

The review of previous and existing UK strategies/ policies /funds
designed to support social innovation (3.1.1., 3.1.2)



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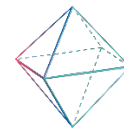
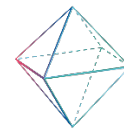


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Introduction

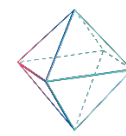
Across the UK nationally and through its devolved nations, a series of policy measures and legislation have been applied both to regulate and support social innovation. This includes regulatory guidelines, funding strategies, capacity building, opportunities for harnessing R&D and transforming public services. In many ways there is an inherent contradiction between some of the defining characteristics of social innovation – in particular, that it should not be “the prerogative or privilege of any organizational form or legal structure”¹ - and the concept of notion application of a legal framework. As observed by Maria Antonieta Nestor in the Cambridge Social Innovation blog, “the law may not always present the best alternatives, because to look for social change and to make social change do not necessarily mean the same thing”² because it perpetuates the notion that innovation is something that impacts on communities rather than being driven by communities. Where legislation and policy can be effective, it is used to create an environment where social innovation is allowed and enabled to thrive.

Other times, it ensures that legal structures are defined in order to regulate the ecosystem more effectively. These structures may be well intentioned but frequently result in an extra layer of bureaucracy that can potentially hinder organisations in their endeavour to make change happen. Where it is explicit, legislation usually conforms to the notion that social innovation is synonymous with social entrepreneurship or social enterprise, thereby framing social innovation within a conventional corporate framework, albeit making a differentiation between companies that are profit-driven and those that ‘do good’, or to encourage impact investment where a degree of positive change is introduced as a key performance indicator rather than simply profit. These measures often introduce tax benefits as to incentivise such practice. Other legislation does not explicitly define itself as an enabler of social innovation, but can more broadly results in an environment in which social innovation can thrive.

This report tracks previous and existing funding instruments, policy, framework and regulations designed to support social innovation across the UK. The findings of this report will help SI Connect to establish its own strategy and areas of activities as well as will help to identify gaps and needs.

¹ Stanford Graduate School of Business definition of social innovation by Sarah A. Soule, Neil Malhotra & Bernadette Clavier <https://www.gsb.stanford.edu/experience/about/centers-institutes/csi/defining-social-innovation>

² <https://socialinnovation.blog.jbs.cam.ac.uk/2018/08/20/the-impact-of-law-on-social-innovation-efforts/>



National Programmes: Big Society

The UK's most explicit attempt to create a social innovation strategy came with the election of a new coalition Conservative/Liberal government in May 2010. It led to a change of direction in third sector policy where the 'Big Society' became a major narrative in the political discourse. The [policy paper](#) which defined its aims explicitly stated its driving ambition to "to put more power and opportunity into people's hands... to give citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want." There were three key objectives:

- ✓ Strengthening and supporting social enterprises to help deliver public service reforms by leveraging private sector investment and finance
- ✓ Stimulating the creation and development of neighbourhood groups and community organisers, particularly in the most deprived areas in the UK
- ✓ Encouraging mass engagement in neighbourhood groups and social actions projects

Unfortunately, the aspiration was not matched by real commitment and within two years the term had been abandoned. An audit of the policy carried out by Civil Exchange (an independent think tank that exists to help strengthen civil society and help government and civil society work better together) concluded that:

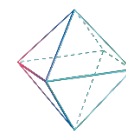
"...despite some genuinely positive initiatives, the Big Society has failed to deliver against its original goals. Attempts to create more social action, to empower communities and to open up public services, with some positive exceptions, have not worked. The Big Society has not reached those who need it most. We are more divided than before."

Explicitly the policy failed to take into account that for it to succeed, it needed to be driven collaboratively, involving those with least power, enabled, not driven by government. It failed to target the most deprived communities and was often perceived as a way for the government to save money and cut back on public services in times of austerity rather than a genuine effort to favour civic society.

Legal and informal definitions

One of the challenges surrounding the mapping of social innovation within any region or country is the nuanced classification of entities that represent elements within the ecosystem. Their precise definitions vary from country to country as does the importance of their role. Some specific examples within the UK include:

- **Community Development Trust (CDT):** many of the CDTs supports such areas as farmers' markets, social care, health promotion or energy production.
- **Community Interest Companies (CICs):** CICs are limited companies, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage.



- **Social Enterprises:** the term is generally applied to any business with a social or environmental purpose, whose profits are re-invested into fulfilling their mission. They empower communities, tackle social problems, and create jobs - particularly for people who are at a disadvantage in the standard jobs market. Importantly, within the UK, the term social enterprise describes the purpose of the business, it is not a legal term.
- **Charity Body:** Under UK Law (England and Wales), a charity is described according to its specific purpose. In Scotland charities are described by law such as Scottish Charity Regulator (OSCR) established under the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act). An organisation can only become a charity if it meets the 'charity test', meaning that it must show it has only charitable purposes and benefits the public and it must also carry out ongoing legal responsibilities 'Charity trustee duties'.
- **Partnerships:** Notwithstanding the above, a great deal of social innovation is derived from different forms of partnerships between entities from the public, private and civil society societies, with a shared agenda or set of objectives. Big corporates often partner with social innovators as part of their CSR strategies. For example, since IKEA Social Entrepreneurship co-created the Dela Accelerator Programme with Ashoka and have since worked with the Yunus Social Business fund to invest in social enterprises in the waste sector in India, while the NESsT Refugee Employment Initiative is focused on creating employment opportunities for refugees in Poland and Romania. At a smaller scale, in Scotland the [Social Innovation Fund](#) in 2018 supported over sixty partnerships between universities, charities, CICs and other social innovation organisations.

Funding

One of the most effective forms of UK national funding is the **National Lottery Community Fund** (formally the Big Lottery Fund) awards money raised through the National Lottery to communities across the UK, working with local groups and UK-wide charities, enabling people and communities to thrive. The National Lottery Community Fund is an executive non-departmental public body, sponsored by the Department for Digital, Culture, Media & Sport. It does not operate projects but allocates funds to organisations which operate projects. As part of the application process for funding, the Fund requires funded organisations to outline the difference that should come about as a result of its funding. The Fund uses several methods to distribute funding. Most of its grants go to voluntary and community organisations which apply within a range of funding programmes. However, in certain cases to meet a specific need, the Fund will also seek applications from organisations with recognised expertise or make a substantial grant to a partner to award funds on its behalf. There has been a degree of criticism of the Fund and an Independent Inquiry carried out in 2021³ concluded that it can be seen to be out of touch with the realities of 'the coalface', and autocratic in its decision-making, and maybe even more concerned with empire building than with supporting the core work of the Fund. The report concludes that the Fund "lacks a single, unifying culture, and instead tolerates a series of micro-cultures which differ significantly depending upon the skills of line management, their

³ <https://www.gov.uk/government/publications/independent-inquiry-on-the-national-lottery-community-fund/independent-inquiry-on-the-national-lottery-community-fund-summary-of-findings-and-recommendations>

position in the structure, their distance from the centre, the length of service profile of the staff and a range of other influential factors”. There are questions surrounding inclusion and diversity and a lack of clarity surrounding its hierarchy and relationships between the Fund, the Ministry and the UK and devolved governments.

In addition to its social mission and closeness to the communities it serves, the fund has also helped to drive social *innovation*. Smaller funds have enabled this to happen more effectively than it might if it was administered centrally. For example, the £14 million **Social Action Innovation Fund** specifically supports the growth of innovations that mobilise people’s energy and talents to help each other, working alongside public services. The Centre for Social Action Innovation Fund (CSAIF) was a partnership between the National Endowment for Science, Technology and the Arts (Nesta), which was itself originally funded through an £250 million endowment from the UK National Lottery, and the Cabinet Office. The fund that it launched supported over 50 organisations across England over five years, helping them to “develop and grow the reach and impact of social action innovations mobilising people’s time, energy and talents to help each other, working alongside public services”⁴. The scheme emerged through Nesta’s experience of driving social innovation and supporting innovators in the field through programmes such as [People Powered Health](#), [Innovation in Giving](#), [Creative Councils](#) and their work on Co-production. Focussing on six specific areas – healthy ageing, long-term health conditions, young people and employability, “impact volunteering” for public services, upskilling the unemployed and digital technology – the scheme backed 52 innovators, evaluated rigorously on their outcomes.

Governments are also keen to take advantage of the emerging prevalence of social investment whereby repayable finance is provided for charities and social enterprises with the expectation of a combination of financial return and social impact. **Social Impact Bonds** are founded on partnerships between outcome payers, service providers and social investors. They tend to be low risk and high return. Instead of funding innovative programs, private capital is backing social programs with a proven track record, often evaluated by publicly funded studies.

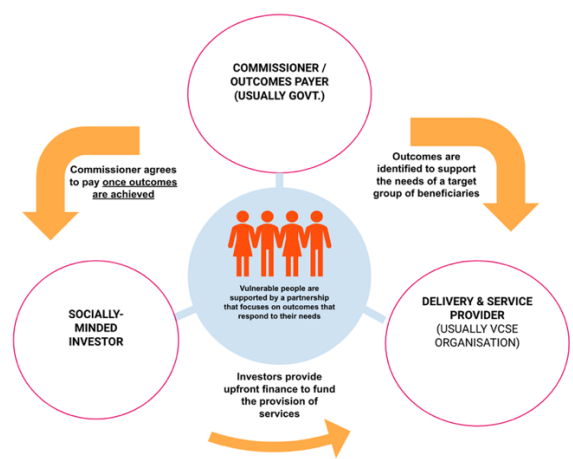
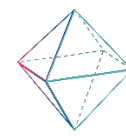


Figure 1: The key partners in a Social Impact Bond - <https://www.gov.uk/guidance/social-impact-bonds>

As illustrated above, the process is overseen by an outcomes payer - usually a government statutory commissioner or group of commissioners, though private organisations have also opted to pay for outcomes in some SIBs. Social issues are identified, and specific measurable outcomes are defined to best achieve

⁴ <https://www.nesta.org.uk/project/centre-social-action-innovation-fund/>



them. The social investor is typically a social investment fund seeking social as well as financial returns. It provides the upfront funding to a service provider to finance a service designed to achieve the commissioner's outcomes. The service provider is often a social enterprise or charity organisation. It works with the target group to deliver the outcomes defined by the outcome payer. It receives payments from investors based on the achievement of specified outcomes. The investment is repaid by the statutory commissioner only once the specified outcomes have been achieved. Other organisations such as intermediaries, consultants, performance managers or evaluators may also be involved. There now exist over 30 SIBs across the UK, supporting tens of thousands of beneficiaries in areas like youth unemployment, mental health and homelessness. However, some observers have cautioned that while SIBs may foster innovation "it is unclear if they deliver better value given the complexity of public services"⁵. They also underline the strategic ambiguity of SIB as a policy tool and because of their "contractual complexity and issues with ethics, governance, accountability and transparency"⁶. A report by the Government Outcomes Lab⁷ found that impact bonds have the potential to "overcome perennial challenges in government which are: the fragmentation of public services, a short term political and financial focus, and difficulty creating change". Although they may be costly, so long as the target is well-defined, the outcomes-based approach and the intervention of the investor help to ensure performance.

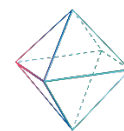
Where funds work best, they seek to empower local communities so that they can determine their own development. Within Scotland, the **Empowering Community Programme** has developed streamlined communities funding delivered as part of the Empowering Communities Programme. The funds available reflect Scottish Government's commitment to investing in communities so that they can develop the resources and resilience to decide their own aspirations, priorities and solutions in response. The fund supports Scotland's most disadvantaged or fragile communities to tackle poverty in all its forms on their own terms. The fund also helps to meet targets as set out in the [child poverty delivery plan](#) and to underpin the [Place Principle](#) by encouraging more joined up collaborative approaches to services and assets to achieve better outcomes for people and communities. There are two specific funds:

- Investing in Communities Fund, which replaces five previous funds 2018-2019: The People and Communities Fund, the Strengthening Communities Programme, the Community Choices Fund, the Making Places Initiative, the Fair Food Transformation Fund. supporting organisations based in the places they serve delivering activity across all four of the following areas for action, that reflect the strategic context:
 - [tackling poverty and inequality, including child poverty](#)
 - [developing and sustaining place based approaches](#)
 - [community-led regeneration](#)
 - [ensuring a just transition to net zero](#)
- The Aspiring Communities Fund is a £24.8 million fund aimed at helping community bodies and third sector organisations in Scotland's most deprived and fragile communities develop and deliver long-term local solutions that:
 - address local priorities and needs
 - increase active inclusion

⁵ Stefanie Tan, Alec Fraser, Neil McHugh & Mildred E. Warner (2021) Widening perspectives on social impact bonds, Journal of Economic Policy Reform, 24:1, 1-10, DOI: 10.1080/17487870.2019.1568249

⁶ Ibid

⁷ <https://golab.bsg.ox.ac.uk/knowledge-bank/resources/evidence-report/>



- o build on the assets of local communities to reduce poverty and to enable inclusive growth

Although the scheme has been widely applauded, a report from the Joseph Rowntree Foundation has concluded that “the statutory sector has largely failed to respond to the community agenda and there is little evidence of community influence over budgets, service delivery, prioritisation of issues and general bending of mainstream services to reflect the partnership process”⁸.

Regional Support – support for Social Innovation within Scotland

A recent report by NESTA⁹ concluded that “Scotland has some of the most progressive laws and ambitious social policies of any UK nation and many European countries. But too often these noble aims fall short of solving the problems we face as a nation at an operational level”.

National Strategies

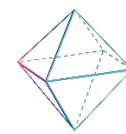
Scotland has developed a series of national strategies explicitly aimed at supporting the social economy, specifically through support and governance of social enterprises. These strategies have evolved significantly over the last seven years:

- 2016: [Scotland's Social Enterprise Strategy 2016-2026](#) A ten-year, national social enterprise strategy, which sets out our shared ambitions for social enterprise in Scotland, jointly developed with the sector. Its main objectives were to:
 - ✓ stimulate entrepreneurship
 - ✓ strengthen organisations
 - ✓ realise market opportunities
- 2017: [Building a sustainable social enterprise sector in Scotland:2017-2020](#) The plan set out 92 actions that included expanding Scotland’s schools programme, doubling seed funding and extending Scottish community shares programme.
- 2019: The Social Enterprise Census (completed every 2 years)¹⁰ recorded that:
 - ✓ there are 6,025 social enterprises operating across Scotland (a net increase of 425 in the last two years)
 - ✓ the social enterprise workforce exceeds 88,000 people and is 65% female
 - ✓ the social enterprise sector contributes £2.3 billion to the economy
 - ✓ the highest densities of social enterprises are in the Highlands and Island
- 2021: [Inclusive Growth through social enterprise](#) Summary of the key actions planned(during the next three years):

⁸ <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/2157-community-wales-empowerment.pdf>

⁹ <https://www.nesta.org.uk/blog/improving-social-innovation-in-scotland/>

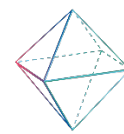
¹⁰ <https://socialenterprisecensus.org.uk/wp-content/themes/census19/pdf/2019-report.pdf>



- ✓ Double the funding to **£2m** over **3** years to ensure that by 2024 every school child will have the opportunity to engage with a social enterprise project in their school career, introducing the benefits of the social enterprise model to young people across Scotland.
 - ✓ Invest an additional **£1.5m** to build on the successful programme of support offered through Adapt and Thrive which helps community organisations wanting to diversify their income streams.
 - ✓ Create the conditions where place-based social enterprise activity and communities can flourish, through enhanced promotion, developing capacity, and funding.
 - ✓ Build on wider changes in consumer behaviour accelerated since the pandemic, supporting new initiatives that inspire and encouraging more entrepreneurs across Scotland to consider the social enterprise approach.
 - ✓ Support new opportunities to unleash the passion of Scotland's social innovators through a new **£30m** loan fund, supporting pioneering solutions and alternative delivery models
 - ✓ Work with sector partners and national agencies to enhance the national ecosystem of support for new-start social enterprises and a pipeline of support throughout their journey.
- 2021: The Social Enterprise Census (completed every 2 years)¹¹ recorded that “each social enterprise in Scotland benefitted an average of 434 people”. However, it also revealed an increase in business support needs that have clearly been greatly affected by the pandemic.



¹¹ <https://socialenterprisecensus.org.uk/wp-content/themes/census19/pdf/2021-report.pdf>



Policy/Regulatory Frameworks

An integral element for the evolving social innovation ecosystem is the empowerment of citizens. Scotland has witnessed increasingly rapid acceleration in policy and regulatory frameworks that help citizens take control of their environment and communities:

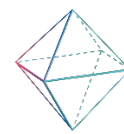
- **The 2003 Land Reform Scotland Act** -established a statutory framework of public access rights to most land and inland water. [More](#)
- **Audit, Investigations and Community Enterprise Act 2004** to consider the eligibility of CICs.
- **Co-operative and Community Benefit Societies Act 2014** to consolidate certain enactments relating to co-operative societies, community benefit societies and other societies registered
- **LEADER 2014- 2020 on rural Scotland**: the EU funded LEADER programme for rural communities aims to support local rural communities and business networks to build knowledge and skills, and encourage innovation and cooperation in order to tackle local development objectives
*[evaluation report](#)
- **Community Empowerment (Scotland) Act 2015**: helps to empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services. There are 11 topics covered by the Act: [Community Empowerment \(Scotland\) Act: summary - gov.scot \(www.gov.scot\)](#)
- **The Participatory Budgeting Charter for Scotland 2019**: allows communities to take control of some aspects of local government spending
* [charter](#)

Funding

Of course, social innovation remains largely dependent on public funding and since BREXIT, many opportunities have become unavailable to communities in Scotland (in particular ESF). A UK “[Shared Prosperity Fund](#)” has been introduced as a central pillar of the UK government’s post-BREXIT Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula rather than a competition. It aimed to help places right across the country deliver enhanced outcomes, recognising that even the most affluent parts of the UK contain pockets of deprivation and need support. However, the Institute for Fiscal Studies criticised the Government for devising “an arbitrary, poorly designed, out-of-date funding allocation mechanism”. It was also criticised for introducing a single UK-wide framework administered by the UK government rather than giving autonomy to the devolved governments.

Within Scotland, there are nevertheless a number of funds which continue to support social innovation, although most of it is limited to supporting social enterprises:

- **The Scottish Government’s Community and Renewable Energy Scheme (CARES)**: offers a range of financial support to local energy projects.
- **the [Just Enterprise](#) programme**, which provides tailored business support to social enterprises and entrepreneurs (£5 million from 2014 to 2018)



- [Impact Funders Partners](#) works with the third sector, public sector, private companies and individual donors to create social, environmental and economic impact.
- the [Developing Markets for Third Sector Providers](#) programme, through which the Ready for Business consortium provides support for public social partnerships (PSPs) and the implementation and use of Community Benefit Clauses (£3.5 million from 2014 to 2018)
- the [Social Growth Fund](#) delivered by **Social Investment Scotland (SIS)** which offers access to loans for social enterprises (we have allowed SIS to use £8 million in repayments from 2014 to 2016 to loans from the Scottish Investment Fund)
- [Firstport](#) which provides support to new and emerging social entrepreneurs to set up and run a business with a social or environmental purpose. Since 2009, they have provided Firstport with £5m in order to deliver the [Social Entrepreneurs Fund](#)
- [The Innovation Fund \(TIF\)](#) is, a collaboration between the Scottish Government and venture philanthropy, The Hunter Foundation (THF). Up to £1 million will be invested in up to ten organisations the support ambitious work tackling child poverty.
- [Foundation Scotland's Social Investment fund](#) is a unique type of funding designed to support social enterprises and charities and enable them to grow and deliver positive social impact. The investment provided is a unique form of blended finance, a combination of grants and loans.
- [Social Investment Scotland](#) is a social enterprise and charity offering loan funding and business support for social enterprises, charities and community groups.
- [The Social Enterprise Just Transition Fund \(SEJTF\)](#) – managed by Social Investment Scotland) is aligned to the Scottish Government's Just Transition outcomes, a commitment that will support projects in Aberdeen City, Aberdeenshire and Moray.

Conclusions

- Social innovation exists in public policy discourse, however, despite the presence of a range of policy/regulatory frameworks and funding instruments there is lack of common understanding of the term social innovation in political and policy discourse. Social innovation is used interchangeably in related activities such as social investments, social finance, social economy etc. This inconsistency makes reviewing and understanding of different strategies and policy relevant to social innovation challenging.
- Despite of the lack of conceptual clarity, social innovation in Scotland can be considered as a response to social economic and environmental challenges
- There are areas where the market economy is weak: remote rural communities or heavy industry and where Government funds have been constrained.
- Many social innovations are not labelled as such, which makes it challenging to map effectively.
- NESTA has identified three major challenges to improving social innovation within Scotland: “recalibrate our attitude towards risk, change how we communicate and think about the collective challenges we face and create more safe spaces for experimenting and testing possible solutions to social problems”.¹²

¹² <https://www.nesta.org.uk/blog/improving-social-innovation-in-scotland/>