stage organisations to reach their impact potential.

Interestingly, there have been more acquisition requests than funding offers, but the companies are too small in value, and want to grow before considering acquisition.

According to the terms of our agreements, we have been unable to keep the CLNs for longer than four years without a forced conversion and without follow on investment, this means that we have had to obtain independent valuations. It can be difficult to find good comparisons in the market and there are also implications of taking a sizable shareholding at such an early stage.

Learnings from the fund on risk and reward

Small investments (less than £100k) were more successful than larger investments. Larger investments worked better as second round investments

Innovative products and tech products required more upfront costs to develop and were less flexible during the iterative process of launching in schools. Service models were better able to adapt to teacher feedback and student usage and thus found it quicker and easier to reach scale

Early stage enterprises needed more support to spend the investment to reduce the failure rate and make sure the money was used appropriately to grow impact

Revenue Participation Agreements with the ability to adjust the participation percentage based on the growth of the organisations allowed risk to be better managed, given that the upside was limited

Conclusion

In conclusion, there have been calls for more patient flexible instruments in the social investment market. Based on our experience, patience is absolutely key with early-stage social enterprises. The more patient an investor can be, the more likely the organisation is to be able to scale its impact, increase its sales and fully repay its loan. Offering an initial repayment holiday can make a huge difference for an early-stage organisation.

Flexibility added costs, can create confusion and in some cases soured relationships with the investees. An instrument with many options that need to be narrowed down years after investment is just not appropriate for early stage organisations and patient investments. Some flexibility, for example not agreeing the revenue percentage until later in the agreement, or being able to flex that revenue percentage depending on performance - is useful and can increase the chances of the investment being successful. But too much flexibility becomes a distraction from the organisations' primary goal of making as much impact as possible.

Our fund management and support

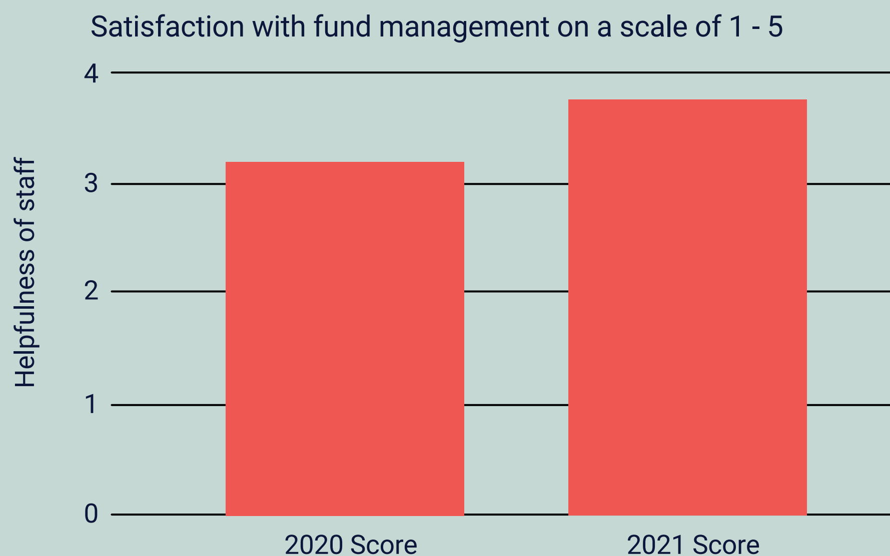
We work closely with our organisations, speaking to all of them once a quarter and aiming to offer them tailored packages of support, ranging from mentors, conversations with advisors, introductions to relevant skilled volunteers, workshops and peer networking within the fund portfolio and our wider community of social enterprises.

Each year we carry out a feedback survey to understand how useful the organisations find our fund management. This year we were pleased to have increased our satisfaction rating.

Feedback given by our investees suggest the following areas to focus on in 2022:

- More peer networking events with a greater range of different formats
- Continue our support of social enterprises' impact measurement to ensure our social enterprises are driving greater social impact
- Provide more support on sales and marketing

Fund management survey



How we work with our investees to improve their social impact

The most important work we do as an impact fund manager is to support our organisations to scale their impact. As funders trying to reduce the attainment gap for disadvantaged students, we need to make sure that the organisations are making an impact on our target group and contributing to closing the attainment gap.

While impact is central to the work we do, we believe that impact measurement and commercial success of a social enterprise should be inextricably linked. Reporting impact shouldn't just be done for a funder such as ourselves, but so that the social enterprise can better hone the quality of its offering and ensure it is reaching the right people with its product and service.

The principles of impact measurement described in this report are:

1. **Proportionality:** Impact measurement data collection should be proportionate to the size, scale and maturity of an organisation. It should aid their scaling, not be a distraction.
2. **Measuring disadvantage:** The Young Academy is working to make a difference on the lives of disadvantaged young people, so while the number of young people reached through the work of a venture is tracked, the percentage of those who are experiencing disadvantage is our primary focus
3. **Three categories of impact on young people:** We group like with like across the fund. We use three categories to examine the different ways that young people are impacted by different organisations (direct and intensive, direct and light touch, and indirect, explored in more detail below). We find that within the groups there are similar approaches and methodologies that can be shared
4. **Progress over time:** The fund tracks impact measurement progress over time; measuring growth in numbers and the quality of impact measurement. Our organisations create their own goals in terms of scale and impact measurement they want to carry out, and we hold them accountable to those goals

1. Proportionality

The Young Academy Investment Fund portfolio contains largely early-stage ventures, who at the time of investment had proved their concept but needed support to scale and grow. Most of our organisations have between one and five employees and their annual revenue range from £50k to £500k a year.

We have met each venture where they are and supported them on their impact journey from that point. We have challenged them to do more, where while still focusing on the stage they are at. For example, one of our investees has been refining their product and only launched at the start of the academic year. For them, the priority was understanding their reach and getting feedback to ensure their product was having an impact. Another organisation with five staff members, including an impact manager, was working on accessing better data to be able to compare the attainment of one group to their control group.

All the organisations are at different stages. Therefore, the data that we collect across the fund from all our investees is ‘light touch’ and simple:

Quantity of young people worked with, and how this increases over time

Proportion of disadvantaged young people worked with, which should be above national averages of disadvantaged young people in school systems as a whole, to ensure that the attainment gap is being closed

Impact of the intervention each organisation makes, and how they are working to improve their impact

2. Measuring disadvantage

The Young Academy’s social enterprises are working towards closing the attainment gap for those who are disadvantaged by the education system. Our core focus is understanding how our ventures reach our target population of disadvantaged young people, not the broader population of young people, although inevitably they are impacted positively through each venture’s work too.

The education sector measures disadvantage in young people in various ways. In schools, the number of students eligible to receive Free School Meals (FSM) and the number of students eligible to receive Pupil Premium (PP) are frequently used. FSM students are from families on a low income, while PP students include all FSM students, those who have been FSM students in the past six years, those in care, and those who have been adopted.

Some organisations also look at other relevant data on students, for example ethnicity or proportions of students with English as a second language, which may be of relevance for their intervention. For simplicity and to allow numbers to be compared at a fund level (and to be compared to the population of England as a whole), we have defined ‘students who are disadvantaged’ as those who are on PP. If there are other indicators an individual venture tracks, those will be analysed by the Young Foundation at an individual venture impact level.

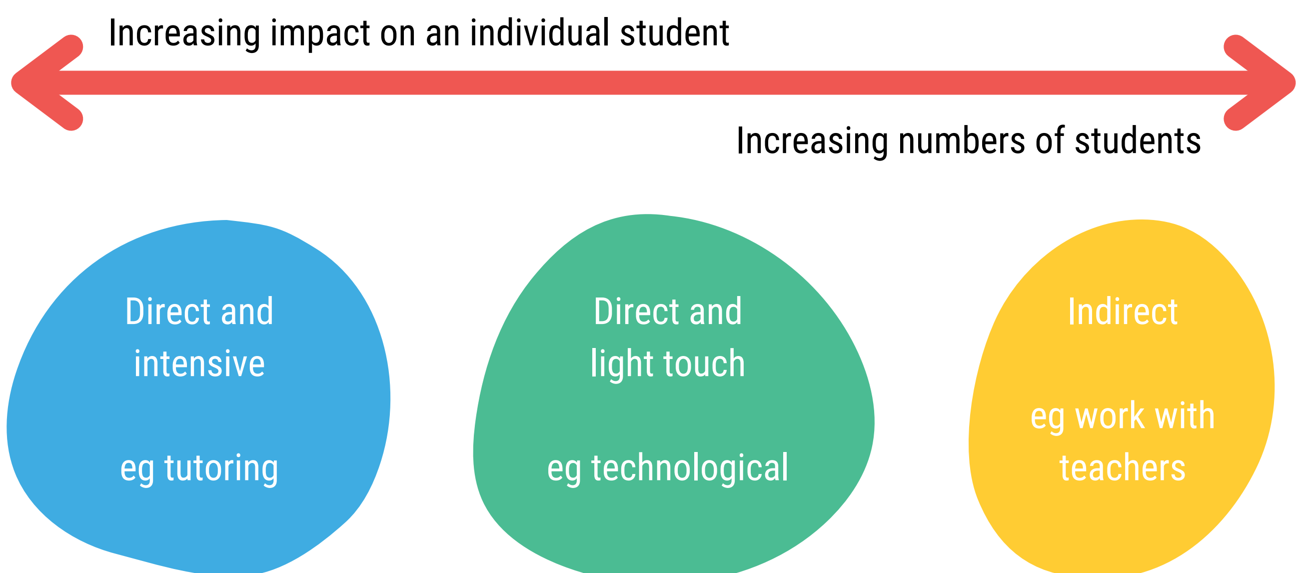
It can be difficult for our investee organisations to obtain demographic data that allows them to pinpoint which students they work with are PP students. This might be because of data protection (GDPR) concerns, capacity constraints at the school, or issues with getting senior leadership sign off. In addition, many schools don’t single out PP students for interventions, but instead offer the service or product to the whole class. If this data can’t be accessed, the average PP numbers for the school are applied as a proxy. However, we recognise that real data on disadvantage would help our portfolio better understand their impact and we encourage our investees to obtain this data where applicable and possible.

3. Three categories of impact on young people

The Young Academy is unusual in having a mix of investments in ed tech, in products and in services that are delivered directly to individual students. It is also invested in organisations that work with teachers and school leaders, rather than directly with young people. Numbers of students worked with and the way in which impact is measured is different in a small group tutoring intervention, for example, compared to a whole school software solution.

The Young Academy considers the impact that our investees have on young people under the three categories shown in the diagram below.

We have selected one organisation from each of these categories to provide impact 'deep dive', which highlight the contrasts between each category.



4. Progress over time

To understand which stage each individual venture is at and to provide them with a framework for developing their impact measurement, The Young Academy uses three levels of impact measurement, growing in sophistication.

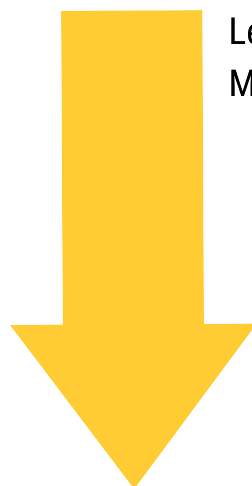
We are most interested in how our ventures grow and develop their impact measurement over time. Impact measurement is a journey of continuous improvement both in terms of improving the quality of the intervention and in terms of improving and learning from the impact measurement approach adopted. Each year we request a forecast to show what improvements will be made in that year in order to track progress during the year.

Level 1:
Measuring engagement

All organisations should be measuring who is using the product and whether it is valued. Through this, ventures understand whether their product is reaching the right audience and understanding how this audience grows over time. A small social enterprise may remain at this level for some time, while they are developing their product.

Level 2:
Measuring quality

Once the entrepreneur has a product that is making an impact they will focus on growth. As they scale, the product should continue to make the same impact on each individual or be refined to increase its impact on the audience. They should be regularly measuring, reporting and improving the quality of the product/service using industry standard practices such as feedback surveys.



Level 3:
Measuring impact

By this stage, social enterprises should be measuring their impact along the scale of Nesta's Standards of Evidence framework to understand objectively how much of a difference they are making. Based on their theory of change, the entrepreneur should have identified their outcomes and be measuring these. There should be clear processes in place to show how impact measurement is expected to improve, and how the intervention can be adapted to increase impact, based on the findings. The entrepreneur should evidence the impact they make.

Challenges with impact reporting in 2021

As well as sharing the success of our ventures, we believe it is useful to share the challenges both the entrepreneurs and we, as impact investors, have faced in impact measurement. While these are specific to our sector and fund, we hope that by sharing our challenges we can work together on solutions.

Online data collection

Partly because of the pandemic but also as part of an ongoing trend, this past academic year was the first time all our organisations provided some aspect of their services online. For some this did not make a difference to how data was collected, because there was still direct communication with the schools and students involved. For others, particularly at the lighter touch end of the spectrum, it meant students or teachers had to sign up directly.

Where the business plan demands high volumes, requiring the student or teacher to provide a great deal of data on registering can prove too high a barrier. Light touch registration processes may increase sign up numbers, but make it harder to capture the level of detail required. For example, understanding whether the intervention is reaching its intended target group of disadvantaged students. Sometimes these details have been captured through inference and estimation, so the numbers provided are less certain.

Where students are targeted directly, without this information on levels of disadvantage, there is a risk that the service could exacerbate the attainment gap; students from more affluent backgrounds are more likely to have the time and resources to access and benefit from the service offering. The best way to mitigate this risk is to continue to approach students through schools, and focus on schools with high levels of disadvantage.

We won't always see growth in impact

Early-stage ventures are often testing new models and ideas, and this happens concurrently. Several business models will be running alongside each other, and these may have different impact stories. What we have found is that as social enterprises mature, they will focus on the most high-impact area of their business that fills a keenly felt need. When this shift from running several connected businesses to focusing on one business happens, then there may well be a reduction in the quantity of young people worked with and a focus on increased impact.

The most important thing for us is to create a safe space for our ventures to report impact openly and honestly.

Impact of our social enterprises in 2020/21 academic year

1.8m students were impacted upon through the word of fund investments last year

This represents a 57% increase on the previous year

We expect the same level growth in the 2021/22 academic year

320k of these students were disadvantaged. Increasing this proportion was a focus for the fund

One third of our organisations are working with above average levels of disadvantaged young people

Forecasts for the current academic year suggest £600k disadvantaged students will be impacted

Direct and Intensive intervention

TalentEd

TalentEd
Tailored tuition to help students grow

'We envisage a world where there is no gap between disadvantaged young people and their better off peers.

To get there, we aim to transform young people's futures through truly excellent tuition.'

What?

TalentEd match retired teachers with young people from disadvantaged backgrounds to boost their confidence, aspirations, and attainment through impactful, tailored tuition.

Who?

TalentEd work with disadvantaged young people in secondary school; focusing on those who were doing well at primary school but haven't met their potential as they approach their GCSEs.

Why?

- Boost academic attainment – good grades are the building blocks for success
- Build their confidence and essential skills - critical for progression, whatever path they choose

Highlights of the past year

Despite all the difficulties of hybrid tutoring and covid related absences, there have been concrete improvements in attainment

- In maths, PP students were almost 10 months ahead of the comparison cohort.
- In English, PP students were almost five months ahead of the comparison cohort. Self-reported improvements in confidence and ambition

Before investment:

Work with 264 students. Numbers of disadvantaged students are not reported

At Level 1 of impact measurement scale

Now (2020/21):

Work with 1,225 students, of whom 49% are disadvantaged

Carry out impact measurement at Level 3

Next year (2021/22):

Target 2,000 students, 75% are disadvantaged

Improvements to student attendance shows impact

Continue impact measurement at Level 3

Direct and light touch intervention

Smart School Councils (SSC)

Smart School Councils Community

Helping every child to engage and lead change in their world

What?

Easy-to-use digital tools to involve pupils in decision-making, social action and developing key skills for life.

Who?

Working with the whole class at both primary and secondary age. The intervention is designed to support those who wouldn't usually engage with school councils and is expected to have most impact on those from low-income households.

Why?

- Involve more young people in democracy by embedding a system of universal voice
- Provide an active and positive first experience of democracy
- Ensure young people with additional needs are over-represented

Before investment:

Delivery was in the form of workshops. Our investment allowed the digital Class Meeting Tool to be developed, kickstarting a new approach

Now (2020/21):

Working with 119,600 students, of whom 24% are disadvantaged

Doing impact measurement at Level 2

Next year (2021/22):

Target 171,600 students, 24% are disadvantaged

Focus on improving impact measurement to Level 3, and increasing the proportion of disadvantage students

Smart School Councils (SSC)

Helping every child to engage and lead change in their world

The Smart School Councils team were so supportive, helping with set up and providing suggested debate ideas to get everything kicked off.

Every Monday morning we have a debate and the students have been really engaged. The best debate of the last year was about Marcus Rashford and racism. It got the students talking about how people get treated differently because of race. They have become a lot better at listening to each other's views and making sure all their voices and opinions are heard.

Next year we are introducing communications and actions teams so that everything is run by the students themselves. We want to use the debates to discuss school issues so that we can understand the students' perspective and give them ownership.

Rizwana Sarwar, teacher at New Bridge College and satisfied client of SSC

SSC's approach for involving all young people in decision-making in their school has started to be used outside the school setting. During Covid, SSCworked hard to create the online Big Debate Club, which took debating out of the classroom and into people's homes.

This provided a new way of canvassing the voice of young people. For instance, a partnership with UK Parliament allowed the voices of school children to be heard in decisions regarding the refurbishment of the Houses of Parliament.

SSC has partnered with local schools for this year's Big Debate Club to allow school children to choose the debate question to be put to the country at large.

East Learning

Outstanding Personal Development for students

'We support schools and colleges to set up an 'Aspirations programme', using novel data on young people's needs, interests and ambitions 'Beyond the Grades' to help schools increasingly tailor and measure the impact of your work.'

What?

East Learning's Aspirations programme and underlying software helps school pupils define and work towards academic, extra-curricular and personal goals, while providing their school with rich data with which to plan wellbeing, careers, and co-curricular provision.
The Aspirations Framework helps school implement personal development plans and sets a pathway for improvement.

Who?

Students at secondary schools.

Why?

- Increased participation in school/college activities
- Drop in absenteeism and disciplinary events
- Improved destinations for leavers
- Increased confidence and optimism for year.

Before investment:

The change management service to schools was run off Google Sheets. Our investment allowed a pilot version of the current software to be developed

Now (2020/21):

36,000 students have been positively impacted, of whom 40% are disadvantaged

Level 2 impact measurement

Next year (2021/22):

Target 75,000 students, 40% are disadvantaged

Focus is on starting to measure the direct impact on students rather than the indirect impact via schools

East Learning

> There is so much data [from the surveys] and we have used it in all sorts of ways. The careers data was really useful for us and we have launched a financial education module for all our students because that is what they said they really wanted.
>
> While the whole country was in lockdown…we immediately identified 12 students who we weren't previously aware of who appeared to be an urgent safeguarding priority.
>
> There was a real feeling from students themselves, even younger students, that students had fallen behind from lockdown and this was fuelling anxiety, which we were then able to address.

Walthamstow Academy

East Learning's product – a set of tools so that schools and teachers can better understand and support the wellbeing and ambition of each individual student - has been particularly useful for schools during Covid and the period's of lockdown experienced last academic year. The quote above really shows how useful their work has been.

East Learning have now created a dashboard for students so that they can review their progress and so East Learning can better understand the impact their coaching and support software has on their students.

The Young Foundation

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