



# BIG SOCIETY CAPITAL

Mapping the Needs:  
One Year On

April 2021

# Why did we go about “Mapping the Needs” during 2020, and why are we doing an update now?

As Covid-19 hit, we wanted to understand the range of implications for social enterprises and charities, especially the impact on their ability to access repayable finance. We wanted to reduce the chance that we might overlook vital pieces of information, ensuring our response was as appropriate and relevant as possible.

Working with partners, we collated data from a wide range of internal and external sources including Big Society Capital portfolio data, discussions with fund managers and social sector infrastructure bodies, sectoral surveys and Resilience and Recovery Loan Fund data.

This information has and will be used to inform our internal investment decision making and to influence our new five year strategy. However, the lessons are much more widely applicable to the social investment sector and so we wanted to share our findings.

In our original [Emerging Trends - Mapping the Needs Summary of Findings](#), we identified five key takeaways. In this report we look at what has changed in the landscape since August 2020. We cover new initiatives, some as a direct response to the pandemic, the redirection of existing support or acceleration of existing plans. We reflect on the barriers that remain and opportunities on the horizon.

The scope of our exploration was limited to repayable investment into social enterprises and charities, rather than the whole social sector. However, we recognise that social investment is only one part of the solution alongside much needed efforts from others, including government coronavirus support which has been well used by impact creating organisations.

As such, this report is an interim update. The true impact of the pandemic and its impact on the [#NeverMoreNeeded](#) services from social enterprises and charities will not be truly understood until much of the government support has fallen away. Beyond furlough, business rates, VAT deferral and the trigger for repayment of the Bounce Back Loan Scheme, only then will we really get a sense of what the world will look like for the wider social sector.



## Our Mapping the Needs initial analysis

We produced an analysis to inform our investment decision making, sharing this in a blog in August 2020, [that you can read here](#). This focussed on identifying social enterprises and charities who were most affected by the pandemic, their needs through the emergency response phase, and potential gaps in support.

Since then, we have continued to collate data, considering the needs of social enterprises and charities as they recover from the pandemic, bearing in mind coronavirus has gone on for much longer than anticipated.

# An update on our five key takeaways from 2020

## 1.

**In general, smaller organisations have been less resilient to the shocks from coronavirus and have required more support through the emergency period.**

### Responses:

- **The Bounce Back Loan Scheme (BBLs) has now approved £45.4 billion to over 1.5 million organisations since it launched in May last year**, compared to £22 billion approved through the Coronavirus Business Interruption Loan Scheme (CBILs).<sup>1</sup>
- **As part of BBLs, £37.4 billion has gone to micro enterprises with turnover less than £632,000**, and £6.5 billion has gone to small organisations with turnover between £632,000 and £10.2 million.<sup>2</sup>
- BBLs were self-certified, patient, with no interest or capital repayments due for the first 12 months of borrowing. They were the cheapest and most immediate form of emergency repayable finance from May 4 2020 to 31 March 2021.

### Challenges:

- **While in the first stage of the pandemic, the challenge was of solvent organisations struggling to access liquidity, we are now anticipating the emergence of liquid organisations who are insolvent.**
- The liquidity may be because small community organisations haven't taken on new lending through schemes such as BBLs and the interest is still suspended.
- However, for many business models, ongoing delayed restarts and reduced capacity means there are concerns over a larger debt load, which negatively impacts solvency.

### Opportunities

- **Growth expectations for the sector have improved: 65% of social enterprises expect to hold their position or grow, with only 4% anticipating losing income or staff. A static 1% expect to close.**<sup>3</sup>
- **Despite the challenging environment, small social enterprises and charities have shown incredible adaptive capacity.** They are continuously innovating and changing their services as the needs of those they serve have changed and become more complex. One report found that small and local charities also showed 'absorptive capacity', 'soaking up' the health and economic impacts of the crisis.<sup>4</sup>
- A small but vital win in the Spring Budget that saved Social Investment Tax Relief<sup>5</sup> from retirement could make transformative change for the social sector, along with the creation of the UK Government's new £150 million Community Ownership Fund<sup>6</sup>.

1. <https://www.accountancydaily.co/covid-19-loan-schemes-shell-out-ps73bn-businesses>  
2. <https://researchbriefings.files.parliament.uk/documents/CBP-8938/CBP-8938.pdf>  
3. <https://www.socialenterprise.org.uk/wp-content/uploads/2021/03/SEUK-SEAP-Survey-Report-7-Feb.pdf>  
4. <https://www.lloydsbankfoundation.org.uk/we-influence/the-value-of-small-in-a-big-crisis>  
5. <https://bigsocietycapital.com/latest/small-vital-win-spring-budget/>  
6. <https://www.gov.uk/government/publications/community-ownership-fund/community-ownership-fund>

## 2.

**Government finances schemes continue to be well used by impact creating organisations, and their extension in the March Budget provided a much-needed boost to confidence.**

### Responses:

- **In January, Social Enterprise UK (SEUK) found that around 23% of social enterprises have staff on furlough, with the average number of people on furlough just under eight.** The Key Fund, who surveyed their portfolio with just over half responding, found that 70% had furloughed staff, on average 11 per organisation.<sup>7</sup>
- **The Kickstart Scheme appears promising for some social enterprises. 15% are using it already, with a further 20% planning to apply under new rules** introduced this month allowing individual organisations to apply for fewer than 30 jobs.<sup>8</sup>
- In total, government backed coronavirus lending schemes have supported around 27% of British businesses almost a year since the schemes were first put in place, **the social investor led Resilience and Recovery Loan Fund has lent nearly £20 million to 63 charities and social enterprises using CBILS in addition to £3 million of grant, with £10 million of loans in the pipeline.**<sup>9</sup>
- BBL is by far the most popular, and the Key Fund who surveyed their portfolio, with 124 responses making up just over half, found that over 40% had taken on BBL and 6% the Coronavirus Business Interruption Loan Scheme (CBILS).

### Challenges:

- However, there has been a general feeling of frustration that Bounce Back Loans were only available through selected banks which have put in restrictions (e.g., offering to existing customers only).<sup>10</sup>
- As we look ahead, the shape of extended social distancing (or at least social caution) will be key. In addition, the expiration of furlough on 30 September 2021 and what follows the Recovery Loan Scheme, open until 31 December 2021.

### Opportunities

- **There is much confidence in the role guarantees can play for social investors, encouraged by the extension of the guarantee loan scheme at 80% coverage until the end of the year, with a more permanent replacement expected from January 2022.**

7. <https://www.socialenterprise.org.uk/social-enterprise-advisory-panel/social-enterprise-advisory-panel-january-2021/>  
8. <https://www.socialenterprise.org.uk/social-enterprise-advisory-panel/social-enterprise-advisory-panel-february-2021/>  
9. <https://analytics.zoho.eu/open-view/85863000000102795>  
10. <https://www.socialenterprise.org.uk/letter-to-the-economic-secretary-to-the-treasury/>

### 3.

**The nature of the shock felt by voluntary, community, and social enterprise organisations is a much more diverse picture than earlier in the crisis where you could largely track vulnerability by business model.**

#### Responses:

- The big headline from across all waves of research on the voluntary, community and social enterprise sector is that demand for services is up whilst overall income is down and costs have also risen, as organisations develop Covid-19 measures and adapt operations and delivery online.<sup>11</sup>
- A closer look at the voluntary sector impact barometer reveals a more nuanced position. Some organisations have seen an uplift in their finances, with 31% reporting an increase to their income, whilst 47% have seen a decrease.<sup>12</sup> A clear issue is that organisations that previously received much of their income from public donations and earned income such as trading have been badly impacted by the pandemic.
- **Social Enterprise UK's Social Enterprise Advisory Panel (SEAP) highlights that only 11% of social enterprises are running with the same business model and level of activity as they were pre-covid.** Nearly one third have provided new/additional targeted support to those in need because of Covid-19.<sup>13</sup>

#### Challenges:

- **The nature of the shock felt by voluntary, community and social enterprise organisations is to some extent predictable, determined by business model. Now, however, it is a much more complex question of how management teams have responded and adapted their revenue model – the extent to which they have managed to cut costs – and what debt they have taken on.**

#### Opportunities

- Black and Ethnic Minority led social enterprises seem particularly innovative and resilient. In response to SEUK's SEAP, a higher number of social enterprises led by people from Black and Ethnic Minority communities have adapted their business models/activities in some way, and this group has been more proactive than the overall average at product/service innovation and pivoting to provide products/services online.
- Despite disproportionate effects on those organisations with earned income such as trading, we are still seeing appetite from organisations to explore whether social investment is workable for them. Good Finance's<sup>14</sup> mission is to be the single trusted source of information on social investment for charities and social enterprises. The platform helps inform and educate about repayable finance and connect with social investors. **The website has just passed the milestone of reaching over 200,000 unique users.**

11. [http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021\\_DIGITAL.pdf](http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021_DIGITAL.pdf)

12. [http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021\\_DIGITAL.pdf](http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021_DIGITAL.pdf)

13. <https://www.socialenterprise.org.uk/social-enterprise-advisory-panel/social-enterprise-advisory-panel-september-2020/>

14. <http://www.goodfinance.org.uk/>

## 4.

**Big imbalances exist. In fact, we see those that existed before have been exacerbated, but we are seeing structural changes across the social sector.**

### Responses:

- Moves are being made across the social sector in recognising inequality and intentional steps have been made by many organisations to recognise power and privilege. Cooperatives UK, Locality, Plunkett, and Power to Change have commissioned a joint review of their practices<sup>15</sup>. Esmée Fairburn have stated their ambition to tackle racial injustice. This is a core strand within their new strategy, for example offering £2 million in additional, unrestricted grants to organisations led by and for racialised communities.<sup>16</sup>
- Knowledge and education go together with making social investment equitable, and Good Finance launched the Addressing Imbalance programme<sup>17</sup>, forming eight partnerships with Black and Ethnic Minority led charities and social enterprises, to improve access to information on social investment. **While social investors are primed to take on inequality, the data suggests a tough road ahead, with social enterprises led by people from Black and Ethnic Minority groups being less likely to receive funding.**<sup>18</sup>
- The first development cohort for the Access Foundation Flexible Finance for the Recovery Programme includes an UnLtd and Big Issue Invest led quasi-equity product, targeting growth-oriented Black and Ethnic Minority led organisations and founders.<sup>19</sup>

### Challenges:

- Across the social sector, several large charities, membership bodies and funders have begun to address systemic issues on racial discrimination and inequality, and whilst this is positive, there is a long road ahead. An independent review into NCVO found that staff from marginalised groups experienced overt oppression. NCVO is making steps to create a positive and inclusive culture in the workplace following their independent EDI report.<sup>20</sup>
- **Learnings from engagement with over 35 organisations as part of the Good Finance Addressing Imbalance programme demonstrated that capacity, perception, and lack of sector diversity remain as barriers to accessing social finance.**

### Opportunities

- Addressing the systemic change that is required has only just started. The pandemic and resulting spotlight on the disproportionate impact on marginalised and racialised communities and businesses has sparked a level of intolerance which is long overdue.
- There is a drive to get our own houses in order, our Interim CEO Stephen Muers wrote about what Equality, Diversity and Inclusion means for Big Society Capital<sup>21</sup>.
- There has been a shift in focus to embed user voice and lived experience at the heart of investment decision making. Access Flexible Finance made new appointments to their Recovery Investment Committee and Lisa Hilder, a UK Women's Sector advocate joined the Big Society Capital Investment Committee at the start of 2021.<sup>23</sup> Embedding user voice and bringing more diverse experience into every level of organisations is vital. There is great opportunity to do this across the sector and learn from others.<sup>24</sup>

15. <https://www.powertochange.org.uk/news/our-commitment-to-a-more-diverse-equitable-and-inclusive-community-business-sector>

16. <https://esmeefairbairn.org.uk/our-aims/fairer-future/>

17. <https://www.goodfinance.org.uk/diversity-and-inclusion>

18. <https://www.pioneerspost.com/news-views/20210406/uk-social-investors-primed-take-on-inequality-data-suggest-tough-road-ahead>

19. <https://access-socialinvestment.org.uk/flexible-finance-first-development-cohort-announced/>

20. <https://blogs.ncvo.org.uk/2021/02/08/ncvos-equity-diversity-and-inclusion-edi-work-over-the-last-year/>

21. <https://bigsocietycapital.com/latest/three-principles-guide-our-work-equality-diversity-and-inclusion/>

22. <https://access-socialinvestment.org.uk/blended-finance/flexible-finance-for-the-recovery/>

23. <https://bigsocietycapital.com/latest/womens-sector-champion-joins-big-society-capitals-investment-committee/>

24. <https://bigsocietycapital.com/latest/bringing-new-meaning-equity-social-impact-investment/>

## 5.

### There is huge uncertainty ahead, and a wide range of outcomes possible.

- **Coronavirus uncertainty is still the highest risk for many organisations. One third of organisations in SEUK's survey said that this was their biggest concern for the year ahead.**<sup>25</sup>
- There is a specific concern that the availability of grant funding in 2020 will not be replicated in 2021 and will leave significant gaps in need for the sector. In addition, there are concerns about mental health of staff and customers, clients, and service users.
- Brexit is not a major concern for most social enterprises – but nearly 40% think there may be a direct or indirect negative impact. A lack of clarity around the UK Shared Prosperity Fund is a specific worry.
- However, the latest SEUK data shows that social enterprises remain resilient, with cash flow positions steady across the sector and the voluntary sector impact barometer reported that 58% of organisation expect their financial position to remain the same over the next month (30% expect it to deteriorate).<sup>26</sup>
- Although several respondents are focussed on survival, SEUK survey data in February showed a clear positive upturn in growth expectations, with more social enterprises expecting to grow and fewer expecting to lose income or staff.
- **We are inspired that greater partnership working, fostered by a new sense of shared purpose, is continuing in the face of uncertainty.**

25. <https://www.socialenterprise.org.uk/social-enterprise-advisory-panel/social-enterprise-advisory-panel-january-2021/>

26. [http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021\\_DIGITAL.pdf](http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021_DIGITAL.pdf)

# And so, what might we do with this information?

Innovation? What types of money are really needed if we are to [#BuildBackBetter](#)?

- ✓ The need for new types of finance is being acknowledged and proposed to support social enterprises and charities to trade out of the current crisis without a dependence on building unsustainable levels of debt.
- ✓ Before the pandemic, research such as [Beyond Demand: the social sector's real need for patient capital](#) highlighted the gap, which is being built on by initiatives such as the new [Social Investment Business debt for equity campaign](#) focussing on the unsustainable Covid debt burden.
- ✓ Addressing the need has only just started and we at Big Society Capital launched our [Ideas for Impact](#), a call for new ideas for using social investment to solve a social problem in the UK, and the Access - The Foundation for Social Investment launched its blended finance programme, [Flexible Finance for the Recovery](#), and has finalised recruitment into its first development cohort.
- ✓ We are also seeing new initiatives such as the [Scottish Government's Third Sector Growth Fund](#), and keeping a watchful eye on new pots of [levelling up funding from the UK Government](#) as relevant to the financing challenges of social enterprises and charities.

## Getting in touch

If you would like to discuss these findings further, or explore some of the data and analysis that contributed, please get in touch with the team:

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