



Social Enterprise UK

Social Enterprise Barometer

Winter 2021/22

March 2022

The Social Enterprise Barometer provides a quarterly update on social enterprise performance. It uses data collected from SEUK's Social Enterprise Advisory Panel to give up-to-date information about the financial health and growth of social enterprises.



Credit: Edsential Community Interest Company



BIG SOCIETY CAPITAL



pwc

Proud2Be

Credit: Nicole Rosen. Proud2Be CIC

What is the Social Enterprise Advisory Panel?

The [Social Enterprise Advisory Panel \(SEAP\)](#) is a bi-monthly survey which collects snapshot data on social enterprise. We use SEAP to help raise awareness and understanding of social enterprise, influence policymakers, to promote social enterprise in the media and general public, to drive more relevant investment and funding, and to inform useful product and service delivery, including by SEUK for our members.

Key Findings

Having proven resilient throughout the COVID-19 crisis so far, the combined challenges of ongoing COVID-related uncertainty, rising costs of living and operating costs for business are meaning that overall performance of social enterprises is not as strong as it was in the last two quarters of 2021. The lack of measures by Government to improve inflation and rising input costs for businesses risks negatively impacting social enterprise performance, as is likely in the rest of the private sector. This is an issue which SEUK will be taking up with HM Government over the coming months as inflation and supply chain pressures look set to stay for the medium term.

Although COVID-related restrictions are being lifted across the UK, the Omicron variant renewed uncertainty from early December 2021. 55% of social enterprises told us that COVID-related uncertainty was one of their biggest worries for the first half of 2022. Concerns are not just about restrictions, but staffing (including ill health), demand, and general inability to plan and to secure income.

Added to this, many social enterprises are concerned about their ability to cope given the removal of COVID support, combined with the rising cost of living affecting customers, clients and consequently demand, as well as the related increase in operating costs and inputs. Over a third of social enterprises are worried about the direct impact of rising costs of living.

Turnover rates are down this quarter compared to the last two quarters, with a net growth rate of 15% in January 2022 compared to a net growth of 26% in October 2021. Turnover rates have stayed high in the East Midlands and North East of England, and lower in the East of England.

Social enterprises were less likely to be making a loss than other businesses. The net difference between social enterprises turning a profit and making a loss was 5% in September 2021, compared to -1.4% for small businesses. There was a marginal decrease in the proportion making a profit in January 2022 compared to September 2021. Social enterprises in the South West were particularly likely to be loss-making.

Cashflow positions nationwide have remained steady between July and November 2021, although they were less robust in the North East, West Midlands and South West. The proportion of social enterprises increasing their staff numbers reduced in November 2021, compared to August 2021. However, there is still net growth in staff numbers – which was not the case for traditional small business in the last quarter of 2021.

Turnover

Survey respondents were asked about their turnover position over the last quarter. Whereas there was a positive trajectory July to October 2021, turnover growth had slowed in January 2022, with 10% more social enterprises having experienced their turnover decreasing over the previous quarter compared to figures for October 2021. This figure is potentially even less positive when taking into account that a number of respondents whose turnover had grown reported that the run-up to Christmas is typically a period of higher-than-average income. However, others reported an Omicron-related dip in turnover, which may now be evening out.

“Historically our sales have increased during the lead up to Christmas, as many of our products are gift items.”

Social enterprise in North West England

“Increased in Oct/Nov. Decreased 40% December (Covid related)”

Social enterprise in South East England

We asked social enterprises to report on the percentage change in turnover if they could – 15% of respondents did so. They reported a median growth rate of 20% and a median decrease in turnover of 30%. Major outliers tended to be due to either seasonal fluctuation in product/service demand or because the business was a start-up.

Turnover in the last quarter, compared to the quarter before



Turnover change	2021 - Jul	2021 - Oct	2022 - Jan
Decrease significantly	8%	5%	11%
Decrease slightly	11%	11%	15%
Stay the same	37%	39%	32%
Grow slightly	28%	35%	33%
Grow significantly	15%	11%	8%

Looking across a breakdown by English region and the devolved nations, we see that turnover rates vary significantly, with low turnover growth rates in the East of England in particular (this region's turnover growth was the lowest in October 2021 too), followed by Yorkshire and the Humber – and far more positive rates of growth in the devolved nations, the East Midlands and North East England (the latter two were the highest in terms of net change in October 2021 too).

Turnover change over last quarter, by region/devolved nations, Jan 2022

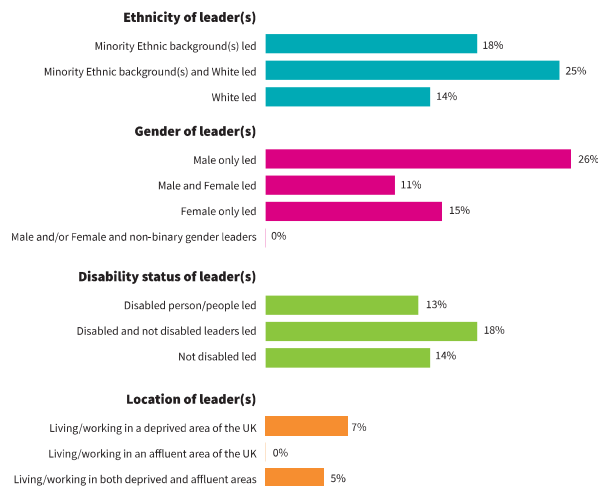
	Decreased	Stayed the Same	Increased	NET CHANGE
East Midlands	22%	11%	67%	44%
East of England	33%	50%	17%	-17%
London	25%	34%	41%	16%
NI, Scotland, Wales	9%	27%	64%	55%
North East	29%	0%	71%	43%
North West	18%	32%	50%	32%
South East	29%	32%	39%	11%
South West	29%	29%	42%	13%
West Midlands	25%	42%	33%	8%
Yorkshire and the Humber	38%	31%	31%	-6%

We asked respondents to this survey which of a list of demographic identities the leader(s) of their organisations associated with. The list included gender, ethnicity, disability and location.

The table below presents findings in terms of the profile of leaders(s) and each group's relative turnover growth to turnover reduction proportion (see table at the end of the report).

Male-only led social enterprises are particularly likely to have reported net turnover growth. Those led by teams including men and women and teams including people of non-binary gender were least likely to report growth, as were those led by people living/working in affluent areas. This highlights a continued theme of SEUK's research that social enterprises in the most deprived areas outperform those in more affluent areas.

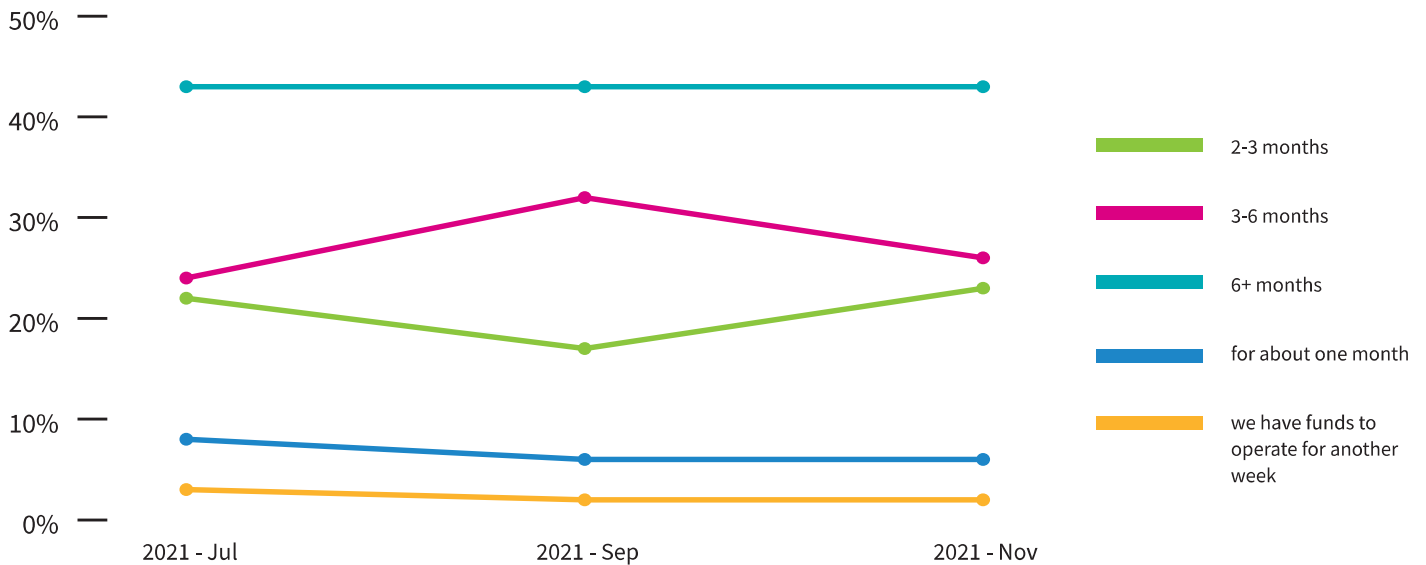
Turnover growth minus turnover reduction, by leadership demographics



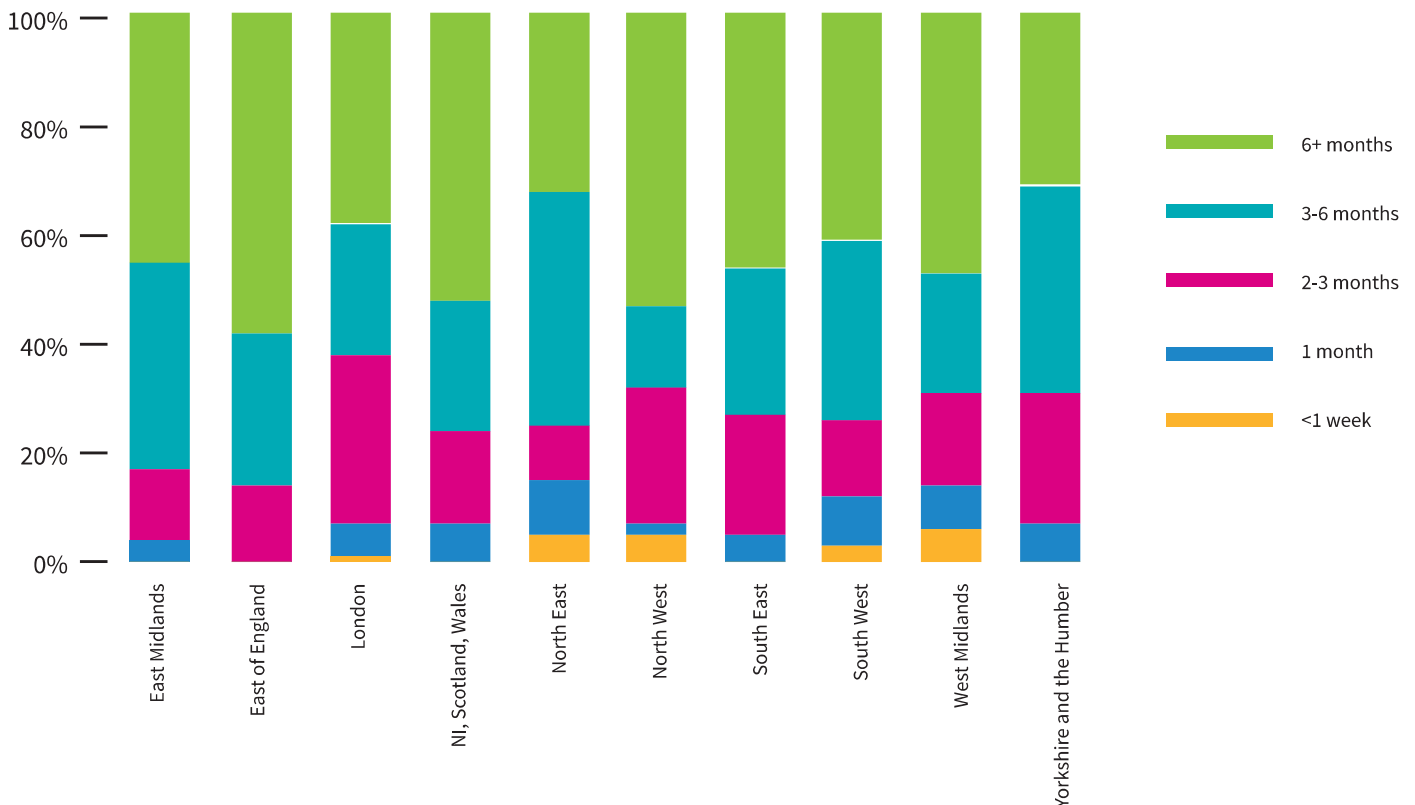
Cash flow

Social enterprise cash flow positions have remained steady between July and November 2021. Over the last three quarters, there was limited change, with a consistent 45% that have 6+ months' worth of cash and those with funds to operate for a week or less remaining under 5%.

Cashflow Position



Cashflow positions were less robust in the North East, West Midlands and South West where higher proportions of social enterprise respondents have funds for a month or less than elsewhere in the country. This is more concerning in the South West, where profit/break even levels are low, as it may be indicative of financial difficulties. Profit and turnover figures for the North East are relatively strong, so weaker cashflow positions here might be indicative of the higher proportion of start-ups in the region¹.



¹ <https://www.socialenterprise.org.uk/wp-content/uploads/2022/03/SEUK-State-of-Social-Enterprise-North-East-2022.pdf>

Profit

Asked if they made a profit in the previous quarter, a third of respondents said that they had, with very similar proportions having broken even and made a loss. There has been a marginal decrease in those making a profit between September 2021 and January 2022.

“Even though the income was up by about 20% but because of slow sales and increase in day to day running costs, it was still a loss.”

Social enterprise in London

“The festive period is a time when we make a profit: this balances out against the losses of the other 9 months. Overall we expect to break even this year.”

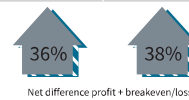
Social enterprise in the South West.

Not all social enterprises seek to make a profit or record de facto profit that is reinvested back into their business. As such, a more relevant statistic is the combined figure for break even and profit, minus loss – we have shown this for social enterprises but compared net profit/loss as well to allow direct comparison to wider business data.

“We spend everything we earn to hire staff and drive growth of our business. We could make a profit if we just wanted to “sit still” with our technology.”

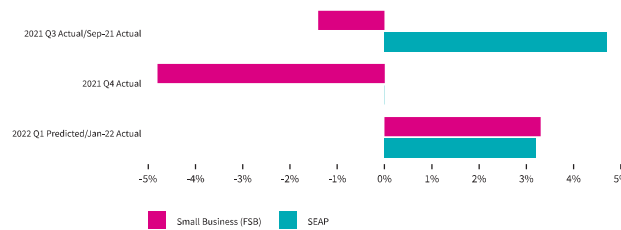
Social enterprise in the South West

Row Labels	2021 - Sep	2022 - Jan
Break even	31%	34%
Make a loss	32%	31%
Make a profit	37%	34%



The Federation of Small Business (FSB) runs a quarterly survey of UK businesses with under 250 staff¹. Comparing SEAP results to this data, we see that social enterprises were significantly more likely to have made a profit in September 2021 compared to the figure for small business for Q3 (July-September 2021). Projected profit expectations have however increased significantly for Q1 of 2022 for small business according to the FSB survey, unlike actual social enterprise profit rates for January 2022 which have fallen since September 2021.

Net change in profits, FSB and SEAP data, July 2021 – Jan 2022

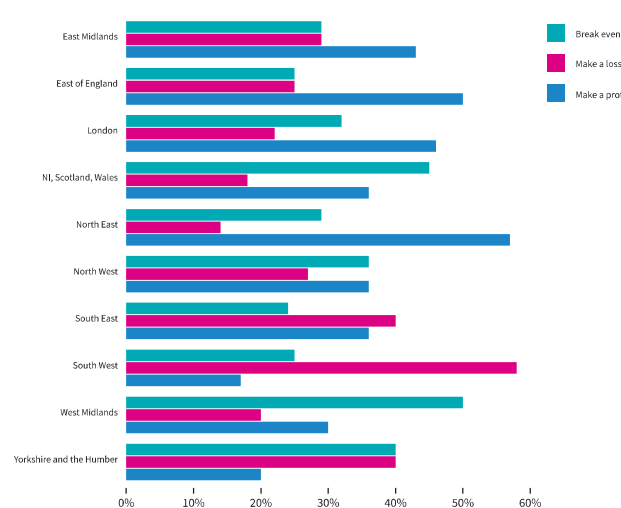


Looking at the breakdown by English regions and the devolved nations, we see that social enterprises in the North East were particularly likely to have a net positive difference between those making a profit and those making a loss. The opposite was true for the South West, where over half of social enterprises reported making a loss in January 2022 (up from 42% in September 2021).

Proportion of social enterprises making a profit, minus those making a loss, January 2022



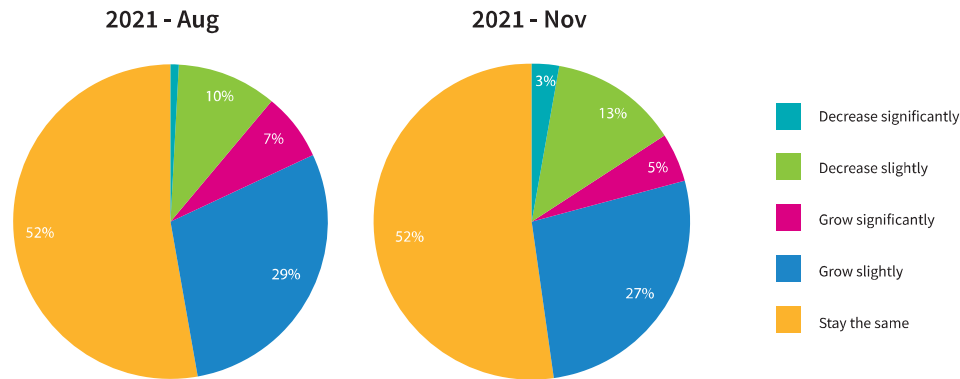
Social enterprises making a profit, loss, breaking even January 2022



¹ <https://www.fsb.org.uk/resource-report/sbi-q4-2021.html> - survey of over 500 small businesses (under 250 employees)

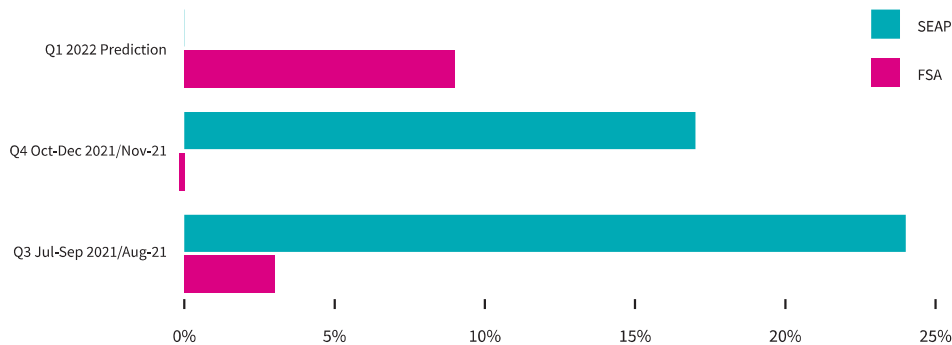
Staff

We asked respondents whether their staffing levels had decreased over the previous quarter compared to the quarter before. In August, there was both higher staff growth and lower staff losses than was the case by November 2021.



Compared to the FSB data for small business, which looks at the net staff change of those that increased staffing minus those that decreased staffing, we see that in both Q3 and Q4 of 2021, small businesses were far less likely to be increasing staff than was the case for social enterprises in August and November of 2021 – indeed, small businesses reported negative growth in November 2021. Projected growth in staff numbers for small business for the first quarter of 2022 was higher, at almost 10%. This is in line with our understanding that social enterprises are “employment rich” businesses which favour providing employment opportunities with their turnover, increasing costs but spreading greater social value.

Net Staff Change in prior 3 months



Growth rates were highest in London, lowest in the devolved nations – where no respondents reported decrease in staff numbers either. Staff numbers were most likely to have decreased in the Midlands and East of England, where the proportion growing staff minus those losing staff was lowest.

Staff numbers, national breakdown, November 2021

	Decrease	Stay the Same	Grow	NET CHANGE
Midlands/East	24%	40%	36%	12%
NI, Scotland, Wales	0%	80%	20%	20%
North	11%	57%	31%	20%
South	10%	65%	26%	16%
London	22%	38%	41%	19%

Looking at responses by turnover size we see that those with a turnover of £100,000-£500,000 are the most likely to have experienced positive growth in staff numbers, whereas larger social enterprise workforces have overall stayed the same size. This indicates that social enterprises as a whole are even greater job generators compared to the rest of business than the table comparing to FSB statistics above indicates. It does also mean that a higher proportion of larger social enterprises are not retaining as many staff.

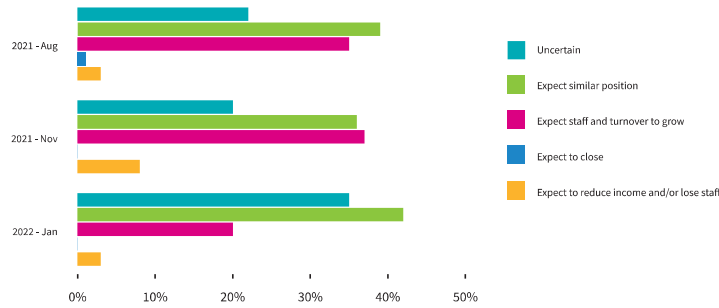
Staff numbers, breakdown by turnover size, November 2021

	Decrease	Stay the same	Grow	Net Change
A £0 - 100K	18%	58%	24%	6%
B £100K - £500K	13%	50%	38%	25%
C £500K - £5M	20%	60%	20%	0%
D £5M +	29%	43%	29%	0%

Growth Predictions

We asked respondents about their growth expectations for the next 3-6 months. Uncertainty has increased since November 2021, with over a third of social enterprises now saying that they don't know what will happen in terms of staff and turnover growth in the coming months.

The proportion expecting to grow staff and turnover declined significantly in January 2022 from 2021 data, with just a fifth expecting to grow down from over a third. However, the proportion expecting to reduce staff numbers and/or income hasn't decreased. So whilst this data indicates a period of increased uncertainty and more limited growth, there isn't evidence of more serious concern.



Looking at the picture across the UK for January 2022, uncertainty is highest in London, lowest in Northern England, where there is greater perceived likelihood that social enterprises will contract. Growth expectations are highest in London and the Midlands/East of England.

National breakdown, January 2022

	Uncertain	Expect similar position	Expect staff and turnover to grow	Expect to close	Expect to reduce income and or lose staff
Midlands/East	37%	37%	22%	0%	4%
NI, Scotland, Wales	36%	55%	9%	0%	0%
North	23%	57%	11%	0%	9%
South (excluding London)	37%	41%	20%	2%	0%
London	40%	37%	23%	0%	0%

In terms of responses by turnover size of the social enterprise we see that uncertainty is highest amongst the smallest businesses. This is potentially of concern as this is where we might expect to see the most growth, assuming that many of these are likely to be relatively new start-ups.

None of those with a turnover of over £5 million said that they expect to contract, nor that they are uncertain about growth.

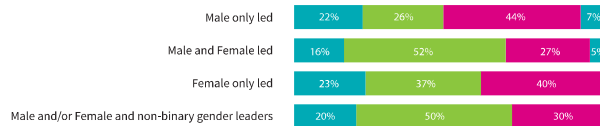
Breakdown by social enterprise turnover size, January 2022

Row Labels	Uncertain	Expect similar position	Expect staff and turnover to grow	Expect to close	Expect to reduce income and or lose staff
A £0 - 100K	42%	37%	20%	1%	0%
B £100K - £500K	27%	54%	15%	0%	4%
C £500K - £5M	27%	64%	9%	0%	0%
D £5M +	0%	80%	20%	0%	0%

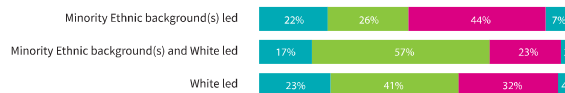
As above, the respondents were asked about the make-up of their leadership team/demographics of individual leaders (see table at the end of the report). Male-only led social enterprises are more uncertain about growth prospects and more likely to be anticipating that their staff and/or turnover will reduce or that they will have to close. Social enterprises that have disabled leaders are far less likely than those that don't to be anticipating growth. Social enterprises led by people living/working in affluent areas are far less likely than those in deprived areas to be uncertain about growth prospects.

Growth predictions by leadership demographics

Gender of leader(s)



Ethnicity of leader(s)



Disability status of leader(s)



Location of leader(s)



Legend: Grow (light blue), Same (green), Uncertain (pink), Reduce/Close (dark blue)

Impacts of Omicron

The first UK Omicron cases were recorded in late November and the government announced a support package in late December 2021 including grants for businesses in the hospitality and leisure sectors in England, cover for the cost of Statutory Sick Pay for Covid-related absences for small and medium-sized employers across the UK and a fund for cultural organisations¹. The Omicron variant proved less dangerous than initially feared and in February, the UK and developed nation governments began announcing that Covid-related restrictions and testing requirements are being removed. However, the wider economic uncertainty persists and is having an impact on social enterprise.

Operating costs for business are high. According to the ONS's Producer Price Index (PPI)², November 2021's input price marks the highest level of annual input inflation since July 2003, with fuel price rises pushing up costs of both energy and other inputs. Businesses are not covered by the energy price cap that is available to households – and the cap is increasing and does not protect consumers from wider cost of living increases that are, in turn, affecting business demand. Global supply chain issues, which also affect input prices as well as the availability of certain items, are also having a significant impact on businesses and consumers.

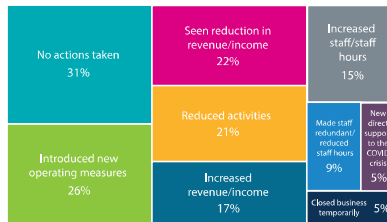
In this section, we asked two questions to understand the initial impact of Omicron, and the wider landscape for social enterprise operations at the moment.

Actions and Impacts

In January 2022, we asked respondents about how their business reacted to the arrival of the Omicron variant from mid-December. Two-thirds told us that they had taken some action or seen some change to their business operations. None said that the new variant had caused their business to close, but 5% ceased trading temporarily and 5% reduced staff hours or made staff reductions. Over a fifth reduced their activities.

A quarter adopted new operating measures and 5% provided new direct support in response to the new variant.

Actions/Impacts since mid-December 2021



Customer and consumer-facing social enterprises told us they have re-introduced social distancing measures to protect staff and clients, some of which include reduction in service delivery. Several respondents told us that they now either operate entirely remotely or were able to switch to remote working.

“ We are heavily reliant on room hire as our main source of income. Increasing uncertainty around Covid has led to a lot of cancellations. ”

Social enterprise in the South West

“ Our business is carried out from home and contact with customers is all virtual. Omicron has not impacted this operating model. ”

Social enterprise in the South East

“ Over 50% of the team have had the virus and we are still short of about 25% of staff due to long term effects of having the virus. It's having a material impact on our ability to operate. ”

Social enterprise in London

“ Increased threat of infection just before Christmas made participants reluctant to engage. Plans for new activities to increase income put on hold. ”

Social enterprise in Yorkshire

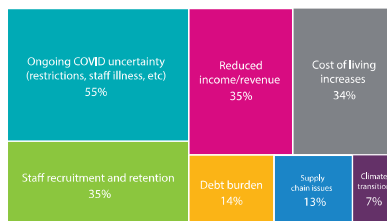
“ We were hoping to reduce restrictions and also reintroduce/resume our face-to-face activities and training, but this has yet again been delayed. We were also hoping to hold an in-person team away day to help boost morale, help us plan the next 6-12 months of delivery and introduce new team members, but this has also now been postponed. ”

Social enterprise in the West Midlands

Concerns For The Next 4-6 Months

We asked social enterprises about their major concerns for the 3-6 months ahead. Over half cited ongoing COVID uncertainty – this was by far the biggest concern. Reduced income and revenue was a worry for over a third, as is staff recruitment and retention. Another third were worried about cost-of-living increases.

Concerns for the next 3-6 months



In terms of COVID uncertainty, respondents told us that Omicron has meant putting plans on hold (again), reverting back to online operating and causing significant concerns about income generation and demand, as well as worries about staffing issues related both to illness and to ability to carry out areas of work.

“ If we have to face restrictions just as we are opening a new shop that will be tricky. We are taking a loan to improve the new premises, but we only have a 3-year lease, so we have less than 35 months to make enough revenue to cover costs and the loan. If people are feeling the pinch, they will not buy coffee and cake. ”

Social enterprise in South East England

Staffing concerns are wider than COVID-related illness, although several social enterprises told us that they are facing ongoing issues with staff on long-term sick leave or with reduced capacity due to COVID. Many are worried about increasing wages to keep pace with rising costs of living. Social enterprises in the social care sector in particular, but also across hospitality, leisure and retail, are facing difficulties recruiting new staff.

“ Recruitment in social care is very difficult at the present time. ”

Social enterprise in East Midlands

“ We have seen a number of vacancies (...) this is a challenge for continuity. However we have succeeded in recruiting some excellent new staff based on a) complete flexibility of location b) being a business that is making a difference. ”

Social enterprise in the South West

A fifth of respondents mentioned reduced demand as a concern in open-text responses. Social enterprises cited a multitude of reasons for demand worries including COVID impact on customers or clients accessing goods and services, contracting bodies such as local authorities being distracted by the crisis, and in particular the impact of higher operating costs and less money in consumer pockets due to the rising cost of living.

“ We have three community buildings which hire out space and usage is down again due to COVID. We do not charge (...) when COVID or COVID risk is the reason for cancellations. ”

Social enterprise in the East of England

“ Fewer clients as money becomes tighter for many people. ”

Social enterprise in North East England

“ As we rely on retail trade, I am concerned this will be affected by our customers experiencing a squeeze on their disposable income ”

Social enterprise in Scotland

“ There seems to be some uncertainty with income related to COVID. We work with councils a lot and they are very preoccupied with crisis management which is impacting on new work ”

Social enterprise in the East Midlands

“ All our customers are small CICs, all are struggling to gain income, which impacts how much they can afford to buy in our services. ”

Social enterprise in South East England

Supply chain and cost issues are causing delays, resulting in social enterprises increasing their own prices, and contributing to delivery and demand issues.

“ Supply chain issues - we are experiencing significant delays in construction industry and local authority bandwidth in dealing with their work load to clear back log in all areas. ”

Social enterprise in the South West

We are also seeing that a combination of the above factors, the removal of government support packages related to COVID and concerns about general reduction in grant availability, plus the requirement to begin repaying loans, are putting an extra squeeze on many social enterprises.

In short, having fared very well over the last two years, there is a significant risk that the next six months and beyond may be tough for social enterprises.

¹ <https://www.gov.uk/government/news/1-billion-in-support-for-businesses-most-impacted-by-omicron-across-the-uk>

² <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletin/producerprices/1january2022>

Who Are The Respondents?

This report combines data from SEAP surveys run since July 2021. You can find details about past surveys here, including details of dates and response rates to the July, August and September 2021 surveys: www.socialenterprise.org.uk/social-enterprise-advisory-panel

The October 2021 survey received 151 valid responses from social enterprises. The November 2021 survey received 144 valid responses. The January 2022 survey received 206 valid responses.

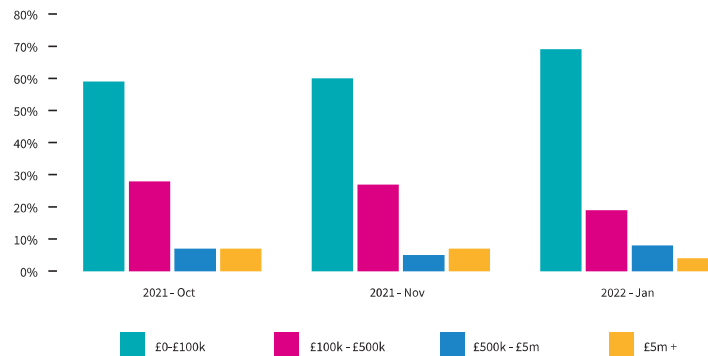
The tables below show the response rates by turnover size band and by location, as well as more detailed information about leadership demographics collected in January 2022.

If you are interested in exploring any of this data in more detail, please see the contact information below.

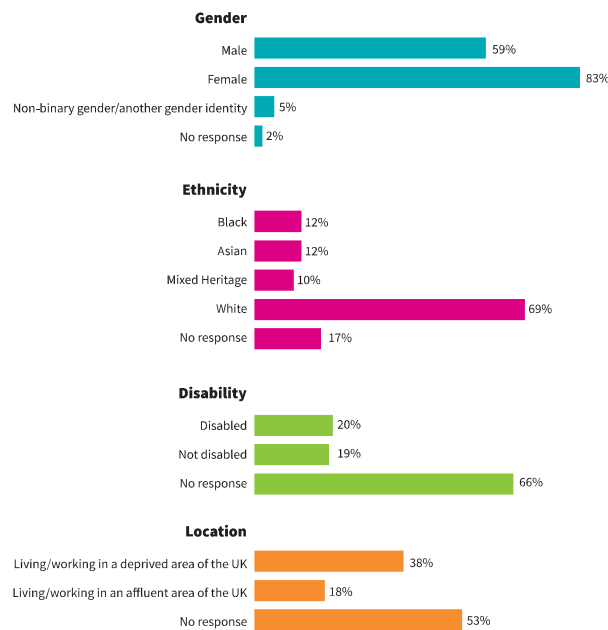
Response rate by location

	2021 - Oct	2021 - Nov	2022 - Jan
East Midlands	6%	4%	5%
East of England	4%	6%	4%
London	26%	23%	24%
NI, Scotland, Wales	6%	6%	6%
North East	4%	6%	4%
North West	13%	13%	12%
South East	13%	11%	16%
South West	8%	13%	13%
West Midlands	8%	8%	7%
Yorkshire and the Humber	12%	10%	9%

Response rate by turnover size



Leader/Leadership Team Demographics⁵ (January 2022)



This report was written by Emily Darko: Emily.darko@socialenterprise.org.uk with support from Nichola McAvoy, Shehan Perera and Andrew O'Brien. Please contact Emily with any feedback or questions.

⁵ This data shows the proportion of respondents who said that their leader or one or more of their leadership team identifies with the listed characteristics. Non-responses are shown in aggregate – we do not have data on the proportion of non-responses, so leadership information may be incomplete even where a response has been given (e.g. if there are three members of a leadership team, it is possible that gender or ethnicity data has only been supplied for one or two of these people). We continue to work on improving the ways we collect demographic information to inform equity, inclusion and diversity work.