



COVID-19 and the impact on Social Enterprise in Scotland

The data in this report has been drawn from a variety of sources as we try to build an overall picture of the impact of COVID-19 on the social enterprise sector in Scotland.

To date Social Enterprise Scotland has not issued a survey regarding the impact of COVID-19 on our members. We are conscious that groups on the ground will have been focused both on moving to remote working and assessing operational concerns, addressing and understanding immediate cash flow and looking at options moving forwards. Some will be waiting to hear back regarding funding applications they were/have submitted.

We propose that a more detailed data analysis/ 'State of the sector' survey should be considered once organisations have had the opportunity to fully consider their options (early May?). This could be linked to the Social Enterprise Census data set if possible, rather than organisational memberships, to ensure a broad view.

Having opted to call all of our members rather than simply report on those calling us in need of help we hope this will provide a more rounded response. We are aware data will be imperfect and so have built this report based on our own experience, members' feedback from individual phone calls, data collated regarding emergency fund applications, the 2019 Census and survey information collected by others.

The report is set out in the following way:

Part one – Sector analysis

- a. By geographical areas
- b. By organisational type
- c. Based on turnover

Part two – support and information

- a. What people are asking for
- b. Data regarding Third Sector Resilience Fund (£25K-£100K and loans)
- c. Where people are looking for information

Part three – Other impacts

- a. Impacts on people and communities – our social purpose
- b. Sector solutions to COVID-19
- c. Impact on the future of the sector



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1. SECTOR ANALYSIS

Geographical analysis

Highlands and Islands

Remote working and online, using reserves, funding cuts.

Key priorities: Applying for funding and redesigning services

21% furloughed

North East

Diversification re operations. Food poverty sector increased work. Forced to diversify.

Key priorities: Safety, cashflow, supporting vulnerable users

29% furloughed

Glasgow and West

Mixed as some organisations struggle to recruit and keep up with demand, varying support from contractors and customers many others report loss of income.

Key priorities: Diversify, move online, funding

15% furloughed



Edinburgh and Lothians

Closed but still trying to maintain services. Concerns re overhead costs. Banks not flexible – knock on effect of other organisations in trouble. Some report surge.

Key priorities: Redesign, funding, supporting users, considering furlough

22% furloughed

Central belt

Mixed – some redundancy, some furlough and some recruiting to meet demand. Some in limbo.

Key priorities: overheads and cash flow, support to vulnerable

19% furloughed

South of Scotland

Loss of income reported from a number of SEs here – anticipate linked to size/scale.

Key priorities; paying overheads, following guidelines.

17% furloughed

Of the organisations we spoke to, those in a rural setting seem to have more quickly been able to pivot activity. While not based on data we can speculate that in rural communities there are fewer specialist organisations, travel restrictions have led to a greater need for local responses and staff are also based more locally. The impact in urban environments where overhead costs are more frequently cited as an issue, again based on speculation not data, may be due to higher overhead/fixed costs, type of activities, size of organisation and perhaps even greater fear of Covid 19 given higher populations numbers.



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Organisational type - The Social Enterprise sector is diverse, covers a number of different sectors and as such the effect of Covid 19 on their activity will vary. The notes below try to consider key issues and points raised for these different sector groups.

- **Community centres and halls** (1,005, 17%) – with events cancelled income will have taken a sudden dip. Average median trading for community centres and halls is £15.5K according to the 2019 Census data. Scotland has had a strong tradition of asset transfer and community ownership. It may be that based on relatively small cash injections assets that have been transferred can be supported and retained.
- **The arts/creative industry** (816, 14%) - This sector has again been hit hard with many seeing an almost immediate loss of income as doors closed. Some enterprises may get additional support through Creative Scotland grants however this has been very competitive.
- **Health and social care** (755, 13%) - Makes up one of the largest proportions of the social enterprise sector. 30% receive public sector contracts. One third of applications to the TSRF have come from this sector.
- **Early learning and childcare** (667, 11%) – With nurseries mostly closed these organisations will be ‘on hold’. Business Gateway site specifically mentions third sector childcare organisation support and a commitment that any organisations provided funded ELC in their settings will receive their contractual payments.
- **Tourism, heritage and festivals** (365, 6%) – Tourism businesses anticipate longer recovery period given seasonality. Examples such as the Speyside Trust indicate that they are investigating insurance, funding and have furloughed staff as their business has had to close. HES (Historic Environment Scotland) is also currently conducting a survey for organisations that could also fall in this sector and funding is available for a number of heritage organisations through Museums Galleries Scotland/Heritage Lottery.
- **Sports and leisure** (318, 5%) - Access to facilities have closed. McLaren Leisure have furloughed staff and left a small number of people delivering on-line sessions though again we can note that for sports clubs a number have been asking questions re TSRF on webinars and we can note they account for 12% (second highest) number of applications to TSRF awards administered by Firstport. Data on access for the £25K one off support to organisations in this sector (and hospitality/tourism) needs to be clearer for the Third Sector.
- **Education, training and employment** (297, 5%) - 34% through public sector contracts
- **Housing** (228, 4%) – This is a significant part of the data set and to some degree that means data in the SE Census may be skewed in terms of financial data. While there will be practical issues re supporting vulnerable clients, maintenance and staffing and larger projects may be on hold this sector is perhaps less precarious financially.
- **Retailing** (218, 4%) – premises closed.
- **Environment/recycling** (179, 3%) – CRNS have produced a report specifically focused on organisations in the circular economy. With reuse organisations unable to trade a number have switched to new activity but many are reporting cash flow issues.
- **Food/catering/hospitality** (138, 2%) – further data is needed for fuller understanding.
- **Transport** (110, 2%) – With community transport needs reduced and social distancing this will have affected these initiatives. In speaking to one, most staff have been furloughed, local authority is meeting 75% of contract but the level of reserves they hold has meant they were unable to get TSRF money.



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Analysis by turnover

Turnover	Key points and priorities	Furlough?
Under 100K:	Those at launch or early stage really struggling – launch on hold/universal credit. Lack of premise means lack of support. Looking at furlough but want to continue delivery. One reported surge in activity and subsequent recruitment.	12%
£100-£500K	Mixed picture. While some report a surge or that they are grant funded so okay, others note they are closed, concerned re cashflow and have lost income overnight.	40%
£500K- £1M	Again mixed. Some furloughed and closed. Others report no loss of income due to diversification.	25%
£1M to £5M	Adapted and evolved though more staff furloughed. Worried re loss of self generated income.	40%
Over £5M	Many SES members in this financial category are housing associations. SFHA are doing work specific re briefing social landlords re legislation, working with domestic abuse support organisations etc. The WISE Group notes they are open across all aspects of their business though training and face to face appointments not happening.	No data

As with key findings for private business a number of people at the early stages of their venture had reported that they fell between gaps, having to look at Universal Credit as only option. This issue has been reconsidered by the Scottish Government to some degree regarding the self employed. For the purpose of the social enterprise sector, where social entrepreneurs have been encouraged and where stimulating the social enterprise sector is a key priority this may be something for further consideration. Are there ways of flexing SEF monies to support early stage social enterprises through another year for example?

In considering information in line with turnover, the key observation is that it is the organisations with the highest turnovers that have more quickly looked to furlough staff. While one would of course expect they have the most number of staff other factors may also influence this. They are likely to understand that other grants would not be likely to be high enough to cover these costs. A smaller organisation may not only see that it may get through using an additional grant it may also be able to pivot activity more quickly and may need to hold onto its smaller staff team to temporarily close operations and manage interim arrangements.



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Other data regarding sector finances, taken from the 2019 Census, may also be useful to remember.

- The average survival ratio for the SE sector, based on reserves, is 33 weeks (c. 7.5 months). However, it is clear from TSRF information that reserves can vary enormously in our sector.
- 62% of the sector gets 50% or more of its income through trading
- Different sectors have different levels of trading - eg median income for community halls is £15.5K; for housing is £3M.
- *'Staff: other'* cost ratio is 49.4% - what does this mean for furlough and meeting on going costs?
- Of the 4.4Bn total annual income, 20% of income is grant funding and 3.1 Bn is from trading – trading includes SLAs and contracts and so this will have had a different effect on organisations working with the public sector where contracts may still be honoured.

2. Support and information

What people are asking for

Concern regarding cashflow is, as with any business, a major concern. The irony for the social enterprise sector is that it is those organisations with higher levels of trading that are most acutely affected by a sudden loss of income. For organisations with a higher level of funding this is not yet so important as many funders have flexed, lifting restrictions or enabled timetable changes.

The TSRF was launched very quickly and while this response has been applauded by many (“I’m proud to be Scottish just now”) the lack of clarity regarding the fund has been frustrating for some (e.g. level of reserves, supporting new approaches to delivery, lack of feedback). Conversely, as some have then been told they may better meet the well being fund they are now awaiting details. Whether due to familiarity regarding finding applications, a strong desire to continue operating and meet community need or simply a question of timing there still seem to be a number of organisations looking at their options.

Key feedback regarding support can be summarised as follows:

- A one-stop-shop for support to decide what fund might work best, clarity about funding support with better FAQs, guidance and signposting
- Information on what to do if situation goes on longer than expected and a commitment to extra funding if current funding runs out
- Ensure all types of organisations and individuals have access to some form of funding, including all types of social enterprise/self-employed. Ensure those without business premises also get support.
- Webinar and technology guidance and support



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Data re Third Sector Resilience Fund

Applications managed through Firstport (£25- 100K)

In the first month a total of 1816 applications to the Third Sector Resilience Fund has been requested totalling £56 million. Of the 289 organisations funded within the first 2 weeks, 2013 FTE jobs were secured. Most organisations accessing the funds are looking for immediate support: investment to pay April payroll was a consistent theme. Organisations have seen a loss of trading income and increase in demand for services. They often feel they can't mothball staff when demand is increasing.

Based on applications to Tiers 2 and 3 of the fund (requests of between £25,000 and £100,000, around one third of applications are for organisations working in Health and Social Care. The top three sectors submitting applications were as follows:

Health & Social Care	33%
Sport & Physical Activity	12%
Creative Industries (including digital)	11%

Further analysis may be required to understand why? Increased need, most quickly affected, promotion through thematic networks?

Of those applying, 57% of applicants stated that they were also trying to gain funding from other sources to help them meet the challenges of the Covid-19 crisis.

Of those organisations which provided data on reserves, 27% currently have no reserves or (in a few cases) debt. 63% have £50,000 or less in reserves. This is a good indicator of the overall financial fragility of the sector. It may also indicate that the 33 week (7.5 month) outline given in the 2019 SE Census requires a much more detailed breakdown to understand how the overall compiled data skews the overall picture.



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Social Investment Scotland Resilience Loans - Covid 19 Response - SIS					
Third Sector Resilience Fund					
<u>Approved applications</u>					
Number of applications	10	applications £50,000 - £100,000	7		
		applications £100,000+	3		
Value of applications	£1,057,000				
<u>Work in Progress applications</u>					
Number of applications	6	applications £50,000 - £100,000	3		
		applications £100,000+	3		
Value of applications	£672,000				
<i>Note: of the total 16 approved and WIP 13 are blended so may also show in FP's figures.</i>					
<i>sectors - approved</i>			<i>sectors - work in progress</i>		
tourism and hospitality	2		tourism and hospitality		1
creative industries	3		creative industries		2
sport and physical activities	2		sport and physical activities		1
health and social care	2		health and social care		1
food and drink	1		food and drink		
			other		1
<u>Credit Union Resilience Fund</u>					
Total number of applications	22 - all in assessment stage				
Application value	£2.8m				
Fund value	£2m				

Further conversations SIS have had with their existing loan customers reveal that all are looking for payment holidays and SIS too is looking at increasing bad debt write offs in the coming year.

Comments re TSRF:

- A few organisations have noted that they have not applied given they do not have premises
- Our reserves were too high – they are there re redundancy/future proofing – seems unfair to now be penalised
- Some organisations who applied early and had adapted were frustrated the fund could then not help

Other financial mechanisms

Clearer information is required regarding support on offer (business support fund/hospitality) and its applicability to the social enterprise/third sector.

Organisations are aware of the staff retention scheme but the fact that the sector is often also able to get exemption from rates means that applicability of other schemes is not clear. Business Gateway sites specifically mention the Third Sector in relation to childcare but not other funds. This needs to be made clearer and consequences reflected in support on offer. The need for this clarity



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through other sites (not third sector specific) may be even more necessary with local authorities and Enterprise Agencies being involved in the newly extended self-employment scheme.

Furlough. Given the announcement of other funds the sector has been perceived as slow to take up these other offers. The data indicates that larger organisations have tended to be quicker to do this (smaller organisations still needing core team?) and another reason for slower take up is likely to relate to wanting to continue in its support to users - meeting social as well as financial obligations. Further, is the sector likely to gravitate first to funding rather than HMRC given it is perhaps more familiar in this environment

Just as with the SME/private sector, organisations involved in social enterprise activity fall into similar gaps and we welcome recent updates and changes looking to address these.

Where people are looking for information

The main sources of support information for social enterprises seem to be the SCVO Hub, Social Enterprise Scotland website and The Scottish Government most popular. However, this information is likely to be skewed given data is based on calls to Social Enterprise Scotland members. Other sources mentioned include local authorities, local TSIs, local Social Enterprise Networks, various news bulletins and the UK Government website.

A couple of organisations mentioned Firstport, Social Investment Scotland, local Chambers of Commerce, Entrepreneurial Scotland and the FSB.

In terms of funding information the most popular mention was of the Third Sector Resilience Fund.

3. Other impacts

Impacts on people and communities

While much of the focus in supporting business and individuals at this time has been focused on financial considerations it's important to remember that the social enterprise sector is founded on both social and economic grounds.

Many organisations have reported concern in continuing to support vulnerable groups both immediately and in the longer term as we emerge from this situation.

Again, we can look at the 2019 SE Census:

- 76% support beneficiaries with mental health challenges
- 68% support beneficiaries with learning disabilities
- 65% support beneficiaries with physical disabilities
- 4% work with the elderly and 13% provide care to adults/older people
- 3% work with the homeless
- 52% address social isolation

There will be many organisations that, despite the current challenges, are aware that their services may now be needed more than ever.



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Sector solutions to Covid-19

As has been demonstrated in some of the early funding announcements, Government itself has recognised that some groups out there are well placed to respond to the challenges of Covid-19 (Social Bite, The Food Train)

A number of un-constituted local groups have tried to step in and respond but they are not able to access funding available.

In addition to case studies regarding direct community responses to Covid-19, we are also collating case studies from our sector regarding adapting, increasing services and looking at challenges. We plan to add these to this document.

Future impacts

As we move through the cycle of panic, normalising and responding as we are currently doing we are also keen that we consider recovery.

Again, for the social enterprise sector this comes in various forms:

Financial recovery and relaunching businesses that have been put on hold

Responding to the changes that Covid19 may have on more philosophically on our thinking

Looking practically at our behaviour and emotions in our community and consumer responses. It will also have had a much more negative impact in terms of mental health, poverty, unemployment and the built environment.

Understanding this 'new normal' and how our sector continues to thrive and develop