

Social Enterprise Barometer

November 2022

The Social Enterprise Barometer provides a quarterly update on social enterprise performance in the UK. It uses data from Social Enterprise UK (SEUK)'s Social Enterprise Knowledge Centre Advisory Panel to give a picture of the current financial health and growth of social enterprises.

This Barometer paper also looks at the impact that inflation, high energy prices and overall cost of living increases are having on social enterprise.

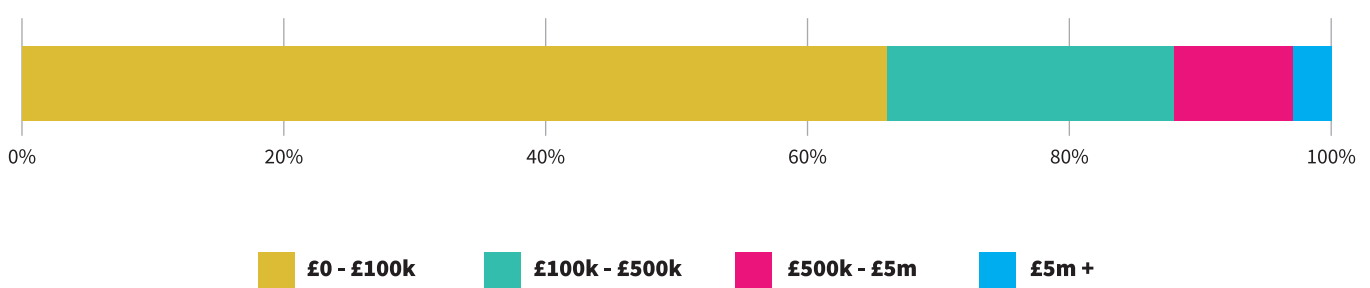
Who are the respondents?

The October 2022 SEAP Survey ran between 4th and 25th October and received 222 valid responses.

Responses by location

East England	4%
East Midlands	5%
London	25%
North East	4%
North West	11%
Northern Ireland, Scotland & Wales	7%
South East	23%
South West	9%
West Midlands	6%
Yorkshire and the Humber	6%

Responses by turnover band



What is the Social Enterprise Knowledge Centre Advisory Panel?

The Social Enterprise Knowledge Centre from Social Enterprise UK is the UK's leading repository of evidence on social enterprise.

The Social Enterprise Knowledge Centre Advisory Panel is a regular short survey which collects snapshot data on social enterprise. We use the survey to help raise awareness and understanding of social enterprise, influence policymakers, to promote social enterprise, to drive more relevant investment and funding, and to inform useful product and service delivery, including by SEUK for our members.

Key Findings

Across all indicators of social enterprise business health, we see signs of significant strain over the last quarter. Cashflow and reserves positions have worsened, turnover and growth expectations are down, and staff numbers have declined – although we see through qualitative responses that little of the reduction in staff is redundancy, it is largely people not being replaced.

Rising costs in general, especially rising energy prices, are of particular concern, combined with uncertainty about energy price caps post April 2023. 22% of social enterprises said they need help with energy bill payments, that's almost 30,000 businesses UK-wide¹.

Rising interest rates do not appear to have caused a significant increase in problems with debt repayment yet, but are impacting rent and service costs.

In response to the cost of living crisis, nearly two-thirds of respondents told us that they are seeking new grant funding and a third are seeking new investment, with uncertainty about growth expectations correlated with pending outcomes on new funding and finance.

A third of social enterprises are reducing their profit margin to ensure continued delivery, we also see significant increases in those drawing on reserves and having reduced cashflow. Minimising profit margins is an option that social enterprises are in an easier position to take than other forms of business in order to help sustain their operations. However, loss of profits/surplus will have knock-on effects for wider social

or environmental benefit given that social enterprises re-invest the majority of profits made towards their social/environmental missions.

14% are cutting spend on essential inputs and services and 11% of respondents are reducing product or service range or delivery. Over a third have increased their prices.

We also asked respondents about what support they could benefit from in the context of high costs. The most-cited need is for support with cashflow, which tallies with the declining cashflow position of the sector. Costs related to employment were also raised, as were terms and conditions on public contracts, and energy costs.

This quarter has seen a significant negative shift in turnover positions for the largest social enterprises – those with turnovers of over £5million are far more likely than last quarter to have reported decreased turnover, and far less likely to have reported turnover growth. Cashflow positions of the largest social enterprises have also significantly weakened, and respondents from the largest social enterprises reported no growth in staff numbers over the last quarter. The larger social enterprises are far more concerned about worker shortages than their smaller peers and they are also far more negatively impacted by energy price rises.

The smallest social enterprises remain in a weakened position, although there has not been such a significant negative shift compared to the last quarter, as is the case for the largest social enterprises.

¹ Based on the new government estimate of 131,000 social enterprises in the UK: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1101560/Social_Enterprise_Market_Trends_2019_-_Middlesex_University.pdf

Growth expectations

Survey results from across this year have shown an ongoing increase in the the proportion of social enterprises expecting their business to contract or close. Closure rates have jumped up this quarter, with 3% of respondents anticipating that they will close. This means that as many as 4,000 social enterprises could be at imminent risk of closure.

Those anticipating growth have decreased slightly since July and there is a slight increase in uncertainty about growth prospects. Amongst the largest social enterprises, the proportion expecting growth has significantly decreased since July 2022.

From the open text data, we see that there remain many examples of social enterprises identifying ways to secure growth and sustain operations, particularly where they have had recent success with contracts, funding or finance. However, the overall picture is one of struggle and uncertainty.

Growth expectations, October 2022

“We have unfortunately lost a key business sponsorship contract due to cost of living. We hope to find a grant or partnership to supplement income.”

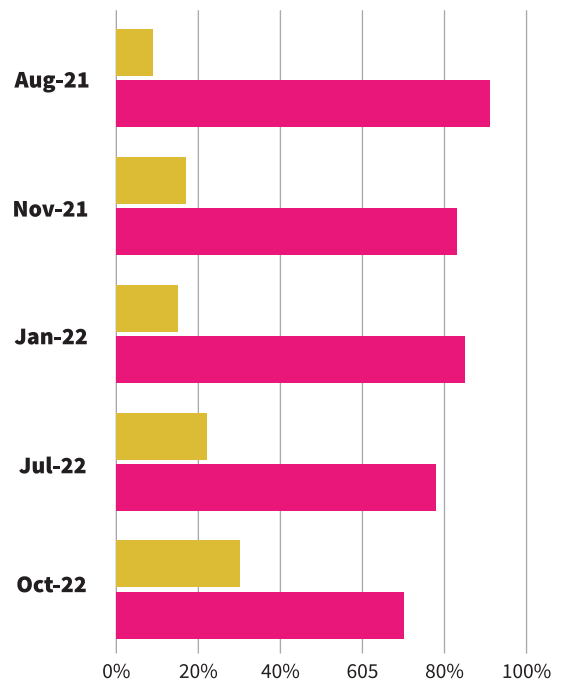
Yorkshire-based social enterprise with a turnover of less than £100k.

“It’s horrendous at the moment. Contracts are drying up, grants are ultra-competitive, and no-one is buying!!”

East Midlands based social enterprise with a turnover of less than £100k.

Uncertain - depends on the outcome(s) of pending funding applications/ income/ contracts	30%
We expect income to reduce / or to lose staff	8%
We expect to close	3%
We expect to grow staff and turnover.	26%
We expect to maintain a similar position to now	33%

Summary of growth/contraction and closure results



“Since 2018 we have averaged around 60% annual growth and are set to maintain this growth if we are able to secure the investment to support our cash flow.”

South East based social enterprise with a turnover between £500K and £5million

“There is so much uncertainty, we just don’t know. Services provided by our members become less important than putting food on the table... our membership fees become less important than heating bills. It’s a really tricky time!”

South-East based social enterprise with a turnover between 100k and 500k.

“We have fewer visitors coming now as it’s a luxury with the current living costs crises to have a family day out. Since September our footfall has reduced by 50%. In August our footfall was 4% less than the year before.”

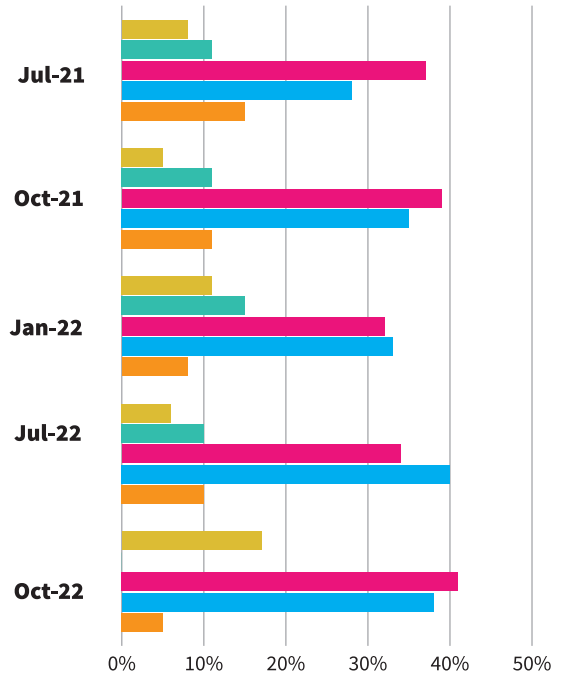
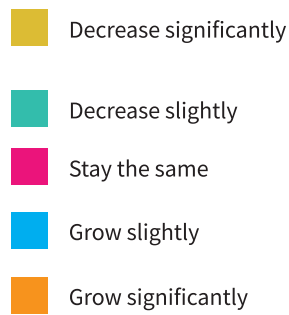
Northern Ireland based social enterprise with a turnover of less than £100k.

Turnover

We asked respondents how their turnover has been affected in the last quarter, compared to the previous quarter. More respondents this quarter, in the October survey, reported that their turnover had decreased significantly and fewer

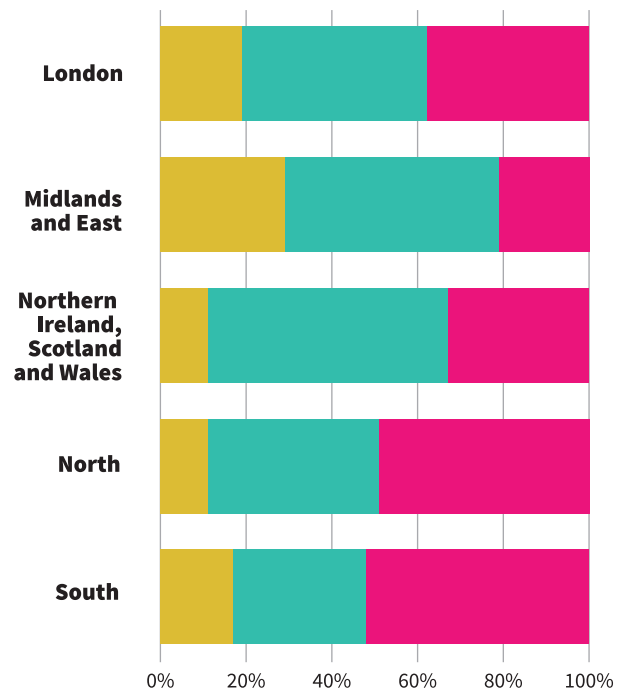
reported that their turnover had grown significantly than was the case in July 2022. A higher proportion are reporting that turnover levels have remained static, with slightly more respondents than last quarter reporting slight growth.

Turnover change in the last quarter



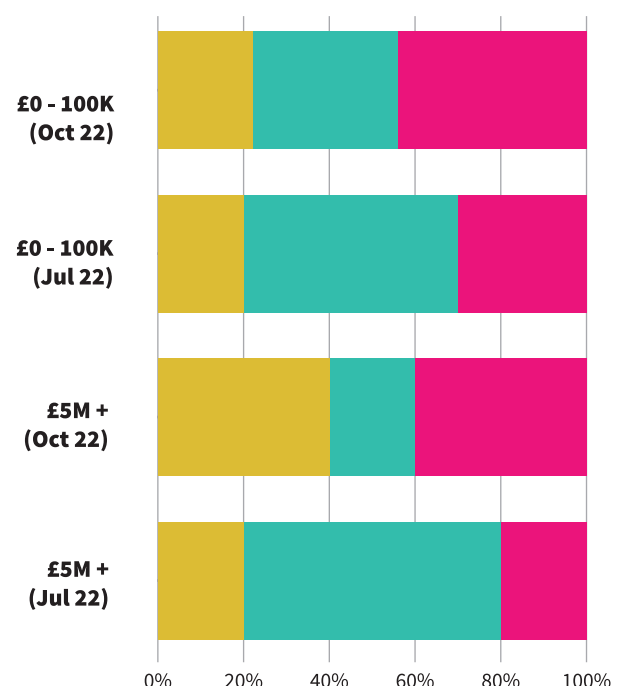
Decreased turnovers were particularly likely for social enterprises in the Midlands and East of England, although growth rates here were also strong. Social enterprises in the devolved nations are showing the strongest turnover positions this quarter.

Turnover changes by location



Looking at results by business size, we see that the largest and smallest social enterprises are seeing the biggest negative movement in terms of turnover growth, with the largest social enterprises in particular contracting.

Turnover changes depending on size of business (largest and smallest)



Cashflow and reserves

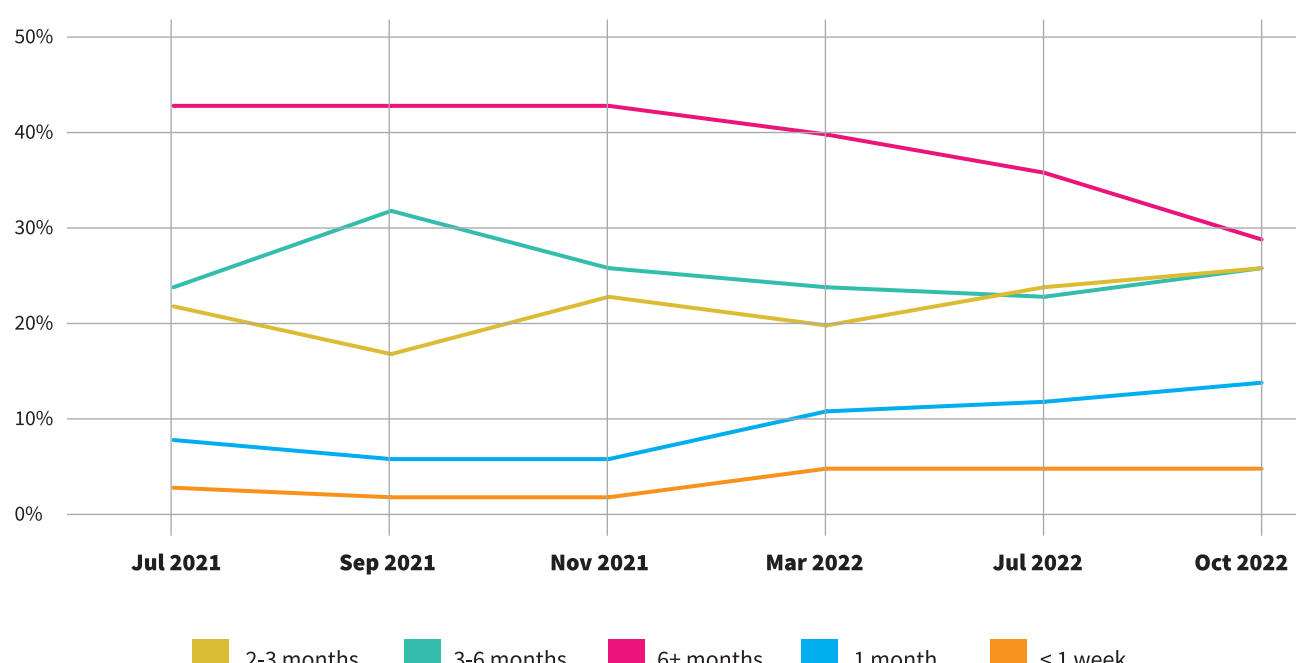
There is a continuing downward trend in the proportion of social enterprises with 3 months or more worth of funds, and an increasing number with less than 3 months' worth of cash available.

Based on the open text responses, we see that increasing costs caused by energy prices and the cost-of-living crisis are driving declining cashflow positions. Whilst some are confident that their cashflow is good and stable, others emphasise the lack of funds available and an increasingly uncertain future. Many respondents emphasised their need for funding to increase their cashflow and sustain their operations.

“We are waiting on contracts to come through to save us and to have some uplift for Christmas sales, but the outlook isn't good, at present if a job doesn't come through, we could be gone in a 1-2 months worst case.”

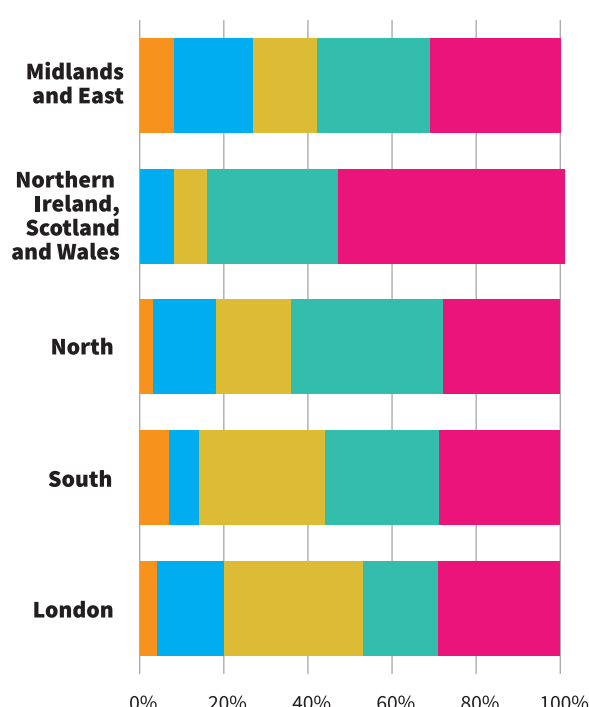
London based social enterprise with a turnover of between £100K and £500K.

Cashflow position (funds available)



Cashflow positions are strongest in the South of England, and weakest in the Midlands and East.

Cashflow position (funds available) by location

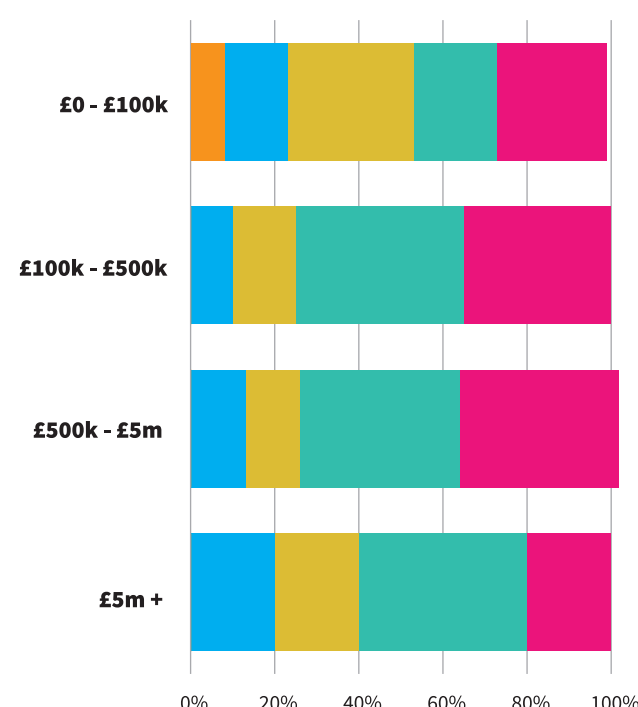


“Our earned income keeps us ticking over, just. We don't have spare to increase our offer to those who cannot afford our fees, and this is super important to us to be able to do in the near future.”

North-West based social enterprise with a membership between 100k to 500k.

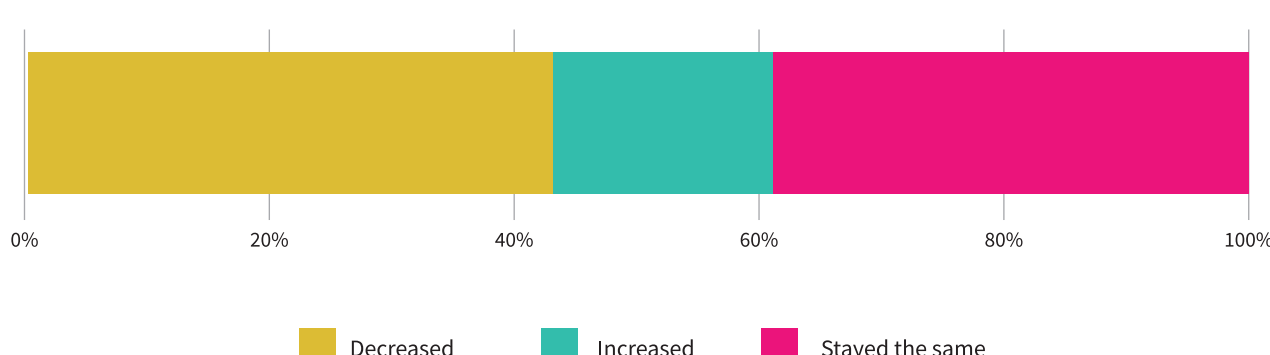
Unsurprisingly, the smallest social enterprises have the weakest cashflow positions, and this has worsened over the last quarter. There is a bigger shift, however, for the largest social enterprises who have seen a 40% increase in those with less than 3 months' cashflow.

Cashflow position (funds available) by size



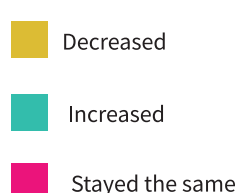
In terms of reserves in the bank, almost half of social enterprises responding to this survey have seen their reserves decrease over the last quarter.

Reserves position compared to previous quarter, October 2022



Social enterprises in the South of England in particular have seen their reserves position worsen, with those in the Devolved Nations having the strongest positions.

Reserves position compared to previous quarter by location



“We are a community transport project. Our passenger groups are still reluctant to venture out and this slow recovery has meant we have had to use our reserves to stay open while we recover slower than anticipated.”

North West based social enterprise

None of the largest social enterprises who responded to this survey had seen their reserves position improve over the last quarter, in contrast to those with a turnover between £100,000 - £500,000 who had the strongest position on reserves compared to businesses of other sizes.

Reserves position compared to previous quarter by size



Case study: Cocoon Kids

Cocoon Kids – Creative Counselling and Play Therapy CIC is a community interest company providing therapy sessions to disadvantaged children, young people and their families in parts of London and Surrey.

They aim to foster improved lifelong mental health and wellbeing and social inclusion. They offer a range of products and services, including play packs, therapy sessions and tailored training for families and professionals.

The organisation was on an upward trajectory in July, reporting excess demand for their services and was looking to grow and to increase staff numbers. However, by October, despite this excess demand, the social enterprise has not been able to recruit new staff due to the impacts of rising input costs and costs related to staff. Despite increasing prices for paid sessions which cross-subsidise other work, it is proving challenging for Cocoon Kids to meet demand.



“We’ve increased our paid/private prices, however we have a limit to the number of sessions we can provide using this fee structure, as we’re specifically set up to provide fully-funded sessions for families in social housing, on low incomes and on benefits, typically on a Child Protection plan. We’ve just had a trainee student therapist start and have one paid therapist, but if we had more funding we could increase further.”

Staff

The survey results indicate that in October 2022, the number of paid staff decreased significantly compared to the previous quarter. Additionally, much like the previous quarter, there remains a very small number of social enterprises whose number of paid staff have grown significantly, as well as a drop in overall growth in staff numbers.

There has been a particularly big drop in staff numbers in the devolved nations compared to July 2022, with 35% fewer social enterprises having increased their staff numbers this quarter. Social enterprises in the South of England have seen a 17% increase in the proportion that have decreased staff over the last quarter.

The smallest social enterprises are the most likely to be decreasing staff numbers, 21% reported a decrease in staff numbers over the last quarter. The largest social enterprises saw no growth in staff numbers this quarter.

Open-text responses indicate that staff reductions are not primarily redundancies, but staff not being replaced when they leave or when funding for their positions comes to an end. We are also seeing some social enterprises having to reduce staff hours.

“We took on 2 members of staff. One full-time and one part-time. Ideally the part-time post will become full time when we can afford it.”

North West based social enterprise with a turnover of 100k to 500k.

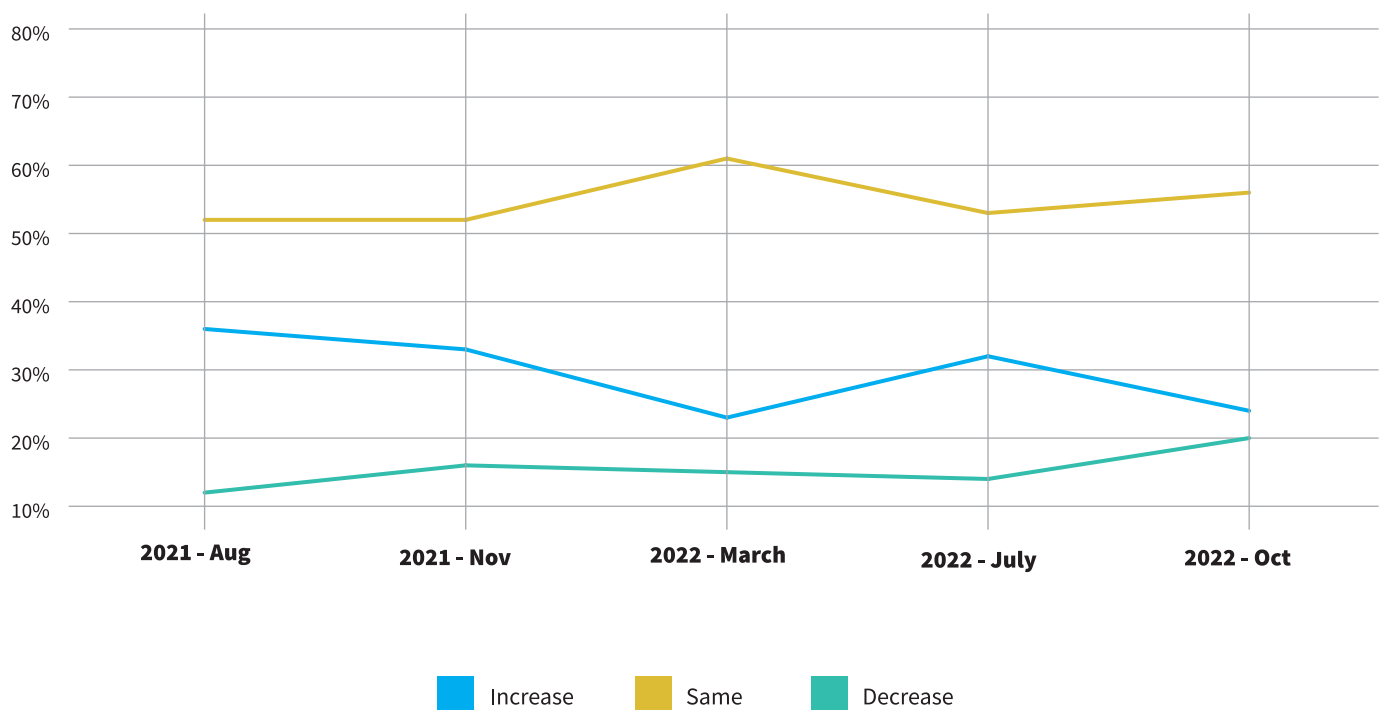
“Directors are currently working voluntarily to keep the CIC afloat.”

West Midlands based Social Enterprise with a turnover of under £100K.

“We lost one member of staff as our funding stream came to an end and not replaced as yet.”

London based social enterprise with a turnover of under £100k.

Change in staff numbers over the last quarter



Case study: Miss S – Accounting for Purpose

Miss S – Accounting for Purpose CIC provides accounting services to help CICs, creatives and charities to advance their own purpose and mission, so these companies can have bigger impacts on their community.

It was formed in 2013 by Fiona Sanderson and Tracey Ward who wanted to form a hub of staff that not for profits could use when they needed a marketing person, bookkeeper, financial director or personal assistant for a short period rather than go through the hassle of employing staff that they couldn't afford for long periods of time.

In July, Miss S reported that in response to the cost-of-living crisis, they have reined back on their staff and rent and expected to get rid of their office space. They have also had to make decisions on the types of services they offer and to whom. By October, they had reduced their paid staff and anticipate further reductions in staff in the next 3-6 months. Despite this, their cashflow position is positive as their earned income keeps them ticking over. They are keen to increase their cashflow as they want to increase their offer to those who cannot afford their fees.

When looking to the future, the CIC is concerned about worker shortages, access to funding and finance and input prices.



They proudly call themselves “accountants for the community” and officially became a CIC in 2022.

Operating costs

68% of respondents said that their operating costs had increased in the last quarter, with 28% saying costs had increased significantly, a slightly higher proportion than was the case in July 2022. This is unsurprising given the increasing cost of living over the last quarter due to interest rate rises and inflation.

Open text responses from the survey emphasised energy prices as being a key factor affecting operating costs, although many respondents cited a range of other input cost increases as well as pressure from rising interest rates. Amongst those not to have seen operating costs increase, this was typically because they had reduced overall costs through staff losses or reduced supply of products or services, rather than that they weren't experiencing similar high prices for inputs and borrowing costs.

“We are fortunate not to have been directly impacted too much by the inflation etc. We have made a small salary increase to help our staff with the cost of living crisis. However the rapid rise of interest rates has disrupted our investment strategy.”

South East based social enterprise with a turnover between £500k and £5 million

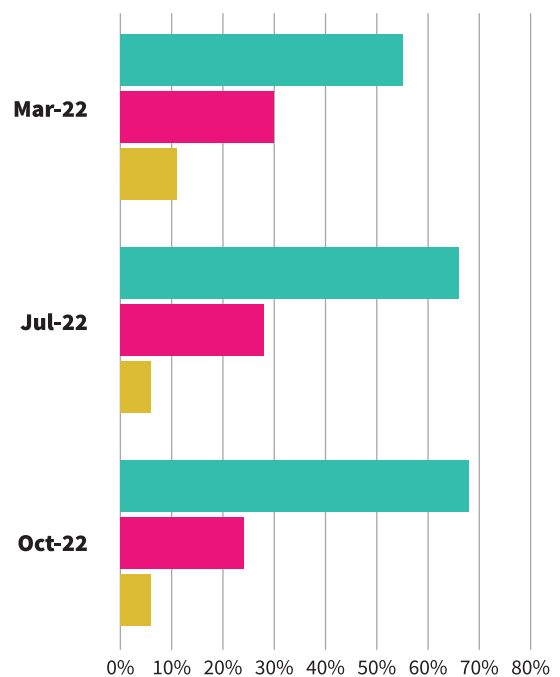
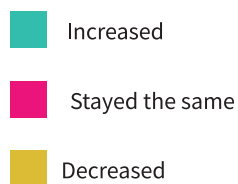
Operating costs compared to last quarter (October 2022)

Significantly increased	28%
Slightly increased	40%
Stayed the same	24%
Slightly decreased	2%
Significantly decreased	3%

“The pound’s decreased value has affected our international payments for products which have cost us more”

South East based social enterprise with a turnover of less than 100k.

Operating costs compared to last quarter – summary data



“Our rent and bills have shot up and we’ve lost trade sales.”

London based social enterprise with a turnover of 100k to 500k.

Case study: Grow Wild York



Operating conditions are particularly tough for start-up social enterprises at the moment. Grow Wild is a newly-established community interest company that strives to provide high quality organic fruit and vegetables to local communities, whilst educating people on and nurturing sustainable food growing systems.

Grow Wild has unfortunately been put in a difficult situation where they have lost a key business sponsor. They are also facing higher costs for compost, equipment and fuel. As a result, they only have cashflow for about a month, and their reserves have decreased. They have also reduced staff training; staff benefits and other non-salary costs. The director may not take a salary for November and December until trading improves or funding is found.

Grow Wild are receiving non-financial support, advice and volunteering time from their partner organisations: Askham Bryan College, York CVS, Blue Berry Academy and Beetle

Grow Wild also provides work for people in the local community with mental health and additional needs.



Bank Social Farm. Grow Wild are connecting with other organisations in the local community and are confident that they'll be able to raise funds by January.

Cost-saving measures

In addition to asking about operating costs, we asked respondents about measures they are taking to address cost-saving and secure income.

Nearly two-thirds of respondents are seeking new grant funding and a third are seeking new investment.

Over a fifth are reducing their profit margin to ensure continued delivery, whereas 14% are cutting spend on essential inputs and services, and 11% are reducing product or service range or delivery. A quarter are using reserves, and amongst the larger social enterprises (those with turnovers over £500k), over a third are drawing on reserves to sustain operations.

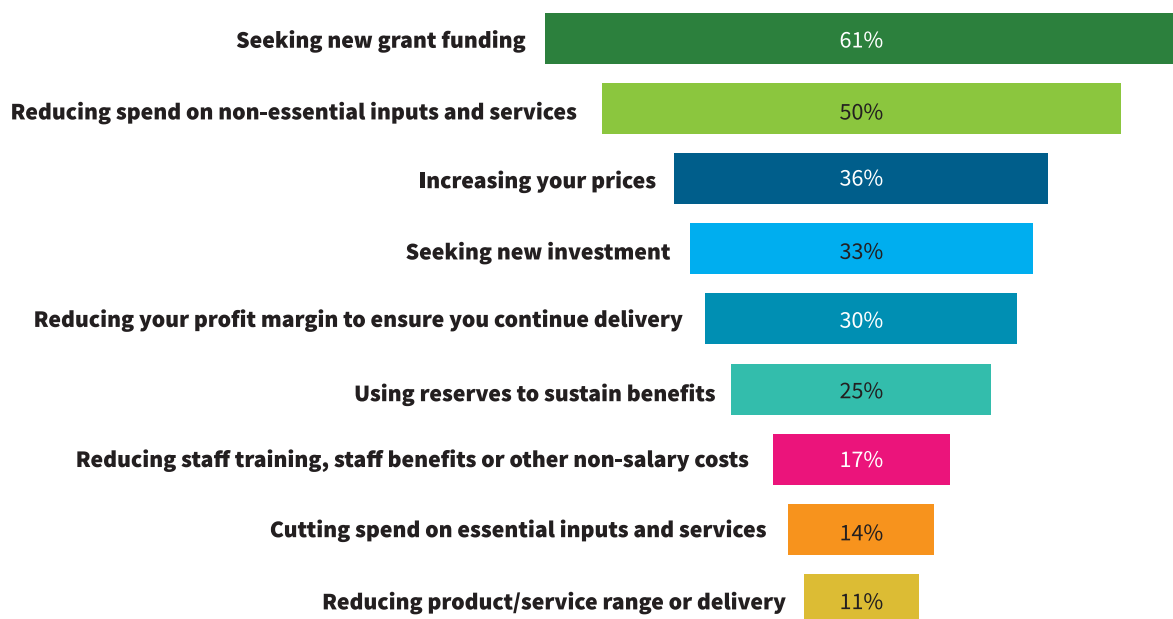
Over a third have increased their prices, with more retaining prices in order not to lose customers – particularly where customers are beneficiaries of their social purpose.

“We are increasing our range of accessible low-cost services to better support the sector and bring in passive income.”

West Midlands based social enterprise with a turnover of 100k to 500k.

Cost-saving measures or measures to secure income

If you are making cost-saving measures or measure to secure income - what are they?



“Our profit would have been c.£20-25k this year, that has now gone. It is possible customer spend will reduce as [our products] are becoming a luxury, spending patterns look to be changing with customers reducing how often they treat themselves.”

West Midlands based social enterprise

“Always run a very tight ship so not much more we can cut”

Yorkshire based social enterprise

“We mostly operate a ‘pay-as-you-can-afford’ or ‘pay-according-to-scale-and-organisational-benefit’ or free or very low-price range of services. [...] We are increasingly providing ‘corporate’ training and coaching [...] that leverages vast increases in revenues and profits. [...] And these vast additional revenues are funding the growth of our services to those who can afford to pay little or nothing. We are growing internationally too.”

East Midlands based social enterprise with a turnover of less than 100k.

Energy costs

This quarter, we asked questions matched to a survey run by the government department for Business, Energy and Industrial Strategy (BEIS) looking at energy costs.

Although energy costs are not a high proportion of overall costs for social enterprises, we also see that there is limited potential to further reduce energy costs for the vast majority of social enterprises and as we see above, reserves, cashflow and high operating costs are significantly squeezing social enterprises at the moment.

Energy costs are of far bigger concern to larger social enterprises, with almost half of those with a turnover over

£500k citing energy prices as a main concern. At least a proportion of the smallest social enterprises are likely to benefit from being home-based and therefore covered by the domestic energy price cap.

Big Issue Invest are the first social investor to target funds specifically to the energy crisis, offering of up to £150,000 for organisations to install measures such as more efficient lights, insulation or heat pumps to reduce costs². Previous SEUK data shows social enterprise interest to invest in sustainable solutions to the energy price crisis, but there is an immediate need to address the impacts of cost hikes when the current cap ends early next year.

Percentage of organisations total costs that were energy costs in the past 12 months

0-10%	75%
11-25 %	18%
26-50%	7%

“We no longer have an office so our energy cost is down, but this is not for a good reason.”

London-based social enterprise with a turnover between 100k – 500k.

To what extent organisations expect to be able to reduce energy usage further over the next 6 months

0-10%	86%
11-25%	10%
26-50%	2%
51-75%	2%

“We have been using renewable energy where possible to reduce energy usage.”

London-based social enterprise with a turnover of less than 100K.

“There is not much we can do to decrease energy usage.”

North-West based social enterprise with a turnover in between 100k-500k.

² <https://www.bigissue.com/press-release/big-issue-invest-offers-loan-programme-to-charities-and-social-enterprises-to-help-beat-rise-in-energy-bills/>

Main concerns

We asked social enterprises what are their main concerns for the next 3 to 6 months.

The top three results are accessing funding and finance, costs related to staff and energy prices. Over a third of respondents are concerned about reduced demand for their products/ services and just under a third are concerned about capacity to meet increased demand.

For social enterprises, reduced demand is not only a fundamental problem for business operations, but also has significant potential knock-on effects for those benefitting from provision by these businesses. Many social enterprises told us that they are worried about continuing to be able to

provide for those most in need. Social Enterprise Scotland research earlier this year confirms these concerns about meeting demand³.

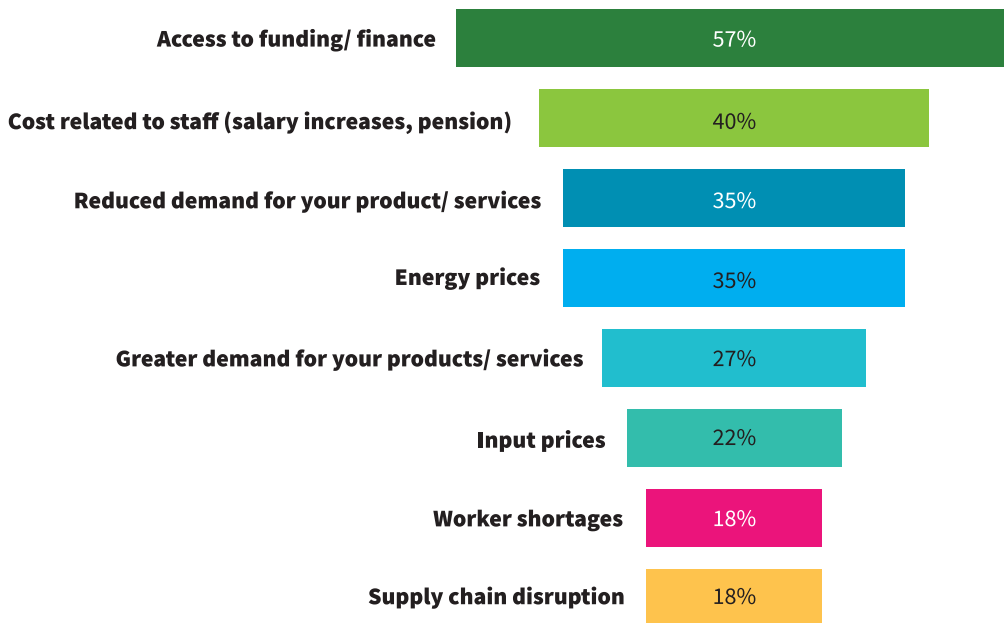
For larger social enterprises with turnovers over £500k, worker shortages are the primary concern, followed by energy costs and staff-related costs.

“Whether customers will stomach increased prices.”

East Midlands based social enterprise with turnover between £100k and £500k

Main concerns for social enterprises over the next 3-6 months

What are your main concerns for your social enterprise over the next 3-6 months?



“My customers are struggling to pay bills so many may not be able to afford the costs for training”

South East based social enterprise with a turnover of under £100k

“Potential public sector cuts - worry local authorities will be less likely to commission us.”

Yorkshire based social enterprise with turnover between £100k and £500k

“We need to help staff get over the winter and their increased costs, but no-one will boost our income.”

Wales-based social enterprise with turnover between £100k and £500k

³ Social Enterprise: Cost of Living <https://socialenterprise.scot/wp-content/uploads/2022/10/COL-Session-060922.pdf>

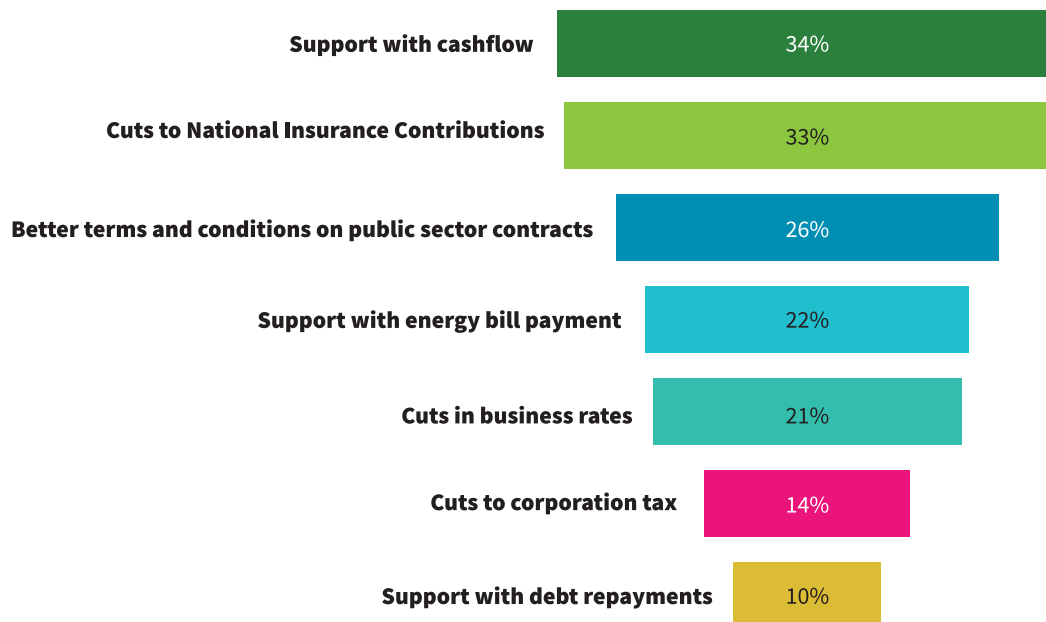
Support requirements

Finally, we asked respondents to tell us what forms of support might be most likely to benefit their operations given price pressures. A third of respondents said that support with cashflow would help. Cuts to national insurance contributions

were also deemed to be useful, as were cuts in business rates. Over a quarter of respondents also said that better terms and conditions on public contracts would support their social enterprise.

Requirements to mitigate impacts of rising costs

Which of the following would be most likely to directly benefit your social enterprise in response to rising costs



This report was written by Sabrina Doshi and Emily Darko with support from Pape Gueye, Shehan Perera and Faith Dawes.

Please contact Emily with any feedback or questions:

Emily.darko@socialenterprise.org.uk