



Social Enterprise Mapping Study

Report for the Big Lottery Fund

May 2014

EKOS Limited, St. George's Studios, 93-97 St. George's Road, Glasgow, G3 6JA
Reg 145099

Telephone: 0141 353 1994

Web: www.ekos-consultants.co.uk

THANK YOU

We would like to take the opportunity, to express our sincere thanks to all the organisations which have made themselves available to us for interview, debate and co-operation. Their contributions have been most valuable and their support was instrumental for us to achieve a survey response which is statistically representative at the Scotland level.

Thank you also for all the survey respondents – without you this report would not exist!

Direct enquiries regarding this report should be submitted to:

Regina Trenkler-Fraser, Associate Director, EKOS

Email: regina.trenkler-fraser@ekos.co.uk

Tel: 0141 353 8317

 As part of our green office policy all EKOS reports are printed double sided on 100% sustainable paper

Contents

Executive Summary	2
1. Introduction	4
2. What is a Social Enterprise?	6
3. How many are there in Scotland?	13
4. Where are they located?	14
5. Sectors of Activity	16
6. Delivery Area and Reach-Out to Clients	17
7. Legal Structure and Organisational Forms	18
8. Housing Associations	20
9. Credit Unions	21
10. Social Enterprises - Staff and Volunteers	23
11. Sources of Income and Trading	24
12. Past Performance & Future Expectations	27
13. Social Enterprise Sustainability	29
14. Development Barriers and Support Needs	32
15. Growth Expectations	34
Concluding Comment	35

Executive Summary

This study was commissioned by the BIG Lottery Fund in Scotland to map social enterprises and their activity in Scotland. The study was undertaken over a six-month period from July 2013 to December 2013.

There are various definitions in use for 'social enterprises', but these commonly focus on achieving social or environmental goals, being non-profit distributing and trading. For the purpose of this report we have adopted a broader definition, best set out in the 2013 Voluntary Code of Practice in Scotland and developed in partnership with key stakeholders. This requires social enterprises to aspire to trading and is especially helpful in including new or emergent social enterprises. We have also looked closely at the level of trading carried out by organisations using the definition published by Senscot in 2010 which set a 50% trading level. This is because this research aims to inform work to support social enterprises to be more sustainable, and therefore understanding levels of current trading is important.

This research shows that **89%** of survey respondents **identified themselves as a social enterprise**, and **57%** are generating more than 50% of their income from trading.

Social enterprises deliver all over the country with a slightly **larger emphasis in rural areas**, but there is no significantly higher concentration of them in disadvantaged areas.

Salary costs have grown since 2010 and now constitute half of all running costs of social enterprises. More than half (**61%**) of **social enterprises are expecting an increase of 10% in full time equivalent staff**, two fifths (44%) expect a substantial increase in their volunteers. This is in line with their expectations of an increased demand for their services and activities.

The sector where most **future growth is expected is the environment and recycling sector**, where over four-fifths of organisations expect an increase in staff (87%), volunteers (82%), and turnover (88%). There are similar expectations in the arts and culture sector, with respective predicted increases of 82%, 67%, and 92%. Organisations were typically optimistic for the future, with at least half of organisations in every sector predicting a further increase in turnover.

The vast majority of social enterprises have business plans in place or are currently working on one and almost all are planning to become more enterprising in addressing the growing demand in coming years. At the same time, there is uncertainty if these efforts will reduce the need for grant finance.

Most social enterprises find that the key barriers to becoming more enterprising are time pressures and lack of capacity and would like to receive more financial support to address these challenges. Half of all organisations feel that the provision of advice on business development would also help them grow.

c.3,500	Social enterprises operating in Scotland (estimate)
13 years	The average age of a social enterprise in Scotland
74,300 – 78,800	Full time equivalent staff employed at the Scottish level (estimate)
£3.7bn - £3.9bn	Total sector turnover in 2012 (estimate)
£12.8bn - £13bn	The total value of fixed and liquid assets in 2012 (estimate)
89%	Of surveyed third sector organisations self-identify as a social enterprise
82%	Of surveyed organisations plan to become more enterprising in future
78%	Of surveyed organisations that expect annual running costs to increase by 2015
57%	Of social enterprises generate 50%+ of their income from trading
41%	Of surveyed organisations that have experience of bidding for contracts from public agencies/bodies
40%	The average increase in trading income expected over the next three years ¹
26%	Of surveyed organisations deliver services to rural, urban, and disadvantaged neighbourhoods

¹ This does not include some of the more optimistic outliers, so can be seen as a slightly conservative estimate.

1. Introduction

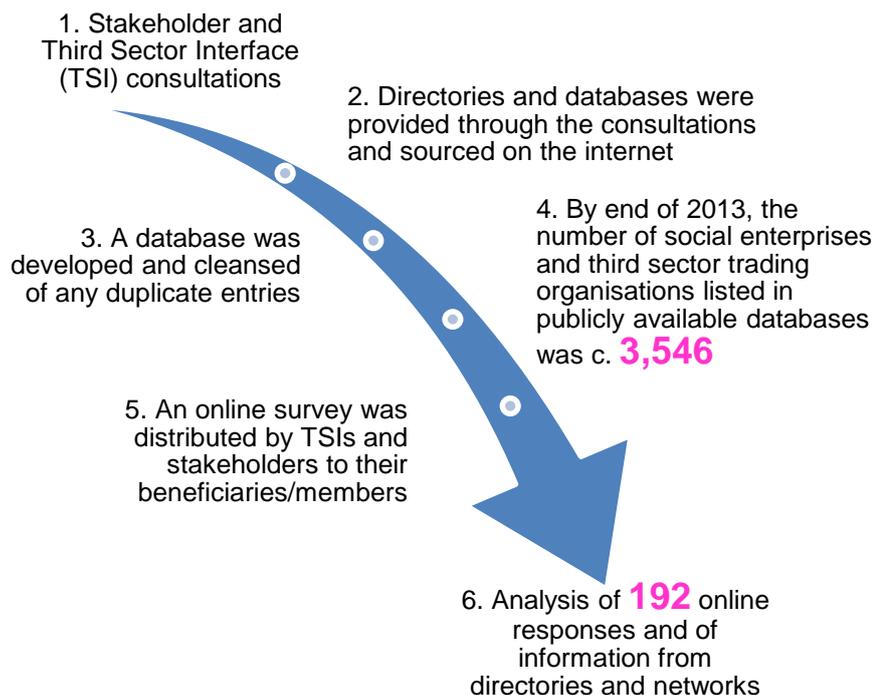
This document has been commissioned by the Big Lottery Fund in order to provide an overview of the social enterprise sector within Scotland in 2013.

The research process incorporated desk-based as well as primary research.

STUDY METHOD

- Scoping consultations
 - Consultations with 23 stakeholders and 26 Third Sector Interfaces (TSIs)
 - Online survey of 32 Business Gateway staff
- Desk research:
 - Review of existing literature in Scotland and the UK
 - Collation of publicly available databases and data sources (total = 32)
 - Analysis of available secondary data (OSCR, Housing, Credit Unions)
 - Database collation and cleaning
- Survey work;
 - Online survey of trading third sector organisations distributed via stakeholders (192 responses)
 - Analysis of survey findings and extrapolation of key performance data
- Reporting

The research stages were undertaken in order to reach this point of reporting:



RESEARCH CONSTRAINTS

Information provided within this document has been sourced from the information collated at various stages of the research, including the internet, Companies House, membership directories and from our online survey and consultations unless stated otherwise. We found the existing evidence base to be patchy and inconsistent, and most available data sources provide only a minimum on information. The findings of this study are, therefore, dependent on the quality and comprehensiveness of the available membership lists and registers.

Further note should be taken that the 3,546 organisations will include a certain amount that have ceased to exist. At the same time, this figure excludes social enterprises and third sector trading organisations that are not actively promoting themselves online or via registers.

As Chapter 2 will further discuss, the definition of what constitutes a 'social enterprise' has developed and varies across the UK. There are a number of third sector trading organisations (included in the 3,546 count) that cannot automatically be called a social enterprise. These include organisations such as the Arm's-length external organisations (ALEOs) and a more controversial constituent group of social enterprises: the universities and independent schools.

A further constraint was that due to data protection issues, most intermediaries would not share their social enterprise contact details with the study team. It was, therefore, necessary for stakeholders to disseminate the online survey themselves, which led to an inevitable loss of control over distribution, response rate and sample characteristics.

ROBUST STUDY FINDINGS

On the basis of our created database of c.3,546 organisations (representing all third sector trading organisations that we could find on the internet or directories at the time of the research), our survey findings of 192 responses are statistically representative with an error margin of +/- 7% (which statistically is an acceptable limit). The study, therefore, presents robust findings and extrapolations at the overall sector and at Scotland level.

Furthermore, in determining the financial profile of the sector we could use a number of existing financial datasets which were added to the extrapolated survey findings (after carefully removing those survey respondents that were also included in the datasets). We have expressed our findings in ranges in line with the margin of error.

Finally, the study findings were 'sense checked' with other studies, such as the 'Social Enterprise in Glasgow' study and found to be in line and in proportion with their findings.

2. What is a Social Enterprise?

There are a number of definitions used in the UK to describe a social enterprise, all with slight differences in their specifications regarding how much of their 'profits' have to be re-invested into the business, or the extent to which their income has to be generated from 'trading'.

In 2010, Senscot published the following definition of a social enterprise:

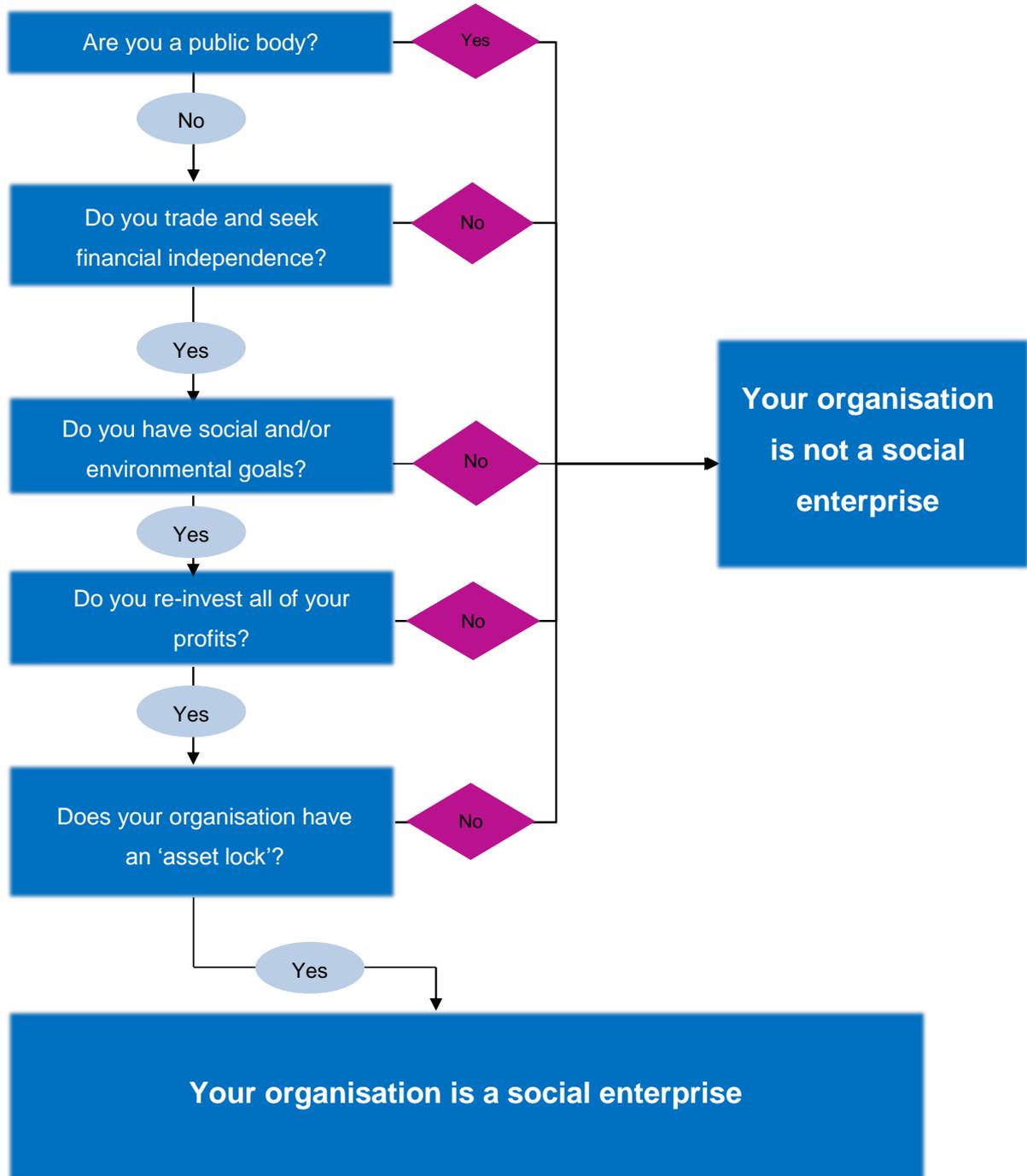
- ❖ **cannot be the subsidiary of a public sector body**
- ❖ **is driven by values – both in their mission and business practices**
- ❖ **has social and/or environmental objectives**
- ❖ **is a trading business aspiring to financial independence (50% or more of their income must be from trading)**
- ❖ **has an 'asset lock' on both trading surplus and residual assets**

In 2013, the Voluntary Code of Practice ("The Code") was developed by a group of leading social enterprise stakeholders in Scotland. The Code emphasises that an organisation is considered a social enterprise as long as it seeks to gain financial independence through trading.

The status of being regarded as a 'social enterprise' has become increasingly important for many third sector organisations in the light of public sector cuts, increasing funding programmes' support of social enterprises, and increasing public sector contracting.

The following graph provides a check-list for any organisation to see if they are in principle complying with the Senscot definition (without specifying the extent of income that needs to be generated from trading – thereby allowing for aspiring social enterprises to be considered).

Are you a Social Enterprise?



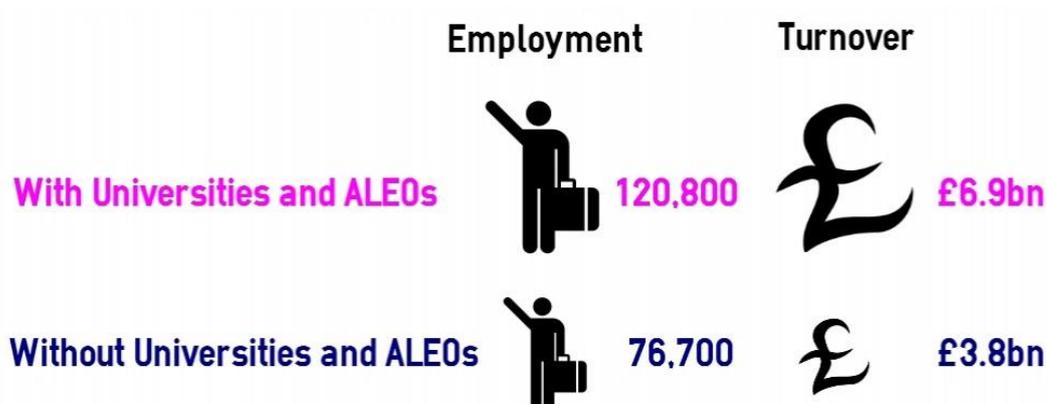
Trading charities that do not conform with the ‘Code’

Considering the ‘Code’, and particularly the requirement for social enterprises to be independent from public sector bodies, a total of 23 ALEOs that were listed as trading charities on the OSCR register should be subtracted from the count of 3,546 trading third sector organisations. The 23 ALEOs include Leisure Trusts, National Cultural Organisations, Urban Regeneration Companies, and the Scottish Sports Council and Charitable Trust, where it was clear that the public sector has a majority ownership. While there might be further ALEOs, additional in-depth research would be required to identify the detailed ownership structures of the remaining 3,523 organisations.

A further group of organisations might be regarded as less suitable to be classed as ‘social enterprises’ - educational institutions - although this is arguably more of a ‘grey’ area. Our count of 3,523 includes 52 universities, colleges and independent schools. Here, the main argument for subtracting this group of trading charities from the social enterprise category relates – similarly to the ALEO’s – to the fact that much of their activity is controlled by the public sector. Having said this, it could be argued that educational organisations and their increasing range of income generating activities removes them to a great extent from public sector reliance. In addition, relevant ownership structures of educational organisations are also often not as clear-cut regarding public sector control.

Excluding both the ALEOs and educational organisations from our original count of 3,546 third sector trading organisations results in an overall number of **3,471**.

Although the educational establishments and ALEOs constitute only 2% of the third sector trading organisations, by removing them from the count of social enterprises, the overall employment and turnover figures of the sector are significantly lower.



A reasonably clear definition – but a very varied landscape

Our research has found that most social enterprises self-identify themselves as such under ‘The Code’.

The social enterprise self-identifier group is a big family!

89% of those interviewed defined their organisation as a social enterprise
10% are unsure if they fulfil the criteria of being a social enterprise
1% do not consider themselves as a social enterprise

But to what extent are they trading?

Policy makers, intermediaries and social enterprises themselves express a desire for social enterprises to be supported to be more sustainable, and specifically to increase their ability to access new forms of finance that often seek a financial – as well as social - return. This requires a level of trading and an ability to generate income from trading. So it is important to understand what proportion of social enterprises are currently achieving the majority of their income from trading activity. Our survey findings show that:

57%

of social enterprises generate more than 50% of their income from sales.

Closest business form in line with Sencot 2010 definition

Currently, the easiest way of identifying a mature social enterprise is via the business status of a **Community Interest Company** or CIC. Here, all the criteria of the social enterprise definition (including Asset Lock) are checked during the registration process with Companies House and annual reporting ensures that financial performance is in line with the applied definition.

But what about the aspiring social enterprises?

Of course, there are many more high performing social enterprises in Scotland than the currently existing 432 CICs, but their levels of income from trading are more difficult to ascertain, particularly as most intermediaries and networks do not use the defining criteria comprehensively. After all, 89% of all survey respondents identified themselves as social enterprise under the wider Voluntary Code of Practice.

As indicated later in our report, the meaning of the word ‘trading’ could be further defined so that there is more clarity as to the extent of the activities which might be legitimately counted as ‘trading’ or ‘income from sales’.



Our survey was distributed and targeted to reach trading third sector organisations so that all those organisations that are charging for their services but which for one or another reason, do not necessarily consider themselves as social enterprises could be included. However, we found more respondents that consider themselves as social enterprises but do not trade at all than respondents that do trade but do not think of themselves as social enterprises.

We assume that this could indicate a number of things:

- Third Sector Organisations aspire or plan to become a social enterprise, therefore they think they are one already;
- the term ‘social enterprise’ is interpreted in a much wider sense, i.e. an overall entrepreneurial attitude including aspects such as seeking new ways of grant funding and/or developing new services for their organisation; and/or
- organisations feel they ought to describe themselves as social enterprise due to funding pressures; i.e. the current funding climate favours social enterprise status.

On the other side of the spectrum, we also know that there are commercial businesses and/or sole traders that regard themselves as social enterprises (many of the existing social enterprise directories include them), for a number of potential reasons, including:

- organisations trade or provide services for social enterprises, i.e. social enterprise status by association;
- organisations have a Corporate Social Responsibility policy in place; and/or
- organisations believe that their products serve a social purpose (this is at times interpreted very widely, including food retail).

Who has been targeted by our research?

Initially, because we were especially interested in levels of trading, it had been intended to confine our research to organisations that fitted with the 2010 Senscot definition of a social enterprise. However, following our initial consultations with a wide range of social enterprise intermediaries and stakeholders, it became clear that existing registers and directories of social enterprises are usually based on self-identification and on the more inclusive Voluntary Code of Practice published in 2013.

In addition, it also became apparent that the term 'social enterprise' itself is perceived as controversial by a number of organisations. This includes perceptions that it is largely a 'top down' concept and public sector savings approach rather than a term which is in the interest of Third Sector organisations. Others just feel more 'at home' with their original identity as a charity or as voluntary sector group rather than taking on what sounds too much like a commercial undertaking bringing about a quite different culture of delivering services to their local communities.

However, current funding programmes also operate as important 'trend setters' in this context by supporting strongly the 'social enterprise' concept and therefore exercising a powerful pull factor in support of the social enterprise model.

On the basis of these findings from consultations, it was clear that our survey could not only be targeted at high income generating, mature 'social enterprises', but that we had to widen our approach to incorporate organisations that are self-identifying themselves as social enterprises and those Third Sector organisations that are trading. With OSCR operating a directory which differentiates third sector trading from other third sector organisations, our survey could reach out to the appropriate target audience.

Co-ops - in or out?

Due to the wide range of their activities, it was more challenging for our study to identify those co-operatives that would be closely in line with the social enterprise model.

We found that there are different notions regarding the fit of the co-operative model with the 'social enterprise' term. Here, the key issue was if the principle of democratic ownership and the redistribution of profit amongst owners under the co-operative model is fully in line with the 'social enterprise' approach of operating for community benefit. Due to this question, we have chosen to include co-operatives such as credit unions and community-based co-operatives due to their clear community benefit purpose, but have not further researched

other forms of co-operatives and their alignment and comparability with the social enterprise model.

Note should therefore be taken that the findings of this study potentially exclude a number of co-operatives unless they have been captured by our research via social enterprise directories and other networks which we have researched via the internet.

Organisations and Networks included in our research:

We accessed a total of 32 different data sources. In addition to a number of smaller directories and databases, we accessed information from the following:

Development Trusts	Credit Unions
Social Enterprise Network/s	Trading Charities (OSCR)
Housing Associations	Social Firms Scotland
Community Interest Companies	Third Sector Trading Organisations
UK Coop	Social Enterprise Scotland
Ready for Business	TSI registers
Besmarker	Community Transport
Plunkett Foundation Scotland	CEMVO

Note: This report uses the term 'social enterprise' as inclusive of all third sector trading organisations – excluding ALEOs and educational institutions.

A summary database was created and any overlaps removed to avoid double counting.

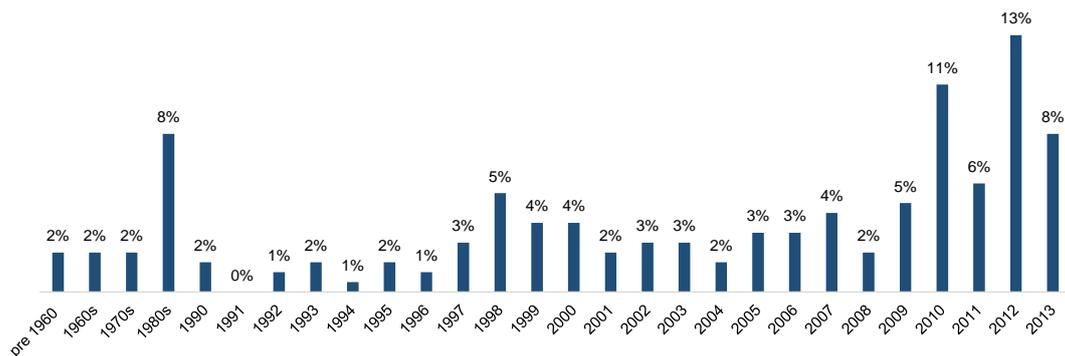
3. How many are there in Scotland?

In 2013 and based on our desk-based research, there are a total of approximately **3,500** social enterprises operating across Scotland representing **2.4%**² of all businesses within Scotland. This number is based on social enterprises represented on the internet and listed in publicly accessible directories.

The largest directories included the following numbers of members and associates:

Trading Charities (OSCR) (excl. ALEOs, and educational establishments)	617
Social Enterprise Networks (internet sites)	600
Ready for Business	591
Highlands and Islands SE Database	535
Community Interest Companies	432
Social Enterprise Scotland	374
Development Trusts	202

Although the concept of 'social enterprise' is not new (i.e. co-operatives have been developed since the 19th century), the majority of social enterprises (83%) within Scotland which we surveyed have been **established within the last 20 years.**



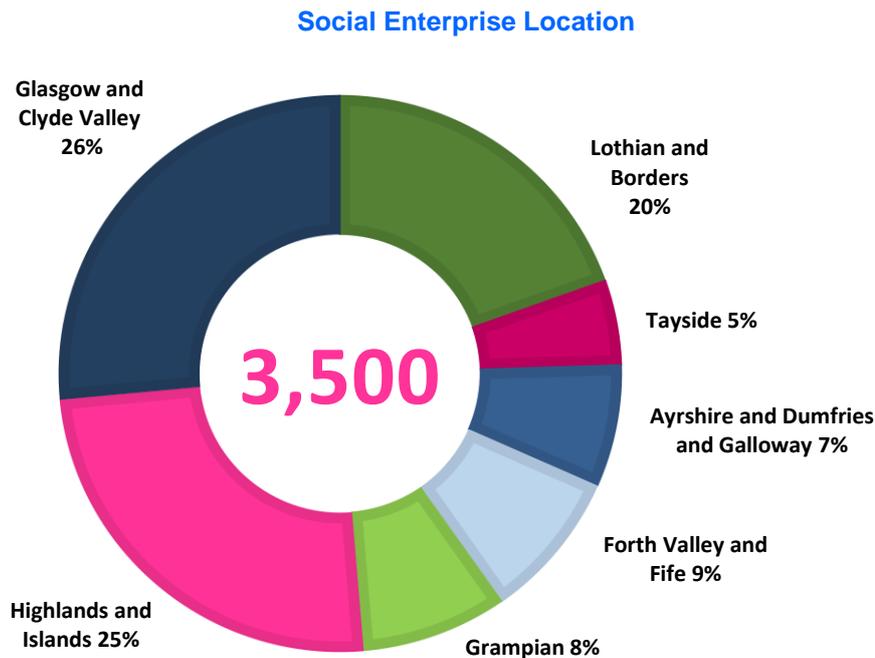
N=192

57% of social enterprises are less than ten years old
13 years is the average age of a social enterprise in Scotland
42 social enterprises were established in the last two years

² Total number of business enterprises taken from UK Enterprise Count for Scotland in 2011 (144,650).

4. Where are they located?

Most social enterprises are located in the high population regions of the 'Glasgow and Clyde Valley' and 'Lothian and Borders' as well as in the Highlands and Islands.



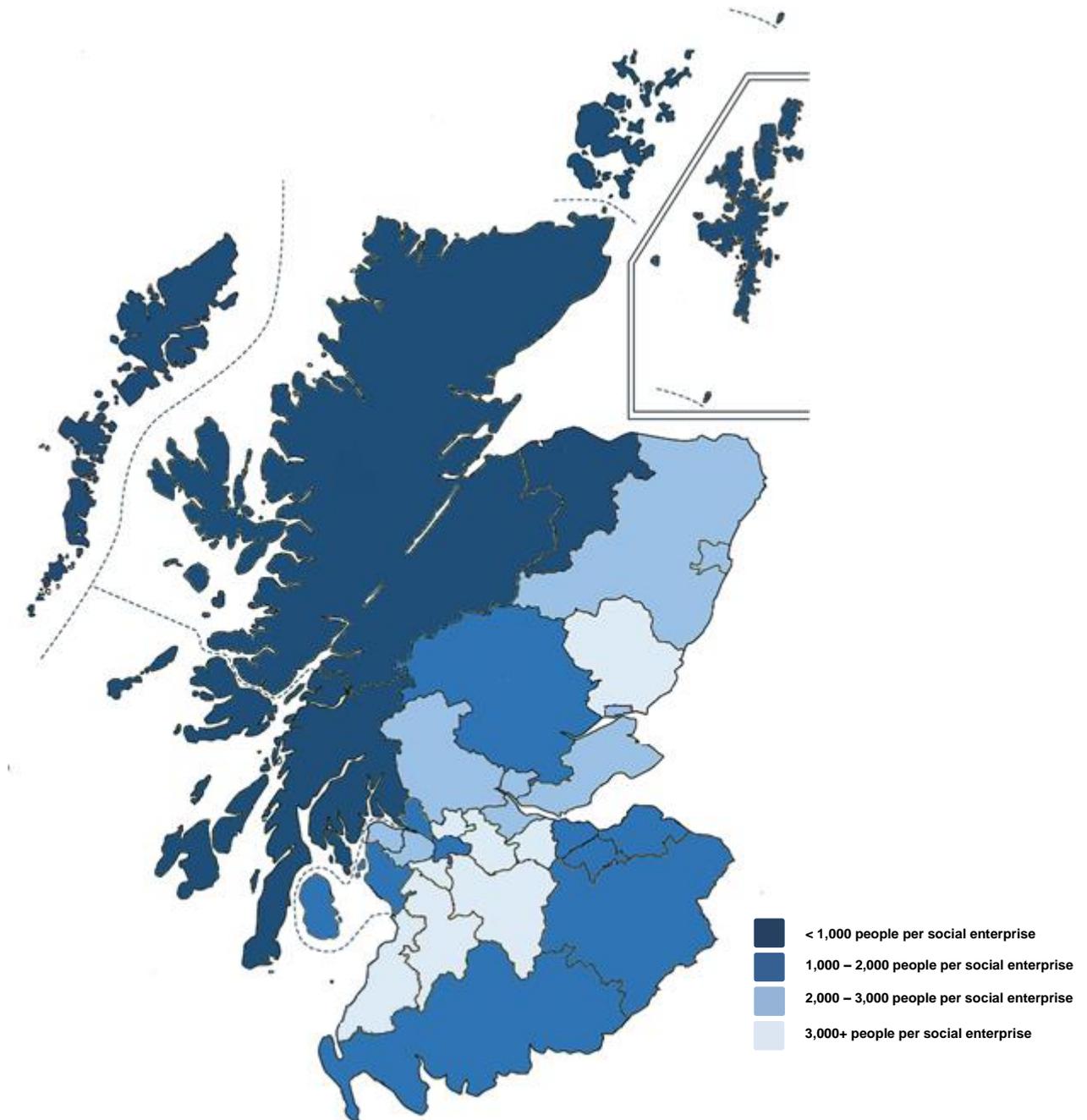
Social Enterprise Location by Local Authority (based on our internet search, publicly available registers and information provided by stakeholders)

Glasgow	543	Aberdeenshire	88	Renfrewshire	64
Edinburgh	413	South Lanarkshire	81	West Lothian	56
Highland	350	Stirling	80	East Lothian	50
Argyll and Bute	193	North Lanarkshire	78	South Ayrshire	37
Fife	123	Perth & Kinross	77	East Ayrshire	37
Orkney	118	West Dunbartonshire	76	Other/Unknown	35
Moray	111	Midlothian	75	Inverclyde	29
Shetland	107	Scottish Borders	75	Angus	24
Dumfries and Galloway	98	North Ayrshire	72	Clackmannanshire	23
Western Isles	91	Dundee	70	East Dunbartonshire	19
Aberdeen	90	Falkirk	70	East Renfrewshire	18

Please note that the above numbers are based on office location including those that deliver services across a number of local authority areas in Scotland, the UK, and abroad.

The map below shows the concentration of social enterprises when adjusted by head of population, with darker colours indicating greater concentrations of social enterprises. The highest concentrations are in the Highlands and Islands. Lower concentrations of social enterprises per head are in the Clyde Valley areas and in Angus. However, this is partly due to social enterprises operating in these regions having their base/headquarters in Glasgow and Dundee.

Concentration of Social Enterprises (Social Enterprise per head of population)

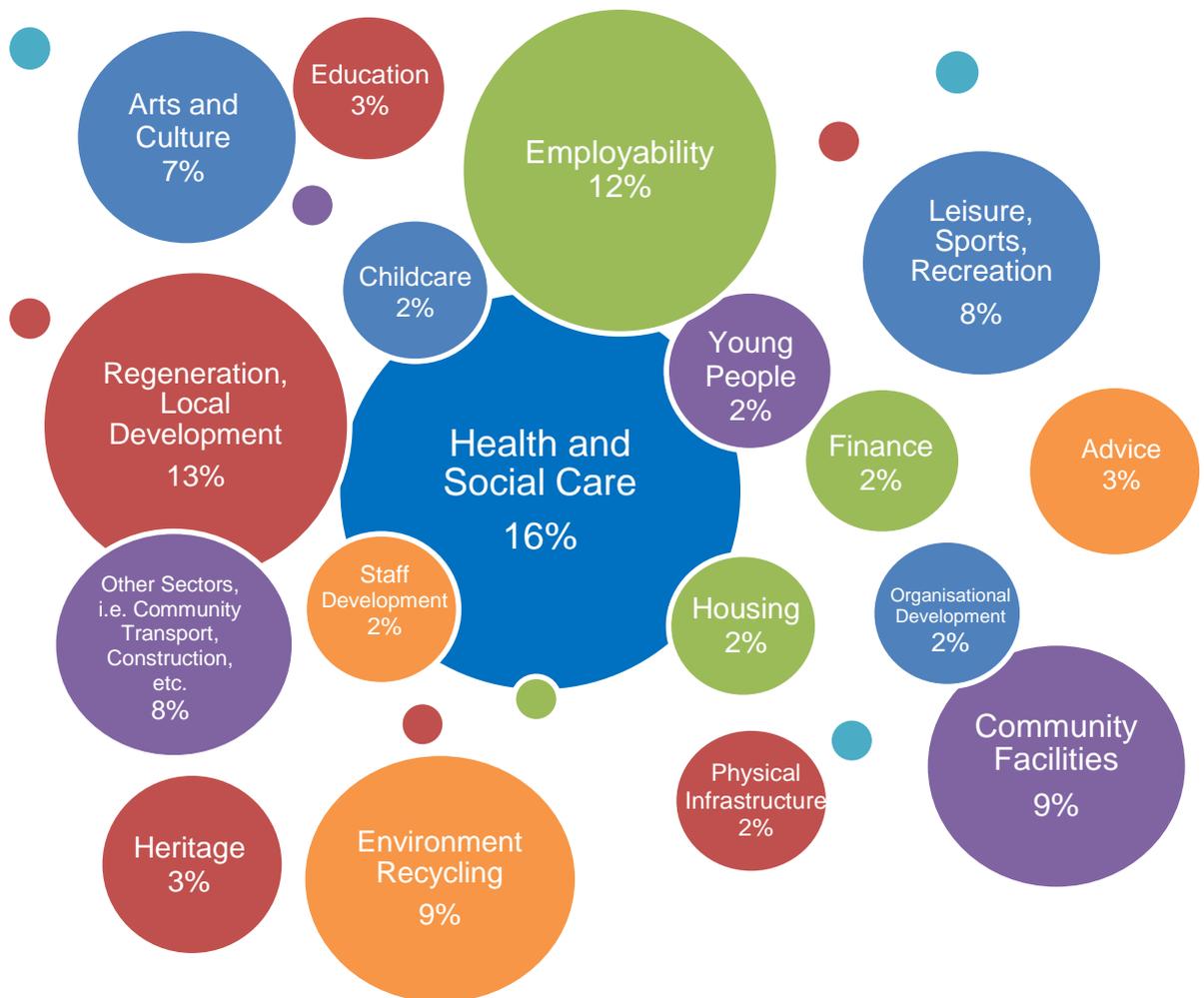


The Stationery Office Ltd. Cartographic Centre 10/96 Crown copyright ©

5. Sectors of Activity

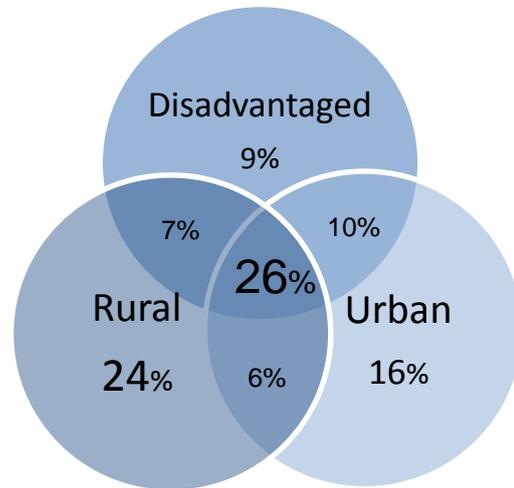
Third Sector Organisations and social enterprises operate for explicitly social and/or environmental goals covering a wide range of sectors. On the basis of our survey, the most common of these sectors are health and social care, regeneration and local development, employability, the provision and management of community facilities, care for the environment and recycling, leisure and tourism, and art and culture.

Sectors and Activities of Third Sector Organisations and Social Enterprises in Scotland

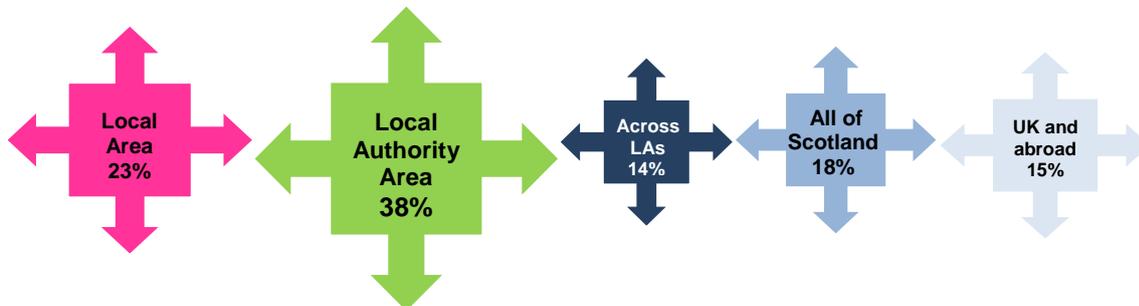


6. Delivery Area and Reach-Out to Clients

In terms of the catchment and delivery area, there is a fairly even distribution of social enterprises providing services and activities within and across rural and urban settings. In addition, just over half (54%) also offer services aimed at those living in more disadvantaged communities in Scotland. Just over a quarter (26%) of organisations deliver their services to all three types of area.



Most organisations (60%) operate on a local level either in their immediate neighbourhood where they are physically based, or within their local authority area.



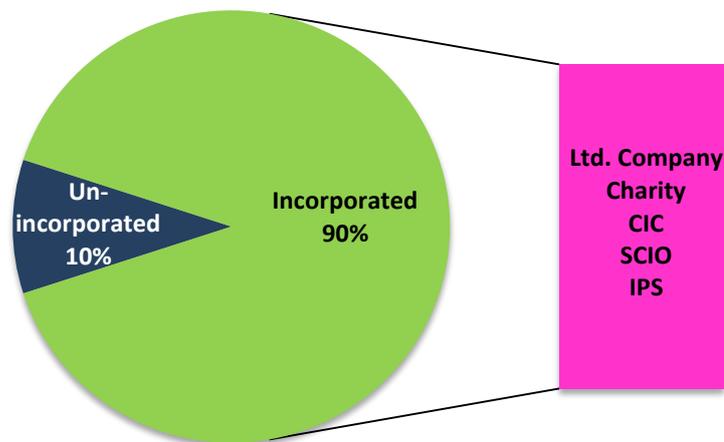
48% of social enterprises provide a service for specific target groups:

People with a disability	17%	Families	7%
Older people	16%	Social enterprises	5%
Young people	14%	Ethnic minority groups	3%
Unemployed people	9%	Homeless people	2%
Children	7%	Other	15%

7. Legal Structure and Organisational Forms

Third sector organisations and social enterprises can take on a number of legal structures and organisational forms.

Legal Structures of Third Sector Organisations and Social Enterprises



Small third sector organisations (including charities, co-ops, social firms, some Registered Social Landlords (RSLs)), or small traders can remain unincorporated (i.e. they don't employ staff, have no significant assets and no big contracts – as their members are personally liable for debts). However, once an organisation starts to employ staff and increases its activities and responsibilities, it must become an incorporated organisation (i.e. a limited company so that liability for debts is not carried by individual persons anymore).

There are a number of incorporated legal structures which are specifically designed to suit companies that have a social, non-profit or not-for-profit purpose. These are:

- Industrial and Provident Societies (IPS) - over 6,000 in the UK³;
- Community Interest Companies (CIC) - **423 in Scotland**;
- Scottish Charitable Incorporated Organisations (SCIO) - **913 in Scotland**.

³ Unfortunately a breakdown at the level of the devolved administrations in the UK was not available for IPS

Organisational Forms of Social Enterprises in Numbers (2013)



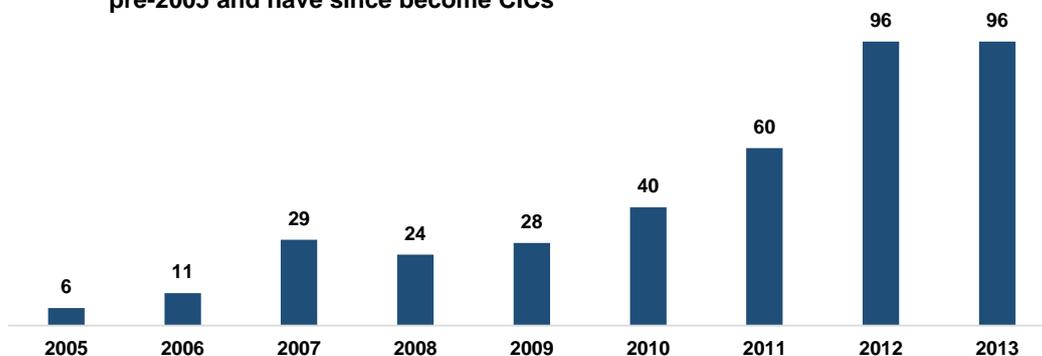
Source: EKOS – Internet Search and Directories of the relevant organisations

The term 'social enterprise' does not refer to a particular legal structure or organisational form and is often only established via self-identification.

Introduced in 2005, one of the legal structures suitable for mature, high level income generating social enterprises is the CIC. In recent years (i.e. since 2007) they have increased substantially in number.

Number of CICs in Scotland and their year of Original Incorporation

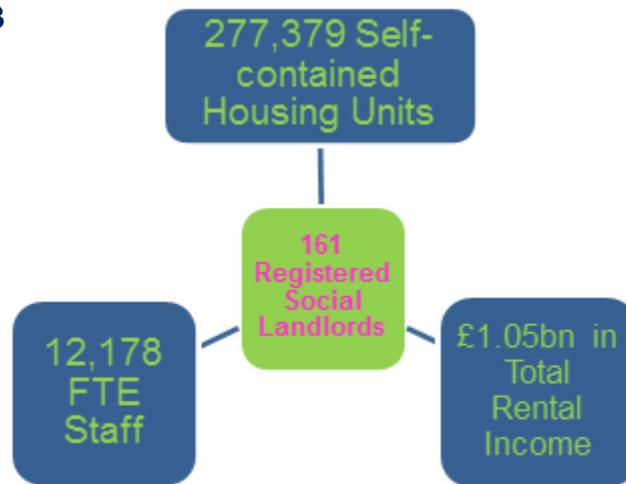
An additional 43 CICs were originally incorporated pre-2005 and have since become CICs



8. Housing Associations

Housing Associations and other RSLs provide affordable housing to those with the greatest need, with profits reinvested back into the association. They are a large and growing part of the social enterprise sector.

In 2012/13



RSLs vary drastically in scale (see table below). Glasgow Housing Association is by far the largest in Scotland with more than four times as many housing units as the next largest. More than half (57%) have from between 501 to 2,500 housing units. There is a concentration of RSLs in Glasgow, with 34% based there accounting for 40% of all housing units (despite having only 11% of Scotland's population).

Range of RSLs

	Largest	Median	Smallest
Housing Units	43,191	948	15
Rental Income	£148m	£3.4m	£69,960
FTE Staff	1561	25	0

Registered Social Landlords have only been growing slightly in scale over the past few years with the total number of housing units increasing by 4% (8,952 additional units) and gross rental income increasing by 16% since 2008.

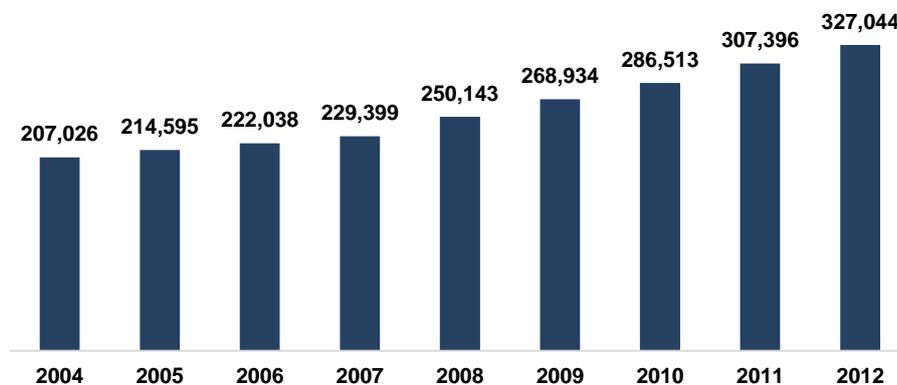
9. Credit Unions

Credit unions are mutual societies run as financial co-operatives for the benefit of their communities. There are two types: community based credit unions representing specific geographical areas; and occupational/ associational based credit unions representing people from the same profession or under the same employer. They provide flexible financial services to members at affordable rates who often would otherwise be unable to access them.



Credit unions have been steadily rising in popularity with membership up 58% since 2004, with 1 in 20 people in Scotland being a member of a credit union, according to the Association of British Credit Unions Limited (ABCUL).

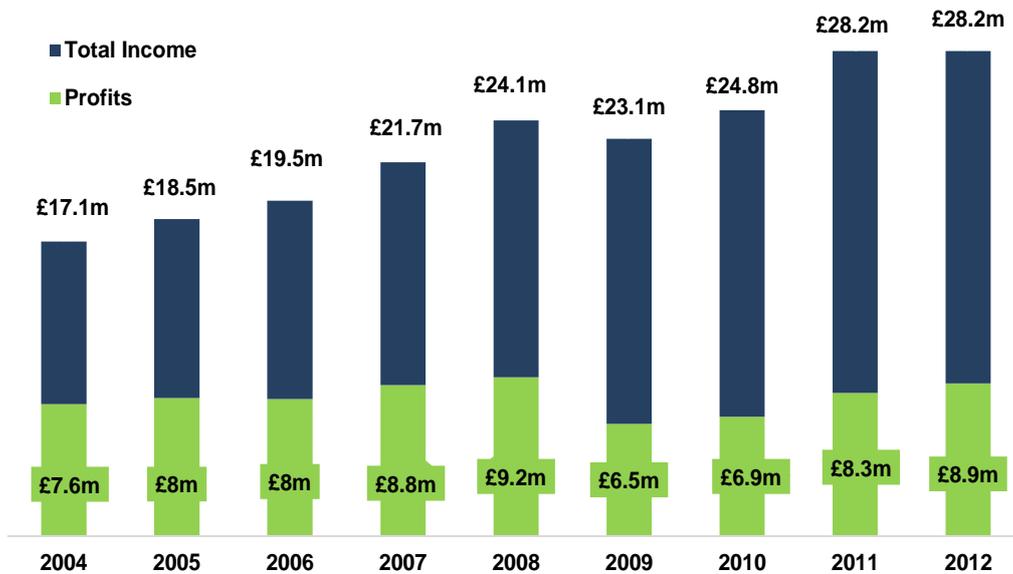
Credit Union Membership in Scotland



Source: Bank of England Prudential Regulation Authority

Credit union income and profits rose steadily from 2004 until the financial crisis of 2008 when profits fell by 29% and income by 4%. Since then income and profits have resumed their steady rise although profits have yet to recover to their 2008 peak.

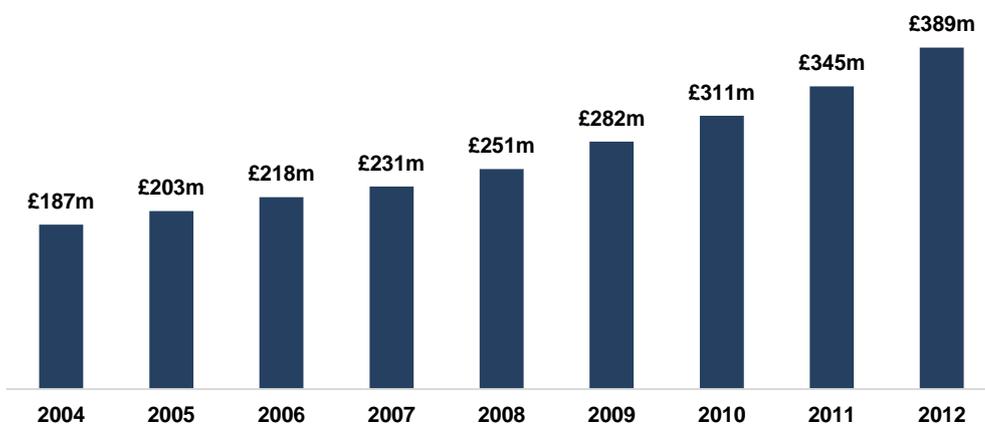
Credit Union Income and Profits in Scotland



Source: Bank of England Prudential Regulation Authority

Scottish credit unions have also seen strong growth in their balance sheets with total assets more than doubling since 2004:

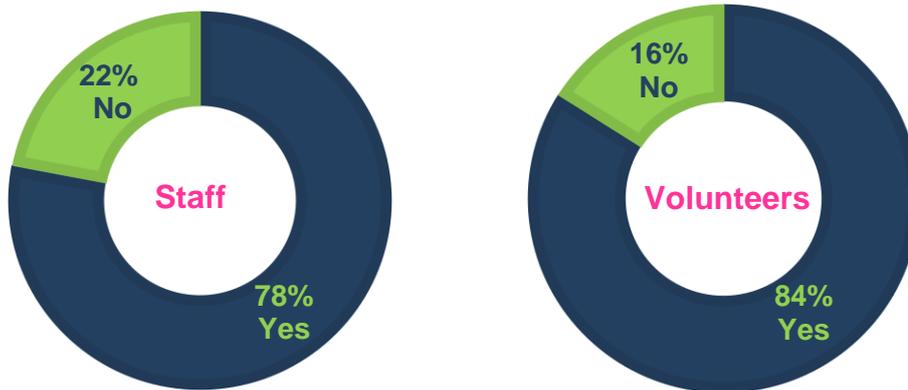
Credit Union Assets in Scotland



Source: Bank of England Prudential Regulation Authority

10. Social Enterprises - Staff and Volunteers

All social enterprises either work with employed/paid staff or volunteers. One fifth (22%) work exclusively with volunteers and 16% exclusively with paid staff.



Regarding the actual numbers of staff and volunteers, the following shows the findings from our survey and the extrapolated (or grossed up) figures for the Scotland level⁴.



This level of employment represents **3.6% – 3.9%** of total Scottish FTE employment.

! Over the next three years, 61% of organisations expect their full time staff to increase (resulting in a total of **just under 500** additional jobs in Scotland) and 44% of organisations expect an increase in volunteers (resulting in a total of around **1,240** in Scotland).

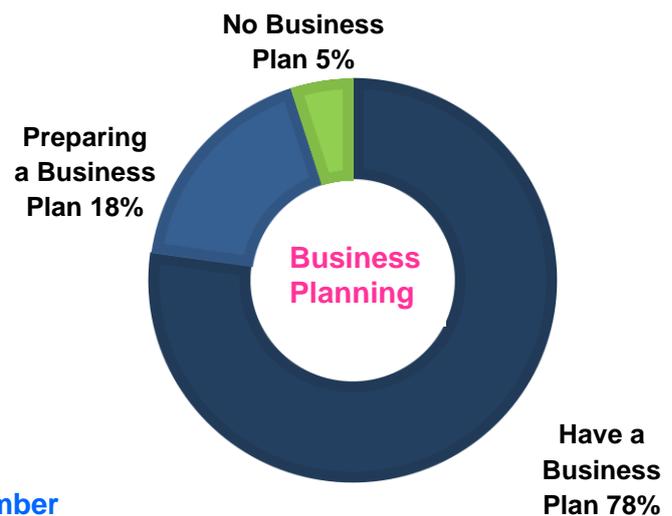
⁴ Findings from the survey were multiplied by the total social enterprise population with data from other sources added. Margins of error ranged from between +/- 7% to +/- 8.5% depending upon the response level.

11. Sources of Income and Trading

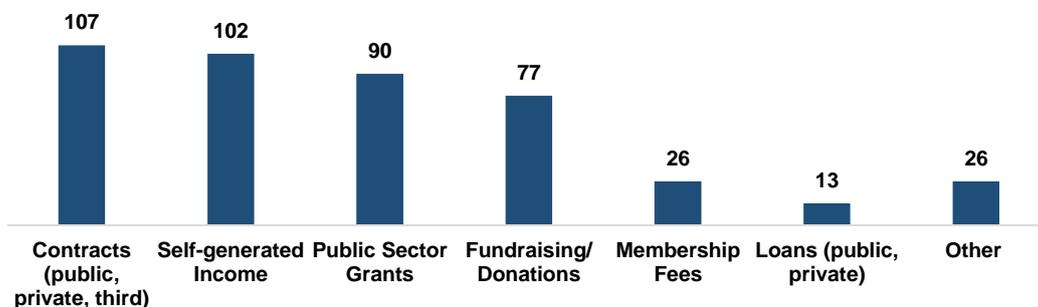
An organisation rarely relies on a single source of funding (only 4% of social enterprises are solely funded by self-generated income and only 2% are solely relying on public sector grants for their activities).

The most common sources of income are **contracts** and **self-generated income**. This is closely followed by public sector grants, fundraising and donations are further important sources of income for over half of the organisations. Membership fees and loans are less relevant to most organisations.

The importance of a business plan is recognised by most surveyed organisations, with 78% following their existing business plan and a further 18% in the process of preparing one. Only 5% of organisations feel that they do not need a business plan.



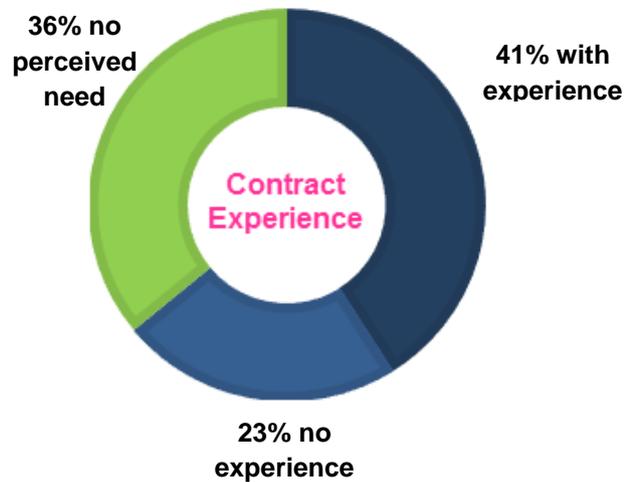
Sources of Income Generation by Number of Social Enterprises



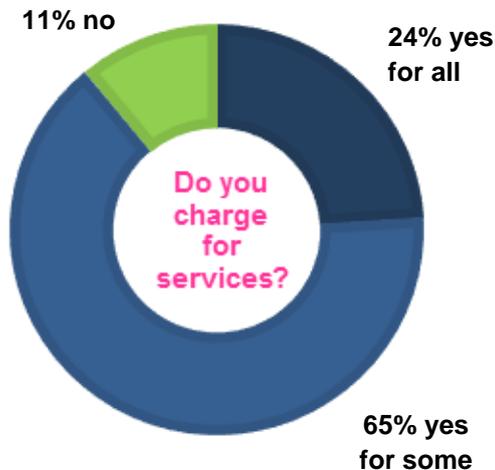
Please note: 'Other' includes income from trusts and foundations.

Experience in Contracts

Bidding for contracts from public agencies/private bodies was a process undertaken by just over two-fifths of respondents (41%). The majority of organisations (59%) either have no experience yet in contracting or feel that contracting is irrelevant for them.



Experience in Trading



Charging for services and activities is common among organisations with a total of 89% charging for all or some of their services.

The vast majority of social enterprises are planning to increase their range and the diversity of their products and activities with a view to increasing their income from trading.



Three quarters (76%) of all social enterprises anticipate that self-generated income will become more important relative to other sources over the next three years and even more (82%) are expecting their income from trading to increase over this period.

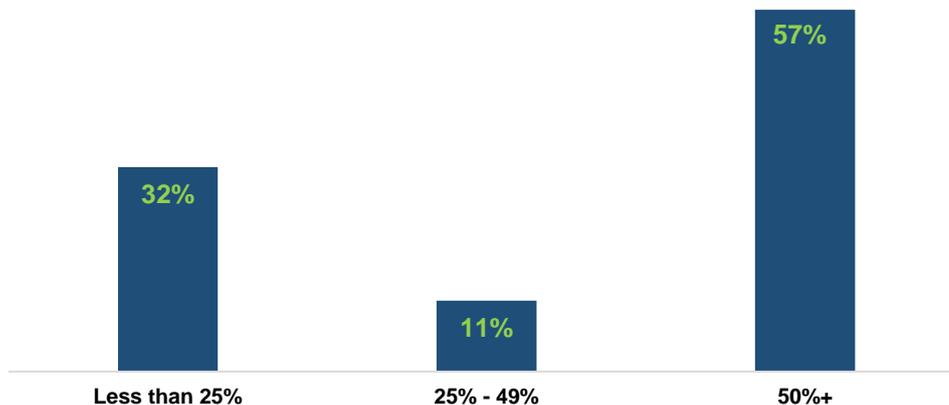
Nearly half of all organisations expect that Service Level Agreements and contracts from public sector bodies will increase in their importance to them.

Social Enterprise Maturity

The 2010 Sencot definition requiring a social enterprise to generate **50% or more** of its income from trading is useful to describe a distinct level of maturity of a social enterprise. We have applied the following interpretation of the term 'trading':

Trading = Income from Sales + Contracts (with public, private or other third sector organisations) + Membership Fees

Extent of Income Generated from Sales, Contracts and Membership fees



According to our survey findings, **57% of all social enterprises in Scotland are 'mature' social enterprises**. This indicates that the trading culture is firmly embedded in the majority of social enterprises in Scotland, however at the same time a third of all surveyed organisations have less than 25% income from trading. This includes 12% without any income from trading.

Future Expectations of Growth in Trading

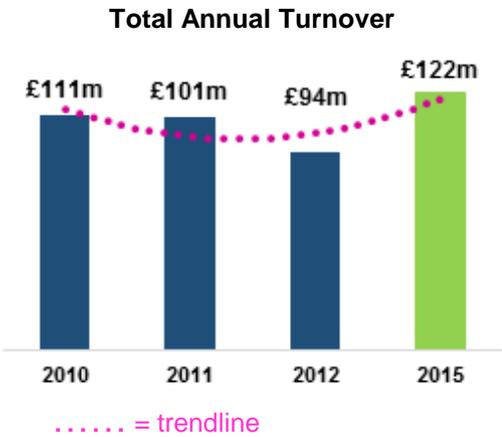
The survey asked respondents to identify their projected increase in trading income. Only 45 of the surveyed organisations were able (or prepared) to identify the value of their projected trading. They expect a total increase of £1m in sales of services and activities, with an average increase per organisation of £22,616. Excluding some of the more optimistic projections, we consider that on average an **increase of 40% in trading income** can be expected over the next three years on the basis of our survey findings.

12. Past Performance & Future Expectations

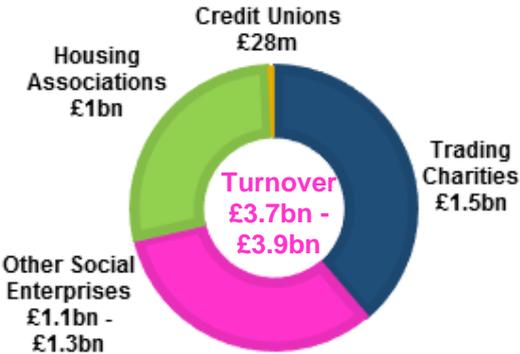
Total Annual Turnover

Annual turnover has decreased since 2010 by 16%. Surveyed social enterprises expect a marked increase over the next three years to a total of £122m. At the Scottish level, including more detailed data on Trading Charities, Housing Associations and Credit Unions, the survey results indicate that the turnover of the sector is around £6.9bn.

Survey Findings

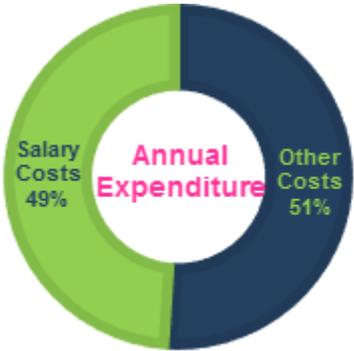
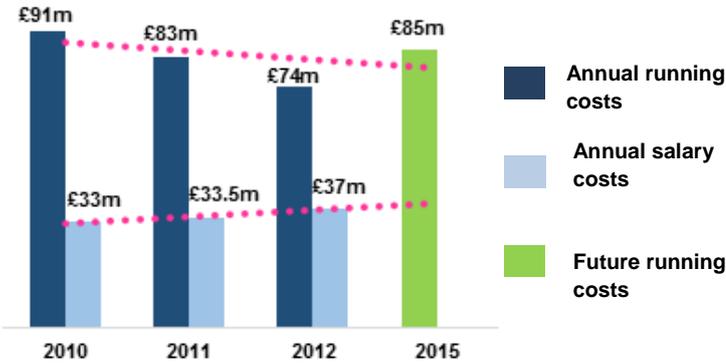


At Scotland Level



The overall annual running costs of social enterprises have fallen since 2010, but the majority of organisations (78%) expect costs to increase by 2015 to the level of 2011 – in line with expectations of increased staffing levels. Salary costs have risen steadily since 2010, in 2012 constituting half of the overall running costs of organisations.

Total Annual Running Costs (and Salary Costs)



Total Annual Surplus

For a quarter of social enterprises surplus was 'zero' and felt not applicable and 45% did not provide any information in this area. While one fifth (20%) of all respondents experienced an increase in their surplus since 2010, another 10% had to face reduced surpluses and deficit since 2012.



Challenging Years in the Past but there is an Optimistic Future

- 63%** expect their annual surplus to increase over the next three years
- 28%** envisage that their surplus will stay the same
- 9%** fear that their surplus is likely to decrease

Current Assets and Liabilities

The vast majority of survey respondents were aware of their assets with most identifying their computer equipment, tools, furniture and fittings, savings/cash reserves, and buildings and land as their key assets. Based on the survey findings (and extrapolated at the Scottish level), the total value of fixed and liquid assets in 2012 is detailed below. Most of these assets are concentrated in the housing sector with 86% owned by RSLs.



13. Social Enterprise Sustainability

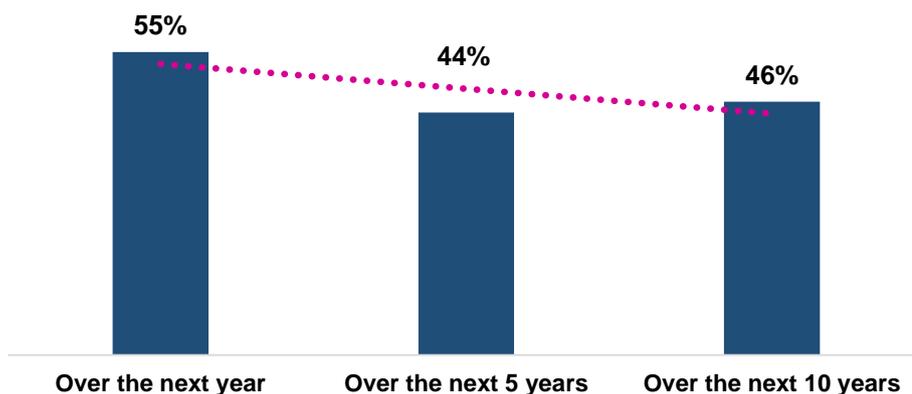
Despite a relatively strong asset base, most social enterprises perceive the financial survival of their operations without further income much more cautiously with well over half of all respondents (65%) thinking that their organisation would not survive longer than six months without further income.

Perceived Financial Survival over Time Without Further Income



Perceived Sustainability over Time With Further Income/Business as Usual

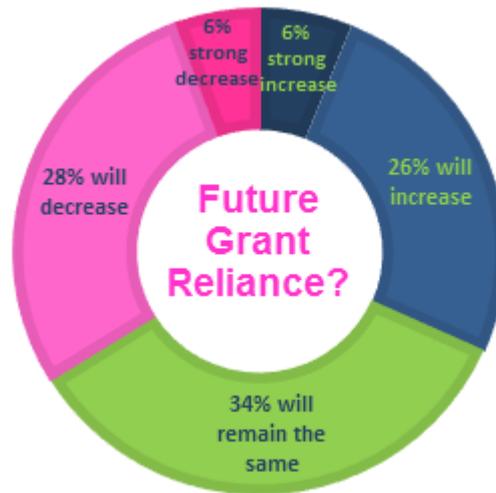
Respondents considering their sustainability over coming years as good/very good (scoring 8/9/10 out of 10)



Social enterprises are less confident about sustainability as time goes on with the most common reasons being a lack of resources and insecure long-term grant funding. Interestingly, this contrasts with their positive views on increased turnover in future.

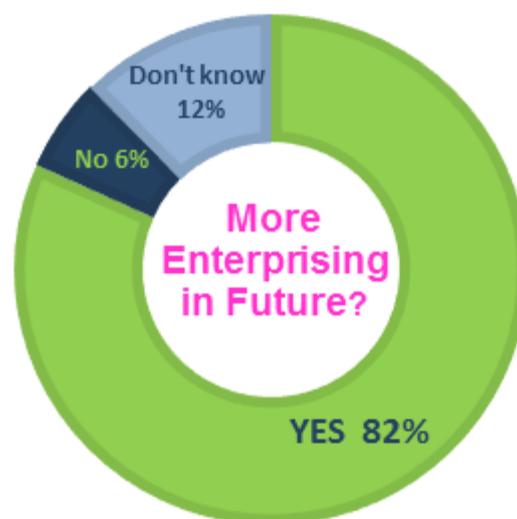
Expected Changes

The opinion about the continued reliance on grant support is divided, with a similar proportion of social enterprises expecting an increase, no change, or a decrease in grant support over the next three years.



The demand for services and activities is expected to grow (60% of respondents) or grow strongly (33% of respondents).

And the overwhelming majority (82%) of organisations are planning to become more enterprising in coming years.



More enterprising, but how?

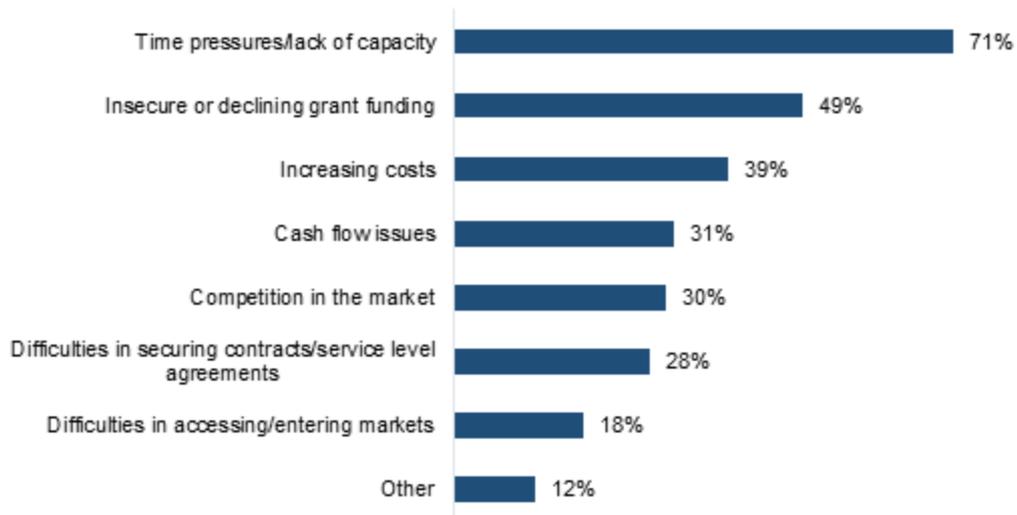
Suggestions for the different ways in which the enhanced enterprising nature of social enterprises would be achieved are detailed below (most common responses):



The vast majority of social enterprises believe that the only way to become more sustainable in future is through developing new services, products and activities. This will, therefore, make them more entrepreneurial in how they interact and observe their target markets, and learn to understand the needs of their communities.

14. Development Barriers and Support Needs

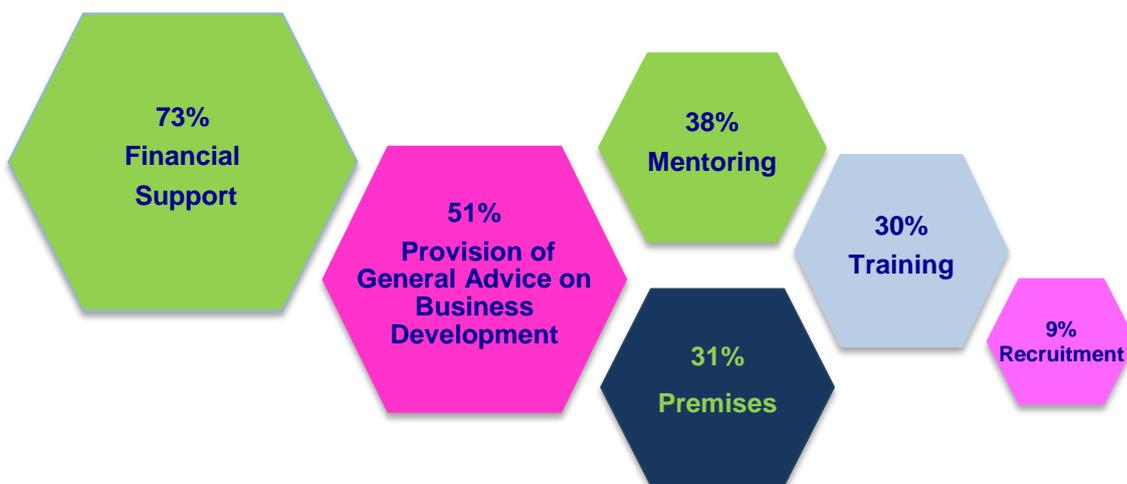
What are the key challenges and barriers faced by social enterprises?



N=180

Other barriers identified by respondents included, but were not limited to, general financial concerns (5%); reliance on/performance of public sector (3%); lack of personnel (3%); lack of/suitability of premises (2%); and engaging service users (2%).

And what support is required to become more enterprising?



Almost three quarters of respondents (73%) feel that financial support would be necessary to help them on the way to become more enterprising, and 51% realise that the provision of advice on business development, mentoring and training will support their ambitions.

For 15% of organisations, financial support was the sole type of support identified as enabling them to become more enterprising. No respondents were especially specific with the type of financial support required, instead citing a requirement for general financial management advice.

Where future training support was required, the following areas of assistance were considered important:

Business Development	46%
Marketing	44%
Finance Management	33%
Human Resource Management	28%
Trading Support	22%
Governance	22%
IT Support	19%

Respondents who indicated that 'other' types of support are required suggested topics such as tendering and procurement, fundraising, funding applications, and legal advice (one respondent each).

15. Growth Expectations

Organisations were largely confident of growth in both workforce and turnover over the coming years, with at least 64% of organisations across all sectors predicting an increase in turnover.

45 of the surveyed organisations were able to specify this, and expected a total increase of £1m in sales of services and activities, with an average increase per organisation of £22,616. Excluding some of the more optimistic projections, we consider that on average an **increase of 40% in trading income** can be expected over the next three years on the basis of our survey findings.

Organisations in the environment/ recycling sector were particularly optimistic, with at least four-fifths expecting increases in paid staff (87%), volunteers (82%), and turnover (88%). Almost all organisations in the leisure, sports and recreation, and arts & culture sectors expected an increase in turnover in the coming years (93% and 92% respectively).

Predicted increases to workforce and turnover over the next three years⁵

	Paid Staff	Volunteers	Turnover
Arts & Culture	82%	67%	92%
Community Facilities	43%	36%	73%
Employability	60%	69%	67%
Environment/recycling	87%	82%	88%
Health/social care	77%	70%	68%
Leisure, sports and recreation	67%	58%	93%
Regeneration	68%	50%	64%

⁵ This table details figures for sectors identified as the largest through the survey, e.g. those sectors with the most organisations offering services/activities.

Concluding Comment

This research has identified and counted social enterprises in Scotland on the basis of current internet directories and membership registers. Their key characteristics have been ascertained through desk-based research and an online survey. The survey has provided an insight as to who they support, what sectors they operate in, their staff and volunteer numbers, their turnover and assets.

The research has also uncovered important views from social enterprises about their future trends, income and turnover, and the support they need to grow.

The research was intended to help understand the investment needs and potential of social enterprises, an area that has had limited recent comprehensive research. It was encouraging to find that over half of all surveyed organisations are generating more than 50% of their income from trading. However, any future research should rightly place the social impact of social enterprises on a similar standing.

Overall the research has revealed social enterprises as a group of organisations of significant importance in Scotland, supporting key groups of vulnerable people and places, operating widely and with vigour, employing many staff, offering thousands of volunteering opportunities, and generating significant income and – despite a difficult operating environment – looking positively to the future.

Main Conclusions

- Existing definitions and data sources make challenging research
- Social enterprise sector is a significant sector
- A very wide range of organisations is included in the sector
- ... there is a strong drive towards a more enterprising future....
- ... with need for ongoing support
- This study should be seen as a first step towards generating a more detailed body of evidence (by type of enterprise, location, etc.)
- Clearer definitions might improve future mapping exercises
- Need to improve co-ordination of data and respective responsibilities
- A regular Panel Survey could provide an appropriate way forward