

London: City of global social enterprises

State of Social Enterprise 2021
in London



Social
Enterprise UK



Social Enterprise UK (SEUK), in association with Barclays, commissioned the State of Social Enterprise Survey 2021 (SOSE), gathering 890 responses via telephone interviews and online surveys from across the UK. 193 of these responses were for the Greater London region.

This report is one of nine setting out findings from the SOSE 2021 survey for each of the English regions. It is supported by Big Society Capital and Access - the Foundation for Social Investment. In the report, data for each region is compared both with data for the region from 2019, and to findings from the national dataset. For detail of the national data, please refer to No Going Back, our 2021 SOSE report .

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Most importantly, thanks to the social enterprises who gave their time to complete the survey.

¹ <https://www.socialenterprise.org.uk/wp-content/uploads/2021/10/No-Going-Back-State-of-Social-Enterprise-Survey-2021.pdf>

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A social enterprise:

- Has a primary social and/or environmental mission which is set out in governing documents
- Earns income from trading (for the purposes of SOSE, at least 25%)
- Is controlled or owned in the interests of the business
- Reinvests or gives away profits or surplus

London Headline Findings

Our research found that social enterprise in London were:

Significantly more likely than social enterprises in the UK as a whole to operate internationally. Almost a third here did so. Social enterprises based in the capital were also much more likely to export their products/services and to be more considered about global trading factors, like the impact of Brexit.

More likely to have drawn on organisational reserves and to have increased borrowing in response to the COVID-19 pandemic. They had lower profit/surplus performance than the UK average which could be related to the pandemic, as could the fact that they are slightly more concerned on average about cashflow.

Optimistic about growing turnover in the coming year and also expected to grow staff numbers in the year ahead. They were more likely to be considering investment as a route to growth.

More likely to apply for finance and were proportionately more successful in terms of the amount raised compared to the amount sought. However almost a fifth of social enterprises in the capital said they don't know where to access appropriate finance.

Although there were high levels of investment and engagement of staff, flexible working opportunities were more limited in the capital than the UK average and had decreased in the last two years since the previous survey.

There was less emphasis on mental health in the capital compared to elsewhere in the country. Social enterprises here were, however, more likely to be addressing racism as a core objective.

Methodology

SEUK commissioned BMG Research to conduct fieldwork and initial data analysis for the State of Social Enterprise Survey 2021. They gathered a total of 890 responses via telephone interviews and online surveys between February and April 2021.

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Please see the national report, [No Going Back](#), for details of the methodology, including sampling approach and analysis. Please note that not all percentages will total 100% due to rounding or due to a question allowing multiple responses. This series of regional reports presents data from SOSE broken down by the nine English regions. Data in the main survey report is weighted by region and can be considered broadly representative. Regional data cannot be viewed as

having the same degree of statistical representativeness, particularly for regions with lower response rates.

Regional evidence is most presented in comparison to the UK-wide dataset (including the region studied and the three devolved nations), and also in comparison to data for the region from 2019.

In addition to the data analysis, each regional report has been reviewed by a member of one of the Social Enterprises Places network within the region. In some instances, additional regional data has been made available and is discussed in the report.

Regional overview

The Greater London region comprises 32 London boroughs and the City of London. The services sector dominates London's economy, and it is one of the world's leading financial centres, generating around a fifth of the country's gross domestic product (GDP).² As well as pockets of significant wealth, the capital contains areas of high deprivation.

As the headquarters of many social enterprise infrastructure organisations and as a densely populated and well-connected area, London's social enterprise sector has advantages. There are several very large social enterprises

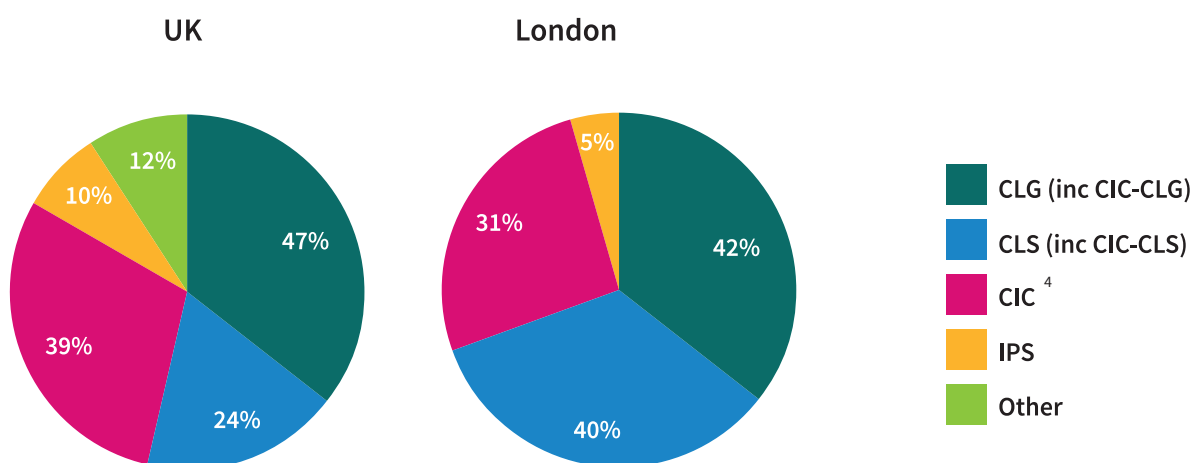
(e.g. HCT Group, LEYF Nurseries) that have used finance to scale and most closely emulate mainstream private sector counterparts. However, the region also has a high proportion of start-up activity.

Social Enterprise Demographics

The survey found that social enterprises in London had been trading, on average, for nine years. 38% are start-ups (trading for less than three years) and 15% had been operating for 16 years or more.

In terms of the legal form under which social enterprises operate, there were significantly more social enterprises operating as companies limited by shares in London compared to the UK as a whole (8% of which were CICs³ limited by shares). There were fewer social enterprises operating as IPS/BenCom³ in London than elsewhere.

Legal status



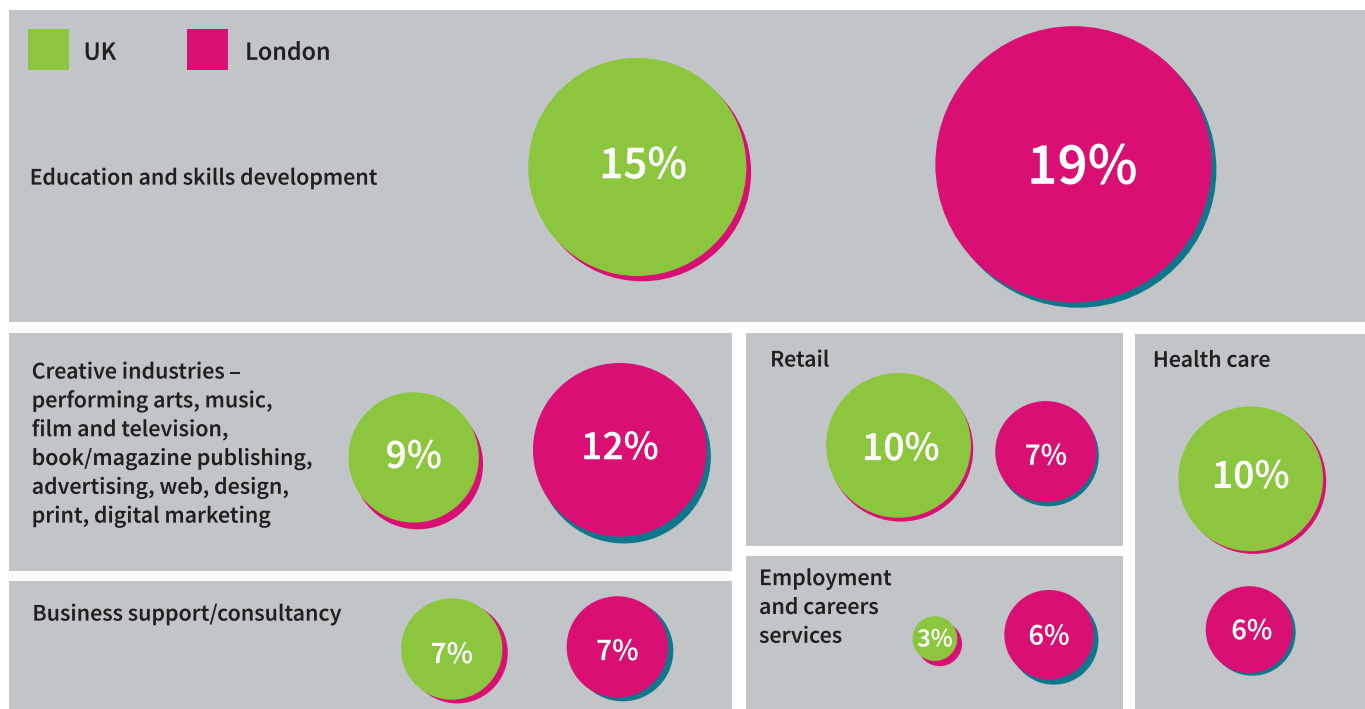
We also asked respondents their principal trading activity. Nearly one in five social enterprises in London worked in education and skills development (19%), with slightly fewer in the healthcare and social care sectors than the UK averages.

² <https://www.ons.gov.uk/economy/>

³ Community Interest Companies – a legal form established in 2005 which allows businesses to embed mission in their memoranda or articles of association. CICs can be limited by guarantee or by share; those limited by share are subject to a dividend cap.

⁴ Industrial and Provident Society (IPS) community benefit society (Bencom), a legal form for cooperatives and community benefit societies regulated under the Cooperatives and Community Benefit Societies Act of 2014.

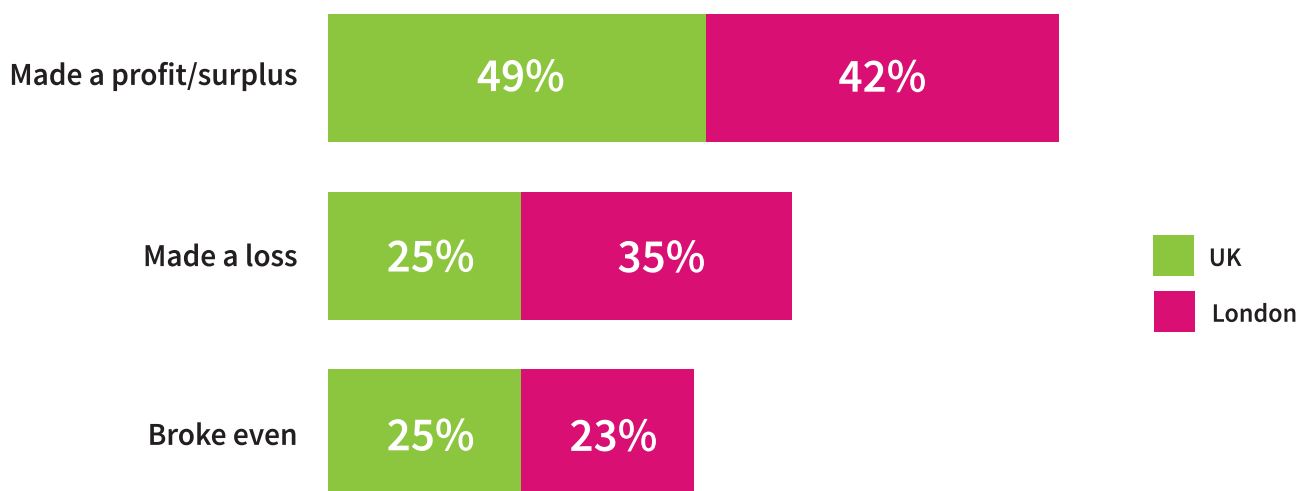
Top six principal trading activities



The average turnover for a social enterprise in London was significantly lower than the UK average at £900,000 (compared to £2.2 million UK-wide), although the median turnover was closer to the national average. This was mostly due to a slightly higher concentration of social enterprises in the region with a turnover of £250,000-500,000.

Not only were social enterprises in London more likely to have lower turnovers, but they were also less likely to have made a profit/surplus in the last year – and more likely to have made a loss. The proportion making a profit hasn't changed significantly since 2019 despite COVID-19. However, 8% more made a loss here in 2021 compared to 2019.

Profit or surplus in the last financial year



COVID Impact

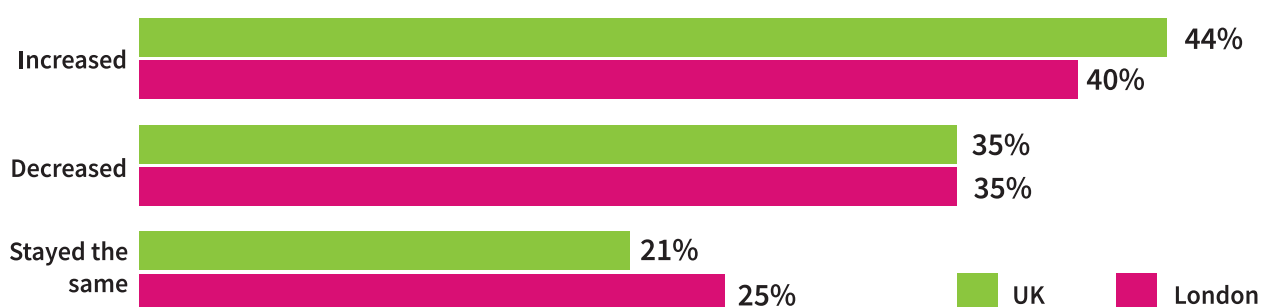
The COVID-19 pandemic has had far-reaching implications for social enterprise, many of which it is too early to fully understand. We asked questions specifically about response to COVID and uptake of available support.

Due to the combination of additional grant funding and restricted opportunities for many social enterprises to trade through usual routes during the pandemic, we explored the impact this had on the proportion of income generated through trading. Social enterprises in London saw the proportion of income they generate from trading decrease to a slightly lesser extent than nationwide. The average

proportion of income from trading nationally dropped from an average of 86% in 2019 to 80% in 2021, but in London it was at 82% (down from 85% in 2019).

While trading income may have remained comparatively high, overall turnover of social enterprises in London was less likely to have increased in the 12 months before the survey.

Compared with the previous 12 months, has your turnover in the past 12 months increased, decreased, or stayed roughly the same?



Due to the outbreak of COVID-19, we asked some additional questions about how social enterprises had coped ⁵.

In response to the crisis, over half of social enterprises in London (56%) provided facilities for remote working, 41% provided additional training to upskill staff and 39% asked staff to take on additional tasks. London social enterprises were slightly less likely than the UK social enterprise average to use the furlough scheme. They were slightly more likely to have made staff redundant – but also to have recruited staff for the short term.

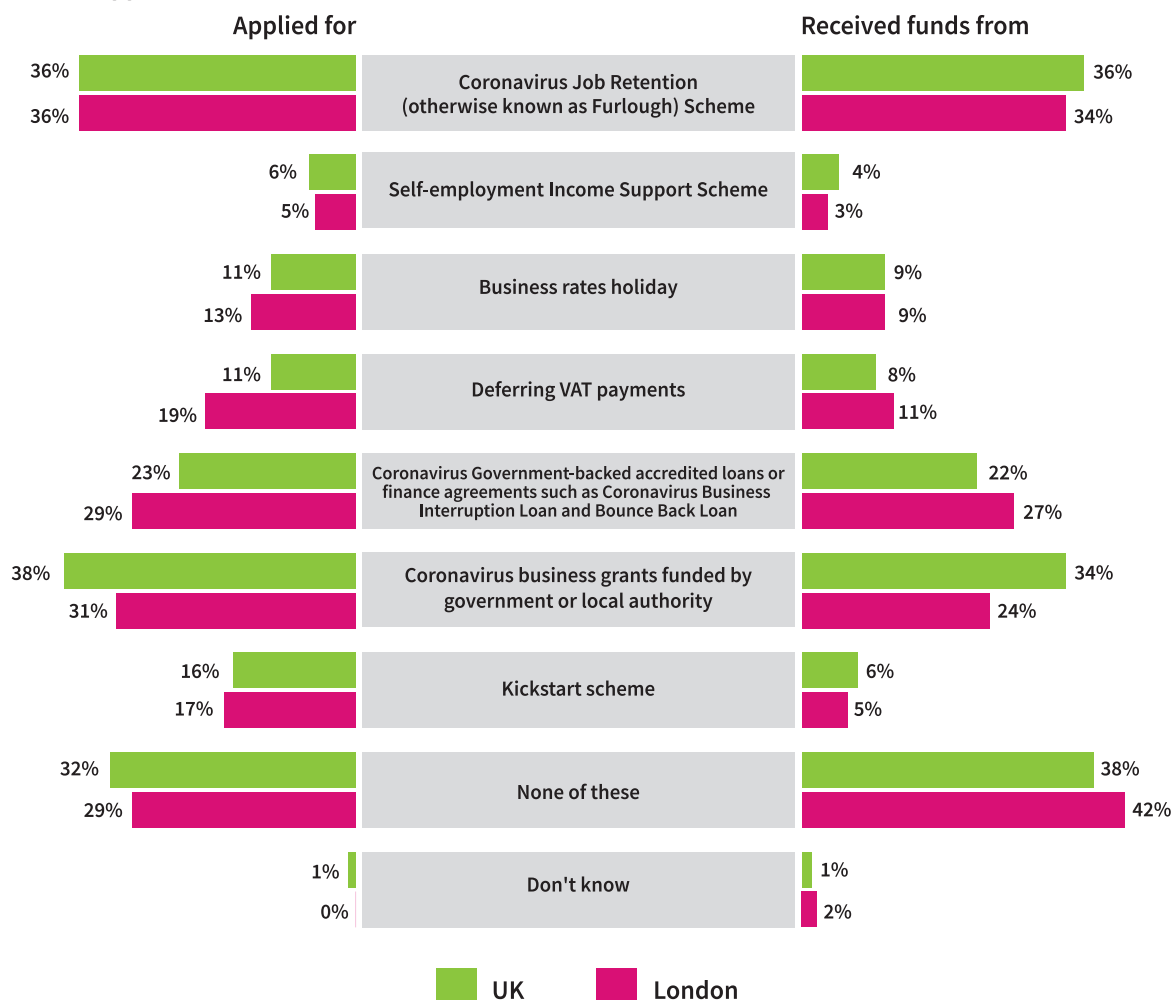
In terms of other measures taken, social enterprises here are more likely than elsewhere to have drawn on reserves (41%,

compared to 36% nationwide). 74% have changed processes or ways of working, 52% have changed the products or services they provide, and slightly more than average – 25% – have increased borrowing.

We also asked whether social enterprises had applied for COVID-19 support schemes. Overall, social enterprises in the capital were less likely than the national average have accessed support. Nearly a third of social enterprises in London said they applied for government or local authority grants – but they were less successful at securing these than the UK average. However, London social enterprises were more likely to apply for and secure government-backed loans. They were also more likely to defer VAT payments.

⁵ Respondents were given the option to opt out of these questions, so there is a smaller respondent sample size.

COVID-19 schemes applied to/accessed



Reach and Local Participation

We looked at how social enterprises engaged with their local communities through the survey.

In London, social enterprises were significantly less likely than the UK average to have local community representatives (not employed by the business) on their board. They were slightly less likely to actively involve external stakeholders (like beneficiaries or the local community) in decision-making.

Social enterprises here were also less likely to operate at a neighbourhood or local authority geographic limit, and a smaller proportion of the workforce was drawn from the local area where most of the organisation's activity takes place.

Although not as deeply embedded in their immediate geographic area, social enterprises in the region were globally engaged. Almost a third (29%) of London-based social enterprises operated internationally, and a quarter operate across the whole of England or the UK. 32% of London social enterprises exported goods or services (compared to 22% nationwide).

When looking at income sources, social enterprises in London were slightly more likely to have seen their proportion of income from the public sector decline. In contrast, revenue from international trading has remained constant since 2019. A significant proportion of the London population was born outside the UK,⁶ so it may be that many social enterprises here had direct connections with other countries that facilitate exporting and international trade.

We asked social enterprises about their three most important providers of external support are. In London, just over a third cited grant providers as their most important source of support. The same proportion again rely on peer networks which was a higher proportion than reported across the UK collectively. This may be linked to the presence and strength of mutual aid networks in the capital since the start of the COVID crisis, also related to the presence of several social enterprise support organisation head offices here, that might facilitate events and peer networking. Friends and family are also more important here than elsewhere.

⁶ <https://www.trustforlondon.org.uk/data/populations/migrants/>

Three most important providers of external support (n=90 in London, highest 6 reported) ⁷

Grant providers	36%	37%
Peer networks	30%	37%
National membership bodies	39%	31%
Local government	27%	27%
Mentors	23%	27%
Friends and family	19%	27%

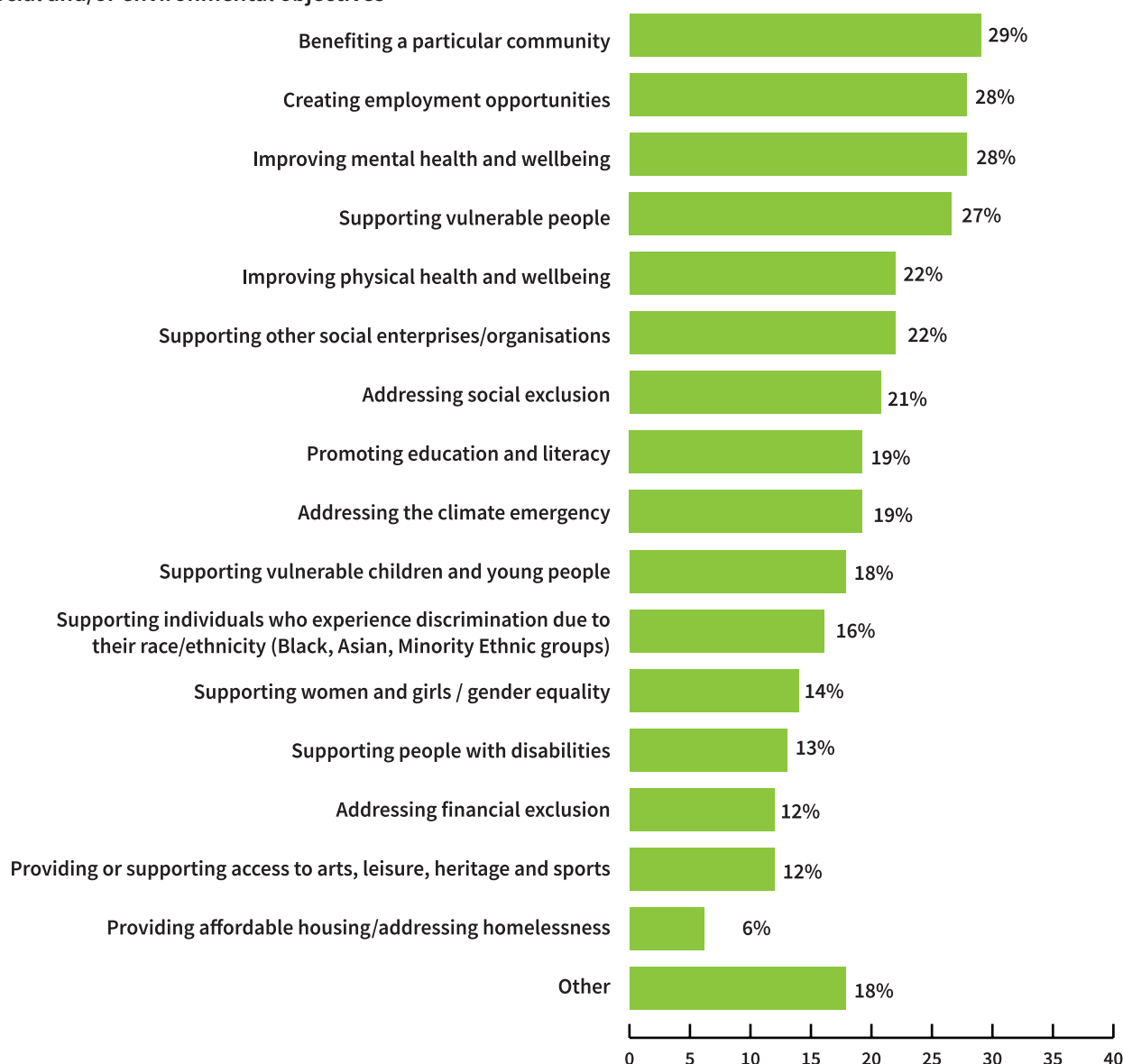
Social and Environmental Impact

The survey captured information about social and environmental impact of social enterprises

Looking at these objectives, creating employment opportunities was the most-cited objective by social enterprises in London, alongside improving mental health (which was the most cited objective on average nationally).

Social enterprises here were more likely than the UK average to be addressing racism, which might be expected due to the region's levels of ethnic diversity.

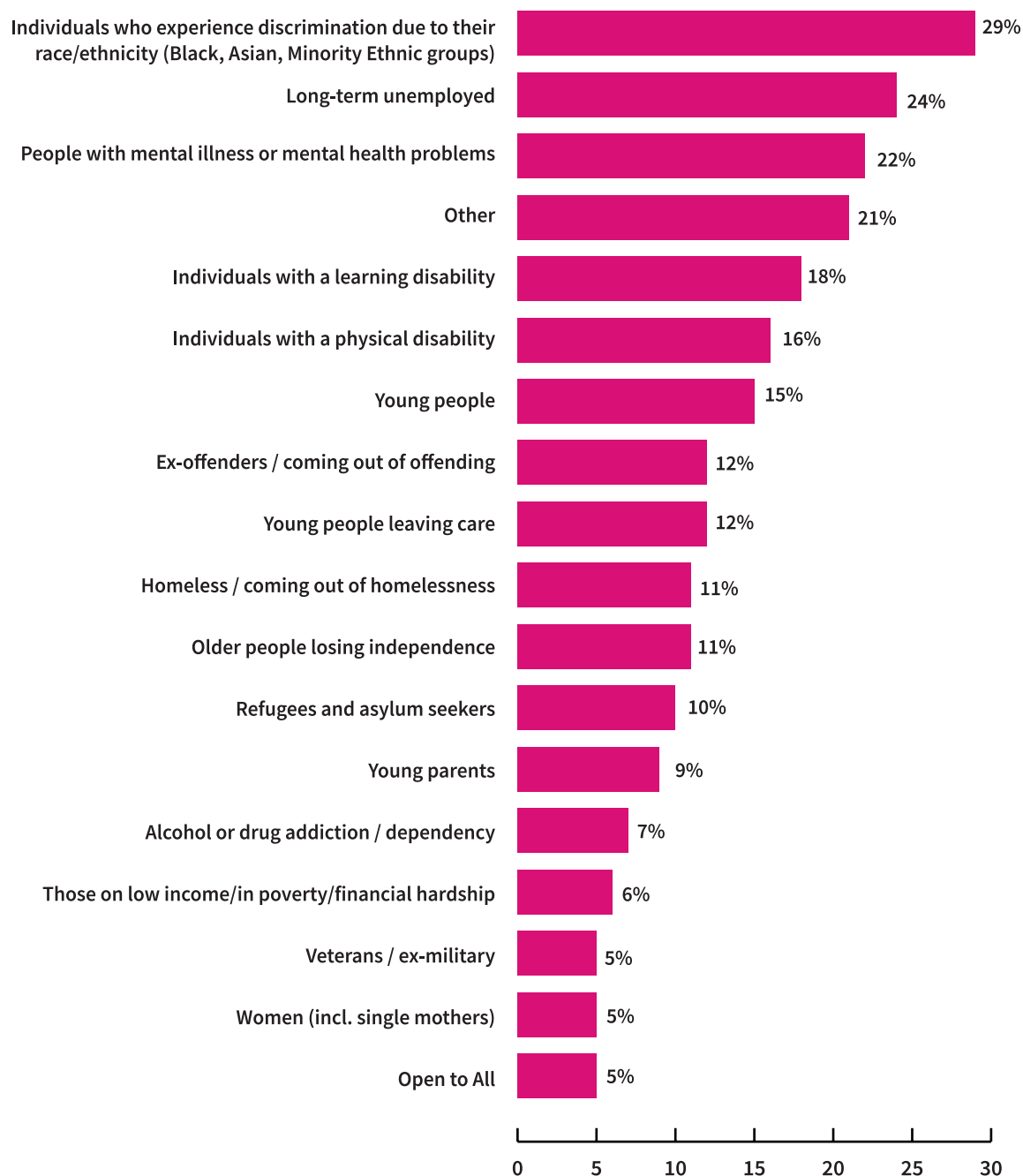
Main social and/or environmental objectives



⁷ This data was collected through a top-up survey conducted with SOSE 2021 respondents in September 2021.

We also asked about disadvantaged groups or individuals with specific issues that social enterprises provide services or benefits. The survey found that working with people who experience discrimination due to their race/ethnicity was significantly more prevalent in London than the UK average (19%). This might be at least in part due to the higher levels of ethnic diversity in London⁸, albeit that proportionately fewer social enterprises here worked explicitly with people from racialised communities compared to the national average when taking into account the ethnic make-up of regional populations. There was less focus on mental health in London than elsewhere, but more emphasis on working with young people.

Disadvantaged groups or individuals with specific issues to which social enterprises provide services or benefits



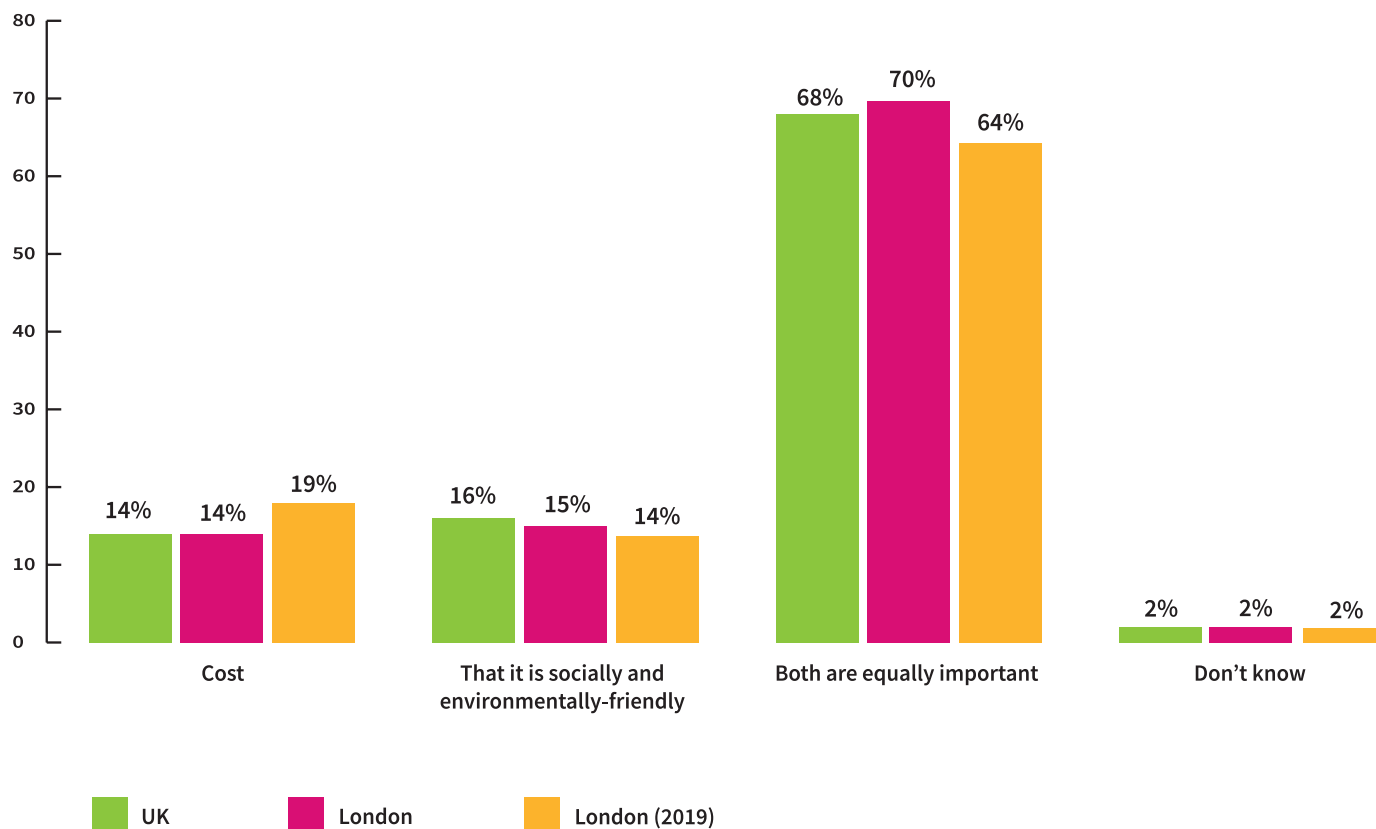
⁸ According to 2011 census data, 40% of London's population is of Black, Asian, Mixed or another Minority Ethnic background compared to the national average of 12%. 45% are White British, compared to 83% nationally.

Environmental impact

As the climate emergency looms ever larger on the horizon, we explored the extent to which social enterprises were engaging with environmental change.

When looking at whether social and environmental factors were prioritised in procurement, 70% of social enterprise in London weighted social and environmental factors equally with cost and similar proportions either prioritised cost (14%) or prioritised social and environmental factors (15%). Compared to regional figures from 2019 there has been a small shift from prioritising cost towards weighting both equally.

Procurement prioritisation



For the first time, the 2021 survey asked social enterprises if they had embedded – or were considering embedding – tackling climate change into their constitution/articles of association. 66% of London-based social enterprises had either done this, planned to, or considered doing so. A further 14% had a commitment to net zero and/or a climate strategy. Just under one in five had no climate-related commitments. These figures were broadly in line with national averages.

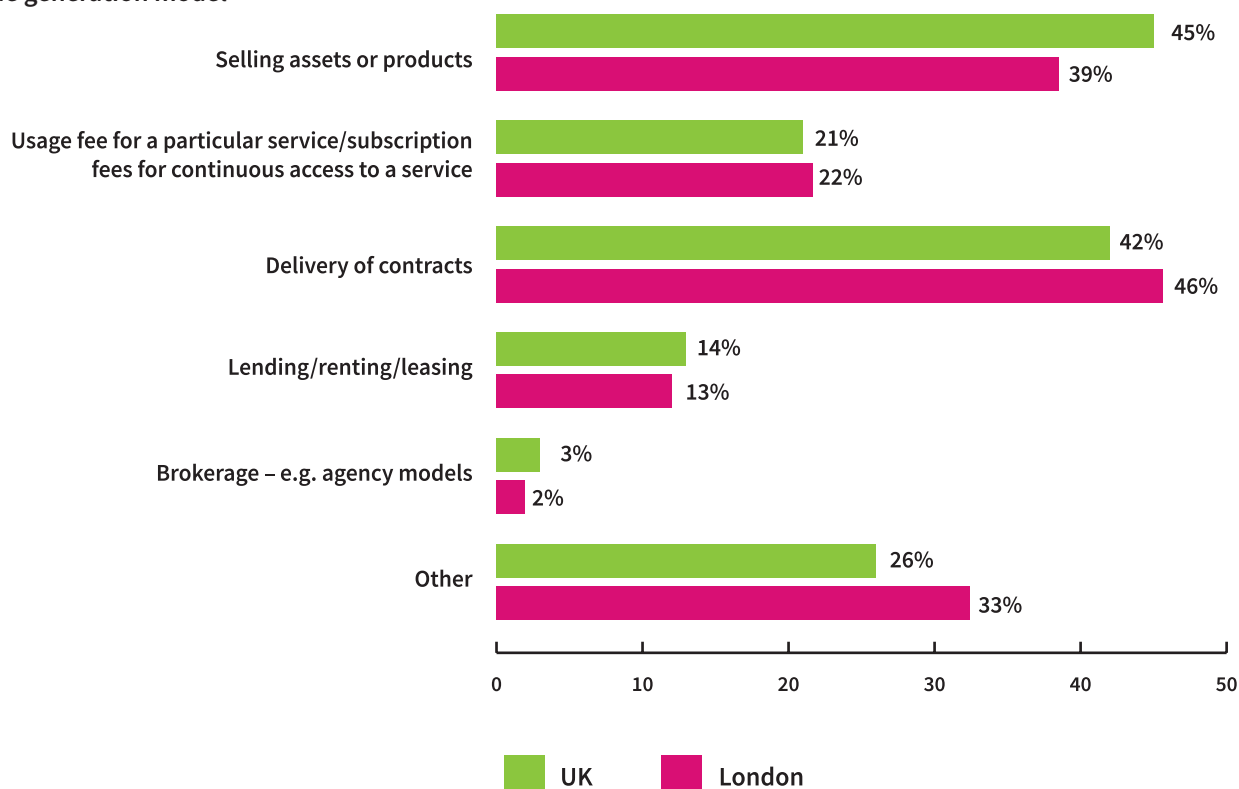
We also asked social enterprises if they had installed any energy efficiency measures in the last 12 months. 27% of social enterprises in London had done so, slightly less than the national average.

Business Model: Income and Trading

This year we asked for the first time about social enterprises' revenue generation models and the relationship between revenue generation and social/environmental mission.

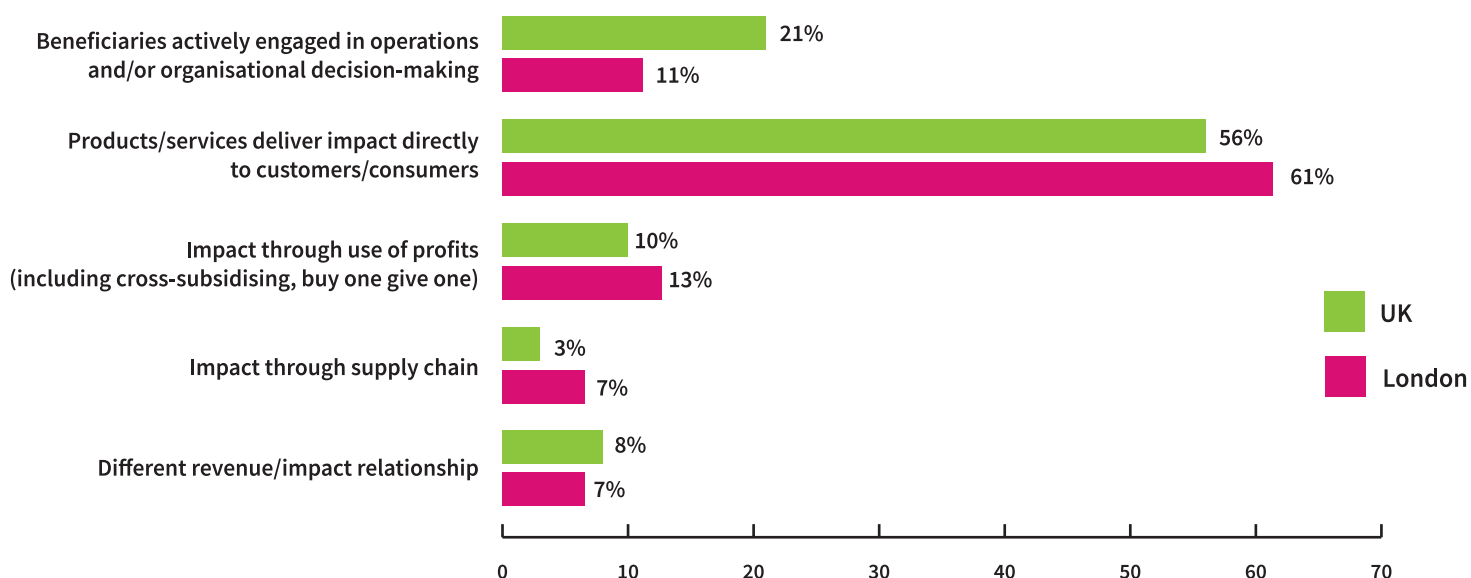
Contract delivery was a slightly more common model in London than elsewhere and was the region's most-cited revenue generation model. Social enterprises here were less likely to be selling assets or products than the UK average.

Revenue generation model



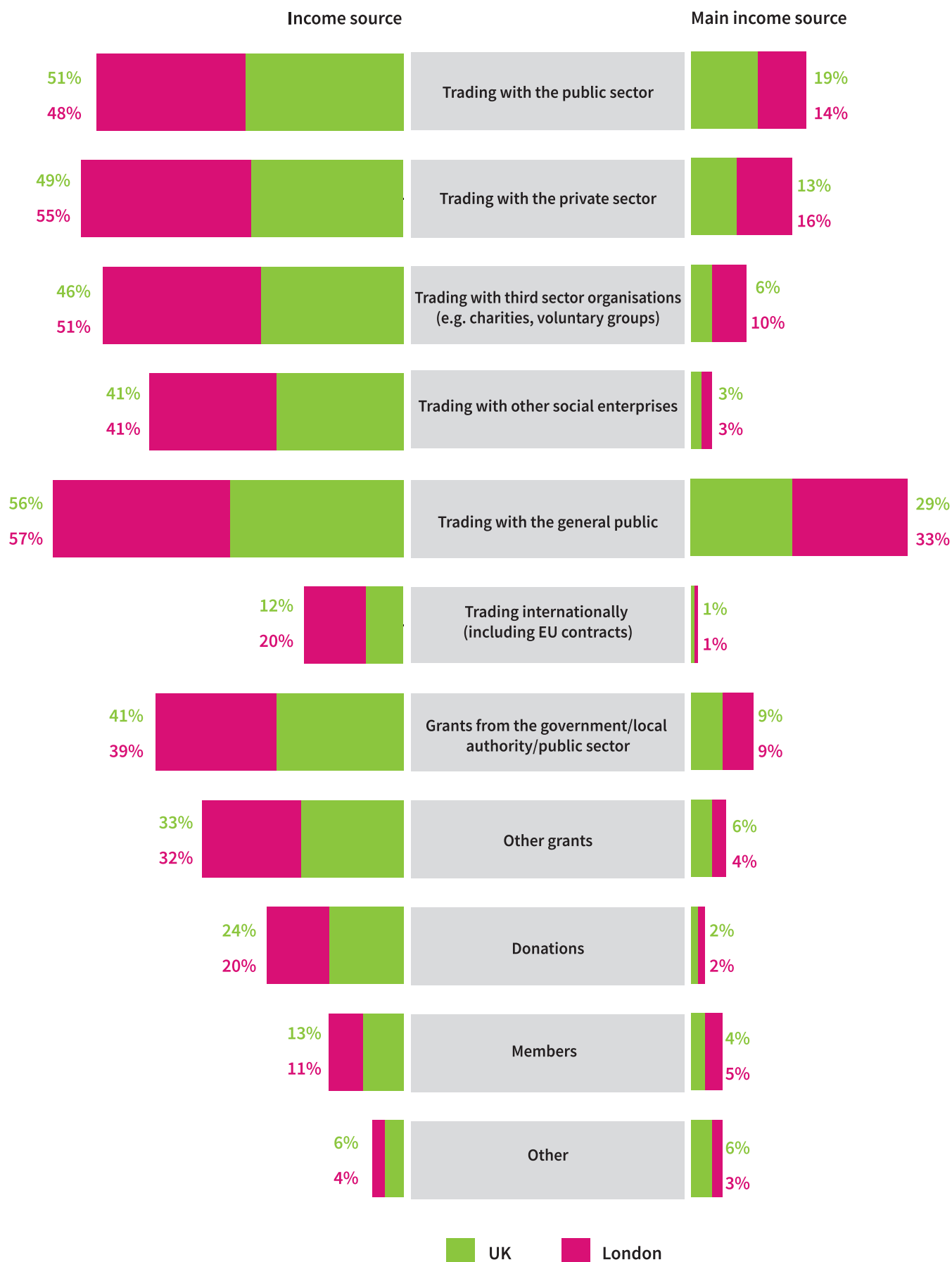
When looking at the relationship between revenue generation and mission, nearly two-thirds of social enterprises in London delivered impact via products/services they sold directly to consumers/customers. Fewer social enterprises here identified the primary relationship between revenue generation and mission as involving beneficiaries in operations or decision-making. Slightly more delivered impact through both use of profits and through supply chain than was the case for the UK collectively.

Main relationship between your organisation's revenue generation and your social/environmental mission



We asked respondents about their main trading relationships. Social enterprises in London were most likely to trade with the general public (this was the main source of income for a third), and more likely to trade with the private sector than averages for social enterprises UK-wide. Less of their income came from grants, donations and the public sector.

Income generation



Workforce Demographics and Staff Engagement

Social enterprises in London had an average of 96 paid staff (n.b. there were a couple of significant outliers not excluded from the data). On average, 27 staff were full-time and 48 of staff were temporary or casual – a much higher number than the UK average of 17.

In terms of the make-up of the workforce in the region, London social enterprise workforces were 56% female (slightly lower than the UK average of 61%). 37% of staff were from Black, Asian and other Minority Ethnic backgrounds – a figure much higher than the UK average for social enterprise, but slightly less than the population of the region⁹. 78% of London social enterprises employed at least one person from a Black, Asian and other Minority Ethnic background. 12% of the region's workforce were people with disabilities.

We asked social enterprises if their staffing levels had changed compared to the 12 months before. Social enterprises in London had seen more limited growth in staff numbers compared to 2019, but they hadn't lost staff at a faster pace than in 2019.

Staff compared to 12 months ago

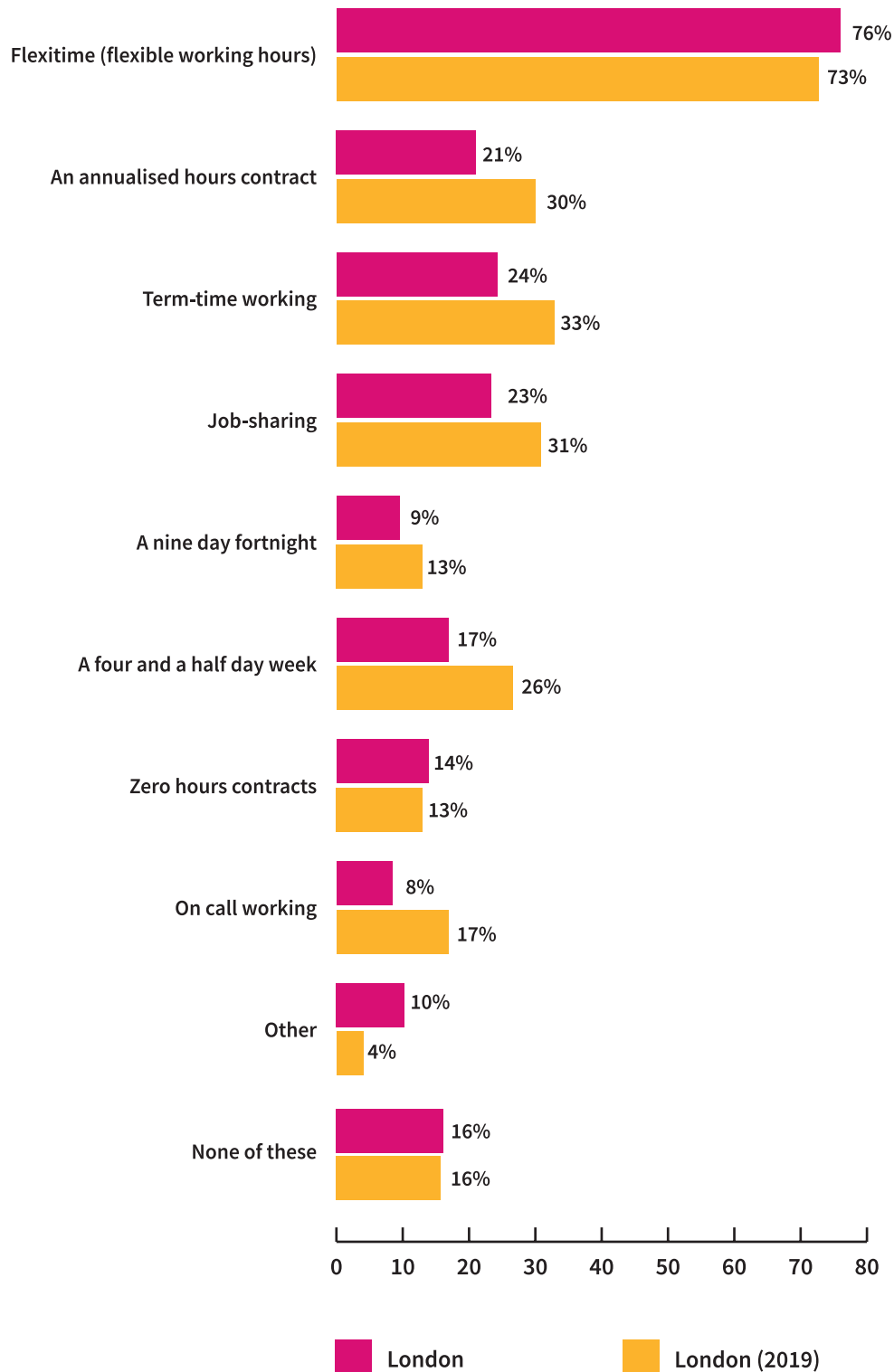


⁹ According to 2011 census data, 40% of London's population is of Black, Asian, Mixed or another Minority Ethnic background compared to the national average of 12%. 45% are White British, compared to 83% nationally.

In terms of investing in staff, 89% of London social enterprises said that their staff are actively involved in organisational decision-making and 87% were investing in staff training and development.

Flexible working arrangements have become significantly more prominent due to the pandemic. Overall, the proportion of social enterprises in London offering flexible working hours arrangements hasn't changed since 2019. However, several forms of flexible working have decreased in prevalence in the last two years, including annualised hours contracts, term-time working, job-shares, reduced weeks and on-call working.

Working hours arrangements for employees

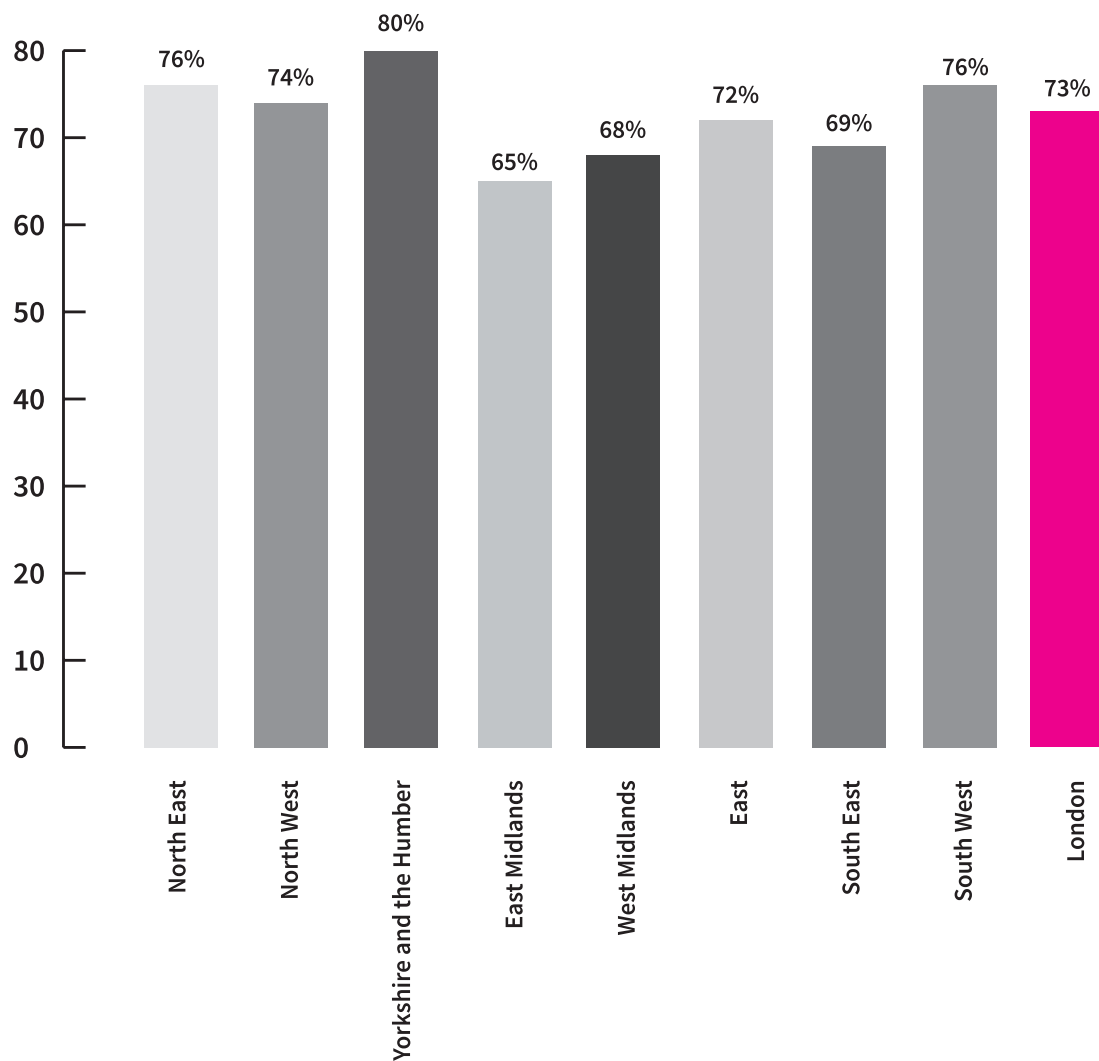


The proportion of social enterprises paying the London living wage¹⁰ to staff in decreased by 11% in the last two years. The living wage requirement in London was higher than for the rest of the UK.¹¹

Proportion of Social Enterprises Paying the Living Wage



Proportion of social enterprises that pay the living wage, by region



¹⁰ The Living Wage is an hourly wage calculated based on the cost of living. It is higher in London, to reflect the higher cost of living in the capital. At the time of writing, the living wage was £9.90 for the UK, except London where it was £11.05. <https://www.livingwage.org.uk/>

¹¹ <https://www.livingwage.org.uk/>

Leadership Demographics

In London, 54% of social enterprises in London were led by women ¹² and 30% were led by people from Black, Asian and other Minority Ethnic groups. Social enterprise leaders in London were more likely to be younger compared to the UK averages for leadership. 12% of social enterprises were led by people with a disability. Across all categories, social enterprises were more diverse than both FTSE100 companies and SMEs.

Leadership demographics

	UK	London	FTSE100 ¹³	SMEs
Male	47%	42%	94%	79%
Female	47%	54%	6%	16%
White British	74%	56%		84%
White Other	7%	10%		6%
Asian or Asian British	4%	8%		2%
Black or Black British	6%	16%		*%
Other including Mixed heritage	2%	7%		3%
ALL racialised communities		30%	6% (2020)	5%
16 to 24	1%	1%		
25 to 44	32%	49%		
45 to 64	53%	42%		
65+	8%	3%		
Disability	11%	12%	0%	No data
No disability	82%	82%	100% ¹⁴	No data

Social enterprise leaders in London paid their highest earner an average of £40,000 which was slightly more than the UK average of £37,000.

¹² SOSE 2021 data

¹³ https://www.cipd.co.uk/Images/ftse-100-executive-pay-report_tcm18-82375.pdf

¹⁴ <https://www.peoplemanagement.co.uk/news/articles/no-ftse-100-executives-or-senior-managers-have-disclosed-a-disability#gref>

Growth trends

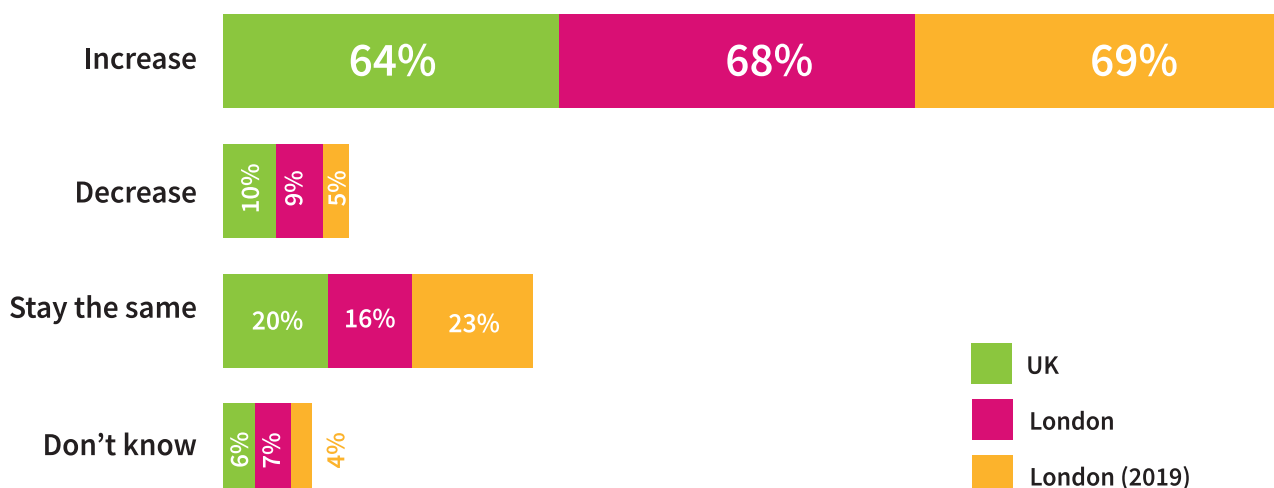
We ask a number of questions about growth trends through the survey. Social enterprises in London were more likely than the UK average to anticipate growing the size of their workforces over the next 12 months. They were more optimistic about staff growth here in 2021, compared to 2019.

There was also optimism about growing turnover. Over two-thirds of social enterprises in London said they expected to increase turnover in the 12 months following the survey, albeit slightly more expected turnover to decrease compared to 2019.

Workforce size expectations for the next 12 months



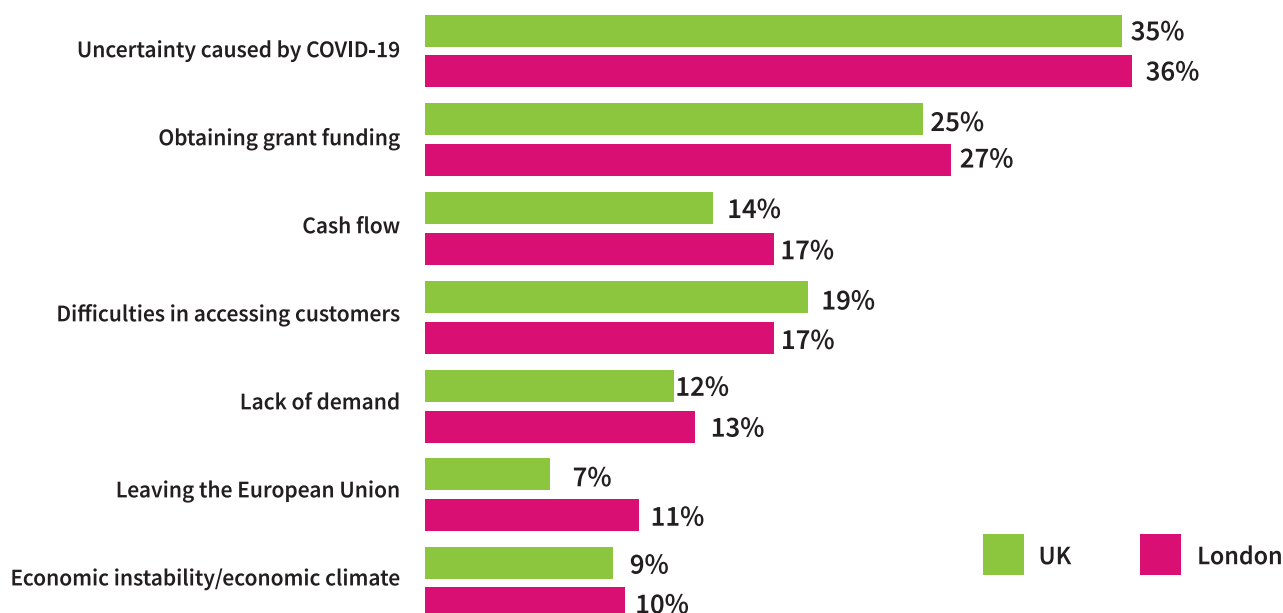
Turnover expectations for the next 12 months



We asked social enterprises what actions they had taken in the previous 12 months to sustain and grow their businesses. COVID uncertainty was a top barrier to sustainability and/or growth for over a third of social enterprises here, followed by grant funding, then cash flow and accessing customers. Perhaps unsurprisingly, given that international engagement

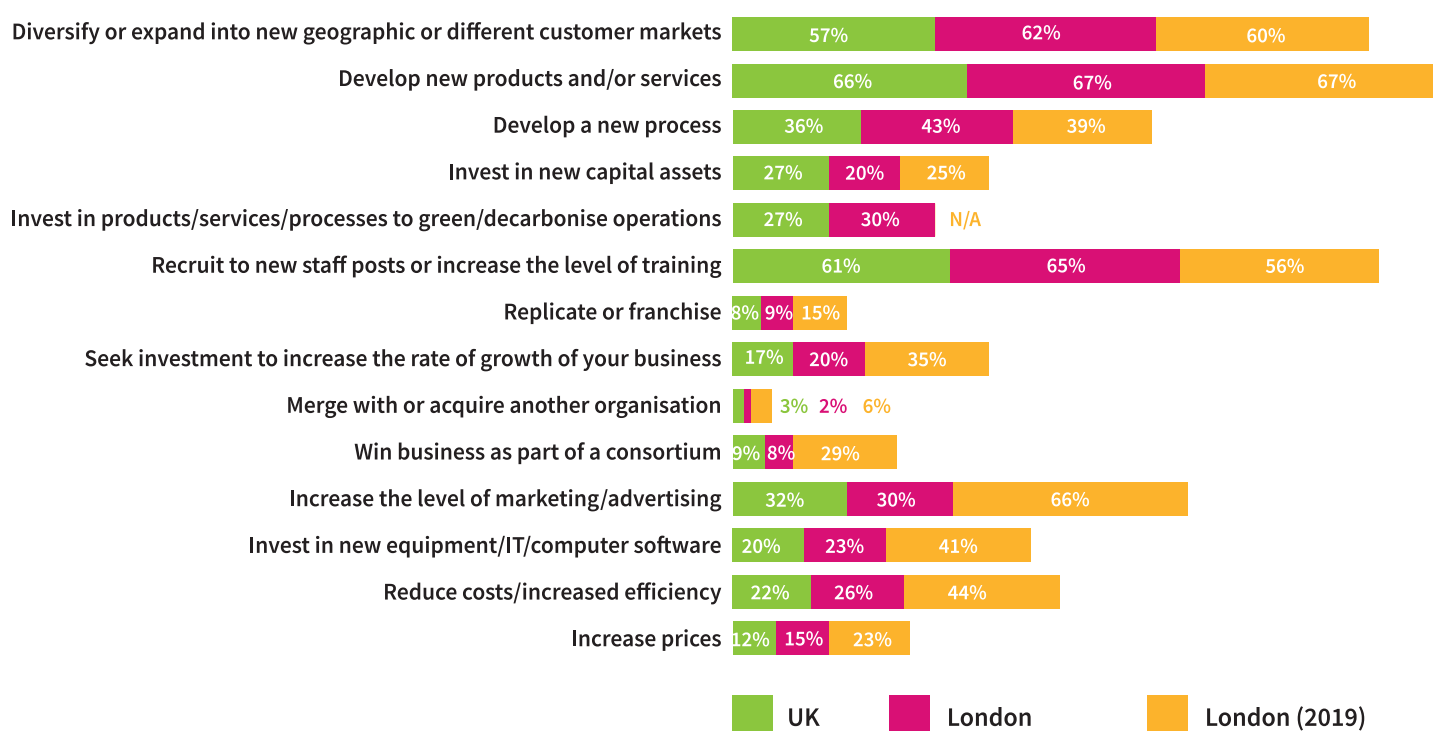
is higher in London, more social enterprises here were concerned about the impact of Brexit than was the case UK-wide. Obtaining and affording repayable finance was also slightly more likely to be an issue for social enterprises in this region than the UK average.

Three most significant barriers to your organisation's sustainability and/or growth (responses that attracted 10%+ response rate)



The survey asked respondents who expected their turnover to grow how they envisaged achieving this. Compared to the national average, a slightly higher proportion of London-based social enterprises planned to invest in decarbonising/greening their operations. There was also a higher intention to recruit new staff and increase training, reduce costs/increase efficiency, and increase prices.

Growth plans



Finance

The final set of survey questions related to funding and finance. Social enterprises in London were slightly more likely to have applied for or considered applying for finance than the national averages. However, this has decreased in the region compared to 2019.

Summary of interest in external finance



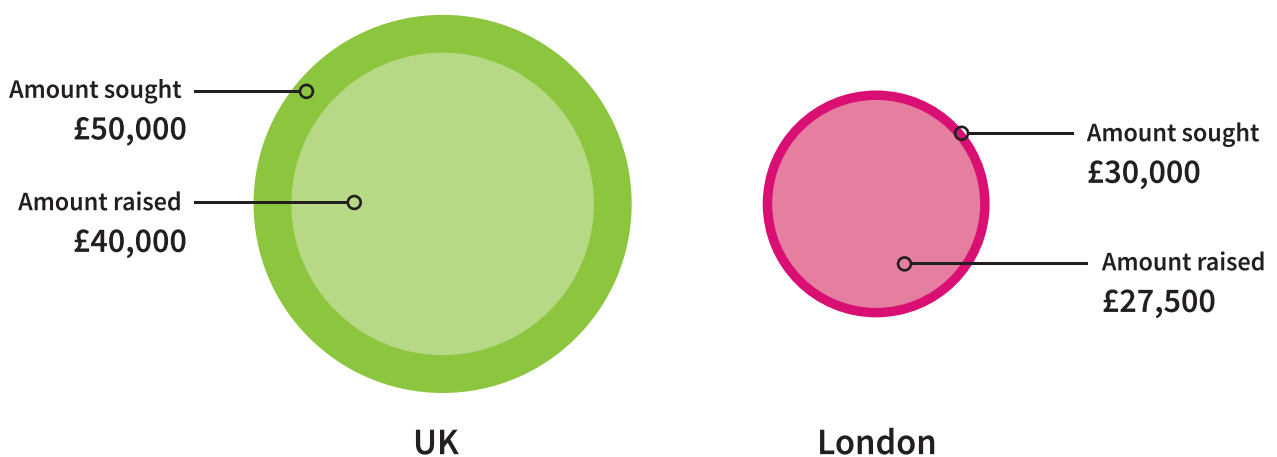
Of those that decided not to apply for finance, fear of rejection and not knowing where to find appropriate finance were the most-cited barriers of those that needed finance (17% for each). London social enterprises were also slightly more likely to cite time pressures as a reason for not applying, but less likely to say that cost was a barrier.

Where they were looking for external finance (excluding grants), social enterprises in London sought a median

amount of £30,000 and raised a median amount of £27,500. London social enterprises were more likely than the UK average to secure a higher proportion of the finance they sought than was the case nationally.

30% of social enterprises in London said that the amount of finance available to their organisation wasn't sufficient, 5% more than the UK average.

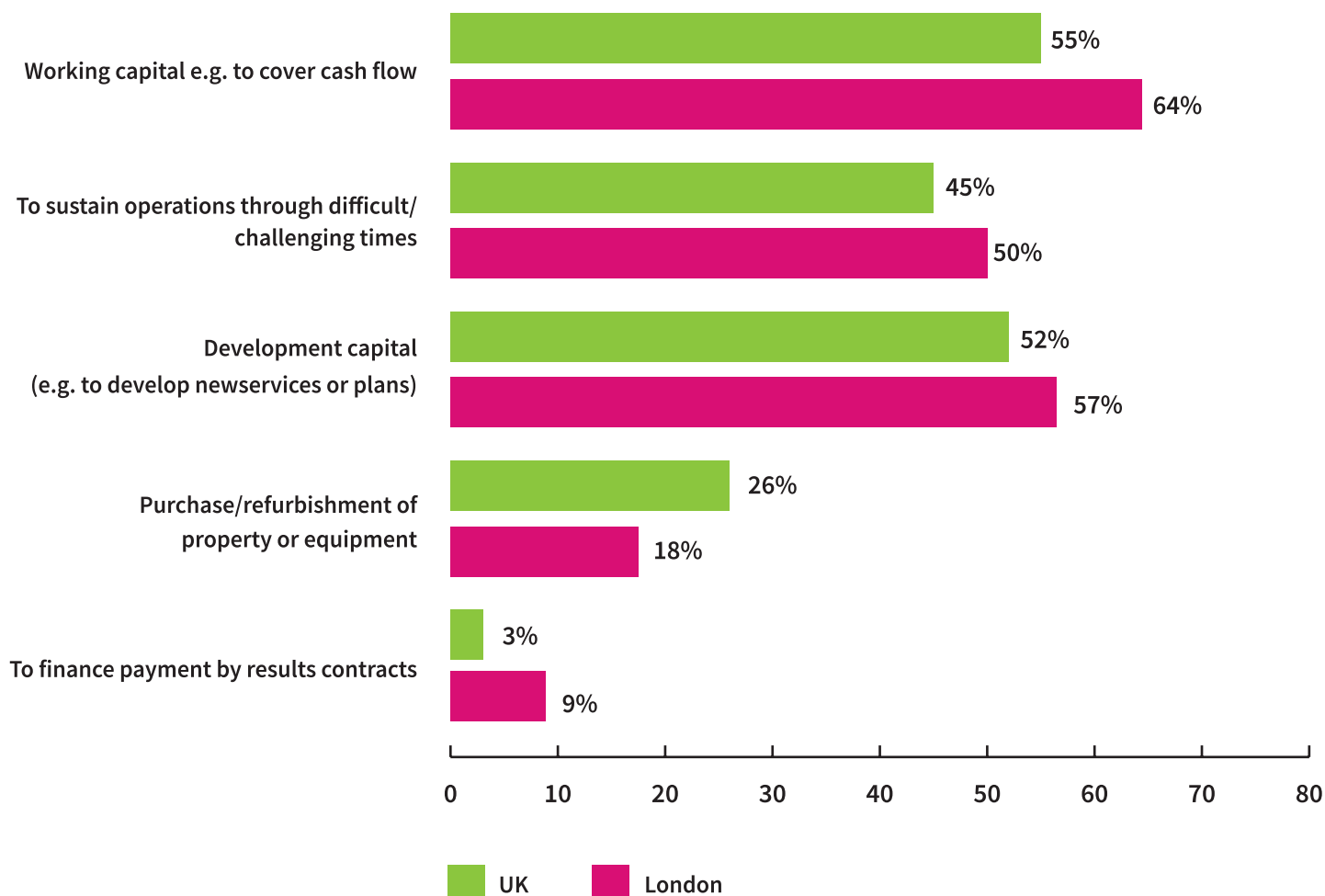
Amounts of finance sought and raised



In terms of who they sought finance from, London social enterprises were 9% more likely to have considered using mortgages and 9% more likely to have considered equity than the UK average. They were also more likely to consider loans, and less likely to consider grant funding – and COVID-specific grants.

The most common reason for seeking finance in London was for working capital, followed by development capital then finance to sustain operations. All of these were cited by a higher proportion of social enterprises here than in the UK collectively. As was finance for payment by results contracts.

Purpose of finance or capital sought



Deep Dive: East London

Of those that shared location data, 23 survey respondents were based in East London (E postcodes). We have looked at questions where at least the majority of these 23 responded to give a summary of social enterprise activity in East London.

The E postcode area covers the London boroughs of Tower Hamlets, Newham, Waltham Forest and parts of Hackney, Redbridge, Barking and Dagenham and Epping Forest in Essex.

Social enterprises here were generating more income from trading than their counterparts in other areas of London, 86% compared to 80%. They had been trading on average for slightly longer, 11 years and had a higher average turnover of £1,357,982 but had a lower average number of staff at 17. East London based social enterprises were significantly more likely to have made a profit/surplus in the previous 12 months, with 57% saying that they had done so. However, a higher proportion – 35% - had made a loss than was the case for both the rest of London, and for the UK average. Social enterprises in this part of the capital were slightly less optimistic about growing turnover in the coming 12 months, with 63% expecting to and 11% thinking their turnover would decrease.

A significantly lower proportion of East London based social enterprises applied for finance last year compared to averages for the capital – 22% compared to 38%.

Hackney Social Enterprise Place

Social Enterprise Places are quarters, towns, cities, counties and zones that have declared themselves as committed to investing in social enterprise ¹⁵.

Since becoming a social enterprise place in 2017, the London borough of Hackney adopted a social enterprise manifesto led by its mayor, Phillip Glanville. There have been a number of initiatives in Hackney which saw the exponential growth of the sector from around 187 social enterprises to almost 500 in 18 months to the first lockdown. This growth in the number of social enterprises also saw the rise in its collective tangible assets to over £350million ¹⁶.

Since the first COVID-19 lockdown, there has been a significant pivot towards social enterprises that achieve real structural change. Advocacy organisations such as the London Renters Union and Extinction Rebellion have found significant bases in Hackney. Mutual aid groups have flourished formed as self-organising collectives rather than formalised social enterprises. Likewise, cooperatives have started to emerge which seek to address fundamental socio-economic issues. The Hackney Care Cooperative is an example of this. Also, the London Community Credit Union has provided important financial support to its members. Overall, the social enterprise sector in Hackney is flourishing and now hosts over 10 social enterprise support organisations.

¹⁵ <https://www.socialenterprise.org.uk/social-enterprise-places/>

¹⁶ Based on figures provided by Hackney Cooperative Developments

Case Study: Inside Job Productions¹⁷



London-based social enterprise Inside Job Productions (IJP) is an award-winning film production company that creates content ranging from film and animation to photography and digital presentations. It provides work experience and employment opportunities for young people.

IJP grew out of the charity Media for Development, which was set up to run film production training and educational programmes for isolated communities in the UK. Media for Development was fully grant-funded, but founder James Greenshields wanted to secure unrestricted funding, prompting the creation of IJP as an independent social enterprise in 2006.

The first programmes IJP ran supported people in prisons or caught in the criminal justice system. However, the limitations faced by prisoners who had been released on temporary licence led to an organisational re-think. This prompted a change of direction to work as a business supporting young people more widely.

IJP has grown to produce content for clients from across the private, public and third sectors. It runs a Production Trainee Scheme, in partnership with leading mental health charities, which provides work placement schemes supporting young people living with mental health problems as well as a host of other programmes designed to open up the creative industries to people excluded from it.

Money made through commercial partnerships goes back into the development and running of social impact projects. From its initial work supporting prisoners, mental health has been a key thread running through IJP's programmes. Recently it has set up a ground-breaking project based in HMP Wandsworth working with prisoners to create mental health content. It set up a Mental Health Media Production Unit in 2020 with funding from the HM Prison & Probation Service, recognising the need for additional mental health content, and authenticity for content to resonate with prisoners. It is a trainee scheme where two prisoners at a time learn the basic skills for shooting and editing a film over three months. The project has recently focused on a suicide prevention programme.

When asked if there was an effective wider support network in London for social enterprises, IJP highlighted the real limitations placed on the sector by the pandemic. With much new business won through face-to-face networking meetings, run by organisations such as Social Enterprise UK, the pandemic has led to a diminishing sense of community within the sector. While support exists and more organisations are looking to buy social, bringing social enterprises into their supply chains, the team at IJP hopes that 2022 will see more in-person events and the chance for them to showcase their work to new potential partners.

Based on an interview with Ann Summerhayes, Managing Director and James Greenshields, Chair at Inside Job Productions.

¹⁷ <https://www.insidejobproductions.co.uk/>