No Going Back

State of Social Enterprise Survey 2021

Social Enterprise UK

Supported by BARCLAYS

Acknowledgements

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Front Cover: Connection Crew - a social enterprise providing careers in crewing
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Foreword From Social Enterprise UK

When we published the last State of Social Enterprise Survey, Capitalism in Crisis?, none of us could have predicted that our society and economy would face one of its greatest peacetime crises less than 18 months later. The COVID-19 pandemic has made us reconsider many things, from the importance of our public services to the role of the state in our economy. Yet, one area that seems to have gone through the crisis without much consideration is the performance of British businesses.

In many ways, the pandemic has shown the best of British business. Companies across the country have stepped up to support their staff, provided donations to local charities and offered to give up their premises for local projects.

However, it does beg the question: Why does it take an unprecedented medical emergency to get the best out of our businesses? Why can't businesses act as they did during the national lockdowns every day and without the need to be persuaded or incentivised to do so? Why can't we have businesses that put society first? Why can't this be our new normal?

This year's State of Social Enterprise Survey shows that social enterprises have not changed their approach over the past year, unlike other parts of our economy. It has acted the way it has always done, driven by its values and a desire to do what is – in the long term – in the interests of people and the planet.

Therefore, it is no surprise that this year's survey has found social enterprises doing what they can to help their communities get through COVID-19, to hire and retain as many staff as possible and to take steps to reduce their carbon emissions. This is not a one-off but a trend that we have charted through every single State of Social Enterprise Survey.

Social enterprises have shown that their model can work in the toughest of times, in the toughest places and in every part of our economy.

The Government should also take note that social enterprises have done all this without drawing on as much support as private businesses. They have put their money where their values are.

This is not going to be the last major challenge that we face. This year, the 26th United Nations Climate Change Conference takes place in Glasgow.

It is a cliché, but nonetheless true to say that it is the most important conference in our planet's history. It is perhaps our last chance to reduce our carbon emissions to avoid the worst of climate change.

While all the focus has been on political leadership, business leaders have gone under the radar. COVID-19 has shown that when major challenge presents itself, some businesses will rise to the occasion. With the climate emergency we cannot wait until the last minute and we cannot rely only on a proportion of good businesses.

We need an economic template that we can build our future around. This year's survey has strengthened my belief that social enterprise can be that model.

I hope that after reading this report, you'll come to the same conclusion.

Lord Victor Adebowale CBE
Chair, Social Enterprise UK


Lord Victor Adebowale - Chair, Social Enterprise UK

Foreword from Barclays

Supported by BARCLAYS

Businesses across the spectrum have been tested to their limits during the pandemic, and demonstrated ingenuity, resilience and community spirit at a scale that we have not witnessed in our lifetimes. The standout performer though, by far, has to be the astonishing growth of the social enterprise sector. This report demonstrates that, despite the challenges of the past 18 months, social enterprises have grown in number, grown in value, grown in diversity and grown in their impact on society. Indeed, if anything, the last 18 months has accelerated their rise – as many of us needed support, social enterprises and their founders have risen to our aid.

Diversity of these organisations continues to increase with more women and people from black, Asian and minority ethnic backgrounds more likely to be running start ups in this sector. Social enterprises are also having an impact on levelling up, with 23% of business scaling and creating jobs in the most deprived areas of the UK. We're hoping we can help these organisations and, through our Barclays LifeSkills programme, help build employability and skills in these communities, and thereby tackle one of the biggest challenges all businesses face at the moment – access to skilled employees.

I was particularly interested to see the increase in exporting (over one third of respondents trading internationally) and the volume of businesses offering a new product or service over the past year (three out of five). It's this ability to innovate, be flexible and change that is the key to social enterprises being able to do so much good, whilst creating so much value, in such a fast-changing world.

Many societal and environmental challenges are only set to intensify, and we believe social enterprises hold many of the answers. This makes them the future of business in many areas. At Barclays, we are proud to support this vital report from Social Enterprise UK. It tells the unfolding story of a crucial sector, and we will be looking carefully at the changing needs of these businesses to make sure we are offering the right advice, products and services to them. We want to be the partner of choice for these businesses because we know they're destined to do great things in our society, and we'd love to be part of that story.

Hannah Bernard
Head of Business Banking, Barclays

Contents

State of Social Enterprise 2021 Executive Summary

Social enterprises deliver economically, environmentally and socially. They are a growing part of the business sector, contributing across all areas of our economy and society. Every two years, this survey explores how social enterprises are growing financially, delivering economic and social impact, and providing leadership and solutions to social and environmental needs.

Economy

47% of social enterprises are under five years old

44% of social enterprises grew their turnover over the last year

74% made a profit or broke even last year

66% of social enterprises introduced a new product or service in the last year

NEW

Society

47% of social enterprises are led by women

72% of social enterprises said that they were a Living Wage employer

31% of social enterprises have directors from Black, Asian and Minority Ethnic backgrounds

22% of social enterprises operate in the most deprived areas of the UK

Environmental

84% of social enterprises believe that buying products that are socially responsible and environmentally friendly is as important – or more important – than cost

20% of social enterprises are addressing the climate emergency as part of their core social/ environmental mission

67% of social enterprises have or plan to embed tackling climate change/climate emergency into their constitution/articles of association

Economic dynamism

Twelve years of research by SEUK has shown that social enterprises are growing in number and size. There has been a significant increase in start-ups over the last year, and social enterprise has proved remarkably resilient in the face of acute challenges caused by the COVID-19 pandemic. Social enterprises are more optimistic about growth, more likely to be planning to hire staff, and more likely to be creating new products and services than the rest of business – and particularly likely to be achieving growth in the most deprived parts of the country.

Key Findings:

Resilient

Compared to the rest of business, social enterprises have proved remarkably resilient throughout the crisis – with 44% reporting increased turnover and 35% reporting decreased turnover (compared to an 18% increase and 56% decrease for the rest of business).[1]

Growing In Number

The proportion of social enterprises established within the last three years has steadily increased since 2017 from 25% to 34%. There are proportionally far more social enterprise start-ups than start-ups in the rest of the business community: 47% of social enterprises are under five years old compared to 10% of SMEs.[2]

Diversity is increasing – women and people from racialised communities[3] are more likely to be running start-ups now compared to previous surveys.

A higher proportion of respondents are community interest companies (CICs) (39% cf. 23% in 2019), and there has been a record-breaking increase in the number of CIC registrations since the pandemic.

Scaling Up

Social enterprises are showing that they can achieve scale, with a higher proportion getting larger (4% have over 250 staff, compared to 2% in 2019). Also, the growing rate of start-ups indicates that this is not only a dynamic part of the economy but one that is expanding its market share.

Creating Jobs

Staff numbers are increasing – three in five organisations (61%) expect their workforce to grow in the next 12 months, which is a significantly higher proportion than in 2019 (49%) and 2017 (38%).

Exporting

Exporting has increased significantly from 17% in 2019 to 22% in 2021, with 41% of social enterprises in Scotland and 32% in London trading internationally. Specifically, 16% of organisations export to the European Union (EU)/European Free Trade Association (EFTA)/ European Economic Area (EEA), and 15% to markets outside the EU/EFTA/EEA.

More Innovative

Three in five social enterprises have created a product or service new to them and two in five have created products or services new to the market – this is significantly more than the rest of business.

1 The Government small business survey was conducted between September 2020 and April 2021. SOSE was conducted between February and April 2020. https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

2 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

3 The survey questions use the term 'racialised communities' and break down race/ethnicity into categories aligned to the 2021 UK census. Unless referring to a specific ethnic group, this report uses the term 'racialised communities' to refer to respondents who identified directly with this term in their responses – and to refer to responses to specific race/ethnicity questions with 'White British' and 'White – Other' options excluded. Previous SOSE surveys have used the term Black, Asian and Minority Ethnic, abbreviated to BAME.

Social Justice

The pandemic has highlighted many cracks in our society and economy, and social enterprises have demonstrated how business can do far more than generate wealth for a minority. Social enterprises are reinvesting their profits into delivering their mission, engaging with the most deprived and marginalised people and communities, and they do so while providing better quality jobs and more inclusive leadership and teams.

Key Findings:

Levelling Up

22% of social enterprises operate in the most deprived areas of the country and these social enterprises are thriving, with higher turnovers than average in these areas. This contrasts with charities, which are less likely to be present in the poorest parts of the country, and those that are in these areas are less likely to be as financially strong as counterparts in more affluent locations.[4]

Creating Local Opportunities

On average, 85% of social enterprise staff are drawn from the local community. Social enterprises working in the most deprived areas have a higher proportion of their staff drawn from their local area compared to those working in the least deprived areas, spreading opportunity within local communities.

Female Leadership

83% of leadership teams include a woman and 47% of social enterprises are led by women. This is far higher than other forms of business – only 6% of FTSE100 companies have female CEOs and only 18% of SMEs are 50%+ owned by a woman.

Good Employers, Inclusive Jobs

Social enterprises are far more likely than other businesses to invest in training (81%, compared to 43% of business as a whole offering training) and to offer flexible working options (83%, compared to 68% of all businesses).[5]

Business Solutions To Social Need

More social enterprises are working with individuals facing disadvantages – 85% compared with 73% in 2019.

There is a significant increase in the proportion of organisations whose mission is improving mental health and wellbeing. The most cited disadvantaged groups to which social enterprises provide services or benefits are individuals with mental health problems (32% – compared to just 19% in 2019).

4 https://www.thinknpc.org/resource-hub/where-are-englands-charities/
5 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

Environmental responsibility

Social enterprises are defined as businesses with social and/or environmental missions – but as understanding of the climate emergency grows, it is clear that social justice cannot exist without environmental justice. And social enterprises are responding to this.

Key Findings:

Taking The Lead In Tackling The Climate Emergency

We asked whether social enterprises include tackling the climate emergency in their organisation's mission.
One in five social enterprises (20%) addresses the climate emergency as part of its core social/environmental mission.

Putting Their Money Where Their Values Are

The vast majority of social enterprises are factoring in the environmental impact of their supply chains when developing their business. 84% believe the social and environmental friendliness of products is as or more important than cost, compared to 75% in 2019.

Holding Their Business Accountable For Climate

A third of all organisations (35%) reported that they have embedded tackling climate change/climate emergency into their constitution/articles of association. A further third (32%) reported having plans to or are considering doing so. At a time when many companies are discussing their proposals to tackle climate change, social enterprises are prepared to hold themselves formally accountable for their actions.

Introduction

This report presents findings from the State of Social Enterprise Survey 2021. Since 2009, this survey has been the largest, most credible, most comprehensive and most representative survey of social enterprises in the UK.

The survey aims to expand the existing evidence base and provide a clear picture of how social enterprises are performing. As in previous years, it does this in four main areas:

Scale and scope:

This section looks at the various types of social enterprise, such as start-ups and more well-established social enterprises, where they are located and their geographical reach, the economic sectors in which they work, and their scale.

Markets and money:

This section considers how social enterprises are performing as businesses in different markets, their income sources, and whether they are growing, profitable and optimistic for the future.

People and purpose:

This section reviews social enterprises' aims, who they seek to support and employ, their leadership, and the change they are making.

Barriers and enablers:

This section looks at what is helping and hindering social enterprises from achieving their goals, with a particular focus on finance.

Reflecting the enormity of the COVID-19 crisis, we added one-off questions to the 2021 survey on crisis responses. We have also modified environment-related information to allow for additional analysis and comparison, and we have added additional information about staff and leadership demographics to explore diversity data in more detail than has been possible in the past.

Community Wood Recycling p.60

Methodology

With the financial support of Barclays, SEUK commissioned BMG Research to conduct the State of Social Enterprise Survey 2021. BMG Research conducted fieldwork and initial data analysis. A total of 890 responses were gathered via telephone interviews and online surveys between February and April 2021.

Process And Reporting

The survey team used the relationships and networks available to Social Enterprise UK to identify sample sources, develop the sample frame and obtain contact data. The sample frame consisted of SEUK members and databases, and members of related social enterprise networks and organisations, specifically, Co-operatives UK and UnLtd. The sample frame was further enhanced by other relevant organisations encouraging their memberships to participate in the survey.

This data collection exercise provided a total potential dataset of 10,449 unique social enterprise contacts. The survey team then applied a three-step approach: a telephone survey in instances where contact numbers were available (468 completed) and an online version of the survey, accessed via unique links sent first to all remaining contacts with email addresses – and secondly to contacts who opted-in via a Google form promoted by SEUK and partners, in addition to the initial dataset (422 completed).

In total, 890 interviews were completed. As the networks from which data was obtained were diverse, taking in a wide variety of organisational forms, legal forms and objectives, a two-step filter was applied to ensure that the sample sufficiently reflected the social enterprise landscape.

In most cases, the individual who undertook the survey was the person in day-to-day control of the business or responsible for the business finances. In most cases, this was the owner, managing director or CEO (65%), but also other directors or managers.

While sharing the common objective of achieving social / environmental outcomes through business, social enterprises are dynamic and comprise very small to large organisations with hugely diverse objectives. Social enterprise also includes organisations of varying legal forms, including companies limited by guarantee (CLGs), industrial and provident societies (IPSs), community interest companies (CICs), companies limited by shares (CLSs) and charities, which all fall within the scope of this survey.

The scope of the survey included organisations that defined themselves as a social enterprise (i.e. that they agreed that their business has ‘primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners’).

We have presented results rounded to zero decimal places, which may mean that some percentages may not amount to exactly 100%. Some questions have multiple answers, so responses in these cases make up more than 100%.

We have compared findings from other relevant surveys under full acknowledgement that caveats exist, making exact like-for-like comparisons difficult. The vast majority of social enterprises are small businesses, and we compare the data here to the small and medium enterprises (SMEs) in the Small Business Survey 2020.[6]

6 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

7 There were fewer contacts supplied by all organisations this year compared with the last time the survey was undertaken (in 2019). This, coupled with the difficult trading conditions resulting from social distancing measures designed to reduce the spread of coronavirus that were a factor throughout the fieldwork period, resulted in fewer completed surveys in 2021 than in previous surveys. The proportion of social enterprises with more than 250 employees in this survey is small. The telephone survey was down from 802 to 468, due to many people homeworking during the pandemic. The online survey increased from 266 to 422.

Sample Characteristics

There is a smaller sample size compared to 2019.[7] However, the sample aligns with past State of Social Enterprise Survey data and to the overall business population in terms of region, and legal form, and so representation broadly aligns to the 2019 sample.

The survey data has been weighted using business population estimates – the latest available at the time (2020) – to ensure that the findings are representative by nation and English government office region. This corrected any disproportionate representation of a region or nation across the achieved sample, part of which was achieved through an online survey. Online surveys are more difficult to quota-control and have an element of self-selection.

As in previous surveys, the data has been supplemented[8] by Welsh social business census data (see the section on Social Enterprise in Wales for details). This generated 535 completed responses from Welsh organisations. These cases have been weighted down so that the total number of responses from Welsh organisations, including those in the main survey, are representative of the business population in Wales.

In addition, new for 2021, 56 UK responses to the Euclid Network's European Social Enterprise Monitor (ESEM) 2020[9] were included in the dataset. Social Enterprise UK was the lead partner within the UK. It was undertaken for the first time in the last quarter of 2020.

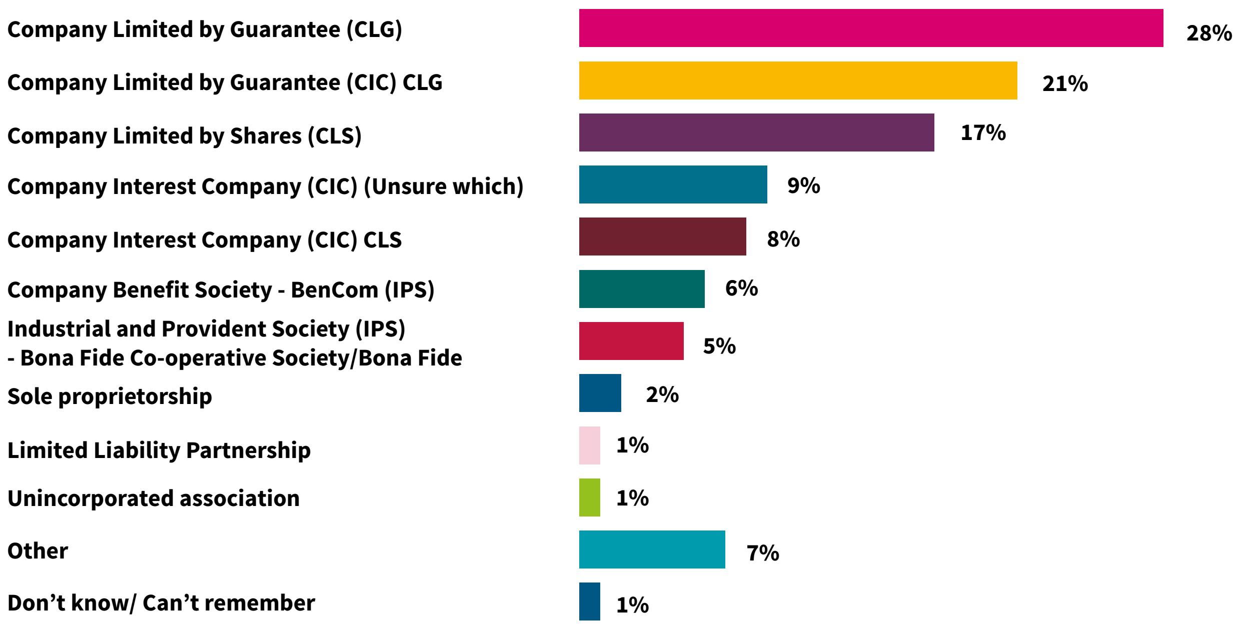
Legal Form

Social enterprises operate under different legal forms. Respondents are most likely to be CLGs (28%), followed by CICs limited by guarantee (21%) and CLSs (17%).

The proportion who reported their legal status as a CIC limited by guarantee has increased, from 15% in 2019 to 21%. Overall, a higher proportion of respondents are CICs (39%, cf. 23% in 2019). There has also been significant growth in CIC registration in the last year: between April 2020 and March 2021, the CIC register grew by 26%, although timing means this does not account for the shift in sample. By August 2021, there were 25,000 registered CICs. In contrast, the Companies House register had grown by an average of just over 2% between May 2020 and January 2021.[10] CIC growth has been an ongoing trend in SOSE since 2011.

Female-led social enterprises are significantly more likely to be registered as CICs (48%, compared to 35% of those run by men). Social enterprises are also more likely to be CIC registered if the people running them are from racialised communities (53%).

Figure 1: Legal status



Sample base = 1,396

8 It should be noted that there were differences between the SEUK survey and both the Welsh Co-operative Centre's survey and that of the ESEM 2020, both in terms of the questions asked, and, in some instances, in relation to the response options provided. Where questions are common to both surveys the data have been merged, and in instances where different response options were provided this has been noted in the findings.

9 https://euclidnetwork.eu/portfolio-posts/european-social-enterprise-monitor-esem/

10 http://download.companieshouse.gov.uk/en_output.html

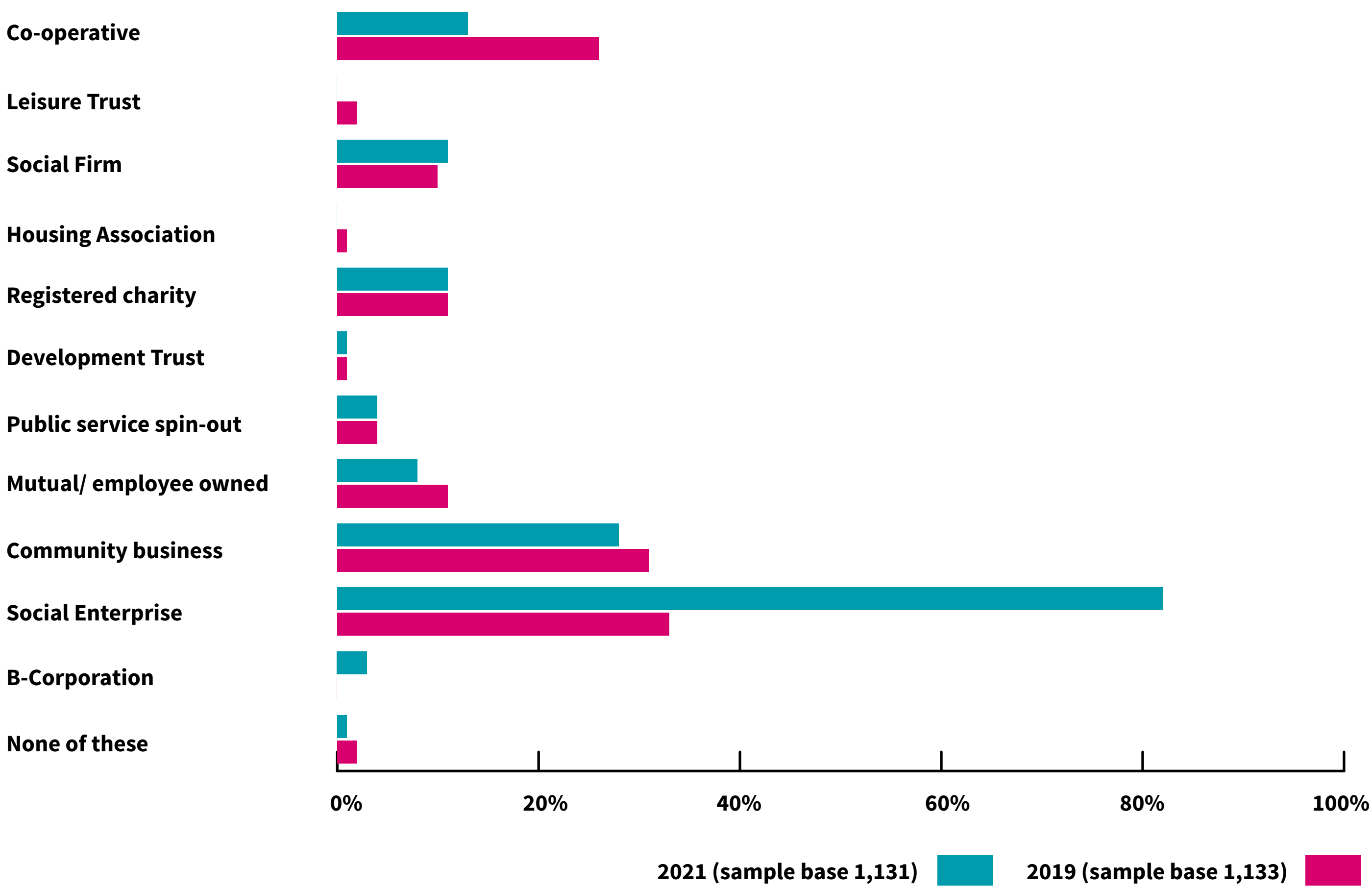
Organisational Description

When asked which of several organisational descriptions best describes their organisation, more than four in five organisations (82%) consider themselves a social enterprise, which suggests a wider-scale recognition of this term as the proportion was just 33% in 2019. One in ten regard themselves as registered charities or social firms (both 11%), and a similar proportion as mutual/employee-owned businesses (8%). A minority consider their organisation a public service spin-out (4%), a B Corporation (3%), or a development trust (1%).

For this survey, all respondents are considered to be social enterprises. Although understanding the terminology used is interesting, it does not change the fundamental alignment of structure, purpose and profit which defines a social enterprise.

A long-term trend away from 'civil society' and towards identifying as businesses continues with the proportion of registered charities stable at around one-tenth of social enterprises. Companies House now regulates 78% of social enterprises within the Department for Business, Energy & Industrial Strategy (BEIS). Just 11% are the responsibility of the Charity Commission and under the Department for Digital, Culture, Media & Sport (DCMS) and 11% are under the HM Treasury – the Financial Conduct Authority (FCA), which regulates co-operatives. BEIS-regulated social enterprises represent an even higher proportion of female-led and disabled people-led social enterprises (80%) and led by people from racialised communities (91%).

Figure 2. Organisation description



Case Study 1

Homebaked Bakery – The power of communities to 'level up' for themselves.

The story of Homebaked Bakery is one of a community coming together in the face of adversity to take local development into their own hands after years of neglect by government.

The Anfield area of Liverpool has a proud sense of community and at its heart was Mitchells Bakery, which sold pies to locals and football fans on match days. However, a lack of financial and political investment resulted in people moving out of the area, rising unemployment and boarded-up housing. Mitchells Bakery was forced to closed.

Taking regeneration into community hands

In 2012, an ambitious attempt by members of the local community began to save the bakery and take ownership of the local area so that development benefitted residents. An arts project called 2Up 2Down worked with local people to rent out the bakery space and use it for public discussion on the future of the area. Residents decided that the bakery should be reopened as a community-led business, and in June 2012, Homebaked Bakery Co-operative was formed. The following year, a community land trust (CLT) was formed to take responsibility for developing the bakery building and future community assets.

In October 2013, Homebaked Bakery opened as a social enterprise committed to improving the local area. The bakery's strapline is '*more than a pie*'. It has the bakery itself employing local people, runs training courses and uses the space as a community hub. It has grown into a thriving social enterprise with over £500,000 annual turnover (pre-pandemic), employing 16 people and supporting many more through training programmes. 90% of the business's income came directly through trading.

Income on football match days subsidised affordable prices, and Homebaked's pies attracted national recognition, being in the top three medal winners at the British Pie Awards for three years running. The bakery also works with other local institutions such as schools and nurseries.

At the heart of the community response to the pandemic

When COVID-19 hit, it could have been disastrous for a business whose revenue relied heavily on custom from football matches. But the bakery responded to the pandemic with innovation and commitment to the people it supports. Homebaked Bakery supplied 3,000 freshly baked loaves to local food banks. They worked with a local school to organise a community-led response to the delivery of free school meals, resulting in 150 children receiving freshly prepared meals and healthy food parcels. The bakery even launched a new community training programme over the pandemic. They launched a takeaway service and created treat boxes for key workers (people whose work is considered an essential service) to keep sales coming in. In the last year, Homebaked Bakery turned over £400,000, with 60% of that coming from traded income.

The bakery is emerging from the pandemic with ambitious plans for the future: to increase pie production beyond 3,000 a week, build stronger links with both Liverpool Football Club and Everton Football Club, and continue to feed, employ and support the local community.

Homebaked Bakery has shown how a community can take local development into its own hands and on its own terms. The CLT responsible for the bakery plans to manage the provision of affordable homes in the future – building on the bakery's success continues to be at the heart of community-led regeneration.

16 People Employed
and supporting many more through training programmes.

£500k+
turnover pre-COVID

3,000
freshly baked loaves delivered to food banks

60%
of turnover last year from income trading

400k
in the last year

Scale and Scope

Key Findings

Significant Growth In Start-Ups

There is a new wave of inclusive start-ups, better representing our society. Female-led social enterprises are more likely than average to have started up in the last three years, as are businesses led by people from racialised communities.

Overall, the proportion of social enterprises established within the last three years has steadily increased since 2017, from 25% to 34%. There are proportionally far more social enterprise start-ups than start-ups in the rest of the business community: 47% of social enterprises are under five years old compared to 10% of SMEs.[11]

Turnover Hit, But Resilience To Crisis Strong

The proportion reporting a decrease in turnover has increased very significantly, from one in ten (11%) in 2019 to a third (34%) in the latest survey. This level is the highest observed since the survey began in 2009, including 2011 – the survey following the 2008–2009 financial crisis.

However, compared to the rest of business, social enterprises have proved remarkably resilient through the COVID-19 crisis. 44% more are reporting a turnover increase (compared to 18% of business as a whole) and 35% fewer reporting decreased turnover (compared to 56% of business as a whole).[12]

Levelling Up

22% of social enterprises operate in the most deprived areas of the country and these social enterprises are thriving. They have higher turnovers than average in the most deprived parts of the country, more diverse income sources and more positive expectations about growth.

Social enterprises in the North of England have higher average turnovers than those in London and the South and are less likely to generate income from grants and donations.

Expanding Their Reach

In terms of the widest geographic area that organisations operate across, social enterprises are increasingly likely to be working in wider areas. A quarter now operate within their national borders and there is a jump from one in ten (2019) to one in five operating internationally.

Introduction

This section presents findings on the landscape of social enterprise in the UK: how well-established social enterprises are, their locations, their turnover, their geographical reach, the types of community in which they work and the economic sectors in which they trade.

How Well Established Are Social Enterprises?

Social enterprises comprise a core of well-established, larger social enterprises and a growing proportion of start-ups. The proportion of social enterprises established within the last three years has steadily increased since 2017.

The proportion that have been trading for 21 years or more has declined significantly since 2019, from 24% in 2019 to 10% in the latest survey. Further research will explore if this is due to the decline of older social enterprises, survey sampling or other factors. The remainder (55%) have been trading for between four and 20 years, which is a return to the levels seen in 2017 (53%), following a dip in 2019 (46%).

There are proportionately more start-up social enterprises than start-up SMEs as a whole, with 47% of social enterprises aged under five years old compared to 10% of SMEs.[13]

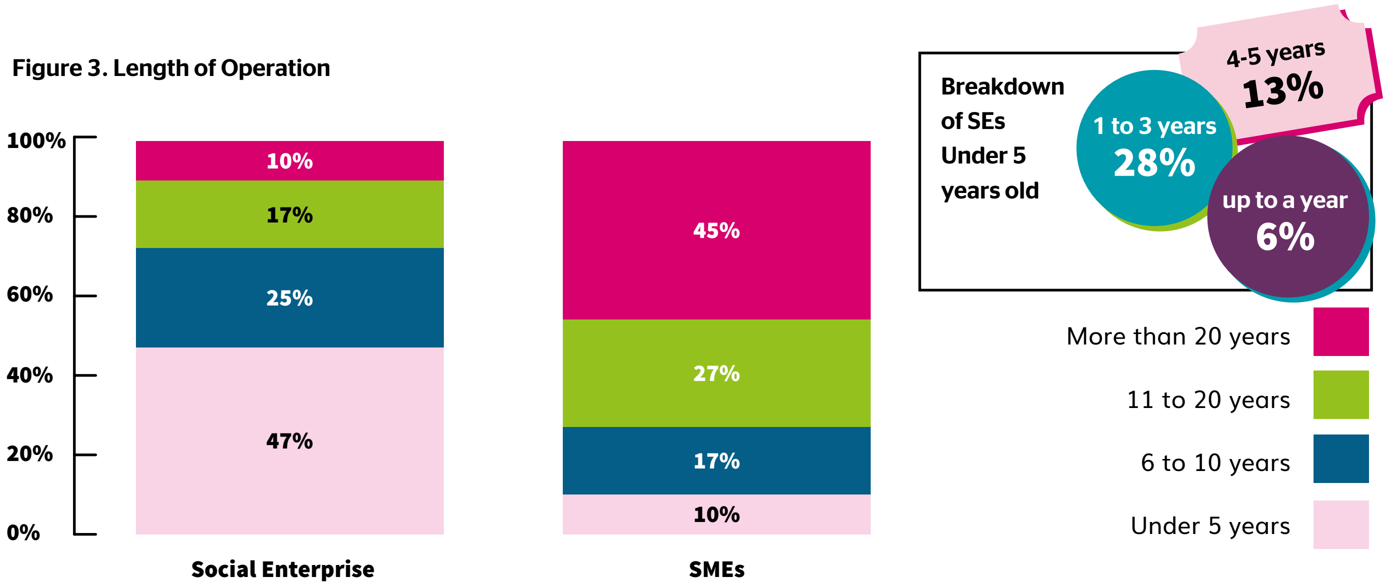
11 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

12 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey/

We can see a higher start-up rate in Scotland and the East Midlands than in the rest of the UK. There are more long-established social enterprises in the North of England, especially in the North West where the average time trading is over 16 years (compared to under ten years nationally and seven years in Scotland).

Start-ups are most likely to have registered as CLSs (30% of social enterprises registered in the last three years, 23% registered as CLSs, 7% as CICs limited by shares), although nearly as many have registered as CICs limited by guarantee (25%). Female-led social enterprises are more likely than average to have started up in the last three years, as are those led by people from racialised communities.

Figure 3. Length of Operation



How Big Are Social Enterprises?

We asked respondents to report their turnover for the most recent financial year, which for many is likely to have been the year April 2019 to March 2020. While there has been an increase in the lowest band (up to £50k), such that the median has continued to reduce further from £151,000 in 2015 to £100,000 in 2021, this has been counteracted by a steady increase in the higher turnover/income bands.

This data shows that social enterprise is growing both in start-ups and well-established large businesses, with social enterprises increasingly becoming major employers and constituents within their marketplaces. This combination of dynamism through the injection of new entrepreneurs and businesses – combined with a resilient model that can transition to a larger scale – is part of what makes social enterprise the future of business.

Figure 4. Turnover of social enterprises

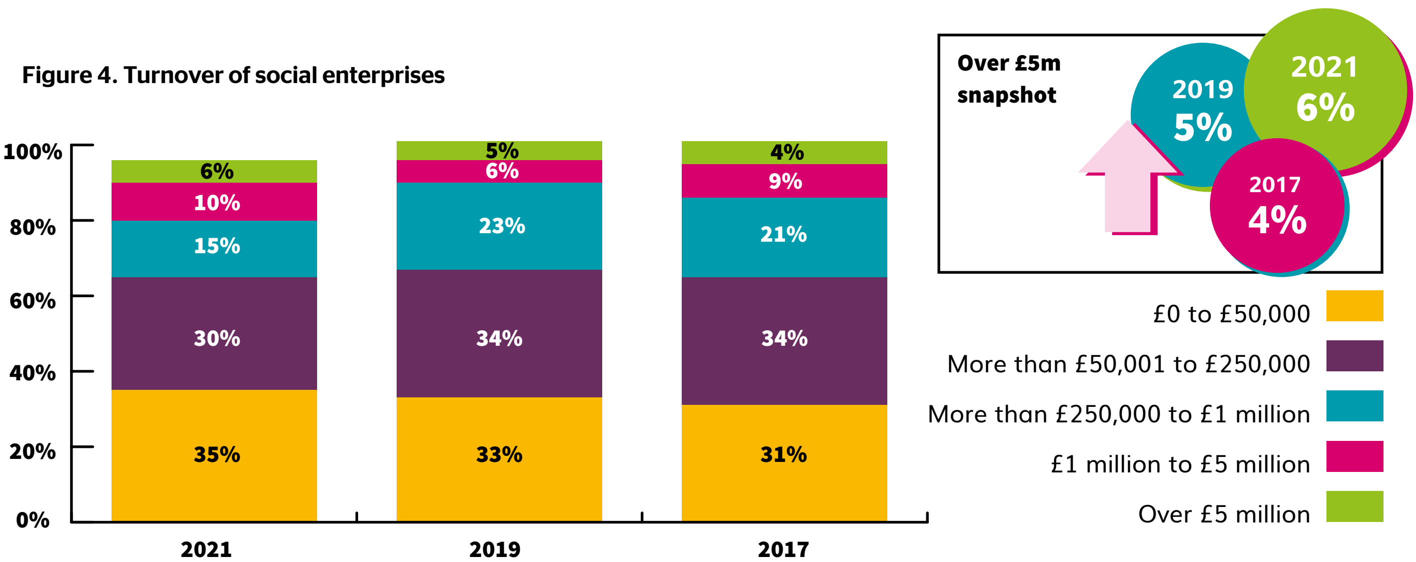


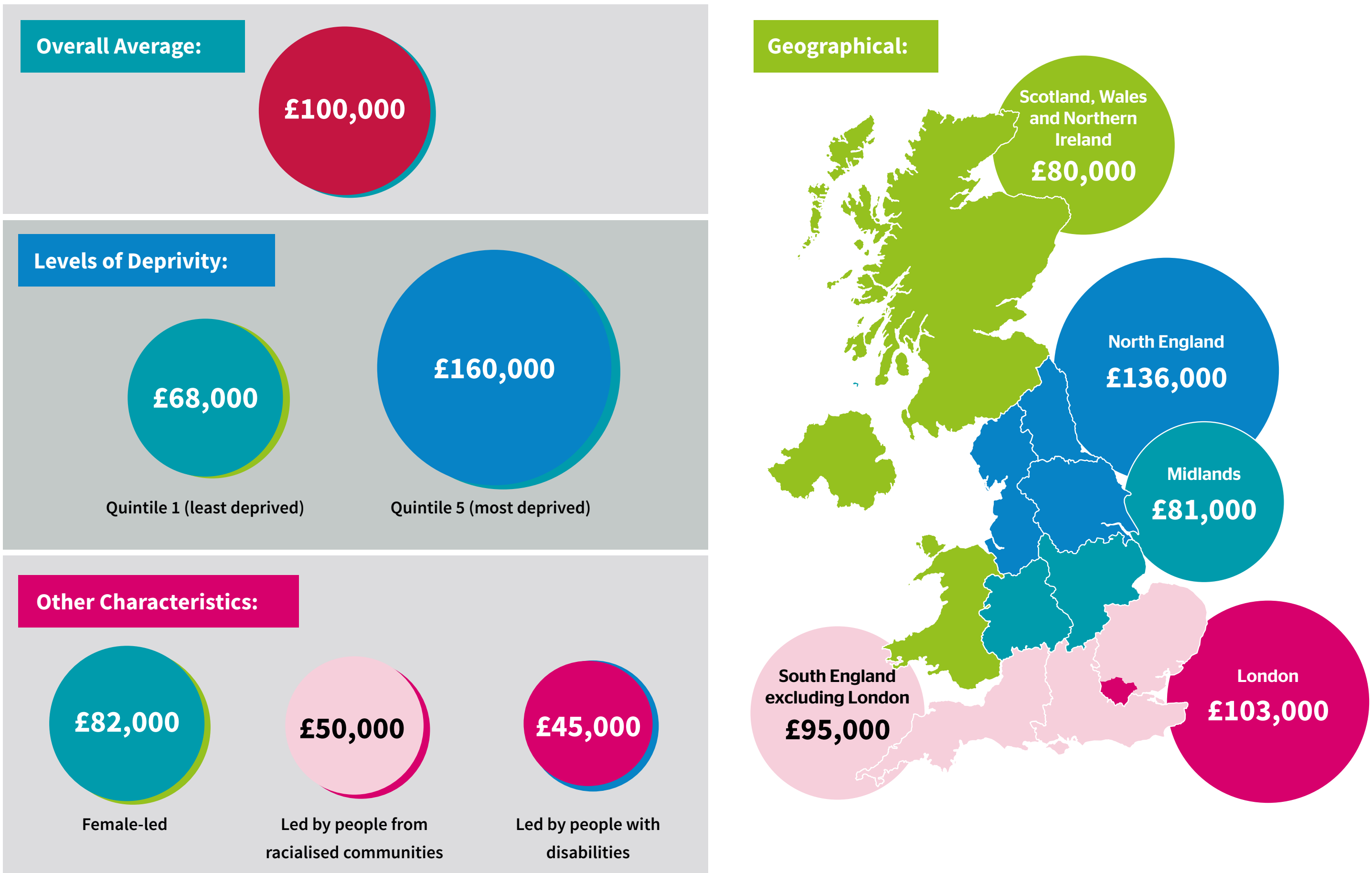
Figure 4 shows how the median annual turnover/income varies depending on the organisation's characteristics.

13 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

Social enterprises in the North of England and the most deprived areas of the country have higher turnovers than average. The strength of social enterprise in the North in particular is part of the strong social and co-operative legacy, where social enterprises have been one of the more resilient forms of business during periods of economic change and deindustrialisation, as this survey demonstrated in 2011 and does again here. This data is significant for government and policymakers interested in the levelling up agenda – social enterprises are an ideal place to start when considering how to level up these regions.

Median turnover differences are particularly stark when we look at disparities by gender and ethnicity. The median turnover for social enterprises led by Black women is £31,900. This may be explained in part by higher levels of start-up activity but requires further investigation.

Figure 5. Median annual turnover/income by organisational characteristics:



Are Social Enterprises Growing?

Significantly fewer organisations in 2021 reported an increase in turnover compared to the previous financial year than was the case in previous years: two in five (42%) reported an increase, compared to 52% in 2019 and 47% in 2017.

The proportion reporting a decrease in turnover has increased significantly, from one in ten (11%) in 2019, to a third (34%) in the latest survey. This level is the highest observed since the survey began in 2009, including 2011 (20%) – the survey following the 2008–2009 financial crisis.

A decrease in turnover increases with the age of the organisation, from 26% of those who have been in operation for up to three years, to 41% of those who have been operating for 11 years or more.

This worsening of organisations' financial performance concerning turnover largely reflects the difficult trading conditions in 2020–2021 caused by COVID-19. While employment has been shielded from the impact of the pandemic to a great extent by the Government's job retention/furlough scheme, sales and turnover have suffered the consequences of temporary business closures and reduced trading.

However, compared to the rest of business, social enterprises have proved remarkably resilient through the crisis – with 44% more reporting an increase in turnover (compared to 18% of SMEs) and 35% fewer reporting decreased turnover (compared to 56% of business as a whole).[14]

Social enterprises with more than 100 staff are much more likely than average to have grown turnover (65%), with only 13% having seen turnover decrease.

Social enterprises operating at a neighbourhood level have fared the least well – only 26% have seen turnover grow and for 57% it has decreased. Social enterprises led by people from racialised communities are more likely to have seen turnover decrease (43%).

The Reach Of Social Enterprises

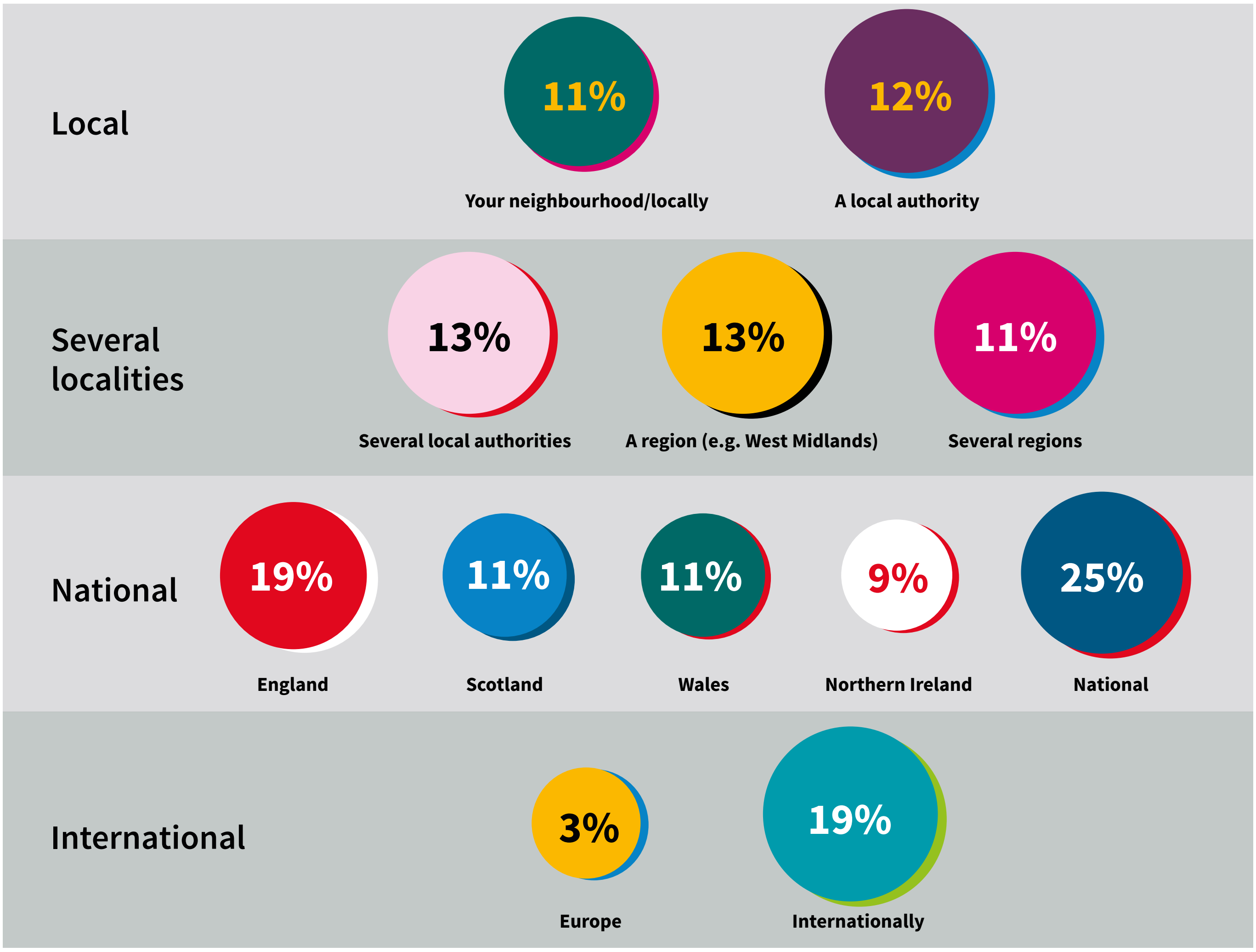
We asked respondents to indicate the widest geographic area that the organisation operates across.

The proportion operating in their neighbourhood/locally has halved from 21% in 2019 to 11% in 2021. By contrast, a quarter of all organisations are now operating within their national borders. International operations have increased significantly from one in ten (12%) in 2019, to one in five (19%) in 2021. International work is particularly prevalent in Scotland (41%) and London (29%, an increase on the 17% observed in 2019, and earlier surveys).

Social enterprises in London are the most likely to be operating internationally in England (29%). 41% of Scottish respondents said that they operate internationally. Slightly more start-ups are operating internationally, (20% of those up to three years old, compared to 17% of those that are six to ten years old), indicating a trend towards more global operations is set to continue.

Social enterprises led by people from racialised communities are significantly more likely than their White led counterparts to be operating internationally (24%, cf. 14%).

Figure 6: Area Of Operation



14 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

Social Enterprises On The Frontline

The survey collected location data for respondents which can be matched against the Index of Multiple Deprivation (IMD) ranking,[15] enabling an understanding of the communities where social enterprises are working in terms of the levels of deprivation evident in their geographic location.

The profile of organisations against this indicator is in line with that of 2019: close to a quarter (22%) are located in areas in the most deprived quintile, and a further quarter (23%) in the second most deprived quintile. A third (30%) are in the least deprived two quintiles.

Not only does this show a continuing presence of social enterprise in deprived parts of the country, but data shows that organisations in these areas have proved particularly resilient to the COVID-19 crisis. Social enterprises in the most deprived parts of the UK are more likely than average to have grown their turnover (47%) – those in the least deprived are more likely to have decreased turnover (38%) and less likely to have grown (32%). Respondents in the most deprived areas are more likely than the average to have made a profit (55%).

The most deprived parts of the UK are more likely to generate income from the private and public sectors, and from other social enterprises. In contrast, those in the least deprived areas are more likely to trade with the general public – and less likely to trade with other social enterprises than the national average.

What Sectors Do Social Enterprises Operate In?

Social enterprises operate in all sectors of the economy, at all scales. They are diverse, creative and solve problems in every part of society.

There is a higher presence of business support social enterprises in North West England and the West Midlands than other parts of the UK, and there were no social enterprises in this sector in the East of England in 2021. While business support social enterprises are more likely to operate across multiple regions or nationally, retail social enterprises are more likely to be based in their local area. Social enterprises in the most deprived parts of the UK are more likely to trade primarily in business support and consultancy than those in less deprived areas.

Education and skills development social enterprises are likely to be fairly small, with 16% of social enterprises of zero to nine staff working in this sector, compared to only 8% of those with over 100 staff. Women are more likely to lead education and skills development social enterprises (18% compared to 13% led by men), and a high proportion of social enterprises led by people from racialised communities are in the education and skills development sector (29%), as are social enterprises led by people with disabilities (25%).

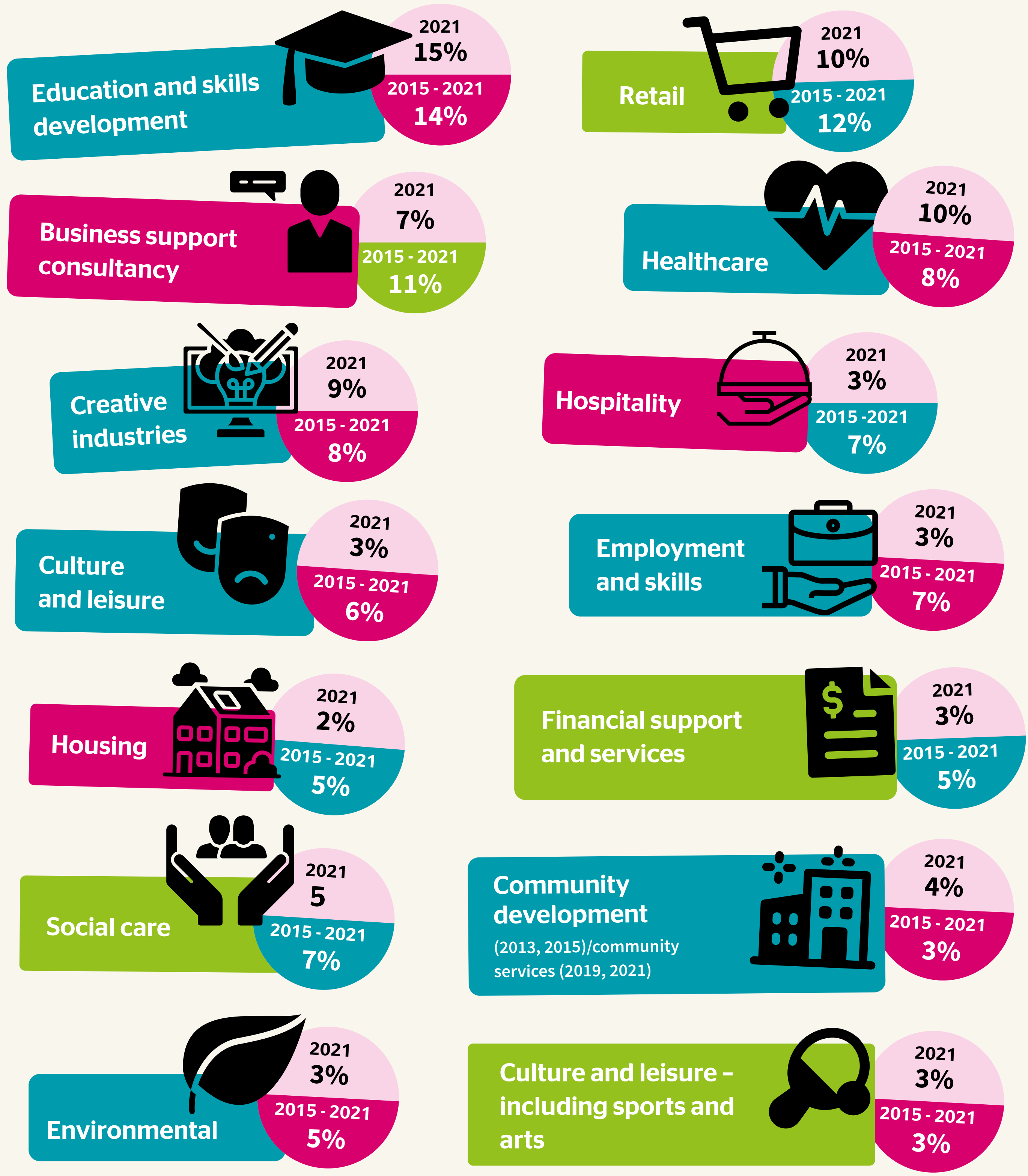
15 MD quintile is based on the Index of Multiple Deprivation (IMD) 2015, which is the official measure of relative deprivation for small areas (or neighbourhoods) in England. It is common to describe how relatively deprived a small area is by saying whether it falls into the most deprived 20 per cent of small areas nationally or the least deprived 20 per cent of small areas nationally. These are the IMD quintiles that have been used to classify locations within the data report. Quintiles are calculated by ranking every small area in England from 1 (most deprived area) to 32,844 (least deprived area) and dividing them into 5 equal groups (where 1 = least deprived area and 5 is the most deprived area).

Principal trading activity

The SOSE sample is not representative of sectors (principal trading activities). However, by combining data from several years' surveys, we can build a more robust 'census' picture of where social enterprises operate. Figure 7 shows the average proportion of social enterprises in the top 14 sectors between 2015 and 2021, as well as 2021 data.[16]

Figure 7: Principal trading activity

*Combined Figures 2015/2021



16 Of the remaining options for 2021, 9% selected 'Other', 2% - 'workspace/room hire', 2% 'manufacturing', 2% 'agriculture', 3% 'IT', 2%, 'utilities (energy)', 1% 'domestic services/ cleaning, and 1% 'transport'.

Case Study 2

Sirona care & health – people-first community healthcare delivering for those in need on the COVID-19 frontline

Serving a population of
1 million

£165m
Turnover in 2020

Helped establish the first mass vaccination centre in Bristol

Social enterprises form a vital part of the National Health Service (NHS) family, delivering a third of all community health care services. They use their status as social enterprises to do things differently, finding innovative ways of supporting patients and empowering staff. When we acknowledge the incredible work of our key workers over the pandemic, we are also celebrating the achievements of over 100,000 staff working at social enterprises on the COVID-19 frontline.

Sirona care & health is one of the UK's largest social enterprises. Established as a CIC limited by guarantee in 2011, Sirona provides NHS-funded services as part of the national Transforming Community Healthcare initiative. It has no shareholding and no dividends payable to any member –all profits are reinvested into staff and services for the benefit of the communities Sirona serves.

Sirona started in Bath and north-east Somerset, with an annual turnover of around £45 million and 1,200 staff. Today it provides all community health care services to people living in Bristol, north Somerset and south Gloucestershire, serving a population of around 1 million people with a turnover of around £165 million. In 2020 Sirona won a contract for community health care services requiring more than 2,000 new Sirona staff.

Sirona's services span birth to end of life and include people who require short-term support because of an illness; those with long-term conditions; those who need physical and/or mental health support; as well as specialist services for those with additional needs. Its work is mainly in people's homes and community settings. It also runs three community rehabilitation units and three Minor Injury/Urgent Treatment Centres. Sirona's staff team includes community nurses, therapists and medical staff, as well as highly trained and experienced support workers.

What does it mean to be a social enterprise in the health system

Being a social enterprise has given Sirona the freedom to develop a culture away from the pressures of a national and institutional top-down approach. Sirona's 'integrated care approach' puts the needs of each individual at the centre of everything they do – giving them greater choice over their health and wellbeing and providing them with a better patient experience. The approach aims to support people to stay healthy and self-care, and to reduce the number of emergency hospital admissions, A&E attendance and admissions into long-term care.

COVID response

Sirona took a lead in the COVID-19 vaccinations roll-out, helping to establish the first mass vaccination centre in Bristol. The social enterprise has also been at the forefront of developing care for people suffering from 'long COVID', recognising that it had subject matter experts who worked with the national team on new guidelines that made a significant contribution to system-wide design and delivery.

In November 2020, Sirona launched one of the first COVID-19 virtual wards – a service where community health care staff use pulse oximeters to remotely monitor blood oxygen levels from people with COVID-19 who are either in their own homes or in care/residential homes. This service was set up with local GPs, supported by the voluntary sector and social enterprises which joined forces to ensure that the oximeters were delivered to patients quickly.

Markets and Money

Key Findings

Resilience In The Hardest Hit Areas

The proportion of organisations who expect their turnover to increase over the next 12 months has remained stable at two in three (64% cf. 65% in 2019). However, the proportion who expect their turnover to decrease has increased, from one in twenty (6%) in 2019, to one in ten (10%) in 2021.

Half (49%) of all organisations providing a response reported making a profit/surplus in the last financial year, in line with 2019 (48%). Respondents working in the most deprived areas were more likely than the average to have made a profit (55%). Social enterprises led by people with disabilities were particularly unlikely to have made a profit (38%).

Return To Growth And Impact

Two in three social enterprises expect their turnover to increase and 61% of social enterprises expect to recruit to new staff posts or increase the level of training over the next 12 months.

Increase In Inter-Social Enterprise Trading

There has also been a significant increase in the proportion of organisations generating income via trading with other social enterprises (41% cf. 36% in 2019), showing growing efforts by social enterprises to 'buy social'.

More Innovative Than Other Businesses

66% of social enterprises introduced a new product or service in the last year, compared to 35% of businesses in the UK as a whole. 61% developed products and/or services that are new to the organisation (23% of all businesses). 37% developed products and/or services that are new to the market, compared to 8% of business as a whole.[17]

Trading Internationally

Exporting has increased significantly in recent years from 17% selling internationally in 2019 to over a fifth of social enterprises (22%) in 2021.

COVID Impact On Turnover And Income

There has been a slight decrease in income, which is unsurprising given the pandemic and the availability of government emergency grant funding for some social enterprises. 6% of social enterprises decreased trading compared to 2019 and there was a slightly higher proportion of respondents earning 25%-49% of income from trading.

Half (49%) of all organisations providing a response reported making a profit/surplus in the last financial year, in line with 2019 (48%).

COVID Support By Social Enterprises

Social enterprises have taken extra measures to support communities to deal with this pandemic. Close to three in five (57%) have provided products and/or services free or at reduced cost in direct response to COVID-19 related needs

17 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

Introduction

Social enterprises are driven by their mission; they exist to pursue an explicit social or environmental goal. But they also must be financially sustainable. This section details how social enterprises are performing in the markets in which they operate, and looks at key commercial areas: profitability, trading partners, business optimism and strategies for growth.

Proportion From Trade:

The survey asked respondents what proportion of their income was earned through trading (rather than grants or donations).[18] 67% of respondents earn between 75% and 100% of their income through trade. This is a decrease of 10% compared to 2019, and along with a slightly higher proportion of respondents earning 25–49% of income from trading compared to 2019 (8%), it is likely to be indicative of increased reliance on grant income due to the COVID-19 crisis and a higher number of start-ups who have received grants or investment to start their business (as 78% of organisations over 11 years old earn more than 75% of their income from trading).

Proportion of income earned through trade:

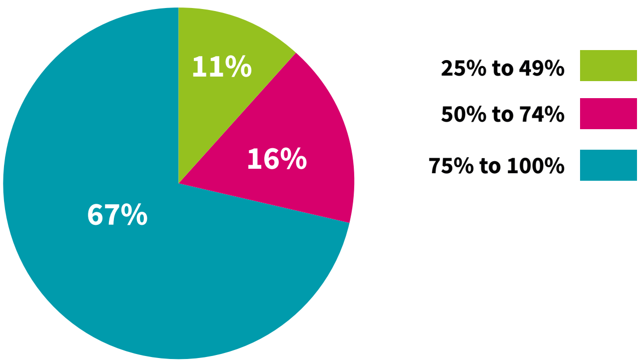


Figure 8: Proportion of income earned through trade

Social enterprises in London and the South East are more likely than average to earn more than 75% of their income through trade. The same is true for those in the least deprived parts of the UK, those in rural areas, those operating as CLSs and IPSs, and those with more than 100 staff. Social enterprises led by people from racialised communities and people with disabilities are less likely to generate more than 75% of their income from trading, as are those in the North East and West Midlands.

Who Do Social Enterprises Trade With?

We asked respondents to identify the main source of income for their organisation. We see significant growth in exporting, as well as a jump in trading with other social enterprises.

The most common method of income generation amongst organisations remains that of trading with the general public (56%). Social enterprises in the Midlands, particularly the East Midlands, are most likely to trade with the general public. This figure was lowest in Yorkshire and the Humber.

The proportion trading with the private sector continues to be reported by around half of organisations (49%, cf. 47% in 2019). London has the highlight proportion of respondents trading with the private sector, with the lowest proportion in the North East.

There has been a significant increase in the proportion of organisations generating income via trading with third sector organisations (46%, cf. 40% in 2019). There has also been a significant increase in the proportion of organisations generating income via trading with other social enterprises (41%, cf. 36% in 2019). The older a social enterprise is, the more likely it is to trade with other social enterprises, indicating potential for start-ups to increase trade with other social enterprises over time.

Reflecting the recent situation regarding COVID-19, there has been a highly significant increase in the proportion of organisations using grants from the Government/local authority/public sector to generate income, from 28% in 2019 to 41% in 2021. The proportion using other grants has grown to 33% (25% in 2019), and the proportion using donations has grown to 24% (19% in 2019).

By contrast, there has been a significant decline in the proportion generating income from members, from 21% in 2019, to 13% in the latest survey.

18 One in twenty (5%) of all organisations surveyed reported generating less than a quarter of their total income from trading activities. In previous iterations of the survey, these organisations have been screened out, but in 2021 Community Interest Companies (CICs) that are considered social enterprises but may not fulfil this criterium for inclusions in the survey were included, as well as, on the same basis, some organisations that took part in the European Social Enterprise Monitor who were added to the sample.

Public sector:

The proportion of social enterprises that trade with the public sector has remained relatively static over the past three surveys – at 51% this year, 47% in 2019 and 54% in 2017. Social enterprises in the Midlands – and particularly the East of England – are most likely to be trading with the public sector; respondents in the North East are least likely to be.

Organisations that trade with the public sector or received grants were asked which part(s) of the Government that income came from. Nearly two-thirds (65%) reported that it came from a local authority, while over a quarter (28%) reported that it came from a central government department. 12% reported that it came from a European or other international public sector source. These figures are consistent with 2019 findings.

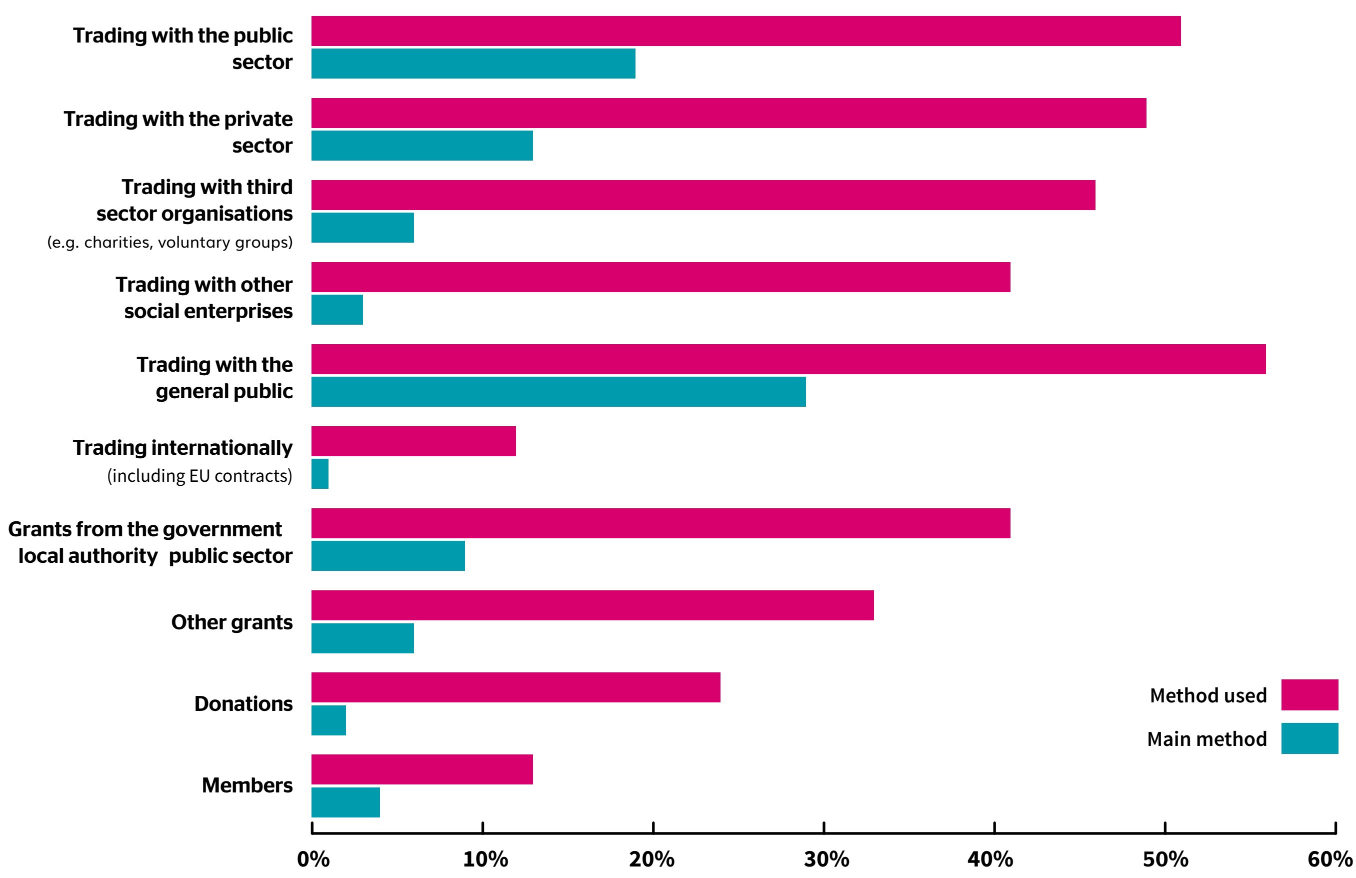
Trading internationally:

The survey evidences a trend away from trading locally to one serving regional, national and international markets. The proportion operating in their neighbourhood/locally has halved from 21% in 2019 to 11% in 2021. International operations have increased significantly from 12% in 2019 to 19% in 2021.

Exporting has increased significantly from 17% in 2019 to 22% in 2021, increasing to 41% in Scotland and 32% in London. Specifically, 16% of organisations export to the EU/EFTA/EEA, and 15% to markets outside the EU/EFTA/EEA. Social enterprises are now exporting proportionately more than the rest of business (19% export goods or services).[19] Given the increasingly global nature of the problems facing society, particularly tackling climate change, increasing exports is one way that social enterprises can scale up their impact.

Social enterprises led by people from racialised communities are more likely than their White-led counterparts to trade internationally. Social enterprises in the education and skills and creative industries, and business support/consultancy, are most represented amongst those operating internationally.

Figure 9: Methods of generating income main method



19 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

Main source of Income Generation

In terms of the main (or only) method of generating income, responses are similar to 2019, with the highest proportion mentioning trading with the public, followed by trading with the public sector, and trading with the private sector.

Grants from the Government represent the main or only method of generating income for one in ten (9%) organisations, an uplift on the 6% observed in 2019. Given the significant impact of COVID-19, including the increase in grant funds, this is a very modest change. By contrast, reliance on income from members has reduced, from 9% in 2019 to 4% in 2021, possibly reflecting a reduced capacity to pay membership fees.

In both the most and least deprived areas, there is near-equal reliance on grant income, but social enterprises in the most deprived areas do not rely on donations as a main source of income at all.

Social enterprises led by people from racialised communities are more likely to generate their main income from grants than their White-led counterparts (20%, cf. 14%), and far less likely to get their main income from trading with the general public (15%, compared to 31%). Social enterprises led by people with disabilities are also more likely to rely on grant income (25%, cf. 14% overall).

Social enterprises generate on average 69% of their income from their main source of income. Social enterprises based in Wales and the North East of England are likely to have more diversified income sources and income sources are slightly more diversified in the most deprived parts of the UK than the least deprived.

Start-ups are more likely to rely on a single income source, but social enterprises overall diversify income as they age.

Social Enterprise Profit-Making

Our survey asked social enterprises whether they had made a profit, a loss, or broken even in the previous financial year. Half (49%) of all organisations providing a response reported making a profit/surplus in the last financial year, in line with 2019 (48%), which is significant given the high proportion of start-ups. A quarter report making a loss (25%), again in line with 2019 (25%). A quarter (25%) report breaking even. 67.5% of SMEs made a profit in the last financial year, the lowest proportion ever recorded by the Small Business Survey. At the time of the survey, one in 20 (6%) social enterprises had temporarily ceased trading. More established organisations are more likely to have reported a profit (57% of those running for more than three years) as are those with more staff (73% of organisations with 100 or more employees).

Female-led social enterprises were slightly more likely (53%) than their male-led counterparts to have been profitable and slightly less likely to have made a loss. Social enterprises led by people from racialised communities were more likely (28%) to have made a loss, as were those led by people with disabilities – they were also far less likely to have made a profit in the last year (38%).

Social enterprises in London, the North West and South West regions were particularly likely to have made a loss. Social enterprises in the South and London were less likely than average to have made a profit in the last financial year, whereas those in the West Midlands and East of England were more likely to have.

COVID-19 has put all businesses under pressure, but the data shows that social enterprises are resilient – particularly so in the most deprived communities where markets are more challenging.

	IMD Quintile		Leadership		
	1 - Least deprived	5 - Most deprived	Female	Racialised communities	Disability
Made a profit surplus	48%	55%	53%	52%	38%
Made a loss	29%	23%	23%	24%	30%
Break even	23%	22%	24%	24%	32%

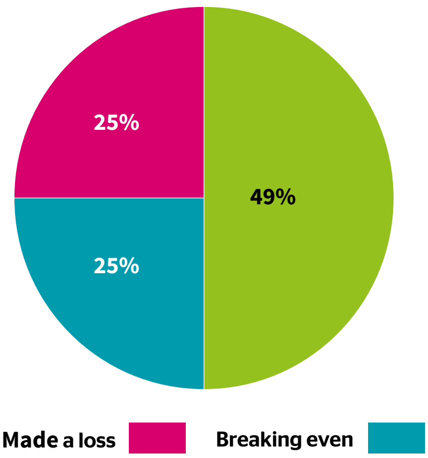


Figure 10: Social enterprise profit and loss

Growth

As shown above, just over four in ten respondents reported turnover growth in the past 12 months. The survey also explored what steps social enterprises have taken to secure growth, asking their actions during the past year and what they have planned for the year ahead.

Actions taken

Almost all (95%) had taken specific actions to grow or diversify in the past 12 months.

In 2019, of all the specified actions, organisations were most likely to report that they had developed new products and/or services (56%). In 2021 this question was split into two elements: products and/or services that are new to the organisation; and those new to the market. Three in five (61%) organisations in 2021 reported developing products and/or services that are new to the organisation, which is a significant uplift on the broader category used in 2019. Nearly two in five (37%) reported developing products and/or services new to the market, compared to 8% of business as a whole.[20]

The need to 'pivot' and adapt business models during the crisis may strongly influence this, but nonetheless, it demonstrates how comparatively innovative social enterprises are. 66% of social enterprises introduced a new product or service in the last year, compared to 35% of SMEs.

Female-led social enterprises were more likely to have introduced a new product or service than the average (66% new to the business and 41% new to the market) and innovation was higher in the devolved nations, London and the East of England.

Nearly half of social enterprises diversified or expanded into new geographic or different customer markets last year (45%, cf. 40% in 2019): impressive in the context of the coronavirus – and particularly likely in the East Midlands (58%), in the least deprived areas (50%), for CICs (51%), and social enterprises led by women (51%) and disabled people (55%).

Social enterprises played a direct role in supporting those in need over the last year. Close to three in five (57%) have provided products and/or services for free or at a reduced cost in direct response to COVID-19-related needs, and this increases to 60% in urban areas.

Around half of organisations have invested in new equipment/IT/computer software (51%), and reduced costs/increased efficiency (50%), in line with 2019. 49% recruited to new staff posts or increased the level of training, a decrease compared with 2019 (54%), likely influenced by temporary closures, furlough and shifting priorities due to COVID-19.

There were also significant reductions compared to 2019 in the proportion of organisations who have increased the level of marketing/advertising (42% cf. 50%); invested in new capital assets (25% cf. 30%); and sought investment to increase the growth rate of their business (24% cf. 28%). Reports of increasing prices have almost halved since 2019, from 38% to 20%, which is especially significant considering the shortages and price hiking seen in other parts of the economy.

Growth Plans

We asked organisations that indicated that they expect to increase their turnover over the next 12 months how they planned to achieve this growth. 97% expect to proactively pursue growth, with the most common activities planned being developing new products and/or services (66%), recruiting to new staff posts or increasing the level of training (61%), and diversifying or expanding into new geographic or different customer markets (57%).

Social enterprises in the devolved nations are particularly likely to be planning to innovate (75%), as are those in the West Midlands (78%), East of England (79%), and those led by people from racialised communities (81%).

20 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

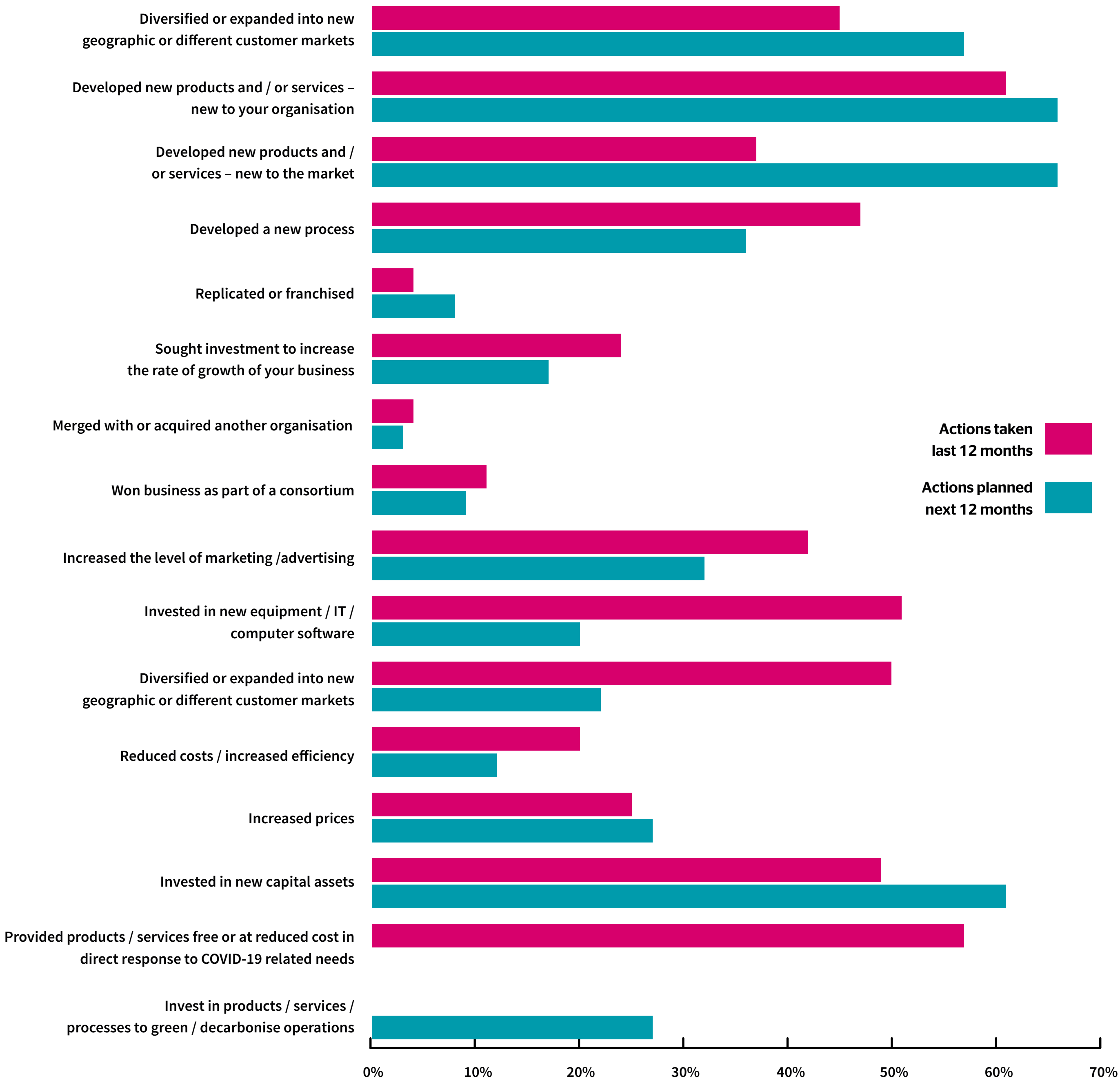
Start-ups are more likely to be planning to develop new products and/or services (74% of those up to a year old). They are also more likely to be planning to diversify or expand into new geographic or different customer markets (74%).

Scottish social enterprises are significantly more likely to be planning to diversify or expand into new geographic or different customer markets (81%), as are those in the North East (70%). So are social enterprises with more staff (74% of those with more than 100 staff) and those led by people from racialised communities (71%).

Scottish social enterprises are more likely to be planning to recruit to new staff posts or increase the level of training (76%), as are start-ups (74% of those running for up to a year) and those led by people from racialised communities (69%) and led by people with a disability (72%).

17% of respondents plan to seek investment to increase the rate of growth of their business. Social enterprises in the North East (5%), East (10%) and South West (9%) are particularly unlikely to be seeking investment to grow their business over the next year, as are those with higher staff numbers (4% of those with more than 100 staff).

Figure 11: Social enterprise pathways to growth



Start-ups (30% of whom started in the last year) and social enterprises led by people from racialised communities (25%) are more likely to be seeking investment to grow their business over the next year.

Over a third of organisations plan to develop new processes (36%), while closer to a third (32%) plan to increase their level of marketing/advertising. Fewer plan to invest in new capital assets or to invest in products/services/processes to green or de-carbonise their operations (both 27%). Social enterprises in the East Midlands (14%) and Northern Ireland (20%) are particularly likely to be considering replication or franchising in the next year, as are those led by people from racialised communities (17%).

Business optimism

We asked whether social enterprises believed that their turnover would increase, decrease or stay the same over the next 12 months.

The proportion of organisations that expect their turnover to increase over the next 12 months has remained stable at two in three (64%, cf. 65% in 2019) – again demonstrating the resilience of social enterprises over the previous 12 months.

However, the proportion that expect their turnover to decrease has increased, from one in 20 (6%) in 2019, to one in ten (10%) in 2021. One in five (20%) expects their turnover to stay the same.

Compared to the rest of business (of whom 41% expect turnover growth), social enterprises are significantly (23%) more optimistic that turnover will increase,[21] including when we exclude start-ups who are more likely to envisage growth (59% of social enterprises aged six to ten years and 53% of those aged more than 11 years expect a growth in turnover over the next 12 months).

As has been the case in previous surveys, younger organisations are more likely than average to expect an increase in turnover in the next 12 months (77% of those aged up to three years), while one in six (15%) organisations established for 11 years or more expect a decrease in turnover in the next 12 months. Social enterprises with more staff are far less likely to anticipate growth (44% for those with more than 100 employees).

Social enterprises in the devolved nations (70%), Yorkshire (73%), the most deprived areas (70%) and rural areas (69%) have more positive expectations about growth than the national average.

21 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

UK Regional Highlights

Graphic 13 – UK MAP – regional highlights

Scotland:

Increasing staff and training: Scottish social enterprises are more likely to be planning to recruit to new staff posts or increase the level of training (76%, cf. 61% UK-wide).

North West:

Turnover hit: Turnover is most likely to have decreased in the North West (40%, which is 5% more than the national average).

North East:

Diversifying and expanding: North East social enterprises are significantly more likely to be planning to diversify or expand into new geographic or different customer markets (70% cf. 57% nationally).

Yorkshire and the Humber:

Increasing turnover: Social enterprises in Yorkshire are most likely to have increased their turnover in the last 12 months (63%, cf. 44% nationally) and 73% expect to grow turnover in the coming year (64% nationally).

West Midlands:

Innovation: Social enterprises in the West Midlands are particularly likely to be planning to innovate in the next 12 months (78%, cf. 66% nationally).

East Midlands:

Start-ups: There is a higher start-up rate in the East Midlands than the rest of the UK (45% started in the last three years, cf. 34% nationally).

Wales:[22]

Community matters: Welsh social enterprises are more likely to have 'benefiting a particular community' as their social mission (33% more than the national average) and more likely to have representatives from the local community on their Board (11% more than the national average).

East of England:

Economic and staff concerns: Economic instability/economic climate is of particular concern in the East (16%, cf. 9% nationally). Social enterprises in the East of England are also concerned about recruiting staff (16% cited this as a top three barrier, cf. 10% nationally).

South West:

Climate conscious: Social enterprises in the South West are more likely to describe their social/ environmental mission as addressing the climate emergency (31%, cf. 20% nationally).

South East:

Lack of finance: Social enterprises in the South East are the most likely to cite obtaining debt/ finance as a barrier, compared to the national average and other parts of the UK (9%, cf. 6% nationally).

London:

International: London-based social enterprises are more likely to operate internationally (29% cf. 19% nationally) and trade internationally (20%, cf. 12% nationally).

22 See notes on inclusion of Welsh Social Business survey data in the main analysis

Case Study 3

Social enterprise innovation

Pivoting business model to support communities through COVID

Bikeworks is a London-based social enterprise which uses bikes to get people physically active and feel connected. They encourage people to take up cycling and work with people less likely to access cycling to address the deep health, economic and social inequalities which exist in the capital.

Pre-pandemic Bikeworks generated income through contracts and sales, cross-subsidising profit-making activities to run programmes like the All Ability Club which provides free access to specialist bikes and instructors to 3,000 carers and people with disabilities.

When the pandemic hit, regular income dried up and Bikeworks became a cycle delivery service delivering essential items like food and medicine to people in need. Partnering with the NHS, Public Health England and Imperial College London, they made 1,000 deliveries in the first two weeks.

Bikeworks are seeking to tackle the jobs crisis, partnering with other cycling and e-scooter employers to engage and train people into employment in this growing sector.

Innovative solutions to the housing crisis and climate emergency

Group Hug was set up to offer innovative solutions to three huge challenges – the climate emergency, the housing crisis and the lack of meaningful employment for people facing barriers to work. It aims to disrupt the traditional housing market by building energy-efficient homes, using local materials, upcycled wood and innovative ground support.

Group Hug creates jobs and opportunities for people who have experienced major challenges from homelessness and mental health issues to addiction or involvement with the criminal justice system: 80% of the workforce comes from disadvantaged backgrounds. Group Hug are co-designing projects with third-sector organisations, looking at how the built and natural environment can be leveraged to improve people's wellbeing.

"Empower be the change" - Celebrating Social Enterprise Day

Bringing to light the links between racism and mental health

Group Hug presents micro homes with massive impact

Mental Health First Aid England (MHFA)'s mission is to improve the mental health of the nation. It offers a range of consultancy and training services to allow people to support themselves and each other, focusing on mental health in the workplace. It reinvests profits to increase access to quality mental health training, offering subsidised training to the NHS, charities and social enterprises.

MHFA has committed to becoming actively anti-racist and to bring to light the links between racism and mental health. Racialised communities are more likely to experience poorer mental health outcomes – an issue that became more acute due to COVID-19. MHFA implemented a range of activities dedicated to supporting workplaces to be inclusive, safe spaces for racialised communities, including a brand-new training course which helps groups of senior leaders create equitable mental health strategies that drive positive culture change from the top.

A Complete Digital Transformation

"All Ability Club" - Bikeworks

Empower Be the Change are a social enterprise based in North Wales whose primary mission is to reduce unemployment, tackle poverty and increase community cohesion. They do this through delivering accredited qualifications, training and coaching to empower people to build positive resilience, realise their self-worth and achieve their potential.

Prior to the pandemic a main source of Empower's income was from in-person bespoke programmes. They worked with organisations such as local job centres, Remploy (a leading provider of employment and skills support for people with disabilities and health conditions) and private organisations, supporting 500 people through its programmes since it was set up in 2016.

When the pandemic hit, in-person work was not possible and referrals from partners reduced. Empower decided to undergo a complete (and rapid) digital transformation, shifting services online and developing new income streams and services. All classroom-based qualifications shifted online and the business pivoted towards attracting new clients. Emphasis was placed on digital products and online marketing with the creation of a brand-new website used to attract new clients.

People and Purpose

Key Findings

More Female Leaders

83% of leadership teams include women and in almost half of cases (47%), the leader of the organisation is a woman (40% in 2019), rising to two-thirds (66%) of younger organisations (operating for up to a year).

Diverse Leadership, Higher Impact

31% of social enterprises have at least one person from racialised communities on their leadership team and 14% are led by a person from a racialised community, compared to 8% of SMEs.

Over half (55%) of organisations that provided a response reported having directors with a disability, and one in ten (11%) reported that the leader of their organisation has a disability.

Female-led social enterprises were slightly more likely (53% cf. 49%) than their male-led counterparts to have been profitable. They were also more likely to have introduced a new product or service than the average – 66% (cf. 61%) new to the business and 41% (cf. 37%) new to the market.

Female-led social enterprises are more likely than average to hire women, as are social enterprises led by people from racialised communities.

At social enterprises led by people from racialised communities, 50% of staff are also from racialised communities, compared to just 11.5% of staff at White-led social enterprises.

Social Enterprises Are Not Growing Equally

Female-led and racialised community-led social enterprises report lower turnovers than the average. The median turnover for social enterprises led by Black women is £31,900, compared to the overall median turnover of £100,000.

Social enterprises are not doing as well as they could on ethnic diversity of leadership. Three in ten (31%) organisations surveyed report having at least one member of their leadership team who is from a racialised community, a slight decrease compared with 35% in 2019 and 34% in 2017.

Fair Pay And Conditions For Staff

Over seven in ten organisations (72%) reported being a Living Wage employer. [23]

Four in five (81%) reported that their organisation invests in staff training and development to some extent, returning this to levels seen in earlier surveys, following a dip in 2019 (74%).

Overall, 83% of social enterprises offer some form of flexible working to staff. The ratio between the average of highest paid to lowest paid is 2.6:1 for all social enterprises (compared to 5.6:1[24] for all UK CEOs), and 6.8:1 for social enterprises with more than 100 staff[25] (compared to 208:1 for FTSE100 CEOs). [26]

Addressing Social Need

There has been a significant increase in the proportion of organisations who's mission is improving mental health and wellbeing and of disadvantaged groups, social enterprises are most likely to provide services or benefits to people with mental health problems (32%). This also represents a significant increase since 2019 (19%), to the extent that this group now tops the list in this respect.

Business Solutions To The Climate Emergency

A third of all organisations (35%) reported that they have embedded tackling climate change/climate emergency into their constitution/articles of association. A further third (32%) reported having plans to or are considering doing so. Overall, 84% believe that products being socially and environmentally friendly is as – or more – important than cost, compared to 75% in 2019.

Three in ten organisations (30%) reported having installed energy efficiency devices in the last 12 months. This is significantly more than other businesses (13%).

Creating Jobs

Despite the crisis, social enterprises have grown their staff teams over the last year. Female-led and social enterprises led by people from racialised communities are more likely to have grown their staff teams than the national average.

Community Shop – a social enterprise which exists to build stronger individuals and more confident communities.

23 https://www.livingwage.org.uk/

24 https://www.payscale.com/research/UK/Job=Chief_Executive_Officer_(CEO)/Salary

25 Ratio calculated by assuming that the lowest paid is a full-time employee working a 37.5 hour week receiving the national minimum wage for people aged 23 and over of £8.91/hour.

26 https://www.cipd.co.uk/Images/ftse-100-executive-pay-report_tcm18-82375.pdf

Introduction

This section looks inside social enterprises at the people who run them, who and how they employ, and at the difference they are trying to make.

Social And Environmental Objectives

Social enterprises are businesses that trade to achieve social and environmental objectives.

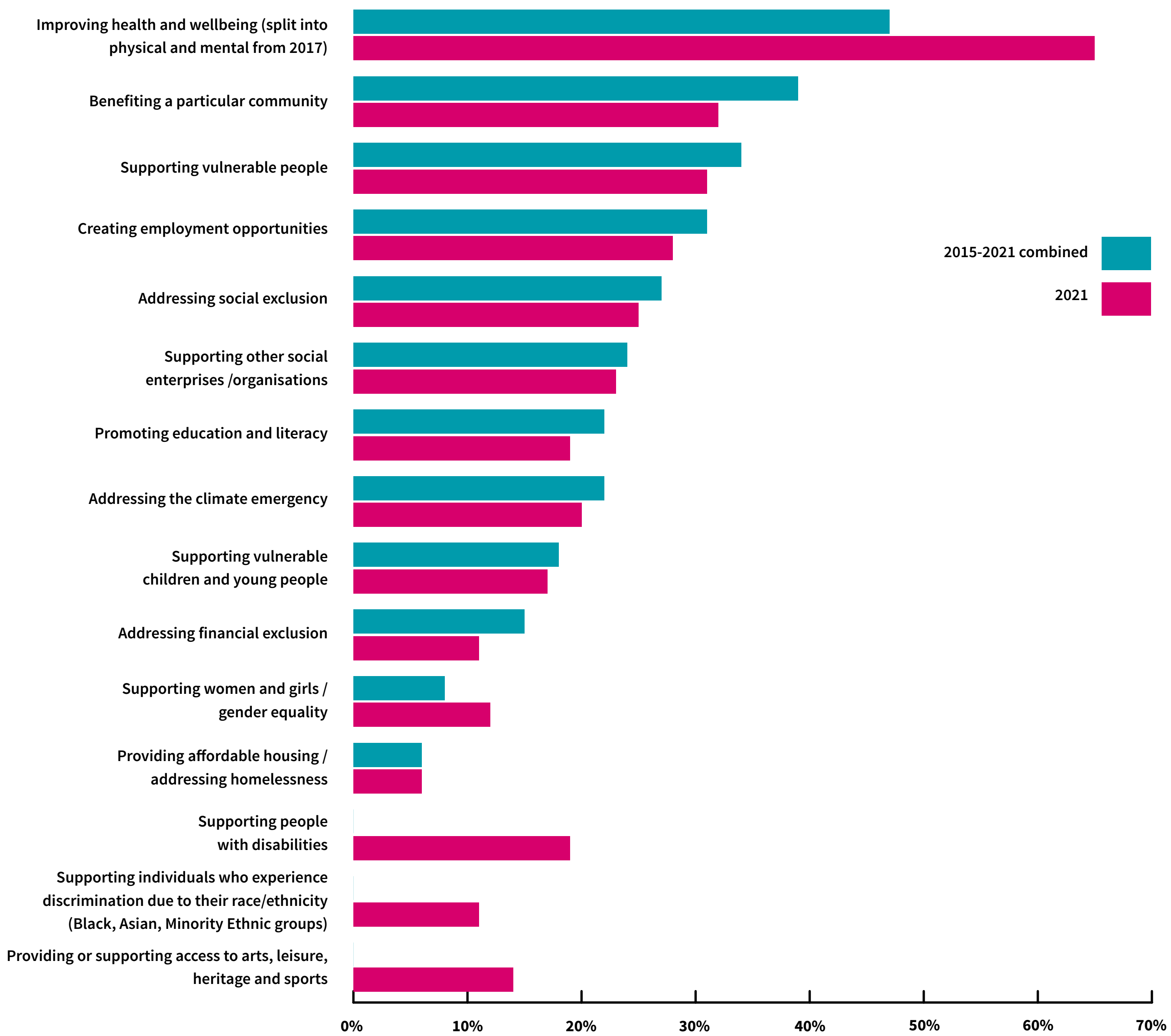
Over a third (36%) of organisations surveyed said their objectives relate to improving mental health and wellbeing, compared to 15% in 2019. This is now the most reported objective.

Following this, the most cited objectives are improving a particular community (32%) and supporting vulnerable people (31%), which were also the two most frequently cited in 2019 (23% and 19% respectively).

20% of social enterprises address the climate emergency as part of their main objectives, and 11% support individuals experiencing racial discrimination.

The SOSE sample is not representative of social/ environmental mission – however, by combining data from several years' surveys we can build a more robust 'census' picture of social enterprises' main objectives. Figure 12 shows the average proportion of social enterprises between 2015 and 2021.

Figure 12: Main social and or environmental objectives



Social Enterprises Engaging Their Communities

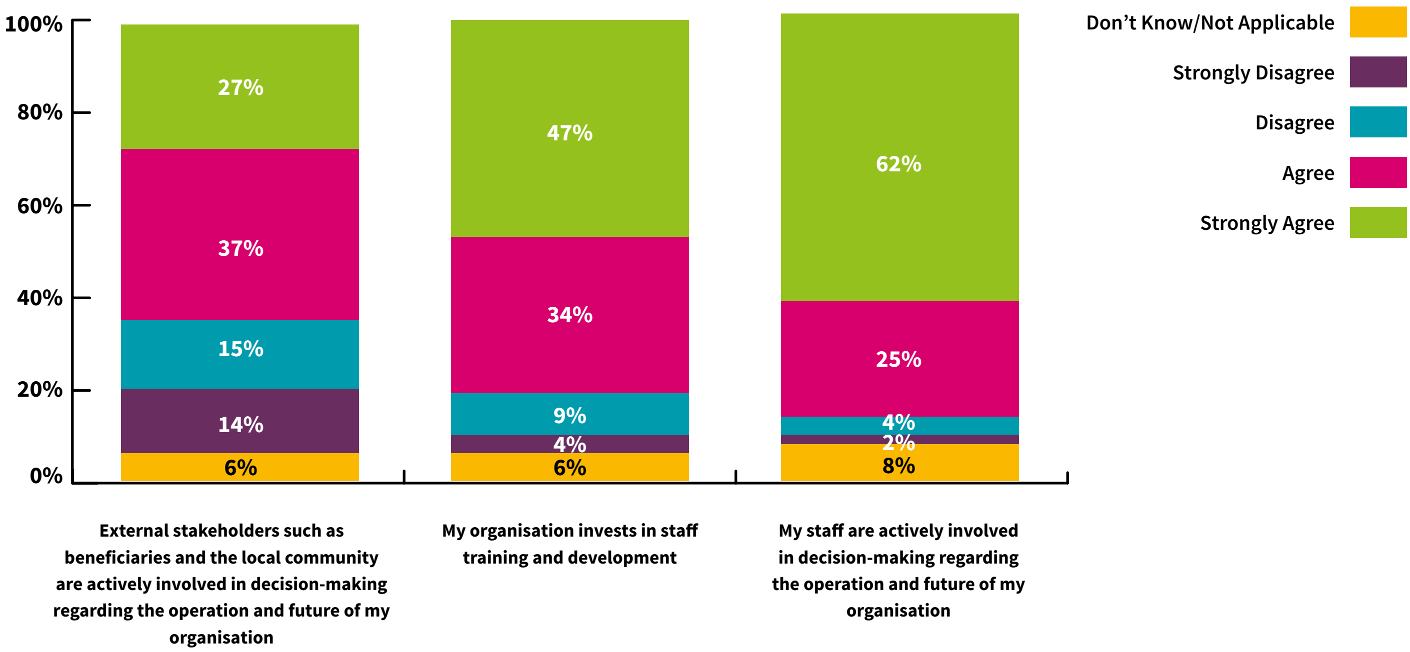
The survey asked respondents to rate the extent to which various statements apply to their organisation.

The majority reported that, to at least some extent, their staff are actively involved in decision-making with social enterprises led by people from racialised communities and those in the most deprived parts of the UK being particularly likely to involve staff (94% and 91%, respectively).

Two-thirds (64%) reported that their beneficiaries are actively involved in decision-making to some extent, continuing a downward trend (74% in 2013; 73% in 2015; 71% in 2017 and 67% in 2019). The proportion is much higher for social enterprises led by women (72%), people from racialised communities (73%) and leaders with disabilities (70%). Social enterprises based in London (62%) and the Midlands (61%) are less likely to engage external stakeholders.

Four in five (81%) reported that their organisation invests in staff training and development to some extent, returning this to levels seen in earlier surveys following a dip in 2019 (74%). This compares to only 61% of employers across all businesses having funded or arranged training for any of their employees in 2019.[27] London-based (87%) and disabled people-led (87%) social enterprises are most likely to be investing in staff.

Figure 13: Social enterprises in their communities



Leadership: Teams And Individual Leaders

We asked social enterprises how many directors or people on the leadership team their organisation has, and the composition of the leadership team in terms of gender, age and ethnicity.

In 2021 the mean size of the leadership team is five, down on the six observed in 2019, 2017 and 2015, due to an increase in leadership teams comprising one to three people, from 36% in 2019, to 43% in 2021.

There has been a significant increase in the proportion of organisations with women in leadership teams and leading roles (owner, chief executive, managing director or equivalent). 83% of leadership teams include women and in almost half of cases (47%) the leader of the organisation is a woman (40% in 2019), rising to two-thirds (66%) of organisations in operation for up to a year. [28]

Social enterprises have an average of 0.59 directors from ethnic backgrounds other than White, compared to 0.14 for SMEs.[29] 16% of SMEs are female-led and 14% have owners, partners or directors from racialised communities.[30] 1% of

27 Employer Skills 2019 survey data

28 While we asked holistically about gender of leadership teams, we asked a binary question for leadership (male/female and prefer not to say). We know anecdotally and can surmise from leadership team data that a small proportion of social enterprises are led by people who identify their gender differently from binary male/female. We will ensure this information is captured in future research.

29-30 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey social enterprises have people on their leadership teams who identify as non-binary gender. These social enterprises are more likely to be in the most deprived parts of the UK, to have been running for four to ten years, and to either have small staff teams (of zero to nine) or large teams (more than 100 people).

Three in ten (31%) organisations surveyed report having at least one member of their leadership team who is from a racialised community, compared with 35% in 2019 and 34% in 2017.

This year, this question was also asked in relation to specific ethnicities. Based on all respondents, 84% have White British members of their leadership team; 19% White other; 15% Asian/Asian British; 13% Black/Black British; 5% other ethnicity; and 3% mixed.

As in 2019, three-quarters (74%) stated that the leader of their organisation is White British, with relatively small numbers for White other (7%). Of leaders, a total of 14% are racialised communities (compared to 13% for the whole of small business)[31]. 4% are Asian/Asian British, 6% are Black/Black British (6%), 2% from mixed backgrounds and 2% from other ethnic backgrounds. There is considerable variation by geography, broadly reflecting the ethnic make up of the population.

There are more Black-led social enterprises in the most deprived areas of the UK. Asian-heritage leaders are more likely to be running start-ups than long-established businesses, as are people of mixed and Chinese heritage.

68% of social enterprises have no directors from racialised communities, compared to 89% for SMEs.[32] 84% of all small businesses in the UK are led by people from White British backgrounds, compared to 74% of social enterprises.

In terms of age, one in six organisations (18%) reported directors aged 16 to 24, nine in ten (89%) reported directors aged 25 to 44, over nine in ten (94%) reported those aged 45 to 64, and two-thirds (67%) reported those aged 65 or over.

As was the case in 2019, just 1% of leaders are aged up to 24. A third (32%) are aged 25 to 44 (cf. 27% in 2019), half (53%) are aged 45 to 64 (cf. 50% in 2019) and one in ten (8%) are aged 65 or above (cf. 13% in 2019). Organisations operating for up to three years continue to be significantly more likely to have a leader aged 25 to 44 (52% cf. 14% of organisations operating for 11 years or more). 28% of organisations reported having directors with a disability, and one in ten (11%) reported that the leader of their organisation has a disability – although none of these leaders are running organisations with more than 100 employees. The South West has the highest proportion of social enterprises led by people with disabilities (14%).

Trading For The Planet

Most social enterprises are concerned about their environmental impact as well as their social mission, and increasingly see environmental focus as integral to delivering social impact and running a viable business. We asked respondents questions designed to gauge the importance their organisation attaches to environmental considerations when making business decisions, and to determine the extent to which these are prioritised and encouraged within the organisation.

Procurement

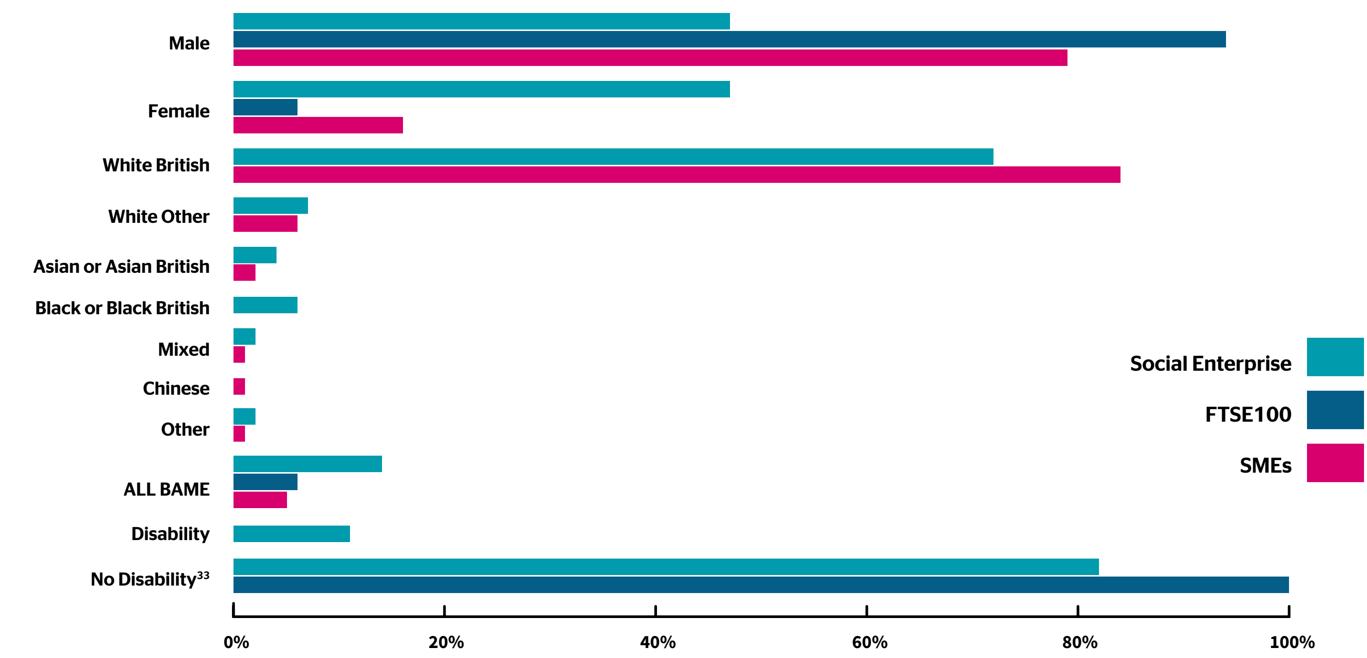
Environmental and social factors are increasing in importance as factors in procurement decisions for the sector. Asked which is more important when procuring products, two-thirds (68%) of social enterprises said that cost and being socially and environmentally friendly are equally important (an increase on 63% in 2019).

Similar proportions said that the social- and environmental-friendliness (16%) and cost (14%) are more important. This is a positive shift since 2019, when 12% felt that social and environmental-friendliness was more important, and 22% felt that cost was more important.

Overall, 84% believe the social and environmental-friendliness of products is as – or more – important than cost, compared to 75% in 2019. Social enterprises are serious about tackling climate change and recognise that there may be short-term trade-offs between the cost of investing in decarbonisation and the urgent need to bring down emissions.

31 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey
32 https://data.gov.uk/dataset/efa5133a-ad72-47a3-aef9-b4f8ab385a0c/small-business-survey

Figure 14: Social Enterprise leadership compared to SMEs and the FTSE 100



Embedded climate mission

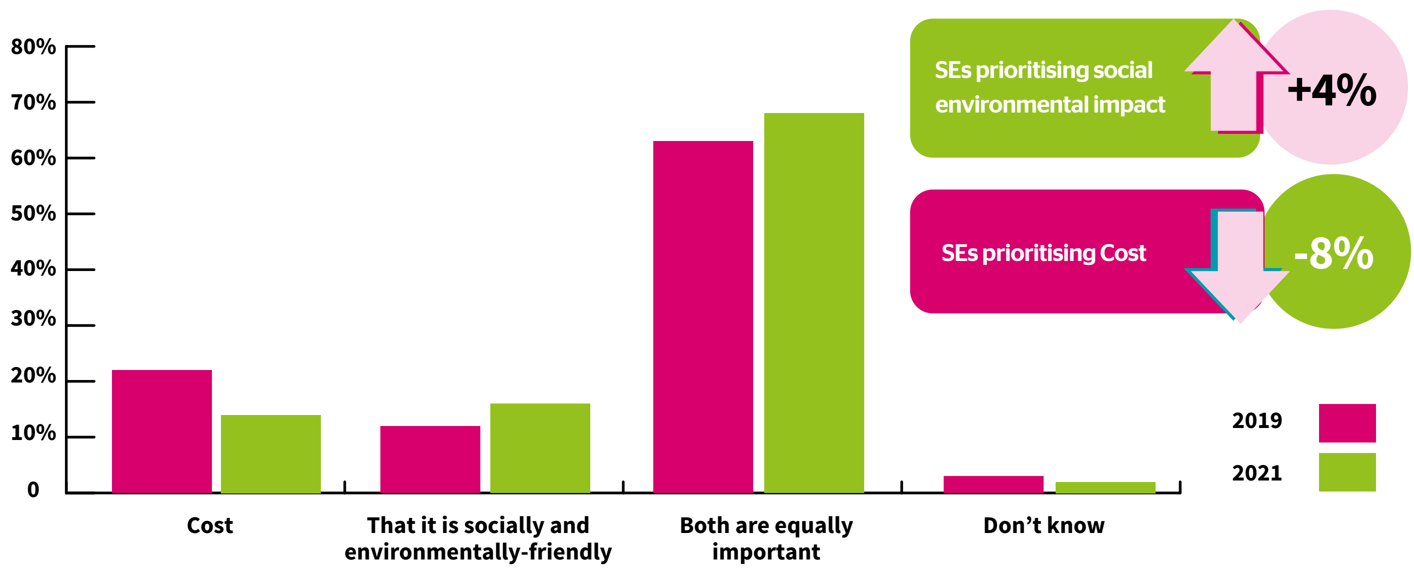
A third of all organisations (35%) reported that they have embedded tackling climate change/climate emergency into their constitution/articles of association. A further third (32%) reported having plans to or were considering doing so.

A further 14% have a commitment to net zero/climate strategy, and 17% have no plans to embed tackling climate change/climate emergency into their constitution/articles of association at present.

Larger organisations (with more than 100 employees) are more likely to have a commitment to net zero/climate strategy (36%) but less likely to have embedded tackling climate change/climate emergency into their constitution/articles of association (9%). For smaller organisations (up to nine employees), the reverse is true (39% and 11% respectively).

Social enterprises in the devolved nations are more likely to have embedded tackling climate change/climate emergency into their constitution/articles of association (47%), as are those in the East Midlands (52%) and those in rural areas (44%).

Figure 15: Product procurement priorities



33 https://www.peoplemanagement.co.uk/news/articles/no-ftse-100-executives-or-senior-managers-have-disclosed-a-disability#gref

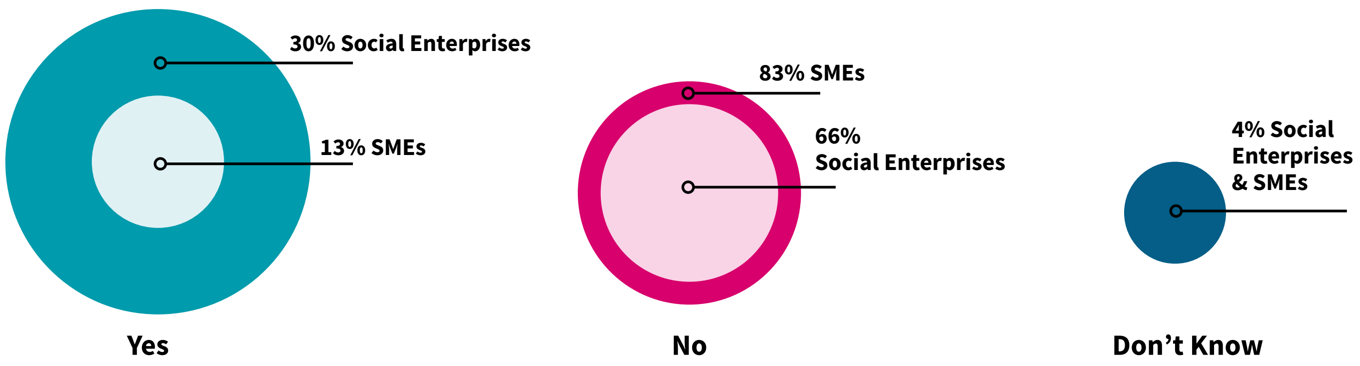
Energy efficiency

Three in ten organisations (30%) reported having installed energy efficiency devices in the last 12 months, compared to 13% of SMEs.[34] This shows that social enterprises take a lead when it comes to decarbonising our economy.

Social enterprises in the North East (34%), West Midlands (39%), in the most deprived parts of the UK (33%), in rural areas (35%), operating for 11 or more years (39%) and in particular those with more than 250 staff (69%), are more likely to have installed energy efficiency devices.

Female-led and social enterprises led by people from racialised communities are less likely to have installed energy efficiency devices (27% and 26%, respectively). Given that these measures can represent medium- to long-term cost savings despite initial outlay, this finding may indicate a need for suitable finance for certain businesses to adapt to a lower carbon economy.

Figure 16: Installation of energy efficiency measures in the last 12 months compared to SMEs



Social Enterprises As Employers

Working to Help Others

The survey asked respondents whether they work with and/or seek to employ individuals facing particular issues. 84% reported that their organisation works with individuals facing the issues presented with (cf. 72% in 2019).

COVID-19 has created challenges in accessing employment for many parts of society and social enterprises are responding to this need - over half (51%) reported that their organisation seeks to employ people from the groups listed in Figure 17 (cf. 40% in 2019).

Reflecting the fact that there has been a significant increase in the proportion of organisations with the objective of improving mental health and wellbeing, those with mental health problems are the people to whom the highest proportion of organisations are providing services or benefits (32%). This represents a significant increase since 2019 (19%), and this group now tops the list. Given the impact of COVID-19 on mental health, social enterprises are well placed to respond to the challenges for people with mental health problems getting back into work. Other groups that are significant in respect of being served by organisations surveyed include people with a learning disability (25%), the long-term unemployed (24%) and individuals with a physical disability (22%). Overall, these four groups have consistently been the most served since the 2017 survey.

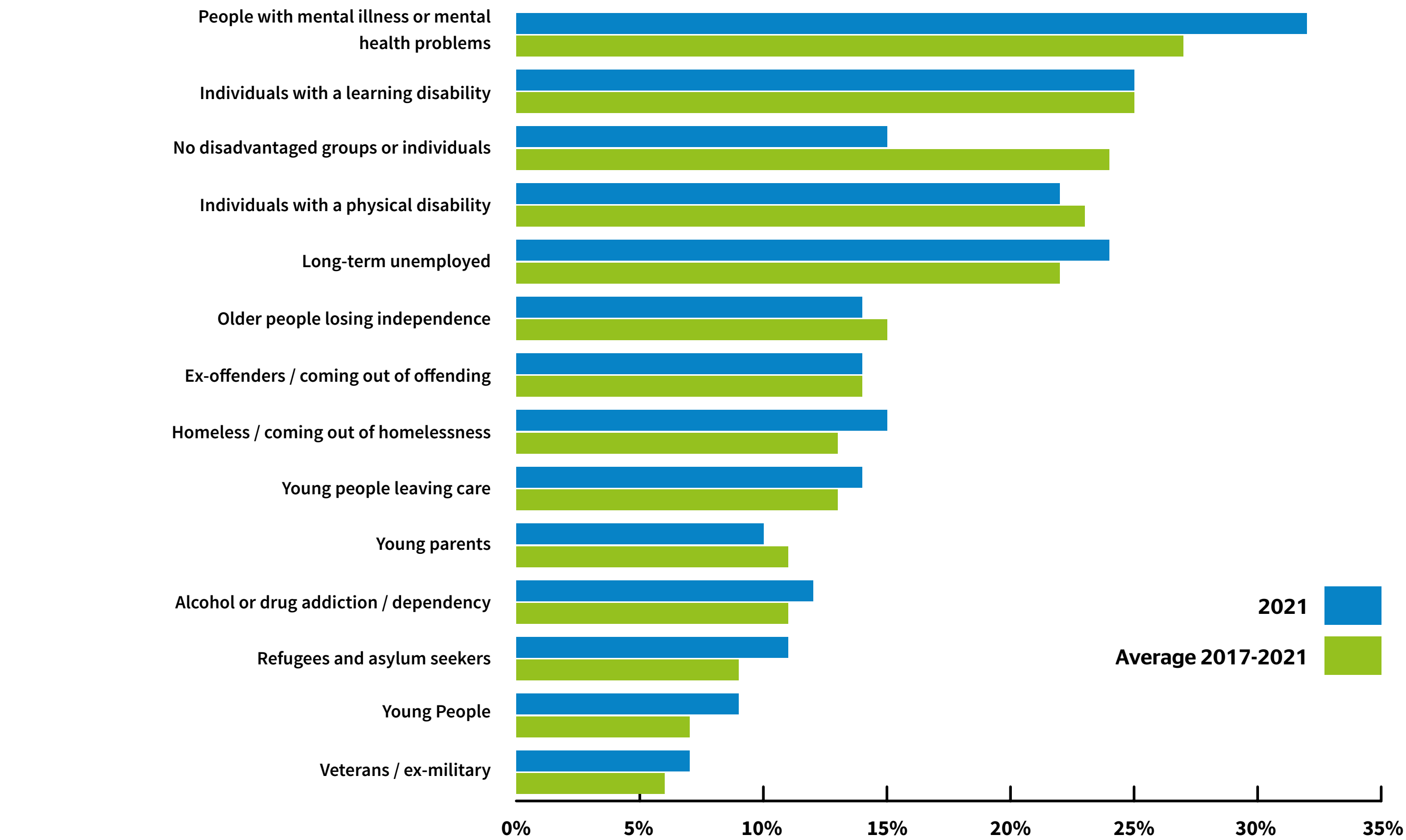
In terms of employment, these four groups are again the most mentioned, along with individuals who experience discrimination due to their race/ethnicity.

89% of female-led, 93% of social enterprises led by people from racialised communities and 94% of disabled-led social enterprises seek to work with one or more of these groups, compared to the average of 85%.

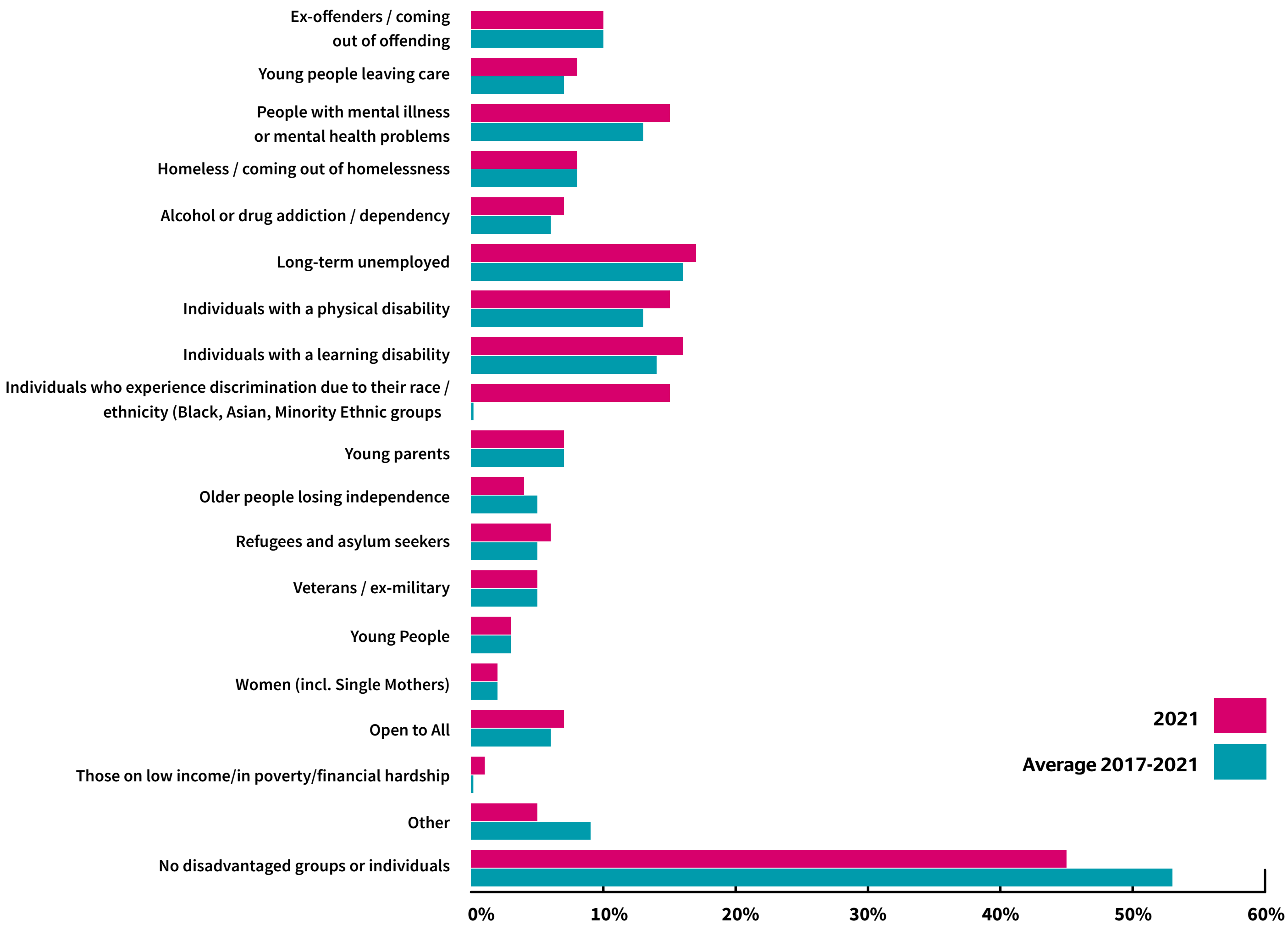
By combining data from several years' surveys, we can build a more robust 'census' picture of the disadvantaged groups and individuals to which social enterprises are most likely to provide services or benefits. Figure 17 shows the average proportion of social enterprises working with or seeking to employ individuals from specific groups between 2017 and 2021.

34 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

Figure 17: Organisations working with or seeking to employ individuals from specific groups



Organisations seeking to employ individuals from specific groups



Local Focus: Social enterprises continue to recruit locally, with little change from 2019. Of those organisations with two or more employees, two-thirds (67%) reported that they draw 100% of their workforce from the local area in which the majority of their activity takes place, and just 7% drew less than 50% of their workforce from the local area. As in 2019, 2% reported that none of their workforce originate from the local area.

Fair Pay: Over seven in ten organisations (72%) reported being a Living Wage employer (meaning they pay their employed staff a wage rate based on what people need to live). 76% reported this in 2019, and in 2017, 78% reported being Living Wage employers.

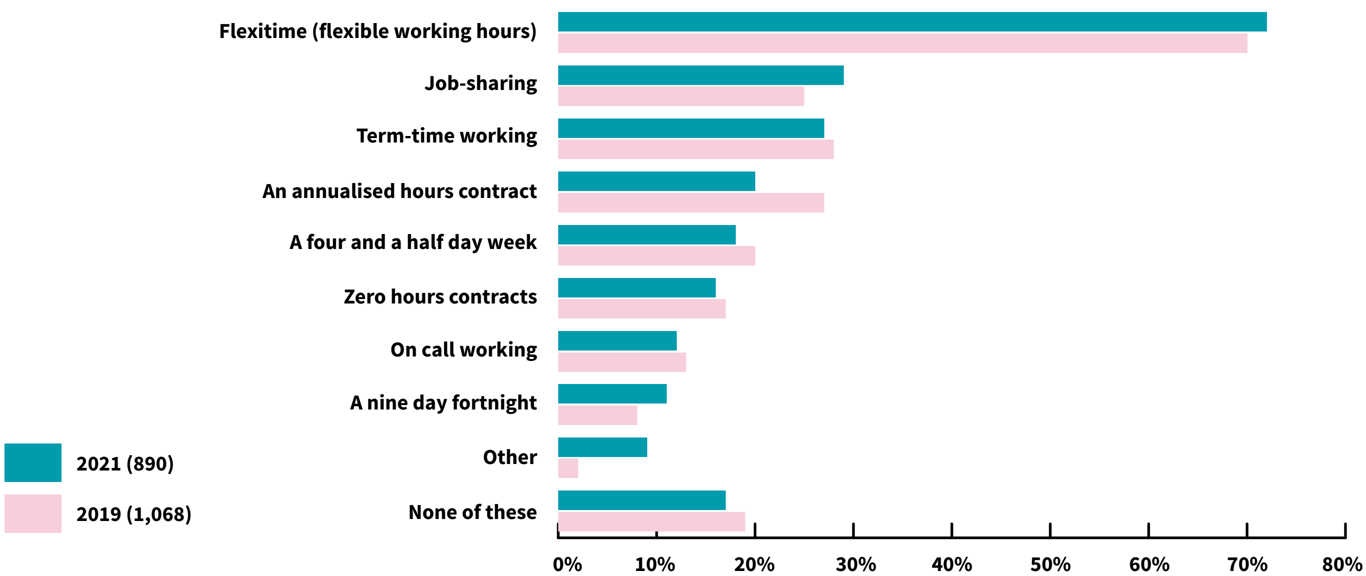
The survey also asked about remuneration of the highest-paid person in the organisation. The median earnings of the highest-paid person remains at £28,000, as was the case in 2019. This figure increases with the number of employees, reflecting the typically higher earnings of senior teams in larger organisations. The figure has reduced over time among organisations with zero to nine employees from £25,000 to £21,600, and has remained stable at £50,000 among those with 26 to 99 employees. While significantly higher among those with 100 or more employees, the median figure for this group has declined from £130,000 in 2019, to £101,000 in 2021. 8% reported not paying any staff.

There has been a significant increase in the proportion who reported that their organisation's highest earner earns less than £10,000 per year before tax, from 9% in 2019 to 22% in 2021. This could be due to the higher proportion of start-ups. The ratio between the average of the highest paid to lowest paid is 2.6:1 for all social enterprises (compared to 5.6:1[35] for all UK CEOs), and 6.8:1 for social enterprises with more than 100+ staff,[36] compared to 208:1 for FTSE100 CEOs.[37]

Flexibility for staff: Social enterprises continue to be at the forefront of improving working conditions. Flexi-time remains by far the most commonly offered of all the flexible working arrangements listed (72%), although there has been an increase in the opportunity to job share (from 25% to 29%). Fewer organisations offer an annualised hours contract now than in 2019 (20% cf. 27%).

The national small business survey only asked this question in Scotland, but results show that social enterprises are far more likely than other businesses to offer staff flexible working options than other businesses, and particularly in terms of flexi-time (54% for all businesses in Scotland), term-time working (13% for all businesses in Scotland), job-sharing (9% for all businesses in Scotland), and four and a half day weeks (11% for all businesses in Scotland).[38] This is in line with the Chartered Institute of Personnel and Development's Good Work Index survey[39] which found that 48% of staff reported the availability or use of flexible working arrangements.

Figure 18: Flexible working arrangements



35 https://www.payscale.com/research/UK/Job=Chief_Executive_Officer_(CEO)/Salary
36 Ratio calculated by assuming that the lowest paid is a full-time employee working a 37.5-hour week receiving the national minimum wage for people aged 23 and over of £8.91 per hour.
37 https://www.cipd.co.uk/Images/ftse-100-executive-pay-report_tcm18-82375.pdf
38 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees
39 https://www.cipd.co.uk/knowledge/work/trends/goodwork#gref

Overall, 83% of social enterprises offer some form of flexible working to staff (68% of all business in Scotland),[40] with those in the most deprived parts of the UK more likely to offer flexible working (87%). Black, Asian and Minority Ethnic-led social enterprises are more likely to offer flexible working of some kind (89%) than average.

Representation on the Board

Board make-up is closely aligned with 2019, with almost half (48%) of organisations having representatives of the local community (other than employees) sitting on the Board, close to two in five (38%) having employees on the Board (cf. 35% in 2019), and a quarter (24%) reporting that service users sit on the Board (cf. 25% in 2019).

One in six (18%) reported that their organisation does not have a Board, and one in eight (12%) reported that none of these groups are represented on their Board (cf. 10% in 2019).

Social enterprises in Wales (59%) and the Midlands 57%) are particularly likely to have representatives of the local community on their boards, with Northern English social enterprises most likely to offer board places to employees (43%) and service users (27%).

Workforce

Close to half of organisations (47%) have between one and nine full-time paid staff (cf. 53% in 2019), 11% have between ten and 49 full-time staff and 7% have 50 or more full-time staff (cf. 3% in 2019).

Overall, just 16% of all organisations surveyed have no paid employees (as in 2019 and 2017).

One in three organisations has no full-time paid staff (34%) and 22% of organisations only employ part-time staff in paid positions.

There has been an increase in the proportion of organisations reporting employing temporary or casual paid staff, with 38% having at least one such staff member, compared to around three in ten since 2017.

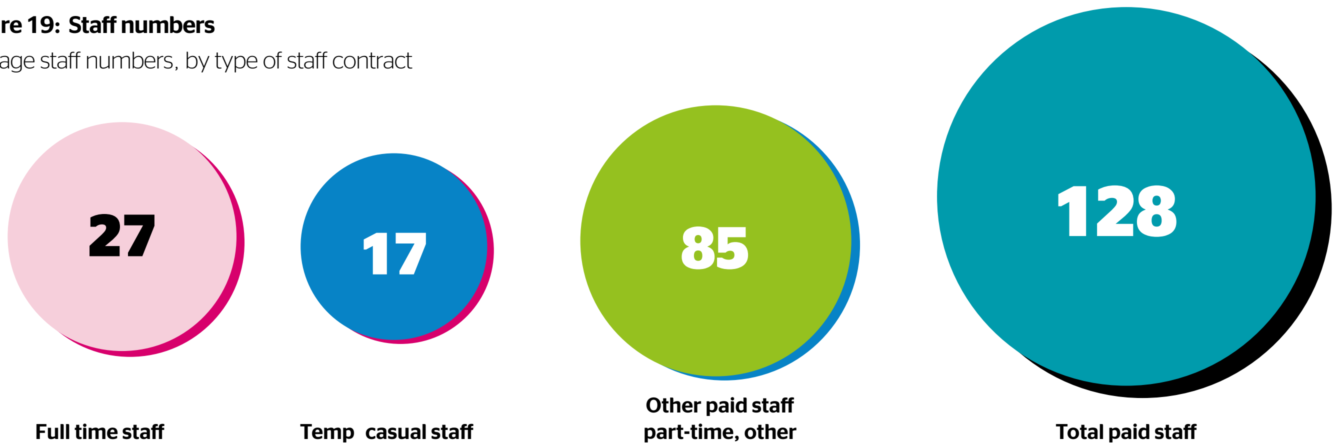
Three in ten (29%) have between one and nine temporary or casual paid staff, 5% have between ten and 49 temporary or casual paid staff and 2% have 50 or more (as in 2019).

There are some very large social enterprises in the East and North West, with higher proportions of small social enterprises in the North East and in Scotland, Wales and Northern Ireland.

Social enterprises in the least deprived areas have on average fewer staff than those in the most deprived areas. In terms of full-time staff, English social enterprises are far less likely to use full-time staff than those in the devolved nations. Social enterprises in the most deprived areas have more full-time staff than average, but those in the least deprived have a much higher proportion of full-time staff, although they also have proportionately far more people on temporary or casual contracts.

Male-led social enterprises have on average far more staff than those led by women, as do White-led social enterprises compared to those led by people of colour. Similarly, social enterprises led by people with no disabilities have on average more staff than those led by people with disabilities. Female-led social enterprises are more likely to have full-time staff, and less likely to have temporary or casual staff.

Figure 19: Staff numbers
Average staff numbers, by type of staff contract

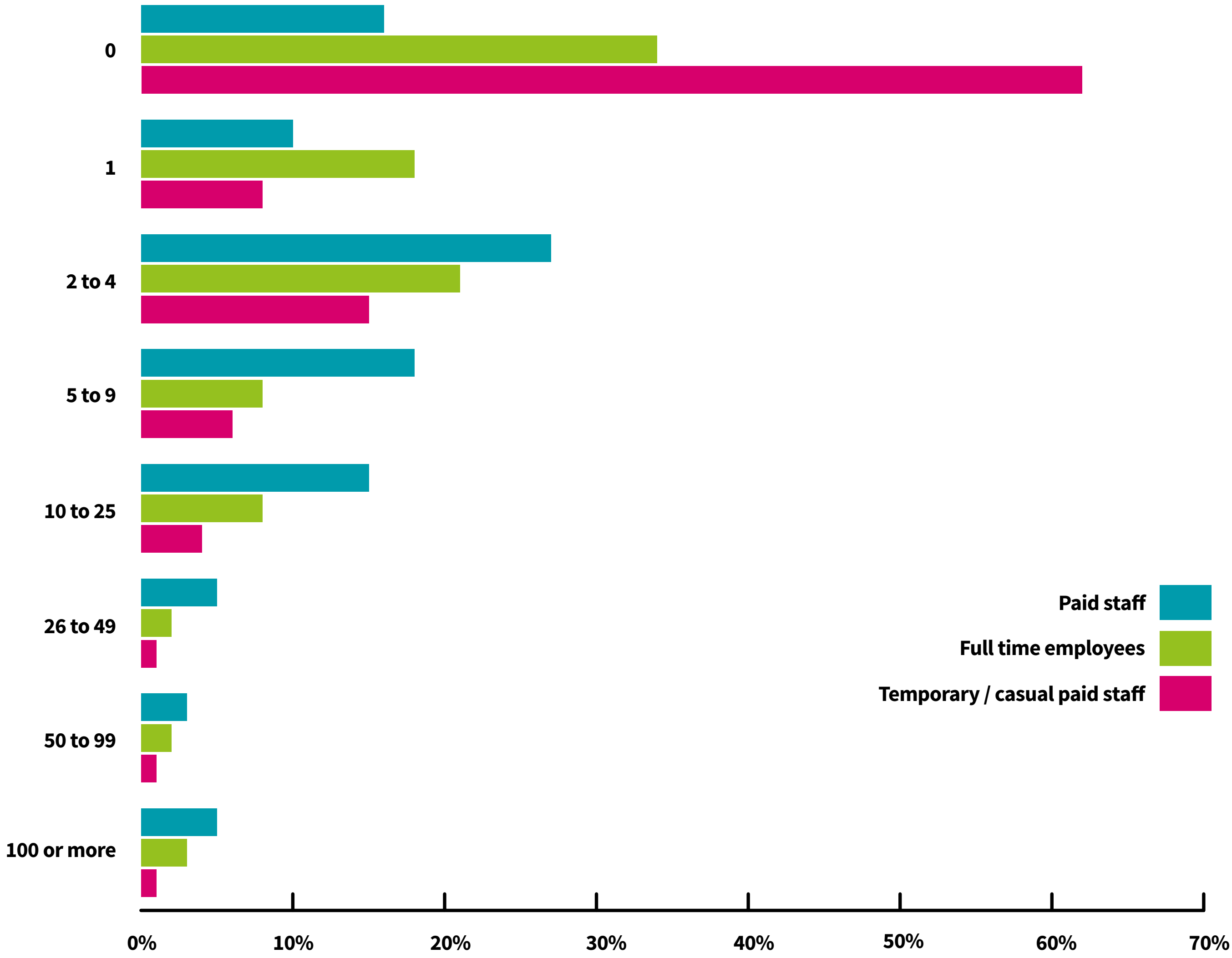


40 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

Figure 19: Staff numbers

Number of paid staff, number of full-time paid staff and Number of temporary/casual paid staff

(all respondents – single response)



(The part-time average should be treated as an estimate. These averages do not exclude major outliers.)

Sample base = 1,425

Women

One in eight organisations with two or more employees (13%) reported that their entire workforce is made up of women (in line with 2019), and a further 45% (cf. 42% in 2019) reported that between 51% and 99% of their workforce are women. One in 20 (4%) reported no women in their workforce (again in line with 2019).

Three-fifths (61%) of the workforce at social enterprises are female, compared to 48% of the national workforce as a whole.[41]

Rural social enterprises are less likely to have women on their teams, as are new start-ups and social enterprises led by people with disabilities. Larger social enterprises have more women on their staff teams than smaller organisations.

Female-led social enterprises are far more likely to hire women than their male-led counterparts. Social enterprises led by people from racialised communities are also more likely than average to have more women on their teams.

Racialised communities

3% of social enterprises reported that people from Black and Asian backgrounds and other ethnic groups that are in a minority in the UK make up their entire workforce. Two in five (40%) reported that no one from these ethnic groups within their workforce.

41 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentunemploymentandeconomicinactivityforpeopleaged16andoverandagedfrom16to64seasonallyadjusteda02sa

On average across the UK, and in every region and devolved nation, social enterprise staff teams include a higher proportion of staff from racialised communities than is present in the corresponding national and regional society as a whole (based on 2011 census data).[42] However, while all social enterprises with more than 100 staff have people from racialised communities on their staff, almost 40% of social enterprises nationwide have no staff of colour on their teams. Start-ups have less diverse staff teams, whereas more established social enterprises tend to hire more staff of colour.

On avereage, 50% of staff at social enterprises led by people from racialised communities are themselves Black, Asian and Minority Ethnic, compared to just 11.5% of staff at social enterprises led by people from White British backgrounds. 44% of White-led social enterprises have no BAME-background staff, compared to just 5% of those led by people who are from racialised communities.

Disabilities

Of those organisations with two or more employees, around two in five (43%) reported that none of workforce are living with disabilities. One in six (17%) reported that people living with disabilities account for between 1% and 10% of their workforce, with a higher proportion (22%) reporting that this group accounts for between 11% and 50% of their workforce, and one in 20 (4%) that they account for more than half.

All social enterprises with more than 100 staff have people with disabilities on their staff team.

There is a higher proportion of people with disabilities on staff teams in the North East and West Midlands, and lower in the North West than the national average.

As with female-led and social enterprises led by people from racialised communities, social enterprises led by people with disabilities are significantly more likely to have disabled people on their teams.

Creating more employment opportunities

Despite the crisis, social enterprises have grown their staff teams over the last year. Nearly two in five organisations that have been trading for at least a year (37%) reported that the number of employees within their organisation has increased in the last 12 months, a significant increase on the 31% who did so in 2019. One in seven (14%) reported a decrease in employee numbers, in line with 12% in 2019. Close to half (48%) reported that their workforce size has not changed compared with 12 months ago, which is a lower proportion than in 2019 (57%).

Social enterprises in the devolved nations have lost more staff than the national average, as have those in the East Midlands and the East of England. West Midlands-based social enterprises were least likely to say that they've reduced staff, with Yorkshire social enterprises looking particularly resilient, being both less likely to have reduced staff and more likely to have grown staff.

Social enterprises in the most deprived areas are more likely to have grown their staff teams in the last year; more so than those in the least deprived areas.

Female-led social enterprises are more likely to have grown their staff teams than their male counterparts. Social enterprises led by people from racialised communities are more likely to have grown their staff teams than the national average.

Looking forward for the next 12 months, three in five organisations (61%) expect their workforce to grow, which is a significantly higher proportion than in 2019 (49%) and 2017 (38%). A third (36%) expect no change in the number of employees, while just 3% expect to employ fewer people in 12 months than currently.

Social enterprises in the devolved nations are particularly optimistic about taking on new staff in the coming 12 months, as are social enterprises in London and Yorkshire. Social enterprises in the North West are the least likely to expect to increase staff, with less than half anticipating having more staff in 12 months' time.

Social enterprises in the most deprived parts of the country are more likely to anticipate staff growth than the national average, as are those led by people from racialised communities.

42 https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/national-and-regional-populations/population-of-england-and-wales/latest

Case Study 4

Spark & Co – no social justice without racial justice: a pandemic-inspired start-up

The resurgence of the Black Lives Matter movement last year led to a renewed focus on structural racism and the barriers faced by racialised communities across society from the workplace to the criminal justice system. In the wake of COVID-19, it was apparent that we were not all in this together. Social entrepreneur Ishita Ranjan noticed this when the news broke that the first eight medical professionals to die during the pandemic all came from racialised communities.

The pandemic exposed pre-existing inequalities, with people from racialised communities more likely to die from COVID-19 and being over-represented in frontline, riskier employment. Over the course of a weekend in April 2020, Ishita identified 300 support organisations and created a resource directory to support racialised people and communities to access information and support that was trustworthy and accessible. Spark & Co was born.

Within the space of three weeks, the fledging social enterprise had secured £120,000 from the National Lottery Community Fund, turning a part-time project into working business. It now employs three members of staff and works with over 75 partners.

Spark & Co's mission is to tackle inequalities exacerbated by COVID-19 by equipping users with knowledge, information and resources. Since it was set up, it has developed into an information and support hub far beyond COVID-19 support, taking an intersectional approach to ensure marginalised voices are heard and supported, including resources covering topics ranging from trans rights and accessing health services to gender-based violence, plus support for specific faith-based communities.

As well as the resource hub, Spark & Co runs online events, including a course it delivered on navigating mental health delivered with three partners all from racialised communities.

Core to Spark & Co's ethos is the importance of working in partnership with community groups, activists and people with direct experience of the issues they are set out to address. The team makes sure that it works with people with lived experiences, ensuring resources are relevant, sensitively written and empowering. In just over a year it has created a network of content creators and 40 paid opportunities.

As more and more service providers from schools to food banks moved vital services online, the digital divide in the country became all too apparent. Spark & Co partnered with frontline organisations to provide funded bursaries allowing groups to access equipment from data to laptops, supporting 378 families facing digital exclusion.

Spark & Co has also started a consultancy and research branch helping organisations develop actionable anti-racism strategies, providing a growing source of revenue.

Social Enterprise in the devolved nations – Scotland, Wales and Northern Ireland

SOSE received (66) responses from social enterprises based in the devolved nations (11%). Sample sizes are too small to break down results by country. We present headlines here, plus additional data from Scotland and Wales partners. The latest Social Enterprise Northern Ireland survey[43] was undertaken in 2019 by Stratagem on behalf of Social Enterprise NI – results are not included here.

Scale and scope

Overall, social enterprises in the devolved nations are on average slightly younger than those in England, 44% are start-ups less than 3 years old (cf. 32%) and have significantly fewer staff (an average of 10.4 cf.144.5 in England) and correspondingly lower average turnovers (just over £500k cf. almost £2.5m in England).

Social enterprises in the devolved nations are more optimistic about recruitment, with 74% expecting to hire staff in the next 12 months (60% in England) and more optimistic that their turnover will grow over the same period (70% cf. 64% of English social enterprises).

Markets and money

Social enterprises in the devolved nations are more likely to be trading with the general public (60%, cf. 56% in England).

Social enterprises in the devolved nations were less likely to have applied for finance (29% cf. 34% in England), 10% more likely to think they would be rejected for finance and 10% more likely to think that there was a lack of finance offering suitable terms or a lack of suitable product, compared to their English counterparts.

People and purpose

Social enterprises in the devolved nations were more likely to invest in staff training and development (87% cf. 81% in England), although less likely to pay the living wage (67% cf.72%)

A half of social enterprises have embedded climate in their constitution/articles of association (47%, cf.34% in England), although a slightly higher proportion have no plans to consider doing this (22% cf. 17%).

Barriers and enablers

COVID-19 uncertainty is seen as a bigger barrier in the devolved nations, with 42% of social enterprises citing this as one of their top three concerns (34% in England). Social enterprises in the devolved nations are less likely to have drawn on organisational reserves as a response to the crisis (27% cf.37% in England) and less likely to have built up stocks of supplies (7% cf. 17%).

74% expecting to hire staff in the next 12 months

44% are start-ups less than 3 years old

5% less likely to have applied for finance

43 https://98c357f1-2831-42b0-96ce-b3e2bb9c9dee.filesusr.com/ugd/591939_9f033f8e6eb74fb3a56405bb9b5854d6.pdf

Social Enterprise in Scotland

The Social Enterprise in Scotland 2021 census was not completed at the time of writing. However Social Enterprise Scotland have compiled evidence on social enterprise in Scotland over the past 12 months which is summarised here. [44]

In April 2020, 15% of staff were furloughed in Glasgow and the West of Scotland, compared to 9% in the North East, where cashflow and supporting vulnerable service users were top priorities. Cashflow and overheads were also prominent concerns in Central and Southern Scotland, with diversifying operations and funding being most-cited issues in Glasgow and Edinburgh.

Smaller social enterprises in Scotland (under £500k turnover) were likely to have had launches cancelled, to have struggled to access state support and to have had limited reserves or cashflow to use – although some experienced a surge in demand (and income). Larger social enterprises were more likely to be able to diversify.

By November 2020, 93% were experiencing overall negative impact on operations due to COVID-19 and 35% faced disruption to support or services to beneficiaries. 16% were experiencing increased demand.

42% of Scottish social enterprises had accessed Scottish Government funding by November 2020, with 60% planning to in future.

Hey Girls - A Scottish social enterprise set-up to tackle period poverty.

44 https://socialenterprise.scot/cms/wp-content/uploads/2020/04/COVID-19-SES-member-feedback-1.pdf and https://socialenterprise.scot/cms/wp-content/uploads/2021/05/State-of-the-Sector-Report-Covid-19-and-social-enterprise-in-Scotland-May-2021.pdf

Social Enterprise in Wales

Mapping the Social Business Sector in Wales is a census undertaken every two years, commissioned and published by Social Business Wales which is funded by the European Regional Development Fund and Welsh Government. It is delivered by the Wales Co-operative Centre and is part of the Business Wales service.

Scale and scope

- There has been a substantial increase in start-up activity in Wales over the last two years, particularly in Northeast Wales.
- Increased focus on supporting communities and individuals that are socially or financially excluded.
- 36% employed people who were unemployed directly before taking up the post, highlighting the sector's role in supporting those furthest from the labour market.

People and purpose

- There is a positive gender balance within Welsh social enterprise leadership. However, ethnic minority communities and people living with a disability or long-term health condition are underrepresented and as in the UK data as a whole, there is a lack of young entrepreneurs.

Money and markets

- 45% of social enterprises perceived COVID-19 to be a large or critical threat to their financial viability over the next 12 months, demonstrating an ongoing risk
- There is extensive collaboration between social enterprises, with 67% engaged in peer-to-peer support and 42% of those undertaking public procurement having entered joint bidding arrangements.

Barriers and enablers

- Access to grant finance remains the most cited barrier, primarily because social enterprises did not know where to look for finance and advice. Information, or mentoring support in relation to finance was the main support need stated
- Support in relation to digital marketing and social media is a particular need, alongside support relating to procurement
- Whilst there are signs of recovery and optimism, there is a suggestion that Welsh social enterprises' reserves have been eroded, which may have weakened their sustainability.

Substantial increase in start-up activity in Wales over the last two years

45%
of social enterprises perceived COVID-19 to be a large or critical threat

There is extensive collaboration between Social Enterprises

Barriers And Enablers

Key Findings

Covid: Resilience Despite Uncertainty

Uncertainty caused by COVID-19 is the most commonly mentioned barrier to sustainability and growth, cited by around a third of respondents (35%).

Compared to other businesses, social enterprises are more likely to have increased staff hours – and less likely to have decreased them. They are also less likely to have furloughed staff. Social enterprises are more likely than other businesses to have recruited staff for both the short and long term, provided facilities for remote working, and moved staff to new roles or asked them to take on additional tasks.

Compared to other businesses, social enterprises are significantly less likely to have received government and local authority grants.

Accessing Funding And Finance

As in 2019, the median amount of finance raised (£40,000) was lower than the median applied for (£50,000), (compared with £60,000 raised in both 2017 and 2015).

A third of all organisations (34%) applied for external funding or finance in the past 12 months, fewer than in 2019 (38%). This year's figure matches that of 2017 and is significantly higher than for SMEs. Of those that have not applied for external finance or funding, a third (34%) have considered applying, an increase on 2019 (23%).

Young organisations are more likely than average to have disagreed that the amount of external finance available to them is sufficient (45% of those established within the last three years, cf. 29% of organisations established for more than ten years). Those in London are also more likely to have disagreed that there is sufficient external finance available to them (43%).

In terms of whether the amount of external finance available to their organisation is sufficient, under half (44%) agreed that it is (the same proportion as in 2019), including a small minority (6%) who strongly agreed. Fewer disagreed (35%, including 5% who strongly disagreed), while the remainder (21%) were not sure or felt it was not applicable.

Social enterprises led by both people from racialised communities (43%) and disabled people (34%) are also more concerned than average about accessing grants.

Finance Used Productively

Around half the organisations that have applied for finance reported intending to use it as working capital (55% cf. 52% in 2019 and 42% in both 2017 and 2015). A similar proportion (52%) planned to use it as development capital, a significant uplift on 2019 (39%). Unsurprisingly, there have also been very significant uplifts in the proportion who intend to use it to sustain their operations during challenging times, from 16% in 2019 to 45% in 2021.

Not A Level Playing Field For Finance

Younger organisations are less likely to have agreed that their organisation has the financial, marketing and business skills required to obtain external finance and investment (58% of those established within the last three years compared to 70% of organisations established for more than ten years).

Lack of access to/poor advice/business support (3%) is more of a barrier for social enterprises led by people from racialised communities (6%). They were more likely to have applied for finance (more than 7% compared to the average), but only secured 50% of the median amount sought, compared to an average of 80% for social enterprises as a whole.

Introduction

This section explores the barriers and enablers for social enterprises in the UK: what factors help and hinder them in achieving their social and commercial objectives. It looks specifically at barriers to sustainability, business capability, and access to funding and finance.

Barriers

Our survey asked all respondents to list their three main barriers to sustainability and growth.

Unsurprisingly, the uncertainty caused by COVID-19 is the most mentioned barrier, by around a third of respondents (35%), although start-ups are less likely to cite it as one of their three most significant barriers (26%). Following this, as was the case in 2019, a quarter (25%) mentioned difficulties in obtaining grant funding.

In 2019, obtaining debt or equity finance was the next most commonly mentioned barrier after obtaining grants, mentioned by 18% of respondents. This has declined significantly in 2021 to 6%. This is likely caused by the financial uncertainty of COVID-19, as well as the provision of emergency finance from the Government.

Start-ups (under a year old) are particularly concerned about obtaining grant funding (44%, compared to 25% nationally). Social enterprises led by both people from racialised communities (43%) and disabled people (34%) are also more concerned than average about accessing grants.

Start-ups are particularly affected by lack of or poor understanding/awareness of social enterprise among banks and support organisations (12% of those up to a year old cite this as the top barrier, compared to 5% nationally). Start-ups are also more likely to cite lack of or poor understanding/awareness of social enterprise among general public/customers as a barrier (14%, compared to 7% nationally).

Concern about the availability or cost of suitable premises (7%, cf. 14%) and staff recruitment (10%, cf. 14%) have also decreased. By contrast, the difficulty in accessing customers is more likely to be cited as a barrier now than in 2019 (19%, cf. 13%).

Lack of demand is more of a concern for social enterprises in the North West than elsewhere (15% compared to the national average of 12%).

Difficulty accessing procurement/commissioning services (7%) is more of a barrier for social enterprises in the most deprived parts of the UK too (11%), and for social enterprises led by people from racialised communities (13%). The latter are also more likely to identify lack of capacity to meet procurement/commissioning criteria as a barrier (7%).

Figure 20: Barriers to sustainability or growth

Sample base = 854

Impact of COVID-19

The survey asked respondents if they were happy to answer a few questions about how the COVID-19 pandemic has affected their business, and 86% agreed to do so.

Impacts of COVID-19 on staff

The majority (86%) of responding organisations reported having taken some mitigating action in relation to their staff, most commonly providing facilities for remote working (54%), providing additional training to upskill staff (40%) and furloughing staff (39%). One in ten (9%) reported making staff redundant, and a very small minority – one in 20 (4%) – reported laying off staff in the short term without furlough.

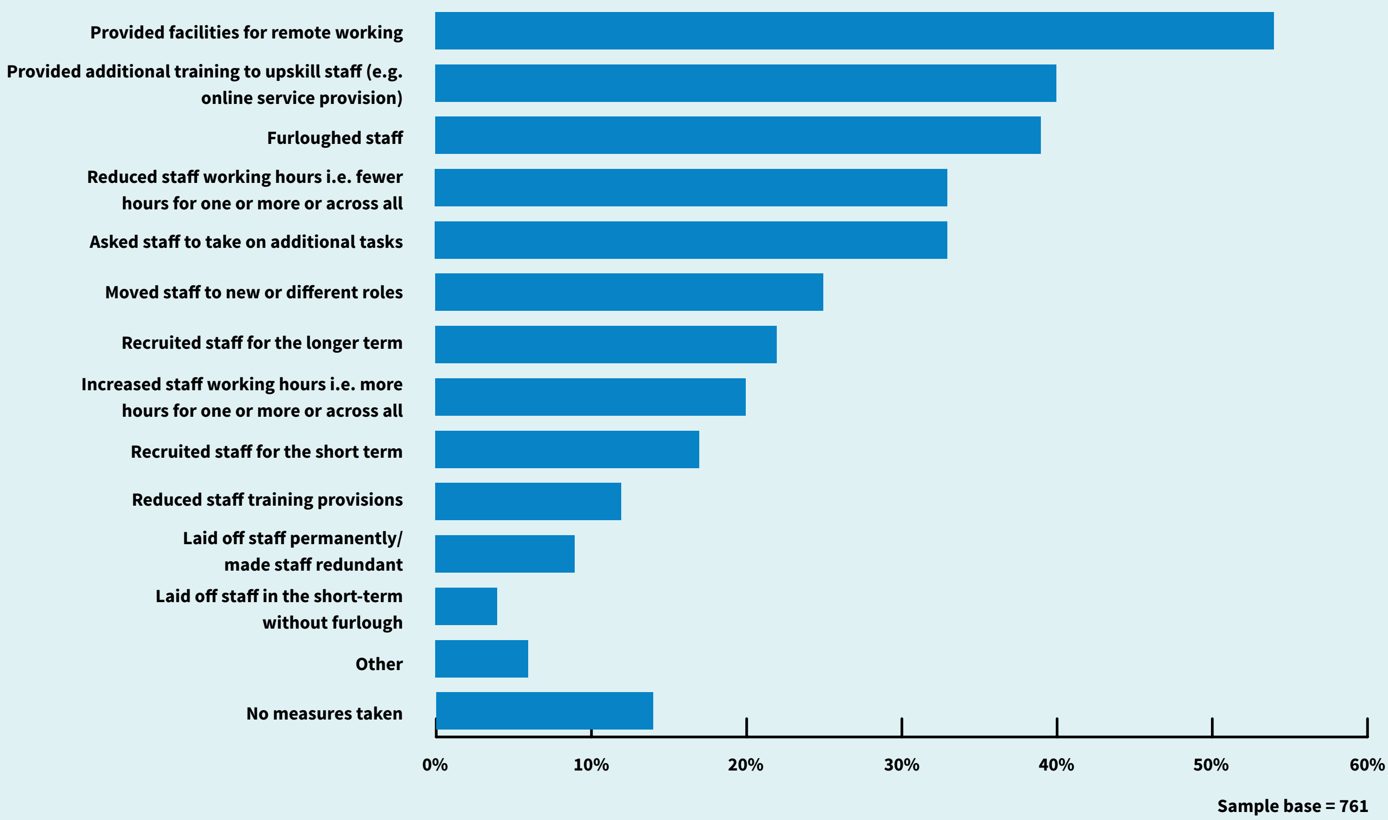
Compared to other businesses, social enterprise staff were busier during the crisis. 20% of social enterprises increased staff hours (9% for business as a whole) and 33% decreased staff hours (49% for business as whole)[45]. Social enterprises are also more likely to have provided facilities for remote working (54%, compared to 37%).[46]

Social enterprises in the devolved nations were significantly less likely to have taken any of these measures (25% took none of these measures, compared to 13% of England-based social enterprises).

Social enterprises in the most deprived areas were more likely to have furloughed staff (44%), and more likely to have asked staff to take on new/different roles (31%) or additional tasks (39%) – but they were also more likely to provide training to upskill staff (46%).

Social enterprises led by people from racialised communities were less likely to have furloughed staff (29%) and more likely to have recruited short-term staff (22%), as well as more likely to provide training to upskill staff (47%).

Figure 21: Staff measures taken to cope with the impact of COVID-19 (all respondents – multiple response)



45 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

46 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

Impacts of COVID-19 on business operations

Almost all (91%) of responding organisations reported taking some action concerning their business operations in response to COVID-19, most commonly a change in processes or ways of working (74%).

Around half (49%) have changed the services or products they provide, while close to two-fifths have changed the way in which they sell (38%) and slightly fewer (36%) have had to draw on their reserves.

Organisations in the least deprived quintile are significantly more likely to have drawn on their reserves (48%) and to have postponed investment (37%).

Interestingly, around a fifth of social enterprises (22%) have recruited long-term staff in the pandemic, showing both confidence in their own ability to grow and their commitment to supporting employment during a challenging economic environment.

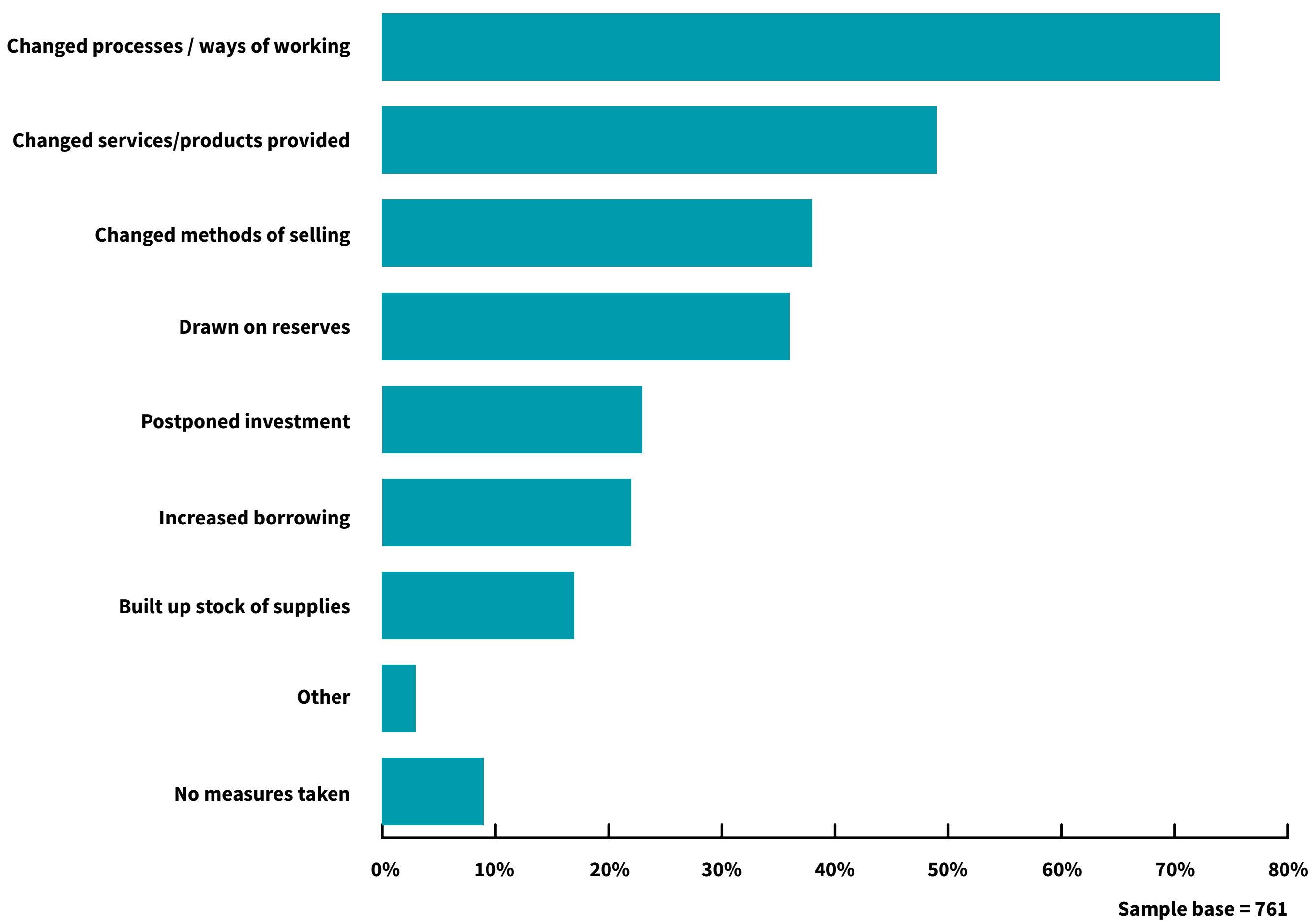
Compared to other businesses, social enterprises are more likely to have innovated or pivoted to change services/ products provided (49%, cf. 20%), change processes or ways of working (74%, cf. 59%) or change methods of selling (38%, cf. 27%[47]).

By contrast, they are less likely than the rest of business to have increased borrowing (22%, cf. 36%), drawn on reserves (36%, cf. 45%) or postponed investment (23%, cf. 31%).

Social enterprises in the South East were more likely to have increased borrowing (27%), and those in London and the North West were particularly likely to have drawn on reserves (both 41%), both regions were also more likely to have postponed investment (27% and 28%, respectively).

Social enterprises led by people from racialised communities were particularly likely to have increased borrowing (35%). Similarly to those led by people with disabilities, they were more likely to have changed the products and services they provide (54% and 60%, respectively).

Figure 22: Business measures taken to cope with the impact of COVID-19 (all respondents – multiple response)



47 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

48 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

COVID-19 schemes

A third of organisations (32%) made no applications for COVID-19 schemes. Close to two-fifths (38%) applied for business grants funded by government or local authorities, over a third (36%) have used the furlough scheme, and a quarter (23%) applied for government-backed accredited loans or finance agreements.

In terms of receipt of the schemes, most of those who applied for the schemes did receive them. The key exception is the Kickstart Scheme, which provides funding to employers to create job placements for young people. While 16% reported applying for this, only 6% reported receiving it.

Compared to other businesses, social enterprises are significantly less likely to have applied for funds from the Coronavirus Job Retention Scheme (otherwise known as furlough) (36%, cf. 68%).[48]

Social enterprises are also less likely to have used business rates holidays (11%, cf. 17%), deferred VAT payments (8%, cf. 28%) and are less likely to have secured government or local authority grants (34%, cf. 42%).

Social enterprises led by people with disabilities were also particularly likely to have been unsuccessful with applications (53%).

Finance And Social Enterprise

As access to finance is a barrier for many social enterprises, the survey looked at this issue in depth: how many social enterprises had sought external finance,[49] what types of finance, and how successful they were.

Finance capital

The survey asked respondents about the ways in which their organisation has accessed finance over the last 12 months. In the questioning, we asked respondents to exclude COVID-19 government-backed loans or grants in their response, but to include loans from friends and family and active rearrangement of an overdraft facility, as well as grants obtained and applications to any financial institutions or providers.

Applications

A third of all organisations (34%) reported having applied for external funding and finance in the past 12 months, fewer than in 2019 (38%). This year's figure matches that of 2017. It is significantly higher than for business as a whole (10%).[50]

Of those who applied for external funding and finance, 77% applied for grants, 39% applied for a loan, 6% for an overdraft, 2% for a mortgage, 8% for equity, 9% for blended finance and 5% for quasi-equity/equity-like investment. Social enterprises more likely to have applied for finance (other than COVID-19 emergency finance) in the last 12 months are found in the South East (39%, of which 64% was grants and 45% loans) and in the most deprived parts of the country (37%, of which 82% was grants and 38% loans, and a lower proportion of equity/quasi-equity – both 1%, but 13% blended finance). Social enterprises in the devolved nations (29%), Midlands (29%) and Yorkshire (26%) are less likely to have applied for external finance, as are those with over 100 staff (20%).

Grant applications were highest in the devolved nations (92%), North of England (83%) and London (81%). Proportions applying for loans were also highest in the devolved nations (56%) and applications for blended finance were highest in the East of England (21%).

Social enterprises led by disabled people (60%) and people from racialised communities (41%) are more likely to have applied for external finance. Those led by people from racialised communities were more likely to have applied for loans (51%), and less likely to have applied for grants (70%), blended finance (6%), equity (3%) or quasi-equity (0%). Of those that have not applied for finance, a third (34%) have considered applying; an increase on 2019 (23%).

49 Finance typically refers to 'repayable' income, such as loans, and includes forms like equity, which is transfer of ownership rather than repayment of debt. Grants are included in some questions to give an overview of income, and some questions explicitly relate to repayable finance including equity only – and findings state this.

50 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

Among those that decided not to apply for finance, the most frequently cited reason remains that no finance was required (25%), but this is at a significantly lower level than in 2019 (62%).

There have been significant increases in the propensity to cite most of the other reasons for not making an application, with the expectation that they would be rejected (15%), time pressures (15%) and the timing (14%) the most commonly mentioned.

Social enterprises led by people from racialised communities were more likely to be put off by the time a decision might take or the hassle (20%), as well as being less certain where to find appropriate finance (15%) and less confident about capacity to take on finance (20%). Social enterprises led by people with disabilities are particularly likely to expect to be rejected (44%).

Type of funding and finance applied for and obtained

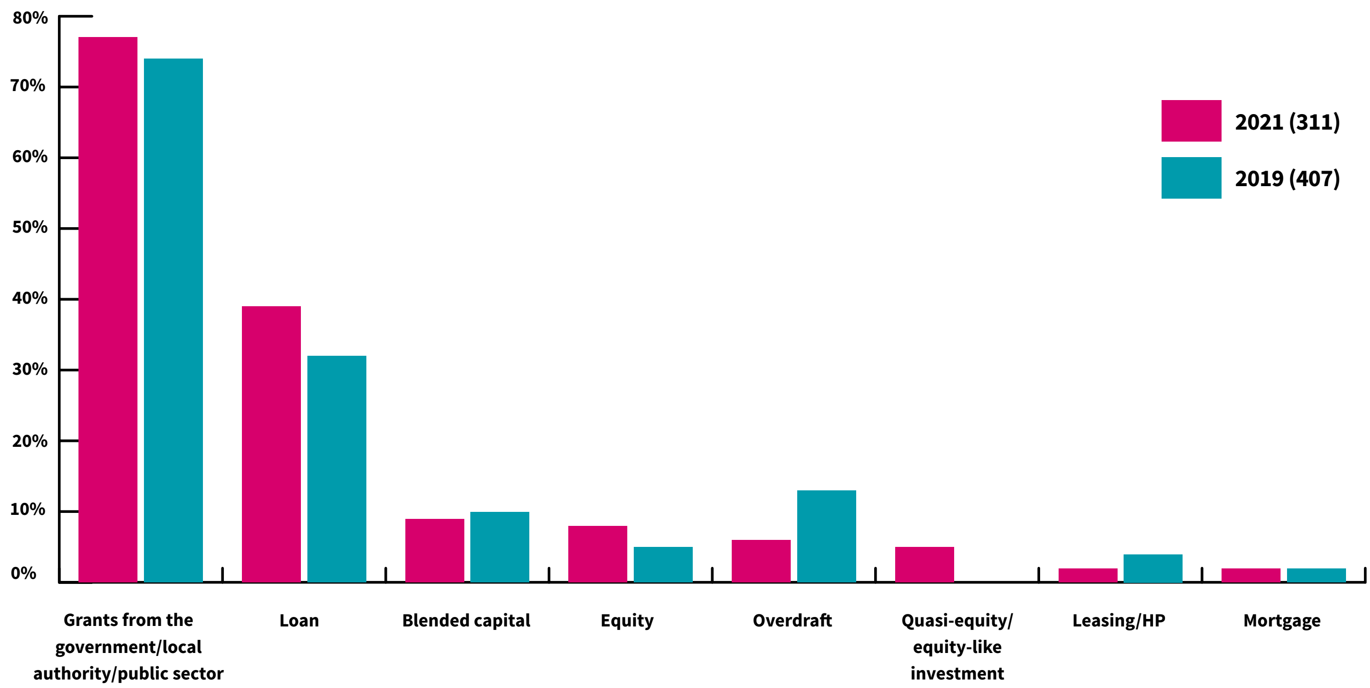
Three-quarters of those applying for funding or finance applied for a grant (77%, cf. 74% in 2019).

Close to two in five organisations applied for a loan (39% cf. 32% in 2019, and more than business as a whole – 30%).[51]

One in ten (9%) applied for blended capital (cf. 10% in 2019) and a similar proportion applied for equity (8% cf. 5% in 2019).

The proportion that applied for an overdraft has halved in 2021, compared with 2019 (6%, cf. 13%). This is also much lower than the equivalent proportion for SMEs (32%).[52] One in 20 (5%) applied for quasi-equity (a new option added this year).

Figure 23: Form of finance/capital that organisations applied for (all applied for finance/capital – multiple response)



The types of finance respondents considered applying for reflect those actually applied for: grants were most frequently cited (65%), followed by loans (33%). Around one in ten considered applying for blended capital (11%), and a similar proportion considered applying for equity (8%).

As in 2019, around one in 20 considered applying for an overdraft (6%), leasing/hire purchase (3%), or a mortgage (2%). Only 1% considered applying for quasi-equity (a new option in 2021). Despite the framing of the question, which asked respondents to disregard COVID-19-related finance, and even though these options were not presented to respondents, around one in seven mentioned COVID-19 government-backed accredited loans or finance agreements such as those offered by the Coronavirus Business Interruption Loan Scheme and Bounce Back Loan Scheme (14%), and COVID-19 business grants funded by the Government or local authority (16%).

51 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

52 https://www.gov.uk/government/statistics/small-business-survey-2020-businesses-with-employees

Target versus achieved finance raised

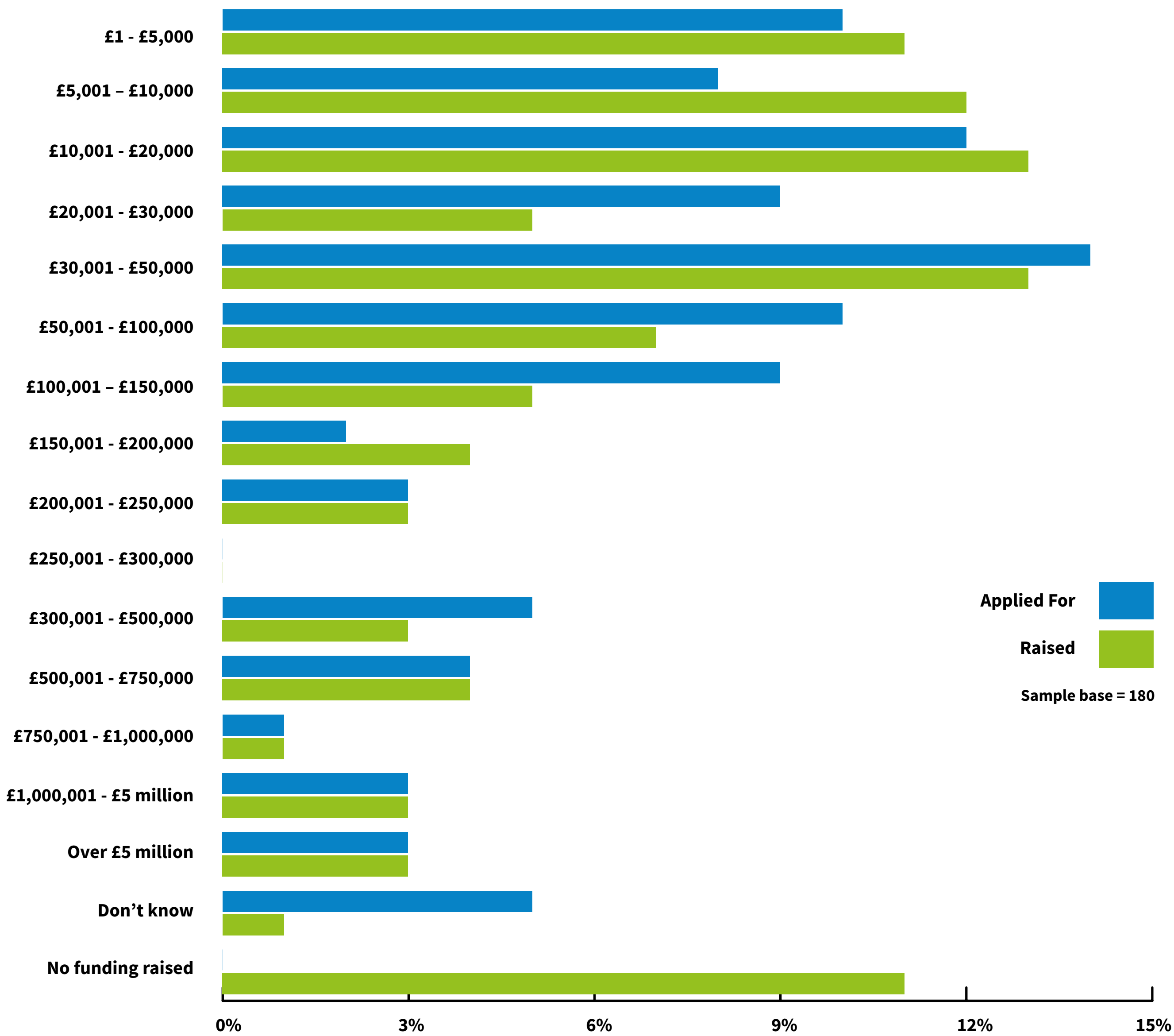
In terms of the amount of repayable finance (excluding grants) that organisations wanted to raise, the median amount was £50,000. This was in line with 2019 but lower than the 2017 median of £80,000, and compared with 2015 (£60,000), 2013 (£58,000) and 2011 (£100,000).

Over half (53%) that had applied for finance/capital wanted to raise up to £50,000. As was the case in 2019, the median amount of finance actually raised was lower than the median applied for, at £40,000 (compared with £60,000 in both 2017 and 2015).

Only one in ten (11%) organisations that applied for finance were unable to obtain any (cf. 16% in 2019). Social enterprises led by people from racialised communities received on average 93% of the finance they sought. Those operating for less than three years received 77% of the finance they sought and social enterprises led by people with disabilities received only 28% of the finance they sought.

Although on average, social enterprises received nearly as much finance as they sought, there was on average a £1,118 shortfall which translates into potentially around a £17.8 million shortfall in finance to social enterprises.[53]

Figure 24: Amount of finance wanted to raise versus amount raised (all applied for finance/capital except those applying for a grant – single response)



53 Based on 16% of 100,000 social enterprises having applied for finance last year.

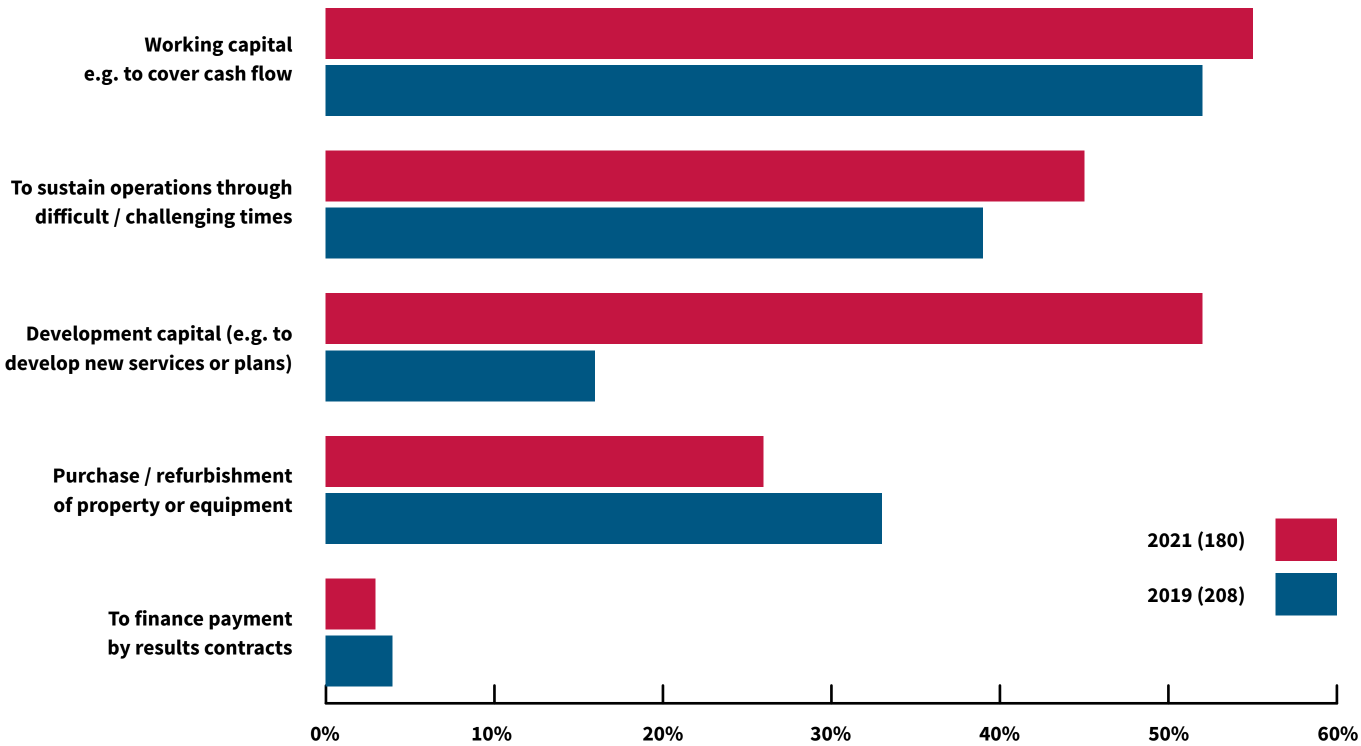
Purpose of finance capital

Around half the organisations who have applied for finance reported intending to use it as working capital (55%, cf. 52% in 2019 and 42% in both 2017 and 2015).

A similar proportion (52%) planned to use it as development capital; a significant uplift on 2019 (39%). Unsurprisingly, there have also been very significant uplifts in the proportion who intend to use it to sustain their operations during challenging times, from 16% in 2019 to 45% in 2021.

A quarter (26%) intended to use the capital for purchase/refurbishment of property of equipment (cf. 33% in 2019), and around one in 20 intended to use it to finance 'payment by results' contracts (3% cf. 4% in 2019).

Figure 25: Purpose of finance/capital (all applied for finance/capital – prompted, multiple response)



Ease of accessing external finance

We asked respondents to indicate if they agree or disagree with a few statements about the process of accessing external finance.

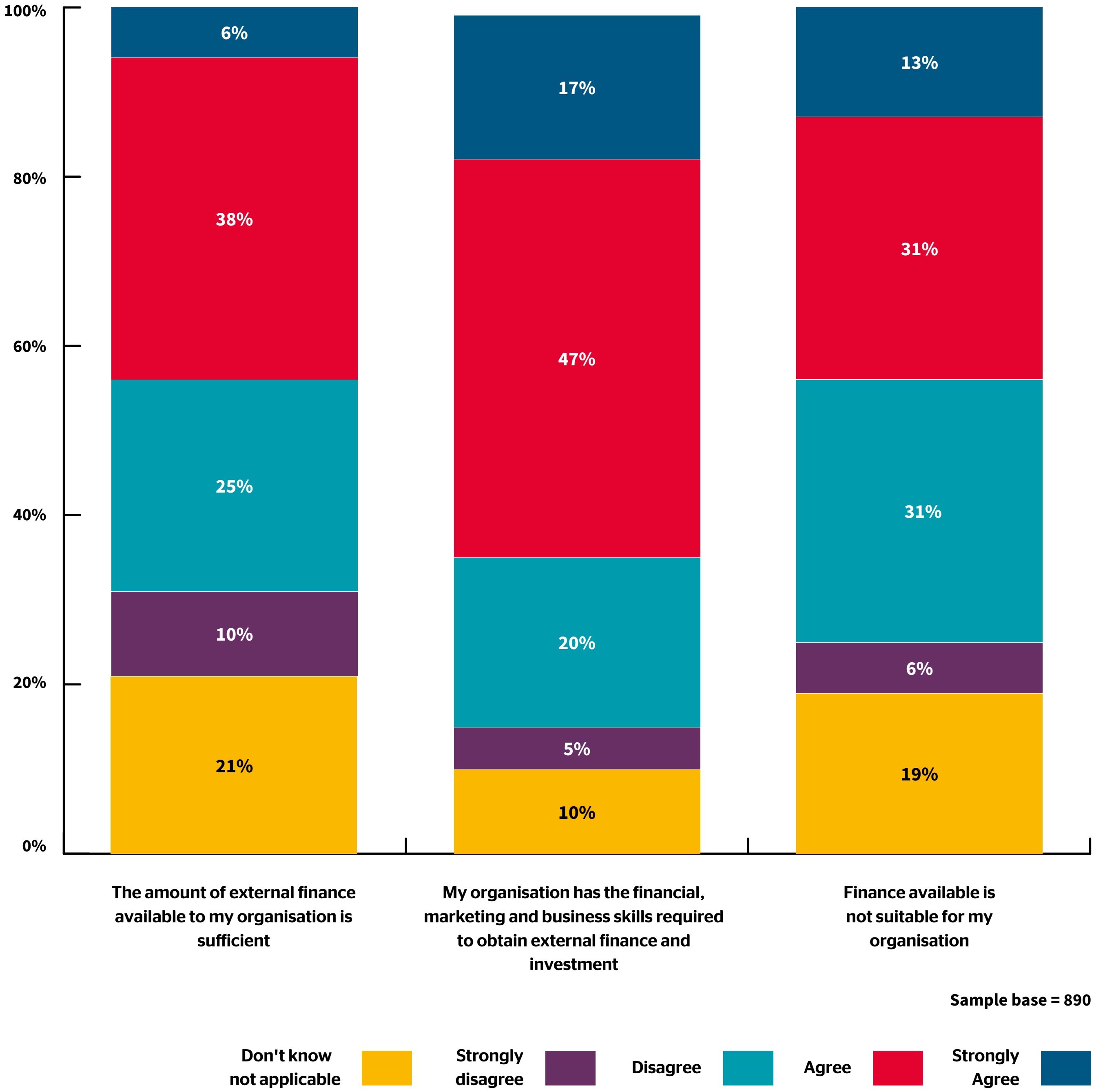
Most respondents agreed that their organisation has the financial, marketing and business skills required to obtain external finance and investment (64% cf. 60% in 2019). Only around a quarter (26%) disagreed with this statement.

Younger organisations are less likely to have agreed that this is the case (58% of those established within the last three years, cf. 70% of organisations established for more than ten years).

In terms of whether the amount of external finance available to their organisation is sufficient, under half (44%) agreed that it is (the same proportion as in 2019) including a small minority (6%) who strongly agreed. Fewer disagreed (35%, including 10% who strongly disagree), while the remainder (21%) were not sure or felt it was not applicable.

Young organisations are more likely than average to have disagreed that the amount of external finance available to them is sufficient (45% of those established within the last three years, cf. 29% of organisations established for more than ten years). Those in London are also more likely to have disagreed that there is sufficient external finance available to them (43%).

Figure 26: Accessing external finance



Sources of finance / capital

When asked where they had applied for finance/capital, the most frequently mentioned source continues to be a grant making trust or foundation, however, there have been significant increases in the extent to which this is cited (42%, cf. 27% in 2019 and 34% in 2017). Although this is likely to be driven by the need to access grant funding to get through the pandemic.

Other than this shift, the sources mentioned reflect those mentioned in 2019, with around a quarter mentioning a bank (27%) or government fund (26%), and around a fifth mentioning a local authority (20%) or a specialist social investment organisation (19%).

Case Study 5

Community Wood Recycling - scaling environmental impact

The climate emergency is the biggest challenge we collectively face and requires a dramatic transformation in how we do business. Community Wood Recycling is a network of social enterprises collecting and reusing waste wood, while also creating jobs and training opportunities for people marginalised in the labour market.

Richard Mehmed founded the business in 1998. He was building a playhouse for his daughter and spotted some wooden sheets piled up outside a local factory in Brighton. After asking if he could take a couple, he was shocked to find that the pile was just a fraction of the excess wooden packaging the factory had. The wood was waiting to be incinerated or taken to landfill, where it produces methane, a greenhouse gas 28 times more powerful than carbon dioxide at warming the earth.[54]

Richard came up with a plan to recycle wood out of waste. The Brighton & Hove Wood Recycling Project was born. Working with local volunteers who wanted to change their lives, such as people who were homeless, ex-offenders and the long-term unemployed, the Brighton business soon began to gain attention as its profile grew amongst local consumers and businesses.

A successful franchise

Its success allowed it to secure funding to franchise the model and the National Community Wood Recycling Project (NCWRP) was formed in 2003. The National Builders Collection Scheme was established seven years later to market the recycling service to building companies that allowed the NCWRP to operate as a fully self-funded social enterprise. There are now 30 social enterprises operating across the country, collectively forming Community Wood Recycling. The social enterprise works with large corporates, particular from the construction industry, and also collects wood from small businesses.

Changing lives, protecting the planet

Community Wood Recycling's model is simple – collecting waste wood from businesses and then selling them on. It sells on large pieces of wood as they are and transforms shorter pieces into items such as tables and birdboxes. In the financial year 2019–2020, the business rescued 22,767 tonnes of wood from the waste stream; 22% of which was reused, 30% was processed into firewood and kindling, and the remaining 48% was recycled into woodchip. Over the same time period the company created 229 paid jobs and

54 https://www.nationalgeographic.com/environment/article/methane

843 training opportunities for people disadvantaged in the labour market including ex-offenders, people recovering from substance abuse and people with learning difficulties or mental health issues, helping build confidence and skills.

Innovating to reduce paper waste

Currently every piece of waste in the country has a paper trail with licensed waste carriers having to fill out a waste transfer note (WTN). This equates to tonnes of wastepaper every year – uncomfortable for a social enterprise set up to reduce waste. Community Wood Recycling came up with an innovative electronic WTN via a smartphone app. The app was fully rolled out across the whole Community Wood Recycling network on 1 April 2021. It is estimated that the electronic WTN will save 13,000 pieces of paper a year.

Delivered 843 Training opportunities

22,767 Tonnes of wood rescued from the wastestream

13,000 pieces of paper a year saved through new electronic WTN

229 Paid Jobs 2019-2020

Conclusion

Resilience:

Social enterprises have been resilient throughout this crisis and have been the backbone of local communities. They have sought less support from the Government than other business types, demonstrating that the social enterprise model is sustainable through the toughest periods of economic difficulty. With social and economic uncertainty due to climate change and the potential of another recession in the next decade, we need social enterprise to become the backbone of our economy as well as our society.

> ***"we need social enterprise to become the backbone of our economy as well as our society. "***

Time to give social enterprises parity with other businesses:

A long-term trend away from association with 'civil society' and towards identifying as businesses continues with the proportion of registered charities stabilising at around one-tenth of social enterprises. As 78% of social enterprises are now regulated by the Department for Business, Energy and Industrial Strategy (BEIS), the Government needs to recognise that BEIS is the most appropriate department to oversee social enterprise.

Power in diversity:

Social enterprises have achieved their impact and resilience because of their diversity and inclusion, not despite it. Working in the toughest markets has created robust business models and increased entrepreneurial spirit. Having more women and more racialised community founders and business leaders, as well as more staff from disadvantaged backgrounds, has brought in a wider pool of talent and different perspectives that contribute to innovation, impact and sustainability.

Climate-smart businesses:

We are running out of time to tackle climate change. The Government is falling short of its target to decarbonise the economy by 2050, according to Climate Change Committee findings.[55] The good news is that many social enterprises aren't waiting for legislation; they are driven by their mission and triple bottom line and embedding climate action in their legal structures as well as their day-to-day activities. We cannot afford to have business dragging its feet. Social enterprises can learn from their climate-pioneer peers – and other businesses should be encouraged to transition to social enterprise models and accelerate the growth of social enterprise for the sake of the environment.

Exporting:

Social enterprises are exporting at higher rates than other forms of business. If the UK is going to make the most of Brexit to open new markets around the world, we must look at the businesses that are exporting and generating new opportunities. Moreover, to deliver our climate change commitment, we need to create more sustainable models of trade. There is a growing global movement for ethical consumerism fuelled by a burgeoning middle class; we need to tap into the strength of social enterprise to make the most of this huge economic opportunity.

Levelling up

The current UK Government has highlighted socio-economic imbalances between the UK's most and least affluent areas as a policy priority. Social enterprises offer demonstrable value, as not only do a significant proportion operate in the most deprived parts of the UK, but these businesses are thriving. They are embedded in communities, demonstrating particular resilience and grow. Social enterprises offer important examples of how 'levelling up' can be achieved.

> ***"Social enterprises are exporting at higher rates than other forms of business "***

55 https://www.theccc.org.uk/publication/2021-progress-report-to-parliament/

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We are the national body for social enterprise. Our members come from across the social enterprise movement – from local grassroots organisations to multi-million pound businesses, as well as the private and public sectors. Together with our members we are the voice of social enterprise. We believe that social enterprise is our best chance of creating a fairer world and protecting the planet.

Join us and support our work.

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