



Social Enterprise Advisory Panel: Headlines: July/August 2020

What is the Social Enterprise Advisory Panel?

The Social Enterprise Advisory Panel (SEAP)¹ is an SEUK initiative to collect regular and light-touch data from social enterprises to drive forward their needs.

SEAP survey data is used to influence policymakers, inform useful product and service delivery (including by SEUK for members), to promote social enterprise in the media and general public, and to drive more relevant investment and funding.

This survey ran from 14th July to 9th August 2020. It received 264 valid responses from social enterprises². This report presents headline findings from the data.

This survey...

We asked for views on new Government support launched in June/July, how social enterprises are using newly-received financial support, and about resilience in the face of ongoing flux and uncertainty.

We've also done some initial analysis of the data by location and leadership demographics. During this survey, the Government announced local lockdown measures in Leicester, then in the North West – we have not yet specifically investigated the impact of this.

COVID-19 support from Government and other sources

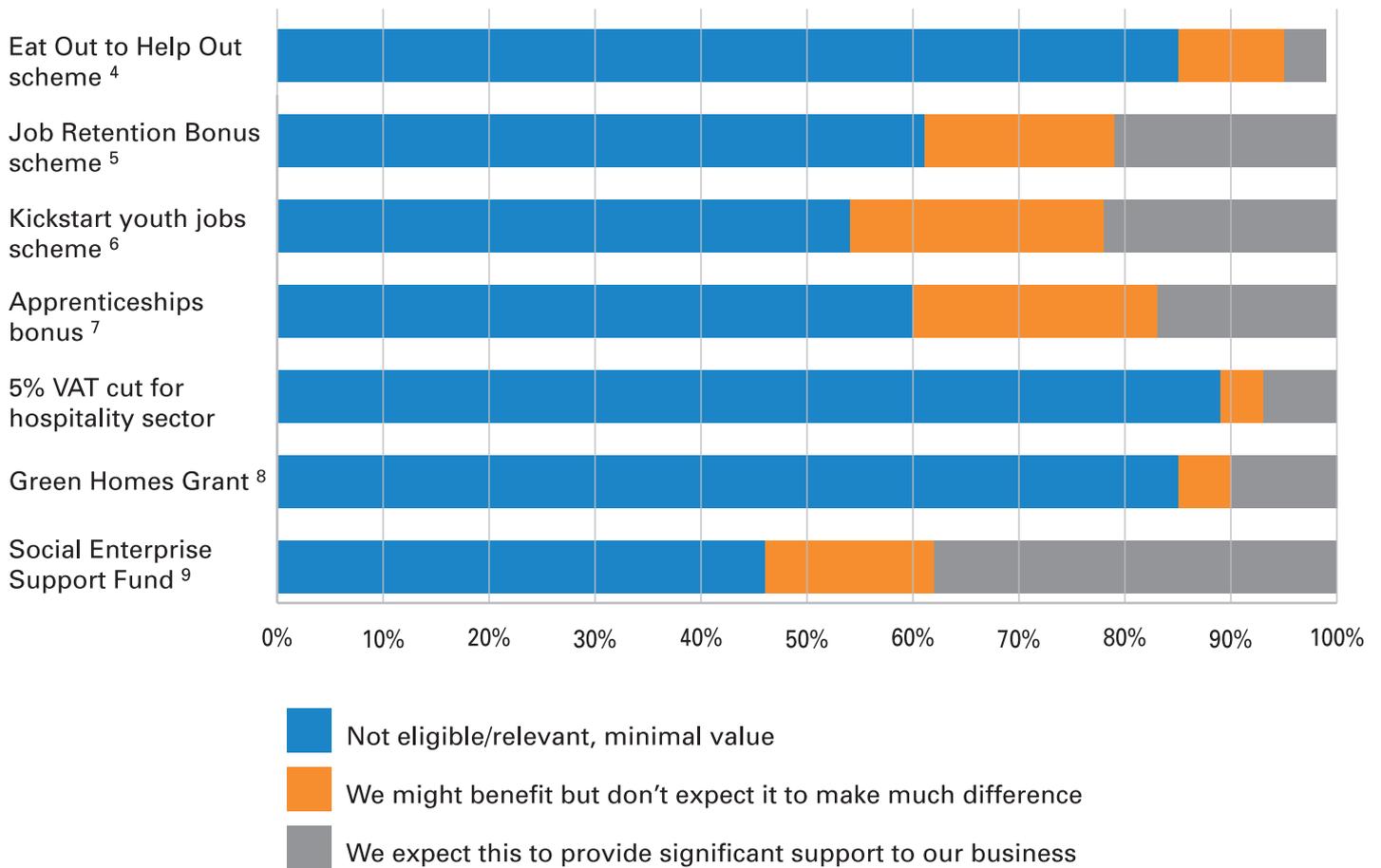
In July 2020, the Government announced a number of schemes intended to support economic recovery. We asked social enterprises the degree to which seven of these initiatives might help them.

Unsurprisingly the Social Enterprise Support Fund³ is considered most likely to be helpful – although not significantly more so than the Kickstart scheme, designed to fund the creation of jobs for young people. Around 4% of respondents work in the food and hospitality sector – all but one of these said they didn't think the Eat Out to Help Out scheme will be very relevant or help them.

¹ <https://www.socialenterprise.org.uk/social-enterprise-advisory-panel/>

² 34 responses were incomplete, duplicate or not social enterprises

³ <https://socialenterprisesupportfund.org.uk/>



BAME-led organisations are more optimistic about the impact of these support measures overall, with the exception of the 5% VAT cut for hospitality. This is positive because successful application rates for the initial support options (e.g. discretionary grants, grants from foundations, CBILS¹⁰, pro bono support¹¹) are lower for BAME-led social enterprises (with the exception of the Bounce Bank Loan Scheme).

Social enterprises in the North¹² are slightly more positive about the potential impacts of the job retention and Kickstart youth offers, as are their counterparts in Scotland, Northern Ireland and Wales.

Social enterprises based in the Midlands and East of England have particularly low expectations from the newer support measures, the only exceptions being the Kickstart youth jobs scheme and the Social Enterprise Support Fund.

“A number of these schemes have had a significant beneficial impact on our customers more than our business.”

⁴ 50% discount for diners, with £10/meal reimbursed by Government

⁵ £1,000 to retain staff from Oct 2020 to end Jan 2021

⁶ Funded job placements for 16–24 year olds at risk of long-term unemployment

⁷ One-off payment for hiring young apprentices

⁸ 2/3 payment towards energy efficiency home improvements

⁹ Delivered by Big Issue Invest, The Key Fund, Resonance, the School for Social Entrepreneurs and UnLtd

¹⁰ Coronavirus Business Interruption Loan Scheme

¹¹ See SEAP 1 Headline Findings paper for overview: <https://www.socialenterprise.org.uk/wp-content/uploads/2020/07/SEUK-SEAP-First-Survey-June-2020.pdf>

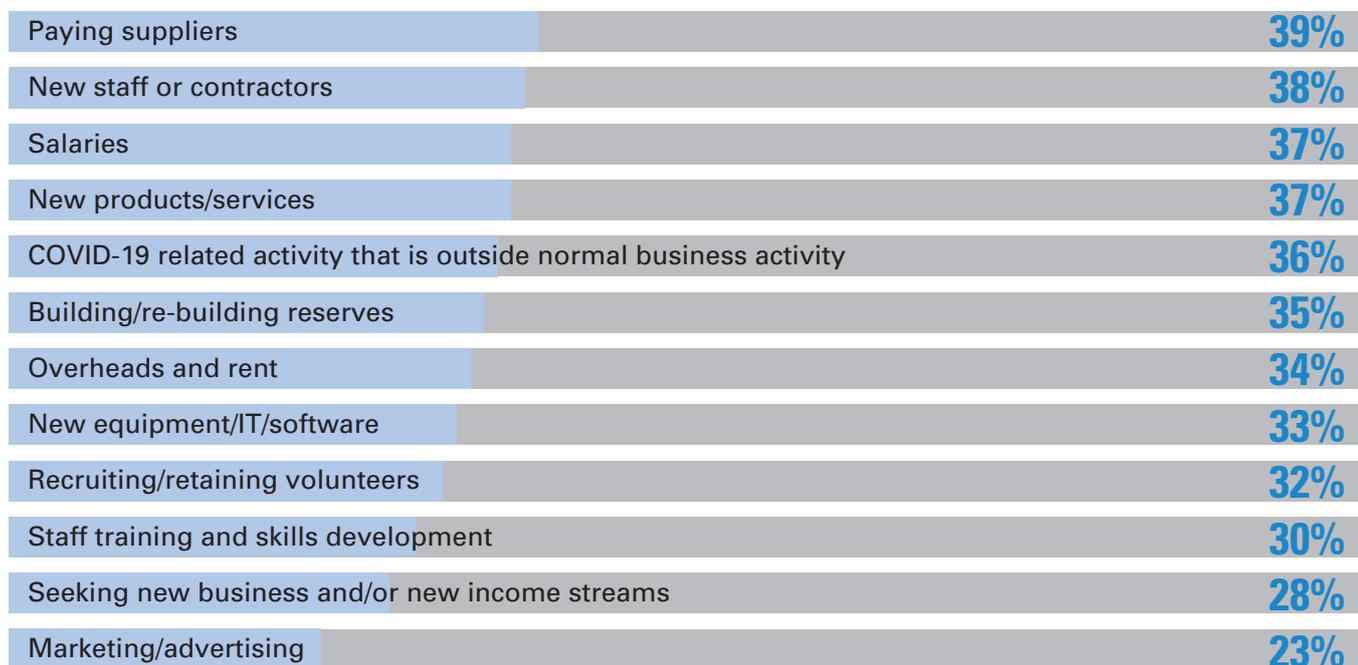
¹² North = North East, North West, Yorkshire and the Humber; South = South East, South West, London

Overall, there remain significant gaps between the support required and what is being provided. In open text responses, many social enterprises noted that these schemes are of limited value to economic and social development. The complexity of support – the variety, including across countries in the UK, and diversity and specificity of application/eligibility is a barrier for many. Particular legal forms have presented issues, as has age – with recent start-ups struggling to meet criteria for support.

“We have yet to really find any funds that will make a difference to our organisation. As we start to look at the future and how different it may be, it would be good to find [...] funding to [...] support us in that direction.”

How new income from grants, returnable finance, government support schemes or other sources is being spent

For organisations who have received new income since the start of the crisis, we asked how it is being spent. The pattern of expenditure is fairly even across ongoing costs (overheads, salaries, paying suppliers – the latter is the most cited form of expenditure) and investing in new activity (products and services, staff, skills, volunteers and equipment/IT). 75% of those that responded are either using funds to pay salaries, to pay new staff, or both.



Over a third of expenditure is on COVID-19 related activity that is outside normal business activity.

No organisations report that building/re-building reserves is the only use of the money, with all citing at least two other forms of expenditure. This demonstrates that new income sources have been vital to social enterprise continuation and survival – government and other financial support is being invested into business and social mission delivery, not pocketed for organisational gain.

Resilience

We continue to capture information about how social enterprises are faring as COVID-related uncertainty continues.

Cash flow

As with the last survey, we asked organisations about their cash flow position to better understand how many are at imminent risk of closure. Comparing the data, social enterprises look increasingly stable in the short-term. But a quarter of social enterprises have cash flow for just three months or fewer, so as the furlough scheme and other short-term support ends, the picture is less certain.

	May/June	July/August
We have funds to operate for another week	4%	2%
For about 1 month	8%	6%
2-3 months	21%	16%
3-6 months	24%	30%
6+ months	35%	37%
Not appropriate for my business/Not needed	41%	66%

Although slightly more BAME-led organisations have more than six months' worth of cash flow, 6% more have cash flow for just a month or less compared to the overall figures.

Social enterprises in the North of England look particularly secure in terms of cash flow, as do those in the South – with the Midlands and in particular, organisations in the Scotland, Northern Ireland and Wales looking less secure in the medium-term.

Growth expectations

We asked about growth expectations for the next three to six months. Over a third of organisations are uncertain about their future, due to pending outcomes on funding, income and contracts. However only 8% expect to reduce and/or lose staff. Too many – but less than was feared at this stage. 1% expect to close.

Uncertain – depends on the outcome(s) of pending funding applications/income/contracts	38%
We expect to maintain a similar position to now	21%
We expect to grow staff and turnover	17%
We expect income to reduce and/or to lose staff	8%
We expect to close	1%
Don't know	5%
Other	9%

BAME-led social enterprises are particularly uncertain about growth outcomes and are less likely to be anticipating growth. Growth expectations are highest in the North of England, with expected contraction and closure highest in the South.

“We expect a reduction but not dramatic. Conversely, we also expect there will potentially be new customers to pick up as other organisations close.”

“As many membership fees are due annually, we don’t know how many members just won’t renew when their renewal date arrives.”

“From a sales perspective, things are looking very strong. However [...] we have a serious supply issue and are now sold out of many items and heading into our busiest time of year with no certainty about whether we will have any stock to sell.”

“We’ve focussed our efforts on [...] projects which we have obtained funding for – whilst we reimagine our business model and how we can make changes to improve our saleable areas.”

“Due to funding now secured, we should be financially ok for 6 months+. Without that funding we were in a precarious position financially. We can’t operate at planned capacity due to social distancing and will find trading services difficult, but can offer services based on our funding.”

“Our main, ongoing provisions will not reopen, but our other lightly funded project will continue whilst funds continue.”

“We expect to have less income than last year, but to be able to continue operating.”

Compared to traditional business, social enterprises seem to be slightly more resilient to the crisis. 80% of SMEs said that their revenues are declining in May 2020 and 28% anticipated losing staff as a result of the crisis ¹³.

A slightly different question, but in June traditional small businesses in Scotland and the North East have reported the highest decline in income, with the fewest business closures for mainstream business in the South West ¹⁴– opposite to this survey’s findings. We’ll track this over time.

¹³ <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/how-the-covid-19-crisis-is-affecting-uk-small-and-medium-size-enterprises#>

¹⁴ <https://www.simplybusiness.co.uk/knowledge/articles/2020/06/covid-19-and-small-business-how-has-your-area-been-impacted/>

Who are the respondents?

81% of respondents are current SEUK members and we hold more comprehensive data on 89%¹⁵ of all respondents at present. Following targeted outreach, we have achieved a more representative sample in terms of both turnover and location compared to the first survey.

Response rate by turnover

£0–100k	60%
£100k–£500k	14%
£500k–£5m	6%
£5m–£15m	1%
£15m–£50m	4%
£50m+	14%

Response rate by location

London	22%
Scotland, Northern Ireland and Wales	13%
East of England	11%
North West	10%
Yorkshire and & the Humber	10%
South East	9%
East Midlands	9%
South West	7%
West Midlands	6%
North East	5%

BAME leadership

15% of respondents are BAME-led (50% or more of the owners/managers come from Black, Asian and Ethnic Minority communities). 22% of respondents reported that more than 50% of their staff come from BAME communities, and of those 42%¹⁶ are BAME-led.

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Thank you to all the social enterprises who responded to this survey.

For questions about the SEAP – or to join – please contact Emily Darko emily.darko@socialenterprise.org.uk

This report was produced by SEUK's Evidence and Influence team. August 2020.



Linklaters

¹⁵ Our membership database includes data on prospective members and other contacts

¹⁶ Our data on leadership demographics is incomplete at present, so this figure is likely to be under-counting