Social Enterprise in Argyll and Bute 2017

A report for InspirAlba and UnLtd

Social Research

Service Design & Innovation

Strategy & Collaboration

Evaluation Support

Social Impact Measurement

November 2017

Social Value Lab

Index /

1: Introduction

This report presents the findings of the 2017 Social Enterprise Census for Argyll and Bute.

Context

InspirAlba and UnLtd commissioned Social Value Lab (www.socialvaluelab.org.uk) to undertake a detailed analysis of social enterprise activity in Argyll and Bute. This is a follow up to the census report on Argyll and Bute produced in 2015.

InspirAlba (http://www.inspiralba.org.uk/) is a social enterprise that assists community based organisations to turn their ideas and aspirations in to robust, sustainable business activities.

Unltd (https://unltd.org.uk/) provides funding, support and the largest social entrepreneurs network in the world to facilitate the development and sustainability of resilient communities.

Focus of the Study

The study provides a detailed profile of social enterprise activity in Argyll and Bute, in this context defined as operating consistently with the Voluntary Code of Practice for Social Enterprise in Scotland[1]. These definitional criteria are:

1. They trade, with the primary objective of social or environmental benefit but also to enhance their financial independence.
2. Any profits are reinvested into business or used for the benefit of the people it exists to serve, rather than distributed to owners, shareholders, or investors.
3. On dissolution, any assets are reinvested in another organisation with similar aims and objectives.
4. They are constituted and managed in an accountable and transparent way – particularly with regard to the community they serve.
5. They are distinct from the public sector and cannot be the subsidiary of a public body.

[1] http://www.se-code.net/

Methodology

This study has made use of the data collected for the 2017 Social Enterprise Census[2]. More about the methodology can be found in the Census report.

[2] http://www.socialvaluelab.org.uk/wp-content/uploads/2017/09/Census-2017-Main-Report.pdf

2. Composition of the Sector

This section covers the size, age, identity, legal structure, and objectives of the sector in Argyll and Bute.

The social enterprise sector in Argyll and Bute has stabilised since 2015. Currently there are 246 social enterprises active in the area, a growth of 0.8% compared to 2015.

5,600	**246**
Social enterprises operating in Scotland	Are located in Argyll & Bute (2015: 244)

Age

The social enterprise sector in Argyll and Bute is slightly more mature than the national sector. Almost three quarters (73%) of social enterprises in Argyll and Bute are more than ten years old.

	% of Argyll & Bute SEs	% of All Social Enterprises
0-4 years	**9%**	17%
5-10 years	**17%**	17%
Over 10 years	**73%**	66%
Total	**100%**	100%

The average age of social enterprises, like the national average, is 20 years.

Average Age of Argyll & Bute SEs	Average Age of All Social Enterprises
20 years (2015: 17 years)	20 years

Sector Identity

Just over half (55%) of the social enterprises in Argyll and Bute identify themselves under the term ‘social enterprise’, approximately the same as the national percentage. Compared with 2015 this is a decrease from 65%.

Argyll & Bute SEs self-identifying as a ‘social enterprise’	All Social Enterprises self-identifying as a ‘social enterprise’
55% (2015: 65%)	56%

Size

Social enterprises come in a variety of sizes, though seven out of ten social enterprises (70%) have an annual turnover of less than £100k (2015: 71%).

Income	**% of Argyll & Bute SEs**	% of All Social Enterprises
£0-£49,000	**59%**	43.4%
£50,000-£99,000	**11%**	13.6%
£100,000-£249,000	**14%**	16.0%
£250,000-£499,000	**6%**	8.9%
£500,000-£999,000	**6%**	6.3%
£1,000,000-£4,999,000	**2%**	8.2%
£5,000,000+	**2%**	3.6%
Total	**100%**	100%

Legal Form

Social enterprises come in different legal structures. The largest percentage of social enterprises (43%) is Companies Limited by Guarantee. More than a quarter (27%) of social enterprises are unincorporated.

Legal Form	% of Argyll & Bute SEs 2015	**% of Argyll & Bute SEs 2017**	% of All Social Enterprises 2017
Community Interest Company	3%	**5%**	10%
Company Limited by Guarantee	50%	**43%**	44%
Registered Society	7%	**5%**	7%
Scottish Charitable Incorporated Organisation	6%	**8%**	11%
Trust	11%	**12%**	5%
Unincorporated	24%	**27%**	24%
Total	100%	**100%**	100%

Four out of five social enterprises in Argyll and Bute (80%) are also a registered Charity, slightly more than the national average and a growth compared to 2015.

Social Enterprises that are registered charities in Argyll & Bute	All Social Enterprises
80% **(2015: 71%)**	75%

Doing Business for Good

Social enterprises are, by their nature, driven to deliver social and/or environmental objectives. As expected, there are some differences with the national picture, mainly caused by the rural character of the sector in Argyll and Bute.

Main Social and Environmental Objectives Pursued	**% of Argyll & Bute SEs**	% of All Social Enterprises
Providing volunteering opportunities	**63%**	62%
Enabling people to participate in local community	**60%**	57%
Promoting cultural participation	**52%**	38%
Addressing social isolation/exclusion	**47%**	46%
Improving health and wellbeing	**45%**	54%
Promoting rural development	**45%**	20%
Providing opportunities for young people	**42%**	44%
Creating employment opportunities	**42%**	44%
Promoting learning or education	**41%**	51%

Main Social and Environmental Objectives Pursued	**% of Argyll & Bute SEs**	% of All Social Enterprises
Protecting or improving the environment	**40%**	30%
Improving built or natural heritage	**35%**	18%
Reducing waste	**28%**	21%
Promoting equality and human rights	**27%**	33%
Supporting other organisations	**27%**	30%
Supporting children in their early years	**22%**	27%
Providing training for employment	**20%**	35%
Producing renewable energy	**16%**	7%
Tackling poverty and financial exclusion	**14%**	32%
Providing care to adults and older people	**10%**	12%
Improving urban neighbourhoods	**5%**	13%
Rehabilitating of offenders	**2%**	8%
Providing affordable housing	**2%**	5%

3. Geographic Coverage

This section describes the geographical spread of social enterprises in Argyll and Bute.

Urban-Rural

Argyll and Bute is mainly a rural area and almost three-quarters of social enterprises (72%) are located in rural areas, in contrast to the national distribution of social enterprises where the majority (66%) are located in urban areas.

	Argyll & Bute SEs	
RURAL		**URBAN**
72%		**28%**
	All Social Enterprises	
34%		66%

The majority (69%) of social enterprises in Argyll and Bute are located in remote rural areas, significantly larger than the national percentage (19%).

	% of Argyll & Bute SEs	% of All Social Enterprises
Large Urban Areas	**0%**	35%
Other Urban Areas	**4%**	19%
Accessible Small Towns	**0%**	6%
Remote Small Towns	**24%**	6%
Accessible Rural	**3%**	15%
Remote Rural	**69%**	19%
SCOTLAND	**100%**	100%

Deprived Communities

Only a small minority of social enterprises are located in deprived areas of Argyll and Bute, considerably less than the national distribution. However, it should be noted that the Scottish Index of Multiple Deprivation (SIMD), which is used to define deprivation in the 2017 Census, is less suitable to identify rural deprivation.

Only 2% of the 20% most deprived areas are located in rural areas[3], which suggests that social enterprises in Argyll and Bute are actually overrepresented in deprived areas.

	% of Argyll & Bute SEs	% of All Social Enterprises
5% Most Deprived Areas	**0%**	5%
10% Most Deprived Areas	**2%**	10%
15% Most Deprived Areas	**5%**	13%
20% Most Deprived Areas	**5%**	17%
Rest of Scotland	**95%**	83%

[3] http://www.gov.scot/Topics/Statistics/SIMD/FAQRuralIssues

4. Markets

This section examines the markets in which in Argyll and Bute social enterprises are trading and the customers they serve.

Economic Sector

Social enterprises have a stronger presence in some sectors than in others. In Argyll and Bute, the largest percentage of social enterprises (24%) are active in the Community Centres & Halls sector, followed by the Property, Energy, Utilities & Land sector (15%) and the Tourism, Heritage & Festivals sector (11%).

Economic Sector	**Number of Argyll & Bute SEs**	**% of Argyll & Bute SEs**	% of All Social Enterprises
Arts & Creative Industries	**22**	**9%**	14%
Community Centres & Halls	**60**	**24%**	17%
Early Learning & Childcare	**19**	**8%**	13%
Education, Training & Employment	**2**	**1%**	5%
Environment & Recycling	**10**	**4%**	3%
Financial Services	**3**	**1%**	2%
Food, Catering & Hospitality	**3**	**1%**	2%
Health & Social Care	**12**	**5%**	12%
Housing	**5**	**2%**	4%
Information, Consultancy & Support	**6**	**2%**	4%
Property, Energy, Utilities & Land	**38**	**15%**	6%
Retailing	**7**	**3%**	3%
Sport & Leisure	**14**	**6%**	5%
Tourism, Heritage & Festivals	**28**	**11%**	6%
Transport	**5**	**2%**	2%
Other	**12**	**5%**	3%
Total	**246**	**100%**	100%

Market Area

Almost half of the social enterprises in Argyll and Bute operate in their local community only, comparable to 2015, but significantly higher than the national average.

Coverage	% of Argyll & Bute SEs 2015	**% of Argyll & Bute SEs 2017**	% of All Social Enterprises 2017
A Single Neighbourhood/Community	49%	**48%**	26%
A Local Authority Area	34%	**31%**	32%
More Than One Local Authority Area	5%	**7%**	20%
Scotland-Wide	3%	**2%**	10%
Across the UK	0%	**5%**	5%
Internationally	9%	**7%**	7%

Main Offering

The majority of social enterprises in Argyll and Bute are delivering services (78%). Only 12% of social enterprises are offering mainly goods, while 10% do both.

Offering	**% of Argyll & Bute SEs**	% of All Social Enterprises
Mainly Goods	**12%**	11%
Goods and Services Equally	**10%**	10%
Mainly Services	**78%**	79%

Market Alternatives

Social enterprises typically start as a response to local needs or to address a market failure of the public and/or private sector. Most social enterprises in Argyll and Bute (70%) believe there is no alternative arrangement to deliver their work if they stopped trading, consistent with the 2015 survey and the national picture for rural communities.

Alternative Provider	% of Argyll & Bute SEs 2015	**% of Argyll & Bute SEs 2017**	% of All Social Enterprises 2017 (Rural)
A Private Company	14%	**4%**	9%
A Public Body	14%	**8%**	8%
Another Third Sector Organisation	4%	**18%**	13%
No One	69%	**70%**	70%

Customers

A trading social enterprise has a customer, someone that pays them to deliver the goods or services. Compared to 2015, the general public has increased as a client base, while all the other categories have declined. Compared to the national figures, Argyll and Bute's social enterprises sell more to the general public and less to the private, public and third sectors

Customer Group	% of Argyll & Bute SEs 2015	**% of Argyll & Bute SEs 2017**	% of all Social Enterprises 2017
Public Sector	53%	**36%**	52%
Private Sector	50%	**29%**	36%
Third Sector	37%	**23%**	46%
General Public	74%	**86%**	79%

Bidding for Public Contracts

Only 13% of social enterprises submitted a tender for a public contract, which compares unfavourably to the national average. Two-thirds of those bidding have been successful in winning a contract, versus three-quarters nationally.

Situation	**% of Argyll & Bute SEs**	% of All Social Enterprises
Did Not Bid For Contracts	**87%**	80%
Unsuccessful in Bidding for Contracts	**4%**	5%
Won a Contract	**9%**	15%

International Activity

Social enterprises in Argyll and Bute are less involved in selling in international markets than the national average.

	% of Argyll & Bute SEs	% of All Social Enterprises
Have Exported/Licensed Overseas in Last 12 Months	**2%**	4%

5. Business Practices

This section examines the commitment of social enterprises in Argyll and Bute to fair, ethical and inclusive working practices.

Good Governance

Social enterprises in Argyll and Bute have a slightly more transparent and accountable governance structure than the national average. Almost all social enterprises (99%) comply with the requirement of the Voluntary Code of Practice for Social Enterprise in Scotland, to operate with at least three unrelated directors/trustees in their board, with an average number of eight Directors/ Trustees.

	Argyll & Bute SEs	
8	**99%**	**85%**
The average number of Trustees/Directors in overall management and control of social enterprises	Of social enterprises report a minimum of 3 unrelated Directors/Trustees in place	Of social enterprises are led by and accountable to people in a particular neighbourhood / community
	All Social Enterprises	
7	**96%**	**70%**

Diverse Leadership

Argyll and Bute's Board Rooms show a comparable picture to the rest of the country where diversity is concerned.

DIVERSITY ON BOARDS	% of Directors/ Argyll & Bute SEs	% of Directors/ All Social Enterprises	% of Argyll & Bute SEs where at Least Half Directors are From This Group	% of Social Enterprises where at Least Half Directors are From This Group
Women	50%	53%	52%	59%
People from Black and Minority Ethnic Communities	2%	3%	3%	2%
Young People (Aged Under 25 Years)	2%	3%	3%	1%
People with a Disability or Long Term Health Condition	9%	9%	6%	6%

The picture of diversity for social enterprise leaders and managers is broadly comparable with the national average, with the exception of people from a Black and Minority Ethnic background, where the 2017 survey did not identify any leaders.

PROFILE OF SALARIED SOCIAL ENTERPRISE LEADERS/MANAGERS

	Female	Black and Minority Ethnic	Young person (aged under 25 years)	Disability or long-term health condition
Argyll & Bute SEs	63%	0%	2%	13%
All social enterprises	64%	3%	3%	15%

Pay Equity

Social enterprises in Argyll and Bute have a relatively flat pay structure where, on average, the highest paid employee is not earning more than double the amount of the lowest paid, well within the 1:5 benchmark set in the Voluntary Code of Practice for Social Enterprise in Scotland.

Argyll & Bute SEs	
1:2.0	**98%**
The average differential between the highest and lowest paid employee	Of social enterprises have a pay differential not exceeding 1:5
All Social Enterprises	
1:2.5	95%

Living Wage

Three quarters of social enterprises in Argyll and Bute pay at least the Scottish Living Wage.

	% of Argyll & Bute SEs 2015	**% of Argyll & Bute SEs 2017**	% of All Social Enterprises 2017
Pay at Least the Living Wage in Scotland for All Employees	75%	**75%**	72%

Secure Work

The percentage of social enterprises in Argyll and Bute offering zero hour contracts (16%) is slightly more than the national percentage (15%), an increase since 2015.

	% of Argyll & Bute SEs 2015	**% of Argyll & Bute SEs 2017**	% of All Social Enterprises 2017
Make Use of Zero Hours Contracts	11%	**16%**	15%

Targeted Employment

The survey reveals that in almost three-quarters of social enterprises (73%) women constitute the majority of the workforce, comparable to the national average (76%). Not surprisingly, almost all social enterprises in Argyll and Bute (96%) employ mostly local people.

	% of Argyll & Bute SEs	% of All Social Enterprises
More Than Half of Employees are Female	**73%**	76%
Employ More Than Half Their Workforce Locally	**96%**	79%

Access to Opportunity

Social enterprises generally are a vehicle to create employment opportunities for everyone in the community, including those that are furthest removed from the labour market. The indicators for Argyll and Bute are below the national average, which is to be expected for a rural area.

Argyll & Bute SEs

14%	25%	36%	60%
Have a MAIN aim to create employment, training, work experience and volunteering opportunities WITHIN the organisation	Employ People Formerly Disadvantaged in the Labour Market	Employ Previously Unemployed Young People (Aged Under 25)	Provide training or support intended to improve employability
All Social Enterprises			
18%	41%	49%	63%

The survey results show to what extent social enterprises in the area are working with, and seeking to employ, disadvantaged groups.

Disadvantaged Groups	**Work With**		**Seek to Employ**	
	Argyll & Bute SEs	All Social Enterprises	**Argyll & Bute SEs**	All Social Enterprises
Young people leaving care	**18%**	70%	**82%**	30%
People with mental illness or mental health problems	**67%**	84%	**33%**	16%
Homeless / coming out of homelessness	**30%**	79%	**70%**	21%
Alcohol or drug addiction / dependency	**62%**	87%	**38%**	13%
Long-term unemployed	**58%**	71%	**42%**	29%
Individuals with a physical disability	**62%**	79%	**38%**	21%
Individuals with a learning disability	**67%**	84%	**33%**	16%
Young parents	**67%**	78%	**33%**	22%
Older people losing independence	**73%**	85%	**27%**	15%
People with convictions	**64%**	80%	**36%**	20%
Refugees and asylum seekers	**57%**	73%	**43%**	27%
Veterans / ex-military	**22%**	64%	**78%**	36%

6. Financial Performance

This section explores the financial situation of the sector in Argyll and Bute.

Income

The total income of the sector in Argyll and Bute is £87m. Excluding RSLs and Credit Unions, the income of the sector has increased from £40.7m in 2015 to £57m[4] in 2017.

Total Income Social Enterprise Sector	**Argyll & Bute SEs**	All Social Enterprises
Registered Social Landlords	£30.3m	£1,569m
Credit Unions	£0.03m	£33m
Other Social Enterprises	£57.0m	£2,206m
Total	**£87.33m**	**£3,809m**

For the majority of social enterprises in Argyll and Bute (58%) the income has increased, comparable to the national average.

Change (2015-17) in Income at Organisation Level	**% of Argyll & Bute SEs**	% of All Social Enterprises
Income Has Increased	**58%**	57%
Income Has Decreased	**42%**	43%

[4] It should be noted that for the 2017 Census more and richer data were available compared to 2015. The greater level of imputation of unknown data in the 2015 Census, and the relatively large impact this may have on a relatively small population as Argyll and Bute, may have led to an underestimation in 2015.

Trading

The earned income from trading has more than doubled to £30.1m (excluding RSLs and Credit Unions).

Value of Social Enterprise Trading Activity Argyll & Bute SEs 2015	**Value of Social Enterprise Trading Activity Argyll & Bute SEs 2017**	Value of Social Enterprise Trading Activity All Social Enterprises
14.6m	**£30.1m**	£2,744m

Social enterprises in Argyll and Bute are slightly less mature than those in the rest of the country. Mature social enterprises (49%), that get at least half of their income from trading, account for the vast majority of income (88%).

Trading Level	% of Argyll & Bute SEs 2015	**% of Argyll & Bute SEs 2017**	% of All Social Enterprises	**% of all Argyll & Bute Trading Income**
Mature Group (50%+ Income From Trading)	50%	**49%**	61%	**88%**
Aspiring Group (25-49% Income From Trading)	13%	**23%**	19%	**7%**
Emerging Group (<25% Income From Trading)	37%	**28%**	21%	**5%**

Trading levels differ in various sectors. The sectors with the highest trading levels are Financial Services (94%), Food, Catering & Hospitality (92%) and Early Learning & Childcare (89%). The lowest levels of trading are found in Transport and Community Centres & Halls (50%).

Sector	**Average % Income from Trading**	Share of All Sector Trading Income
Arts & Creative Industries	**63%**	0.5%
Community Centres & Halls	**50%**	0.9%
Early Learning & Childcare	**89%**	2.5%
Education, Training & Employment	**72%**	1.7%
Environment & Recycling	**60%**	0.4%
Financial Services	**94%**	0.4%

Sector	Average % Income from Trading	Share of All Sector Trading Income
Food, Catering & Hospitality	**92%**	0.6%
Health & Social Care	**54%**	8.1%
Housing	**76%**	76.3%
Information, Consultancy & Support	**60%**	2.3%
Property, Energy, Utilities & Land	**54%**	0.1%
Retailing	**62%**	0.5%
Sport & Leisure	**68%**	3.3%
Tourism, Heritage & Festivals	**52%**	1.1%
Transport	**50%**	0.3%
Other	**90%**	1.0%

Expenditure

The total spend of the sector is £79m.

Total Expenditure Social Enterprise Sector	Total Expenditure Argyll & Bute SEs	Total Expenditure All social enterprises
Registered Social Landlords	**£25.5m**	£1,376m
Credit Unions	**£0.04m**	£28m
Other Social Enterprises	**£53.5m**	£2,118m
Total	**£79.04m**	£3,522m

For most social enterprises in the area (57%), costs have increased since 2015.

Change (2015-17) in Expenditure at Organisation Level	% of Argyll & Bute SEs	% of All Social Enterprises
Costs Have Increased	**57%**	62%
Costs Have Decreased	**43%**	38%

Staffing is typically the biggest cost for a social enterprise; however, in Argyll and Bute staffing cost only counts for one-third (34%) of the cost[5].

Staff Cost Ratio[6] Argyll & Bute SEs	Staff Cost Ratio All Social Enterprises
33.6%	56.0%

Profitability

The sector in Argyll and Bute is on average operating at a surplus, however, the Credit Unions made a minimal loss.

Total Surplus	**Argyll & Bute SEs**	All social enterprises
Registered Social Landlords	**£4.8m**	£193m
Credit Unions	**-£0.01m**	£5m
Other Social Enterprises	**£3.5m**	£89m
Total	**£8.29m**	£287m

Social enterprises in Argyll and Bute are more profitable than their counterparts in the rest of the country with a Profitability Ratio of 5.5%, meaning for every £1 of turnover they make a surplus of 5.5p.

Profitability Ratio[7] Argyll & Bute SEs	Profitability Ratio All Social Enterprises
5.5%	4.0%

[5] It should be noted that details about staffing cost were only available for around one-third of the social enterprises in Argyll and Bute, which means this ratio should be used with appropriate caution.

[6] The Staff Cost Ratio is the percentage of actual expenditure among social enterprises which is allocated to staffing costs. The formula is Staffing Costs/ Total Expenditure x 100. Excluding RSLs and Credit Unions.

[7] The Profitability Ratio tells us the amount of surplus per £1 of income social enterprises have earned after taking account of all expenditure. The formula is Net Surplus (Deficit) /Total Income x 100. Excluding RSLs and Credit Unions.

The total profit and Profitability Ratio do not tell the whole story. Behind those figures, almost four out of ten social enterprises have made a loss.

Last Financial Year End	**% of Argyll & Bute SEs**	% of All Social Enterprises
Making a Surplus	**60%**	58%
Breaking Even	**3%**	1%
Making a Deficit	**38%**	41%

Financial Health

The Balance Sheet provides a picture of financial health, accounting for all assets and liabilities. The Balance Sheet for Argyll and Bute looks healthy with total assets of £290m and total liabilities of £178m, resulting in a net worth of £112m.

Aggregated Balance Sheet	**Total Assets**	**Total Liabilities**	**Net Assets**
Registered Social Landlords	£200m	£157.4m	£42.6m
Credit Unions	£0.7m	£0.6m	£0.1m
Other Social Enterprises	£89.5m	£20.2m	£69.3m
Total	**£290.2m**	**£178.2m**	**£112.0m**

The Current Ratio is a measure of how many current assets are available to cover the short-term liabilities. Housing Associations and Credit Unions have just enough short-term assets to cover for their liabilities, while the rest of social enterprises have a healthier ratio.

Current Ratio[8]	**Argyll & Bute SEs**	All Social Enterprises
Registered Social Landlords	**1.1**	2.0
Credit Unions	**0.9**	1.1
Other Social Enterprises	**1.9**	2.7

[8] The Current Ratio provides an indication of the ability of social enterprises to meet short-term obligations (those obligations due within 1 year or less). The formula for the Current Ratio is Current Assets/Current Liabilities.

Another indicator of financial health is how quickly debtors are paying their bills, on average 43 days in Argyll and Bute, quicker than the national average.

Debt Turnover Ratio[9] Argyll & Bute SEs	Debt Turnover Ratio All Social Enterprises
43 days	49 days

Social enterprises in Argyll and Bute can on average cover just over half of their cost from trading.

Self Sufficiency Ratio[10] Argyll & Bute SEs	Self Sufficiency Ratio All Social Enterprises
53.5%	70.4%

Social enterprises in Argyll and Bute are more dependent on grant funding than the rest of the sector.

Grants Ratio[11] Argyll & Bute SEs	Grants Ratio All Social Enterprises
39.2%	28.1%

Unrestricted reserves are net assets that a social enterprise can use as they see fit, within the limitations of their constitution. Collectively the sector has almost £30m of unrestricted reserves.

[9] The Debt Turnover Ratio provides an indication of how long debtors take to pay their account. The formula is Debtors / Total Income x 365. Excluding RSLs and Credit Unions.

[10] The Self Sufficiency Ratio provides an indication of the extent to which social enterprises are able to cover their costs through trading. The formula is Earned Income / Total Expenditure x 100. Excluding RSLs and Credit Unions.

[11] The Grants Ratio provides an indication of the extent to which social enterprises are making use of grant funding. The formula is Grants / Total Income x 100. Excluding RSLs and Credit Unions.

Unrestricted Reserves[12] Argyll & Bute SEs	Unrestricted Reserves All Social Enterprises
£29.7m	£1,666m

If social enterprises would use their unrestricted reserves to run their organisation in the highly unlikely occasion that all sources of income have dried up, they would be able to operate for half a year (26 weeks).

Survival Ratio[13] Argyll & Bute SEs	Survival Ratio All Social Enterprises
26 weeks	42 Weeks

[12] Excluding RSLs and Credit Unions.

[13] The Survival Ratio provides an indication of how long social enterprises could survive with no income. The formula is Total Unrestricted Reserves / Total Income. Excluding RSLs and Credit Unions.

7. Prospects and Needs

This section examines the confidence in the future, main challenges and support needs of social enterprises in Argyll and Bute.

Economic Climate

Social enterprises in Argyll and Bute reported to be less affected by the economic climate over the past 12 months than in the rest of the country.

Reported Effect	**% of Argyll & Bute SEs**	% of All Social Enterprises
Positively	**7%**	7%
Neither Positively or Negatively	**62%**	44%
Negatively	**31%**	50%

Business Confidence

Social enterprises in Argyll and Bute are less confident about the future than those in the rest of the country. The Social Enterprise Confidence Index[14] that was introduced in the 2017 Social Enterprise Census is **-11.3**, against -7.8 for all social enterprises.

Confidence Level	**% of Argyll & Bute SEs**	% of All Social Enterprises
Much More Confident	**5%**	6%
Slightly More Confident	**14%**	17%
As Confident	**40%**	41%
Slightly Less Confident	**36%**	29%
Much Less Confident	**5%**	8%

[14] The Social Enterprise Confidence Index based on the method employed by the ICAEW UK Business Confidence Monitor, one of the largest and most comprehensive quarterly reviews of UK business confidence and provides a regular snapshot of the economy. For further information, see http://www.socialvaluelab.org.uk/wp-content/uploads/2017/09/Census-2017-Main-Report.pdf

Forecasted Changes

Social enterprises in Argyll and Bute are having broadly the same expectations for the near future as their counterparts in the rest of the country. However, they are less confident about securing public contracts.

	% All Argyll & Bute SEs Forecasting Increase for 2018	% All Social Enterprise Forecasting Increase for 2018
Total income	**45%**	53%
Proportion of income from trading	**38%**	45%
Contracts with the public sector	**15%**	23%
Geographic coverage	**29%**	30%
Product/service range	**56%**	53%
Demand for services	**67%**	75%
Operating costs	**75%**	78%
Joint working with others	**73%**	64%
Reliance on grants	**33%**	29%
Total employees	**31%**	37%

Key Challenges

There are a number of barriers to development reported by social enterprises in Argyll and Bute.

Obstacle/barrier	**% of Argyll & Bute SEs**	% of All Social Enterprises
Lack of Time/Capacity to Develop Trading Potential	**61%**	54%
Insecure or Declining Grant Funding	**50%**	51%
Increasing Costs	**47%**	51%
Skills Gaps or Shortages	**21%**	20%
Cash Flow Difficulties	**21%**	22%
Public Awareness or Preconceptions of Social Enterprise	**21%**	21%
Difficulty Accessing Finance	**20%**	20%
Recruitment and Retention Difficulties	**20%**	17%
Difficult Market/Trading Conditions	**17%**	27%
Difficulty Complying With Regulations or Legislation	**17%**	14%
Difficulties Securing Public Contracts/Service Level Agreements	**12%**	20%
Inadequate Business Support	**12%**	13%
Competition Within the Market	**6%**	20%

Access to Finance

The majority of social enterprises (53%) are aware of loan finance, but only a small number (16%) are currently using a loan.

Reported awareness, attitudes and use of repayable finance	% of Argyll & Bute SEs	% of All Social Enterprises
Aware of the Options	53%	56%
Willing to Consider	23%	29%
Able to Access	26%	35%
Currently Making Use of	16%	14%

Grants are still the most applied for finance (77%).

Finance Type Applied for in the last 12 months	% of Argyll & Bute SEs	% of All Social Enterprises
A Loan	9%	9%
A Grant	77%	73%
An Overdraft	3%	4%
Equity Finance	0%	0%
Leasing/Hire Purchase	3%	3%
Community Share Capital	0%	1%
None of the Above	23%	24%

Measuring Social Impact

Almost two-thirds of social enterprises (65%) are measuring their social impact, but less than one out of five social enterprises (17%) do so to a large extent.

Extent to which Organisations Measure their Social Impact	% of Argyll & Bute SEs	% of All Social Enterprises
A Large Extent	17%	18%
Some Extent	48%	48%
Not Very Much	23%	23%
Not at All	11%	11%

Social enterprises in Argyll and Bute are using the two most established social impact frameworks, Social Return on Investment (SROI, 1%) or Social Accounting and Audit (SAA, 0%), less than the national average. However, it should be noted that the use of complex, time-consuming methodologies, that generally require a lot of support, is less feasible for relatively small social enterprises in rural areas.

Methods Used to Measure Social Impact	% of Argyll & Bute SEs	% of All Social Enterprises
Social Accounting and Audit (SAA)	0%	4%
Social Return on Investment (SROI)	1%	7%
Own Method	87%	80%

Support Needs

Social enterprises in Argyll and Bute generally have the same needs as the social enterprises surveyed nationally.

Form of Support	% of Argyll & Bute SEs	% of All Social Enterprises
Measuring Social Impact	43%	44%
Developing New Products or Services	43%	35%
Developing Your Workforce	40%	39%
Collaborating With Others to Succeed	40%	39%
Attracting New and Young Talent	37%	33%
Researching New Opportunities	37%	40%
Developing Your Marketing Strategy	37%	39%
Developing Leadership Capabilities	34%	28%
Developing Digital Capabilities	29%	33%
Preparing a Business Plan for Growth	28%	32%
Planning for Business Change and Succession	28%	30%
Improving Your Business Practices	26%	33%
Learning New Business Skills	26%	22%
Improving Environmental Sustainability	18%	14%
Finding a Business Mentor	16%	19%
Finding Property Solutions	16%	19%
Tendering for Public Sector Contracts	13%	23%
Doing Business in International Markets	12%	6%
Attracting Repayable/Loan Finance	10%	8%
Starting up a New Business Venture	9%	10%
Managing Your Intellectual Property	9%	12%
Recovering from Business Difficulties	3%	8%

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