

Social Enterprise Barometer

April 2023

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The Social Enterprise Barometer provides a quarterly update on social enterprise performance. It uses data from Social Enterprise UK (SEUK)'s Social Enterprise Knowledge Centre quarterly survey to give a picture of the current operating circumstances for social enterprises.

www.socialenterprise.org.uk



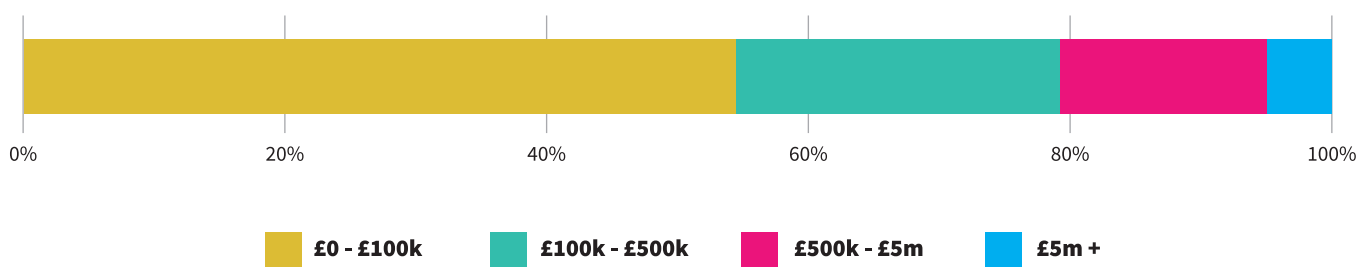
Who are the respondents?

The survey ran between 5 April and 26 April 2023, and received 96 valid responses.

Responses by location

East England	6%
East Midlands	4%
London	21%
North East	6%
North West	16%
Northern Ireland, Scotland & Wales	8%
South East	12%
South West	8%
West Midlands	7%
Yorkshire and the Humber	13%

Responses by turnover band



What is the Social Enterprise Knowledge Centre quarterly survey?

The Social Enterprise Knowledge Centre from SEUK is the UK's leading repository of evidence on social enterprise. The Social Enterprise Knowledge Centre Quarterly Survey collects snapshot data on social enterprise. We use the survey to help raise awareness and understanding of social enterprise, to 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 indicators of social enterprise business health, we see signs of recovery. Projected growth figures are up on last quarter. Projected turnover and profit figures are also positive, with 40% anticipating turnover will grow and 77% expecting to break even or make a profit this financial year.

Both cashflow and reserve positions are, on average, stronger for social enterprises who responded this quarter compared to figures from last quarter. Some respondents said that price increases for their products and services have been successful in terms of stabilising revenue.

Whilst contraction and closure rates have been consistently lower for social enterprises than for other forms of business, FSB data indicates that growth expectations are higher amongst business as a whole. Social enterprises are more resilient to sustaining through crises, as we saw during Covid and as was the case back in 2008/9. However, it

would appear from these results that recovery is also slower. Social enterprises cite a range of reasons for this, including uncertainty in funding and contract income, to ability to meet increased staffing costs.

Staff numbers have grown consistently over the last two quarters, this despite over half of respondents saying that staff costs had increased in the last quarter. Social enterprises cite a range of reasons for this, including uncertainty in funding and contract income, as well as ability to meet increased staffing costs. Staff numbers have grown consistently over the last two quarters, despite over half of respondents saying that staff costs had increased in the last quarter. Social enterprises cite increasing pay to match inflation as important to them - but also note varying capacity to do so, minimal impact of pay increases to cover the full impact of cost increases, and pressure on staff due to rising demand for goods or services when resource or capacity can't keep pace.

Growth

Compared to the previous quarter, predicted growth for the next quarter shows that the number of social enterprises expecting to grow has increased modestly from 30 to 32%. Results show a significant decrease in the number of social enterprises expecting to contract, with only 5% expecting to reduce income, lose staff or close.

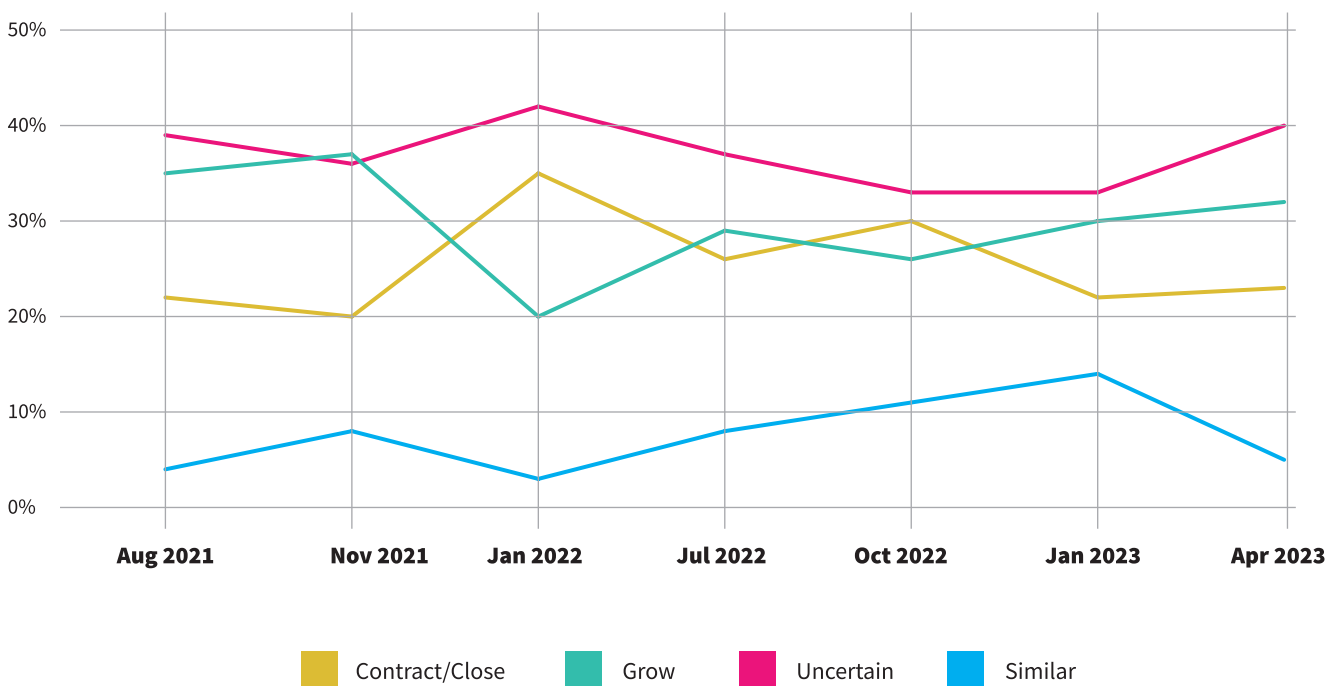
Although growth predictions have been on an upward trajectory since the last quarter of 2022, levels remain lower than in 2021.

Social enterprise growth expectations are more modest than traditional SMEs, based on the Federation of Small Business's Quarterly Business Index. In Quarter 1 of 2023, 46% of small businesses anticipated that they would grow in the next quarter.¹ However, downsizing and closure rates also remain higher, at 13%.

Open-text answers from social enterprises anticipating growth reveal that diversifying their revenue streams, securing new income and expanding products and services are the main reasons cited. For example, one social enterprise - that provides educational resources and workshops in human rights, gender equality, diversity and conflict transformation education - revealed that they are "preparing to launch our course packages for youth and kids". Whilst other social enterprises reported that growth is because of, or will be dependent on, funding. Some social enterprises mentioned that, whilst they are experiencing growth through an increased number of staff, this is on a part-time basis.

Funding and contract uncertainty are the main cited reasons for overall uncertainty about growth. And whilst some social enterprises have successfully increased revenue through increased prices, many are concerned about the ongoing impact of increased costs.

Growth expectations, since August 2021



Growth expectations breakdown, April 2023

“Our turnover is higher than in 2019 and has been steady throughout 2022. We expect to maintain this.”

A Yorkshire-based social enterprise.

“We gained some funding to employ a new member of staff.”

South West based social enterprise with a turnover of under £100K.

We expect to maintain a similar position to now	39%
We expect to grow staff and turnover	32%
Uncertain - depends on the outcome(s) of pending funding applications/ income/ contracts	22%
We expect income to reduce and/or to lose staff	4%
We expect to close	1%
Don't know/ prefer not to answer	1%

“We expect to deliver more programmes this year.”

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

Regional growth disparities, April 2023

Social enterprises based in London, the South of England and Devolved Nations have positive growth expectations with around half of respondents in these regions expecting to grow. Comparatively, growth expectations in the North, Midlands and East of England are low.

Region	Contract/Close/ Uncertain	Grow	Similar
London	15%	50%	35%
Midlands/East	50%	7%	43%
NI, Scotland, Wales	17%	50%	33%
North	29%	23%	48%
South	24%	53%	24%

Glyn Wylfa Ltd.

Glyn Wylfa Ltd, based in Chirk, in the designated Wrexham World Heritage Site, started trading in 2013 as a social enterprise.

Glyn Wylfa comprises of a 120-seat cafe/bistro plus a large house which has been renovated to offer 11 fully equipped offices for local businesses. It also houses the local police station. All their income comes from trading and profits are reinvested into the facility or donated to local charities and groups. The volunteer directors have ensured that its aims and objectives remain for the benefit of Chirk and the local community. They cite one of their major successes as working with Coleg Cambria, a Wrexham-based college, to provide Welsh language lessons.



Glyn Wylfa has grown steadily over the last five years and achieved total sales income of £381,202 for the 12 months ending August 2022 which represents a 100% increase from five years ago and a 22% increase on the previous year. In April 2023, the organisation reported that in the last financial year they have achieved additional growth of 15%. They are consequently recruiting additional staff to accommodate this growth.

Ongoing successful trading, as well as maintaining a good cash flow, has allowed the company to invest in new equipment for energy saving, improving employee productivity, customer service and improvements in tenant office accommodation. They cite that this has allowed them to achieve this current growth.

Glyn Wylfa's positive performance is anticipated to continue this financial year, which marks their tenth year of trading. The company anticipate they will make a profit which will allow them to fulfil their positive impact of sustainability, investing for the future and providing donations to the local community.

¹ [Welcome rebound in small business confidence, but cost of living squeeze is holding back growth | FSB, The Federation of Small Businesses\).](#)

Turnover

We asked respondents about their turnover position in the quarter from January to March 2023, compared to the previous quarter. The results are similar to January's survey. Social enterprise turnover positions remain more positive

than for other forms of business. The Federation of Small Business's Quarterly Business Index, in Q1 of 2023, reported that 41% of small businesses' revenues fell in the previous quarter, compared to 34% whose revenues had increased.²

“The investments we have made last year, and previous years are enabling us to achieve growth.”

a Wales-based social enterprise with a turnover of £100K - £500K.

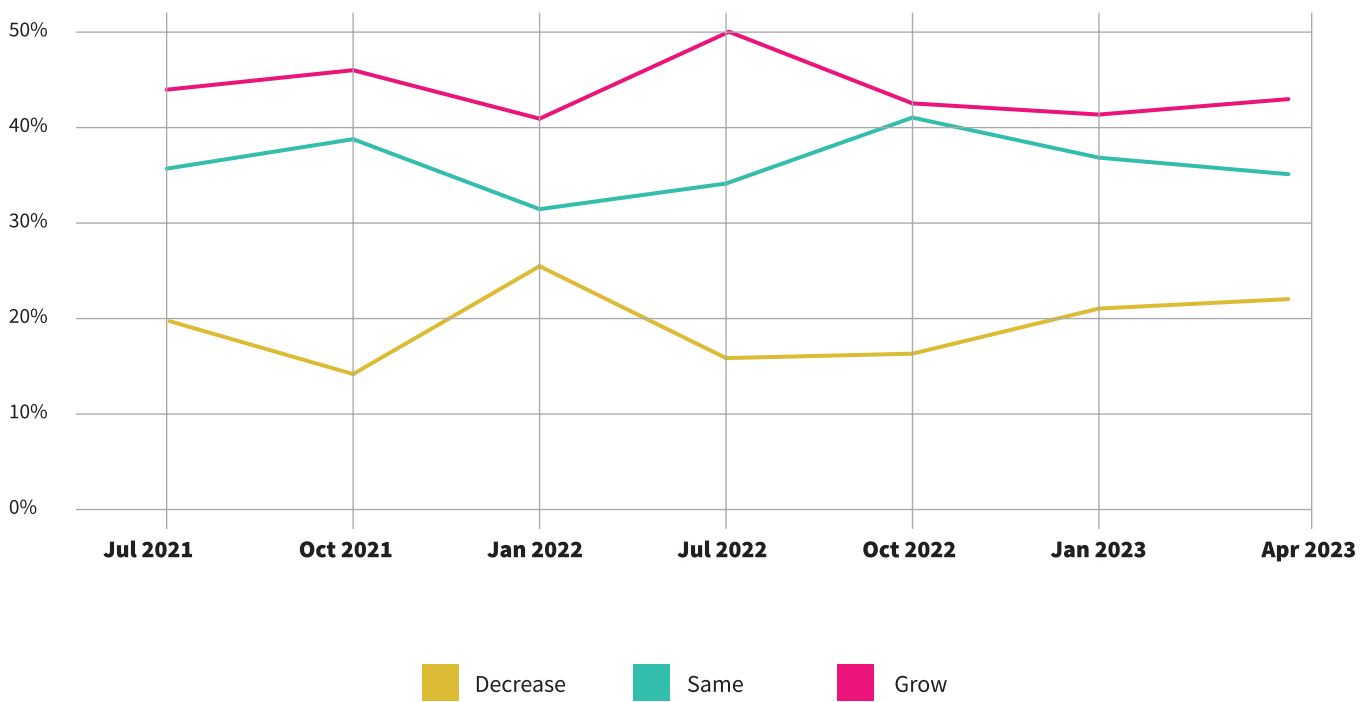
“Our Turnover will increase slightly with increased sale prices, but not increase in customer numbers.”

A West Midland based social enterprise

“We are doubling income through [a] new trading site.”

a South-West based social enterprise with a turnover of under £100K.

Turnover position, since July 2021



Turnover position breakdown, April 2023

Decrease significantly	7%
Decrease slightly	15%
Grow significantly	9%
Grow slightly	34%
Stay the same	35%

Turnover position by region, April 2023

Comparing responses across English regions and the Devolved Nations, 86% of social enterprises based in the Devolved Nations, and 59% of those based in London reported growth in turnover whilst only 29% in the Midlands and East of England, and the North reported a growth in turnover.

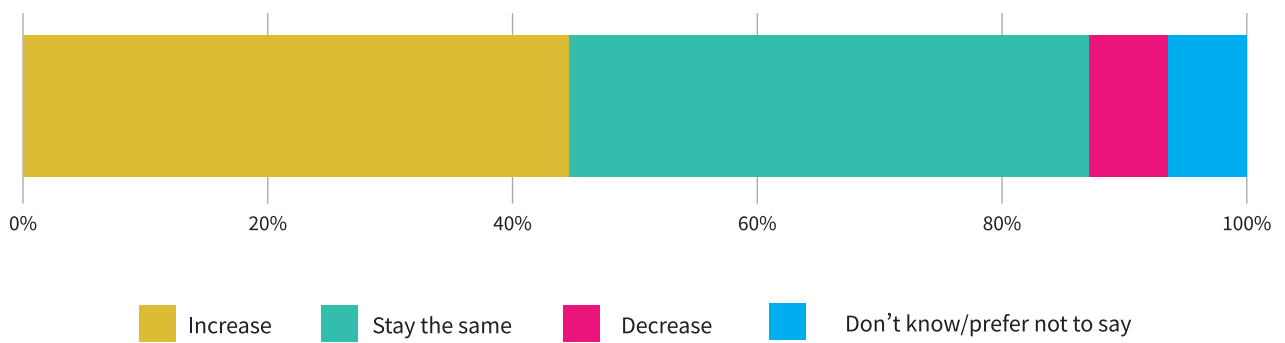
Region	Decrease	Grow	Same
London	18%	59%	24%
Midlands/East of England	21%	29%	50%
NI, Scotland, Wales	14%	86%	0%
North	29%	29%	42%
South	24%	47%	29%

Turnover and profit expectations for the next quarter

For the first time in this quarterly survey we also asked what social enterprises expect will happen to their turnover over the next quarter. 45% of respondents expect an increase in

their turnover and only 7% expect a decrease, suggesting that overall social enterprises are optimistic about the future and project growth and stability.

Forecast turnover, April 2023

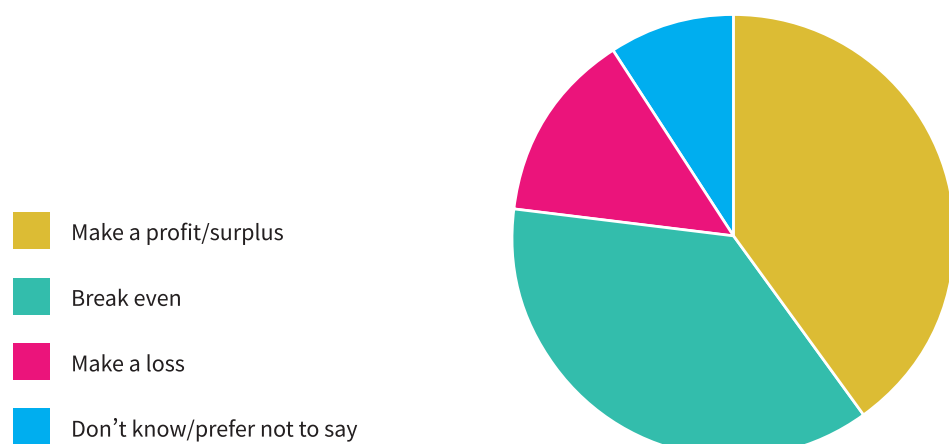


Profit

This quarter we asked what social enterprises expected would happen to their profit this financial year. As with the forecast turnover question, social enterprises profit forecasts

are broadly positive, with 40% projecting a profit, 37% expecting to break even and only 14% anticipating that they will make a loss.

Forecast profit, April 2023



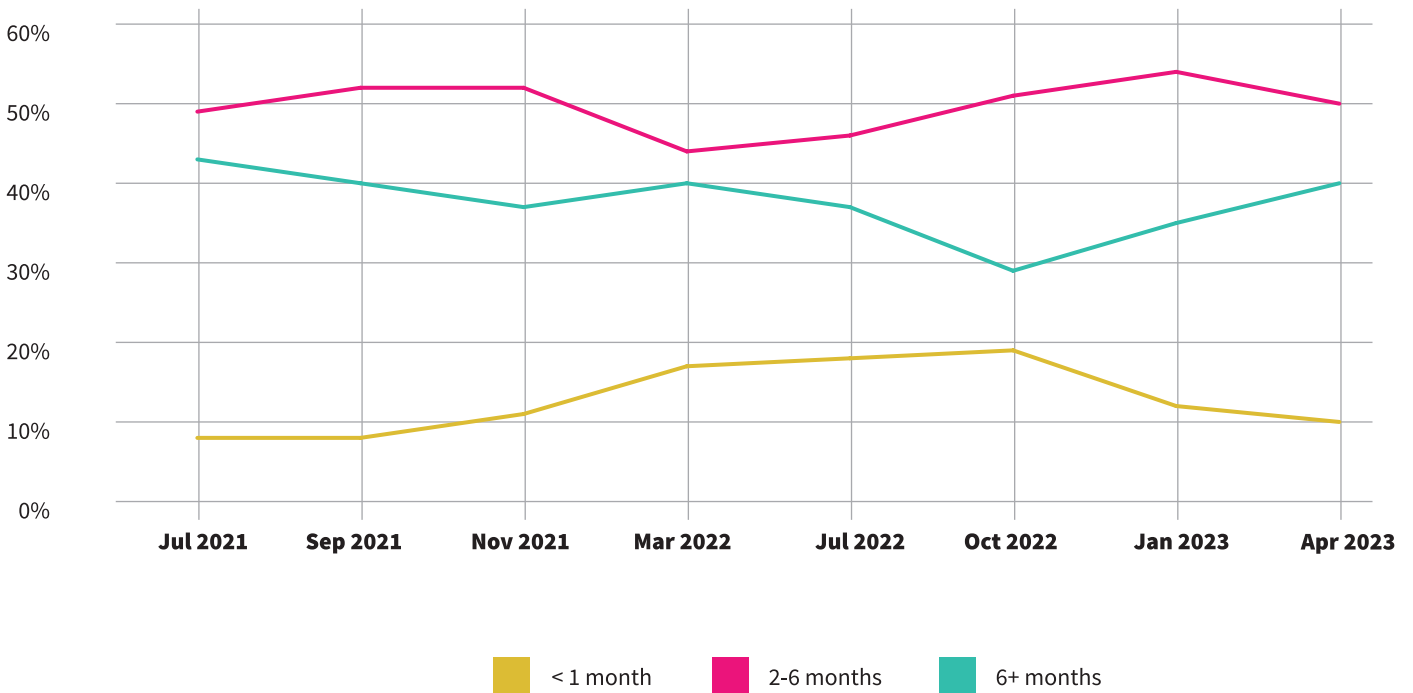
² [Welcome rebound in small business confidence, but cost of living squeeze is holding back growth | FSB, The Federation of Small Businesses.](#)

Cashflow and reserves

Compared to the previous quarter, cashflow positions have improved amongst respondents to this quarter's survey. Cashflow positions seem to be recovering to early 2021 levels, after a decline throughout 2022.

Open text responses reveal that good cashflow positions can be due to grants and revenue-generated income.

Cashflow position, trends since July 2021



Cashflow positions, April 2023

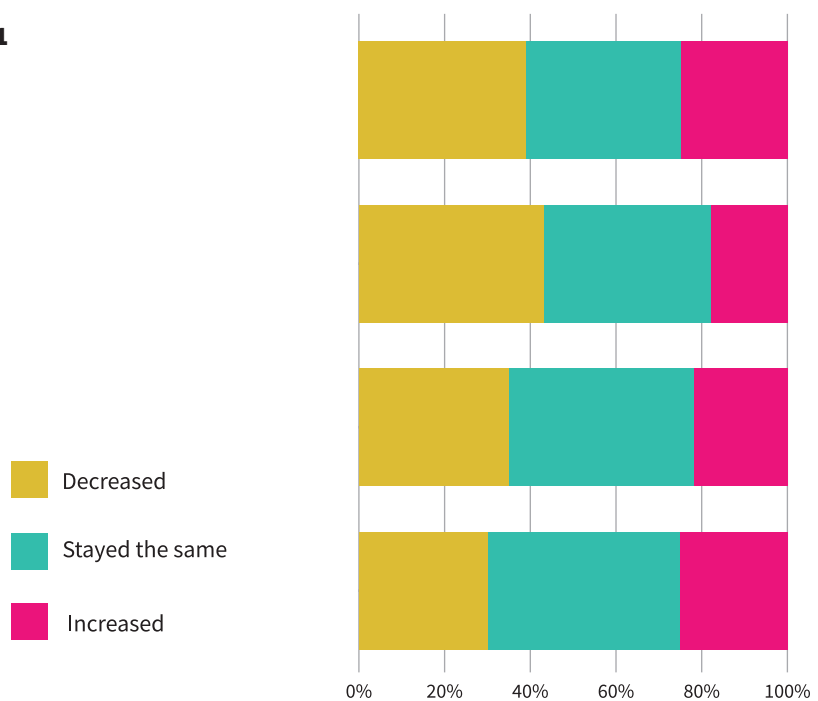
2-3 months	27%
3-6 months	18%
6+ months	37%
For about a month	9%
Not sure	6%
We have funds to operate for another week	4%

Reserves

In terms of reserves in the bank, 25% of social enterprises reported that their reserves have increased this quarter and 30% saw a decrease, this is a net positive growth in reserve

positions of 8% and the strongest reserves position seen since this survey started.

Reserve positions since September 2021



Reserves position compared to previous quarter, April 2023

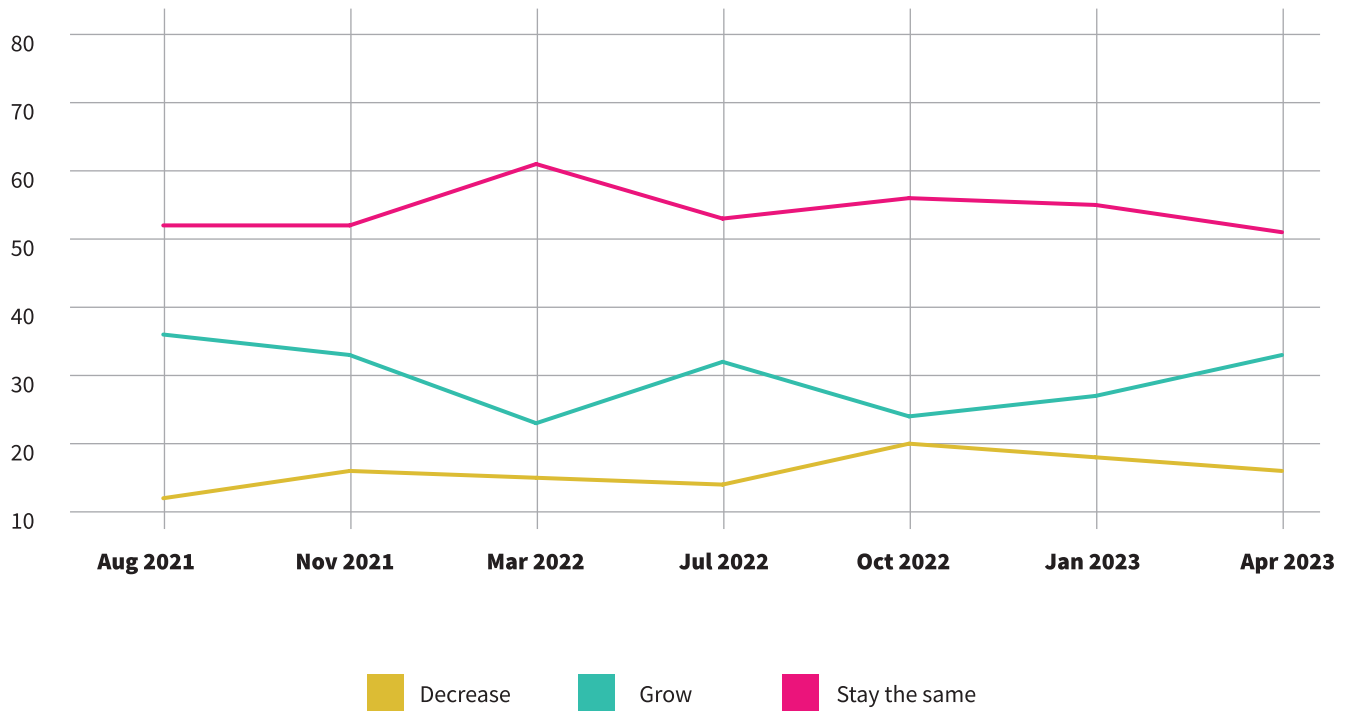
Stayed the same	42%
Decreased	28%
Increased	23%
Not sure/ Prefer not to say	7%

Staff

Staff numbers have increased more over the last quarter than has been the case since 2022, with a third of organisations saying that they have grown their staff teams.

Open-text responses reveal that some social enterprises have been able to increase the hours of current staff, some have taken on apprentices whilst others have recruited for new positions.

Change in staff numbers, since August 2021



Change in staff numbers, April 2023

Stay the Same	46%
Grow slightly	27%
Decrease slightly	11%
Not relevant – no staff	10%
Decrease significantly	3%
Grow significantly	3%

Regional disparities in staffing

50% of social enterprises respondents based in London and in the South reported that this quarter they grew their number of paid staff. However, in the Midlands and East of

England only 15% of social enterprises reported they grew the number of paid staff, and only 17% of social enterprises in the North reported they grew the number of paid staff.

Change in staff numbers across English regions and Devolved Nations, April 2023

	Decrease	Grow	Stay the same
London	13%	50%	38%
Midlands/East of England	15%	15%	69%
Northern Ireland, Scotland, Wales	17%	67%	17%
North	14%	17%	69%
South	29%	50%	21%

Case study: STARTS WITH YOU

Bolton-based Starts with you is a social enterprise driven by its mission to ‘create opportunity and empower people to make positive change.’

The company provides property services including home clearance, building safety, caretaking, and trades people. They are a Real Living Wage employer and give 100% of profits to charity or invest in services that “create opportunity and empower people”. These include home energy and employability advice, digital, and financial inclusion.



In January 2023, Starts with you faced the loss of a significant funding programme, putting income and employees at risk this spring. They have been able to secure some new grant funding, but have lost several high-quality, specialist employees because of differences in the value and timing of the programmes. The continued threat to funding and wider economic pressure is driving a focus on increased efficiency and productivity and growth of commercial incomes. This will hopefully improve sustainability and reduce reliance on grants.

Starts with you is more stable than anticipated in January with the addition of a new commercial contract and grant funds. They have been able to keep three at-risk employees and income is now secure for the next 3-6 months, but a further five skilled people have been lost to the company. Margins will be lower in 2023, but they forecast a modest profit despite the particularly tough economic circumstances.

The challenges of Covid restrictions in 2022 are now easing, though recruitment remains difficult, especially for entry-level jobs. The organisation cited specifically staffing, rental and energy costs as areas where costs have gone up in the last quarter, emphasising that fuel, services such as IT, vehicle leasing and waste disposal increased costs. They anticipate that a major new challenge is to find affordable and suitable offices before their current lease expires in 2024. The changes in the company’s projections since the surveys in 2022 and January 2023 are positive but clearly illustrate the need for innovation and agility due to the volatile environment and uncertainty faced by many in the sector.

Cost increases and social enterprise responses

This survey, we asked social enterprises where costs have increased for their business in the last quarter. Just over half of respondents reported that staffing costs increased, and 41% of respondents have seen energy costs increase in the last quarter. This is comparable to February 2023, where almost half of social enterprises reported staffing costs having increased in the previous quarter.

Open-text responses reveal that social enterprises see increasing wages of their staff as important stating that it is a tough time for staff so pay rises are 'critical'. Respondents also reported that general operating costs are where they have seen their costs rise.

Areas of cost increases in the last quarter, April 2023

Staff	52%
Energy	41%
Rent	24%
Servicing debt	13%
Other (please provide details below)	21%

“Almost all costs have risen at least slightly.”

a North-East based social enterprise with a turnover of £100k – 500k

“Pay rises are critical, these are our largest budget item already.”

a South-East based social enterprise with a turnover of £500K - £5M.

We also asked an open-ended question about how increased costs have impacted social enterprises' business operations. The key theme that emerged was that many social enterprises reported that they expected to increase prices of their goods or services. In February 2023 several social enterprises, in open responses, questioned the viability of increasing their prices and meeting the same demand.

“We've had to materially increase the price of our products.”

a London-based social enterprise with a turnover of £500K - £5M.

“Pressure on salaries has forced us to raise fees to the extent that they have become less affordable for some parents.”

an East Midlands based social enterprise with a turnover of £5M-15M.

A few social enterprises reported that increased costs have meant the delivery of goods or services have been impacted.

“Energy costs have caused introduction of reduced programmes and opening hours [for services].”

A London based social enterprise.

The Convoy Community

The Convoy Community is a social enterprise dedicated to helping people on their career journeys with a unique blend of coaching, group training and community support.

As Christopher Ross (the founder of Convoy Community) puts it, “Job seeking sucks. Convoy makes it suck less!” Rooted in the firm belief that everyone looking for a new role deserves meaningful support, the Convoy Community came into being to create better job hunting experiences for people searching for their next role, whatever their seniority or level of expertise. Services now also include a “crowd-sourced” onboarding journey, and one for those germinating new business ideas. Specifically, Convoy’s mission is to create sustainable communities that support and uplift each other, leveraging the rich diversity of opinions and viewpoints that come from mixed communities. Convoy offers support free at the point of need for those who cannot afford a subscription or donation, and encourage beneficiaries to ‘pay it forward’, so that the cost of supporting someone who can’t afford to make a contribution is covered by someone who can.

Unfortunately, in April 2023 Convoy Community reported that they expect to cease operations. They explained that current service offerings have been in ‘catastrophic decline’ and due to a number of factors, no longer sustainable.

Specifically, they noted that the ‘free at the point of need’ element of their offerings has been taken serious advantage of, making marketing and promotion activity somewhat unaffordable. As a result, interest and the number of new starters have been thinning. Convoy now expects to pivot and adapt their current service offerings towards paid-for programmes that, once established, can fund activities that are being provided for free. This is an example of how social enterprises can be flexible when responding to a downturn. The organisation also specifically highlighted the difficulty in acquiring local government funding, due in no small part to the weight of competition from prime providers who have large marketing departments and budgets that maintain visibility and contact with the Department for Work and Persons and Job Centre Plus. Small operators have an uphill battle when offering services, even when those services have potentially been fully funded through, for example, the European Social Fund.

Convoy Community’s April 2023 survey response was different to their January 2023 survey. In January they reported that they had expected to grow staff and turnover, and to make a profit/surplus. Despite general Government promises to seek services from smaller, local businesses, the organisation found that visibility for their business remained a challenge because of existing provision of support for job seekers from the major providers and lack of resources to market and maintain visibility.

This report was written by Sabrina Doshi and Emily Darko with support from Shehan Perera and Dean Hochlaf. Front cover photo credit: Acorn Early Years

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