



# Social Enterprise Advisory Panel Headlines: November 2020

## What is the Social Enterprise Advisory Panel?

The Social Enterprise Advisory Panel (SEAP)<sup>1</sup> is an SEUK initiative to collect regular and light-touch data from social enterprises to evidence need and impact.

SEAP survey data is used to 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).

This survey ran from 4th to 26th November 2020. It received 298 valid responses from social enterprises.<sup>2</sup> This report presents the headline findings. If you are interested in exploring any of this data in more detail, please see the contact information below.

## Key findings

- Social enterprises are supporting the unemployment crisis: a quarter of social enterprises expect to take on new staff in the next three months. For the whole sector, this could represent new jobs at around 25,000 organisations.
- The sector continues to prove resilient. Growth expectations aren't rising but nor are closure rates and there is more certainty about future prospects.
- Social enterprises value engaging with each other: only 4% said that they don't engage with other social enterprises at the moment.

## Health of the sector

Every other survey, we ask the panellists about their growth expectations. This survey was conducted during the second national COVID-19 lockdown in England<sup>3</sup>. A consistent number of organisations expect to contract or close, but uncertainty has slightly decreased. There is more optimism about sustaining current positions, although no increased expectation of growth.

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

<sup>2</sup> Nine responses were tests, incomplete, duplicate or not from social enterprises.

<sup>3</sup> We prefaced this question by referencing a 'National Lockdown' – the lockdown was in England only. Thank you to the respondents who flagged this.

## Growth expectations for the next 3-6 months

	July/August	September	November
Uncertain – depends on the outcome(s) of pending funding applications/income/contracts	38%	35%	30%
We expect to maintain a similar position to now	21%	30%	35%
We expect to grow staff and turnover	17%	25%	25%
We expect income to reduce and/or to lose staff	8%	8%	7%
We expect to close	1%	1%	1%
Don't know	5%	0%	1%

We asked how local lockdowns and restrictions are affecting social enterprises. Although almost half are We asked for more detail about operation expectations over the next three months. Over a third of social enterprises didn't anticipate any impact and just under a third are providing additional support to vulnerable groups at the moment. However, another third have had to reduce their support to vulnerable groups because of current restrictions. Lack of access to government support isn't causing significant risk of closure. However it is important to note that the closures that are happening are caused by lack of support – not the viability of business models. Based on the estimated total of 100,000 social enterprises in the UK<sup>4</sup>, this gap in support is potentially putting almost 700 organisations at imminent risk of (avoidable) closure.

## Business's risk of closure over the next 3 months

We expect to continue operating – similar to before	41%
We expect to continue operating and are increasing support to vulnerable groups during this lockdown	29%
We expect to continue operating – but we've reduced product/service delivery to vulnerable groups as a result of this lockdown <sup>5</sup>	28%
We have already closed	1%
We expect to close – our model is viable but we lack sufficient Government support to survive during COVID restrictions on our operations	1%
We expect to close- COVID-19 has made our business model inviable (e.g. because we work in city centre/supply offices, etc)	0%

**“Pre-lockdown meetings between mentees and mentors happened in person; that has changed to Zoom meetings. This has made us realise we are not confined by geography. As a result we are piloting matching mentees and mentors from different countries [...] our offering is expanding.”** *South-West England-based social enterprise*

**“We are hoping sales will pick up over Xmas, this would allow us to carry on for a couple more months. Then we are hoping to raise funding or bring in new corporate clients.”** *London-based social enterprise*

<sup>4</sup> <https://www.socialenterprise.org.uk/policy-and-research-reports/the-hidden-revolution/>

<sup>5</sup> At the time of the survey, a national lockdown was ending in Wales and starting in England.

**“We have taken on additional team members in our packing and dispatch team to keep up with public sector demand.”**

*Scotland-based social enterprise*

## Jobs and income

We asked about the current impact on jobs. The picture is positive, with only 5% expecting to make redundancies. Almost half of social enterprises don't expect to make any redundancies and over a quarter expect to take on more staff. This is particularly important in terms of economic contribution at a time when the country is facing record levels of unemployment.

### Job impact in the next 3 months

We don't expect to make redundancies	44%
We expect to take on more staff	27%
Not relevant/no staff	24%
We expect to make staff redundant	5%

We also wanted to know whether social enterprises are able to top up the salary of furloughed staff, given that surviving on 80% of normal income is likely to be challenging for many people. 72% reported that they have no furloughed staff. Of those that do, over half top up the missing 20%, although 14% are finding this difficult to afford.

### Do you top up the 20% shortfall of furloughed staff salary?

No, we don't top up the 80%	46%
Yes – we can afford to do so	40%
Yes – but we are struggling to do so and may have to stop paying the 20%	14%

**“We simply cannot afford to top up the salary as our revenue has dropped significantly. We were also not eligible for hospitality funding as we rent a large space in building that is exempt from paying business rates, even though we pay (significant) rent a month and employ 8 staff members”** *East of England-based social enterprise*

## Social enterprise contribution to wider social/ environmental causes

We asked social enterprises who invest profits into external social and environmental causes whether these investments have reduced since March 2020. Due to reduced profits, 21% have reduced investment in social causes and 7% have reduced investments in environmental causes, compared to only 8% who are investing more. Using the total sector size estimate, this could mean that the crisis has led to at least a £4.4 million decrease in social enterprise contributions to social and environmental causes<sup>6</sup>.

<sup>6</sup> This is based on a crude assessment where the average UK SME profit margin is used, with an assumption of a 2% profit investment by the 28% of social enterprises that invest in external social/environmental causes.

**If your social enterprise typically invests profit in external social/environmental causes, how has this been affected since March 2020?**

Our business model doesn't invest profits to external social/environmental causes	47%
Our profits have reduced so we invest less money into the social cause(s) we usually support	21%
Our profits haven't changed	18%
Our profits have increased – we're investing more to external social/environmental causes	8%
Our profits have reduced so we invest less money into the environmental cause(s) we usually support	7%

## Business rates

The Government is due to review business rates in the next year, so we asked how introducing a . 50% business rates relief scheme would affect social enterprises<sup>7</sup>. Whilst this wouldn't be relevant for nearly half of social enterprises, a fifth said it would substantially help them and a further 24% thought it could make some positive difference now or in the future.

**Would introducing 50% business rates relief for social enterprises help your business?**

No – not relevant as we don't pay	47%
It wouldn't make a significant difference	8%
Yes – it'd substantially help our business	19%
It could make a difference in the future – we don't currently have premises that pay business rates but might in future	16%
Don't know/not sure	10%

Asked how any saved money might be spent, a quarter of the social enterprises for whom rates relief is potentially relevant said they would invest in new products/services. Only 5% cited building up their reserves as the only use of saved costs.

**If a 50% business rates relief was provided to your social enterprise – what would you do with it?**

Build up my reserves	14%
Hire new staff	16%
Invest in existing staff	17%
Invest in new products/services	25%
Invest in new equipment, ICT, software	11%
Marketing and outreach	14%
Give more money to another organisation to achieve social/environmental mission	3%

<sup>7</sup> In Scotland, rates policy is different – apologies to those for whom this question was not worded appropriately.

# Scaling

Most survey respondents are small sized businesses, so it's unsurprising that few report having successfully scaled. A fifth of respondents do not currently plan to scale. A further fifth are unsure of how to scale, indicating a potential gap in support provision. Access to finance is another barrier to scaling that was cited by several respondents, as well as a lack of reserves and difficulties because of the way the organisation receives income.

## Opinion on scaling your business

Want to scale - not sure how	20%
Want to scale, have a plan	41%
Scaling now	16%
Scaled successfully	3%
No plans to scale	20%

We asked respondents for their words of wisdom on scaling:

***“We believe that it helps to connect with people and organisations that can help to elevate us. It is important to try and step outside of our comfort zone and learn from others. This, we believe will enable us to get to the next level. (Want to scale, have a plan)”***

***“We have successfully scaled but continue to grow. The biggest challenge to scaling was access to sufficient investment - we did not realise how much investment we would need when we started and significantly underestimated this. The banks would not lend us the money we needed, and yet now during the pandemic we are one of the few businesses that can continue to trade and grow. (Scaled successfully) ”***

***“Internal skills and resources, finance, time. Scaling with these obstacles is a long process and a voyage of discovery and flexibility! (Scaling now)”***

***“Let the scaling happen organically - avoid expanding too quickly as it is more difficult to guarantee a quality service. (Scaling now)”***

## 'Greening' your social enterprise

We're exploring how best to support social enterprises to 'green' their businesses and prepare for net zero. 17% reported taking no action. Of those that did, almost half are 'procuring green', 21% have switched to a renewable energy supplier and over a third are cutting waste and CO2 emissions in their operations and supply chain. At our SEUK Futures event on 26th November, switching to a renewable energy provider was suggested as a quick and easy first step to being greener.

Respondents cited the following as most common steps they were taking:

- Reduced travel due to COVID
- Recycling/reusing and building to last
- Monitoring performance/green policies and strategies
- Exploring greener energy options

**What are your top tips on greening your social enterprise? What steps have you taken so far?**

Switched to a renewable energy supplier	Changed procurement to buy from 'greener' suppliers/buy greener products	Cut waste/CO2 emissions in operations/supply chain
21%	42%	37%

**“[There are] multiple routes to greening the business. This needs to be approached as a whole system.”**

**“We run a textiles recycling project so try to follow a reduce, reuse, recycle regime across the enterprise, making thoughtful purchases, recycling waste where possible and producing items for sale from recycled or sustainable materials.”**

## Sector wide collaboration

At the recent SEUK Futures event, there was overwhelming enthusiasm from many speakers including Paul Polman (ex-CEO of Unilever and founder of Imagine<sup>8</sup>), former Prime Minister Gordon Brown, James Timpson (CEO of Timpson Shoe Repairs), globally renowned economist Kate Raworth<sup>9</sup>, in support of the social enterprise sector and its contributions to our society and economy.

We asked respondents how much and in what ways they engage with fellow social enterprises.

Informal knowledge sharing is the most common form of interaction, followed by partnerships to deliver products and services. 23% of respondents procure from other social enterprises and 11% supply to other social enterprises. Only 4% said that they don't engage with social enterprises, but there seems to be scope to drive up social enterprise procurement and cross-referrals.

## How much does your organisation engage with other social enterprises

Work in partnership with other social enterprises to deliver our products/services	21%
Supply to social enterprises	11%
Buy products/services core to your business activity from social enterprises	11%
Buy other products/services from social enterprises (e.g. office supplies, food/drink, ad hoc training)	12%
Informally share knowledge, advice etc with social enterprises	24%
Cross-refer service users or clients to or from your business to other social enterprises	17%
Don't directly engage with other social enterprises at the moment	4%
Don't know	1%

**“We have interacted with a small social enterprise when we were thinking of setting up and also we have used small social enterprises for products and also use of training space before lockdown.”**

**“We buy small products from other social enterprises and put them in our subscription boxes every month to showcase other social enterprises and shout about the items on our social media channels. ”**

**“We learn from and advise other social enterprises, it’s nice to know we have similar difficulties.”**

## Who are the respondents?

75% of respondents are current SEUK members and we hold more comprehensive data on 88%<sup>10</sup> of all respondents at present.

### Response rate by turnover

£0–100k	68%
£100k–£500k	22%
£500k–£5m	5%
£5m–£15m	2%
£15m–£50m	2%
£50m+	1%

<sup>10</sup> Our central database includes data on prospective members and other contacts. We use this data in anonymous and aggregated form to conduct demographic analysis.

## Response rate by location

London	23%
South East	15%
North West	13%
South West	10%
East of England	8%
West Midlands	7%
Yorkshire and the Humber	7%
East Midlands	5%
Scotland	5%
Wales	5%
North East	1%
Northern Ireland	1%

## BAME leadership

9% of respondents are BAME-led (50% or more of the owners/managers come from Black, Asian and Ethnic Minority communities).

## Prize draw!

We're delighted to announce that Mind's Ahead<sup>11</sup> was the winner of the October SEAP prize draw. They received gifts from Good Wash, Make Some Noise, Bet Know More, Bluebear, Elvis and Kresse, Social Enterprise Acumen CIC, WildHearts Group, Global Seesaw, Stand4 Socks, The Skill Mill, The Sewing Rooms, DIVERSITY DECK, NEMI Teas, The Entrepreneurial Refugee Network (TERN), Cafe Direct, Zaytoun and LUX LUZ. Many thanks to all who donated prizes, and to PPL for sponsoring.

**Want to win next time? Look out for the January survey!**

**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](mailto:emily.darko@socialenterprise.org.uk)

We are keen to facilitate the use of our data for the benefit of social enterprises. In line with GDPR, we're open requests to use aggregated and anonymised data for research that benefits the sector. There is a charge for processing this data.

**Next survey: there is no December survey. The Social Enterprise Advisory Panel will be back in January 2021.**

**This report was produced by Emily Darko and Milagros Rebollo. Thanks to Molly Scanlan for copy editing. November 2020.**

# Linklaters

