



# **An Assessment of Social Incubator Fund Outcomes**

**Final Report to Cabinet Office (Executive Summary)**

**23 September 2016**



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# An Assessment of Social Incubator Fund Outcomes

## Final Report (Executive Summary)

A report submitted by [ICF Consulting Services](#)  
in association with the [Centre for Business in Society \(CBIS\)](#), Coventry University

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## Document Control

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## Executive Summary

HMG has a longstanding commitment to support the growth of the social economy. To achieve this aim, several major initiatives have been launched in the UK over the past few years. The **Social Incubator Fund (SIF)** was launched in 2012 in order to help drive a robust pipeline of start-up social ventures by increasing focus on incubation support, and attracting new incubators into the market. The launch of the SIF should be seen in the context of a number of other initiatives designed to improve both the supply of and demand for social investment. They include: the creation of **Big Society Capital**; the £10 million **Social Incubator Fund** which was launched as part of the **Government's Investment Readiness Programme** to support social ventures; and the **social investment tax relief** which was introduced to give individuals and organisations who invest in social organisations a reduction of 30 per cent of that investment in their income tax bill for that year<sup>1</sup>.

A total of ten incubator programmes were supported by the SIF: (1) Bethnal Green Ventures (BGV); (2) Big Issue Invest (BII); (3) Dotforge Impact (DI); (4) Health Social Innovators (HSI); (5) Hub Launchpad (HL); (6) Seedbed; (7) Cambridge Social Ventures (CSV) (formerly Social Incubator East); (8) Social Incubator North (SIN); (9) Wayra UnLtd (WU); and (10) Young Academy (YA).

A key objective of SIF was to help promising social ventures develop the skills and capacity they need in order to grow and better serve people and communities most in need. Over the longer term, social incubation and support will generate social benefits and strengthen the growing social investment market, notably by:

- improving the quality and number of early-stage social ventures;
- improving signposting between social investment intermediaries for early-stage social ventures, thereby enabling them to secure further investment if appropriate; and
- increasing the number of social investors making investments into early-stage social ventures.

### Typology (or typologies) of social incubators supported under the SIF




































SIF programme characteristics were assessed across several dimensions, notably: (1) programme strategy; (2) partnership structure; (3) service offer or package of support provided to social ventures; (4) target clients; and (5) social outcomes. For each programme dimension, incubators were classified into distinct categories. This classification was informed by the degree of commonality in programme attributes.






The different categories are outlined in Table ES1.1 below. The categorisation indicates that:

- **Most SIF programmes were 'regional'**, targeting social ventures in specific locations.
- **Most SIF programmes were established and run by private sector partners.** Prominent partner organisations across programmes included (but were not limited to) large multinationals (e.g. healthcare, telecommunications), financial institutions, professional services providers, small to large research companies, technology companies, social enterprises and charities.
- **Most incubator support programmes were offered to social ventures free of charge**, though a couple of programmes levied charges for some of their support packages.
- **Investment models varied across programmes.** Common approaches included the provision of: equity, quasi-equity, debt finance, convertible debt and bridge financing.
- **Most programmes targeted both start-up and established social ventures.**
- Although all of the programmes helped drive social change through their support to social ventures, **some programmes focused on driving better outcomes for targeted groups – such as vulnerable groups – while others focused more on the local community as a whole. Most programmes fell under the latter category.**

<sup>1</sup> ICF (2014) A map of social enterprises and their eco-systems in Europe. Country Report: United Kingdom.

Table ES1.1 Typologies of social incubators

Programme dimension	Typologies	Definition	Associated programmes
Programme strategy	Regional	Adopt a localised' approach to incubation support	  
	Sectoral	Focus on specific social causes (e.g. poverty, lack of education, etc.)	  
	Technological	Encourage the use of technology to deliver solutions to social problems	  
Partnership structure	Public-private	Delivery of programme by both public and private sector partners	  
	Partnership	Delivery of programme by private sector partners only	    
Business support	Restricted access	Restrictions on either the amount of support offered or the extent to which support is offered free of charge or both	  
	Flexible access	No restrictions apply	    
Financial support	Equity	Purchase of share capital; funders entitled to an equity stake in each social venture	 
	Quasi-equity	Funder entitled to a percentage of the social ventures' future revenue streams	 
	Debt finance	A fixed sum of money is lent for a certain period of time at an agreed level of interest	  
	Convertible debt	Investment is initially made as a loan which can be converted, in whole or in part, to an equity investment in later stages	  

Programme dimension	Typologies	Definition	Associated programmes
	Bridge financing	Provision of 'interim' financing until ventures are able to obtain permanent financing in later stages of the programme	
Target clients	Start-up	Only start-up ventures are eligible to enrol	
	Mixed	Both start-up and operating ventures are eligible to enrol	
Social outcomes	Targeted impacts	Specific groups are targeted	
	Community-wide impacts	No specific groups are targeted	

Source: ICF consultation with social incubators; in-depth review of programme business plans

### Effectiveness of the 'social incubator' model

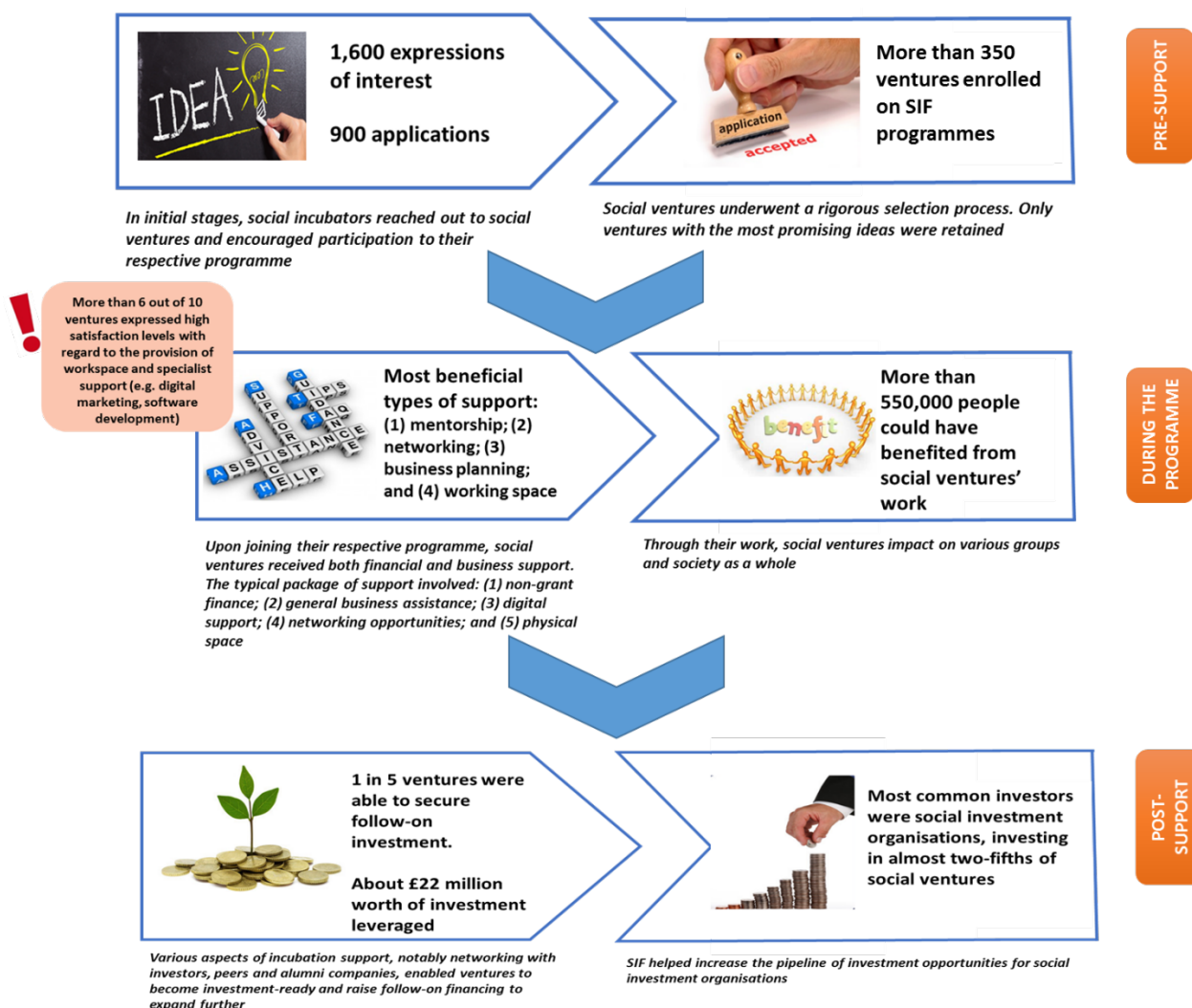
SIF's key objective was to help support a robust pipeline of start-up social ventures into the social investment market, by increasing focus on incubation support (i.e. increasing the amount of technical and financial support available), and attracting new incubators into the market.

Social incubators, funded through SIF, focused on supporting early-stage social ventures. They provided the incubation support to ventures required to set up or grow their business. The package of support offered by social incubators typically consisted of both financial and specialist business support and was aimed at enabling ventures "investment-ready," i.e. acquire the skills and organisational infrastructure they need to raise follow-on investment in the longer term and expand into sustainable businesses.

The extent to which SIF has met this objective is principally evidenced through the type of support offered to social ventures, including elements of support that were most relevant to their development or growth, and the outcomes realised, notably: the level of engagement with new investor organisations and the scale of follow-on investment SIF helped leverage.

Figure ES1.1 highlights key results delivered by SIF programmes at pre/during/post support stages.

Figure ES1.1 Key results delivered by SIF programmes



Evidence from the social venture census indicates that the package of support offered by social incubators is fairly uniform across programmes and predominantly focused on the provision of:

- **General business assistance**, in particular, help with business modelling/planning, sales and marketing strategy; and cost/pricing model.
- **Digital and technical support**, in particular, advice and support with digital marketing (e.g. via social media).
- **Networking opportunities**, which mainly involved help with identifying or making contact with mentors; peers/alumni; and potential investors.
- **Physical space**, including premises, hot-desking space or co-working space.

Social ventures expressed high levels of satisfaction with regard to the support they accessed via SIF. In particular:

- **Mentorship, networking, business planning and working space featured among the most useful elements of support accessed by social ventures.** One-to-one mentoring was particularly valued, along with regular engagement with peers, alumni networks and prospective investors.

- **Satisfaction levels were particularly high among ventures that accessed physical space as part of their programme.** Almost three-quarters of social ventures were either satisfied or very satisfied with this aspect of their programme.
- **Social ventures were generally praiseworthy of ‘specialist support.’** This particularly included: (1) digital marketing; (2) software development; (3) development of a social impact model; and (4) development of a viable sales and marketing strategy. More than six out of 10 social ventures expressed high levels of satisfaction when prompted about each type of support.
- **A majority of social ventures were also satisfied with the terms and amount of financing they received as part of their respective programme.**

**In addition, it was found that, the combination of seed capital and incubation support was important to the development and expansion of early-stage ventures.** Financial data (or ‘open data’) from social incubators shows that demand for incubation support was high. SIF programmes generated nearly 1,600 expressions of interest and 900 applications over the period 2013-2015. More than 300 ventures enrolled on SIF programmes<sup>2</sup>.

**Evidence from our survey of social ventures indicates that more than six out of 10 ventures would not have been able to set up a business without SIF support, or it would have taken them longer to do so in the absence of support<sup>3</sup>.** Rapid expansion was attributed by social ventures to specific forms of support that they received as part of their enrolment on a SIF programme, including:

- increased networking opportunities;
- enhanced access to seed funding;
- improved sector knowledge;
- quicker solutions to resolve business problems; and
- increased opportunities for product development.

SIF also sought to ensure that early-stage social ventures were sustainable over the longer-term – i.e. beyond their respective programme – by helping them secure follow-on investment. **Evidence from our survey and qualitative research with social incubators indicates that most SIF programmes focused on the provision of networking opportunities, especially with prospective investors.**

**One in five ventures indicated that they were able to secure follow-on financing after joining their respective SIF incubator programme.** For most of these ventures, follow-on investment was primarily sourced from social investment organisations (e.g. social investment finance intermediaries).

**Additionally, among this sub-group of ventures, about two-fifths indicated that the package of support they received as part of their respective programme proved effective in helping them obtain follow-on investment.**

The ‘open data’ corroborates findings from the venture census and indicates that most programmes focused on organising “demo days” that allowed ventures to engage with investors. **Data available for six programmes<sup>4</sup> shows that more than £12 million worth of follow-on finance has been accessed by social ventures.**

<sup>2</sup> Based on the number of contacts for social ventures provided by each incubator

<sup>3</sup> Based on the social venture census, whereby 77 per cent of ventures indicated that they would not have been able to set up their business or it would have taken longer had they not received support from their respective programme

<sup>4</sup> The six programmes are: Wayra UnLtd, Social Incubator North, BGV, Hub Launchpad, Health Social Innovators, Cambridge Social Ventures (previously Social Incubator East)