

Social Business Wales

Mapping the Social Business Sector in Wales / Census 2022

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Wavehill: social and economic research

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List of abbreviations

Inter Departmental Business Register	IDBR
Office for National Statistics	ONS
Well-being of Future Generations (Wales) Act	WBFGA
State of Social Enterprise Survey Report 2021	SEUK21
Social Business Wales	SBW
Community Interest Company	CIC

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Section 01 Introduction

01



» 01 Introduction

Wavehill have been commissioned by Social Business Wales (SBW) to undertake the latest biennial mapping exercise of the social business sector in Wales. This repeats similar exercises conducted every two years since 2014.

The purpose of this exercise is twofold: to understand the size and scale of the sector, and to conduct a health check of the sector (including identifying some of the challenges and opportunities faced). Linked to the latter, the exercise is also an opportunity to understand how the sector has been affected by the COVID-19 pandemic.

1.1 Definition

Social business is an umbrella term that describes organisations operating within the social economy, which could include social enterprises, co-operatives, mutuals, and employee-owned businesses. A detailed description of what each of these terms means is set out in Table 1 below.

Table 1.1: Organisation definitions

Organisation Type	Description
Mutual/Co-operative	A mutual/co-operative is an organisation owned by, and run for the benefit of, its current and future members.
Social Enterprise	<p>A social enterprise is a business with primarily social objectives and whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners.</p> <p>It has three key characteristics:</p> <ul style="list-style-type: none"> • It has a social, community or ethical purpose • It operates using a commercial business model • It has a legal form appropriate to a 'not-for-personal-profit' status and social ownership.
Employee-Owned Businesses	<p>The Employee Ownership Association describes employee-owned businesses as businesses that are totally or significantly owned by their employees.</p> <p>Employee ownership can take one of three forms:</p> <ul style="list-style-type: none"> • Direct employee ownership – using one or more tax-advantaged share plans, employees become registered as individual shareholders owning a majority of the shares in their business • Indirect employee ownership – shares are held collectively on behalf of employees, normally through an employee trust • Combined direct and indirect ownership – a combination of individual and collective share ownership.



Section 02 **Methodology and context**

02



» 02 Methodology and context

The study followed a broadly similar approach to that adopted in previous exercises and can be summarised in three work packages: data gathering, survey work, and analysis. Equally, some adjustments were made to the approach in recognition of the increasing need to respond to the climate crisis and net zero policies. These are outlined below.

2.1 Gathering and validating data

The first stage involved the collation and deduplication of lists of social businesses in Wales which were held by various stakeholder partners and on public registers. This follows the same approach used in previous exercises.

The organisations sharing contacts and the lists reviewed were broadly consistent with those in previous exercises. Most of the 'new contacts' (i.e. not identified in previous exercises) were identified on the Community Interest Company (CIC) register and the Social Business Wales (SBW) active client list. In total, 6 lists were cross-referenced against the 2,309 businesses identified in 2018, generating 3,054 unique contacts.

In 2020, the Glamorgan Voluntary Service (GVS) shared a large number of new contacts, of which 174 were retained on the list of businesses to contact. This retention of these contacts for this year continues to affect the geographical distribution of social businesses presented in this report.

Cwmpas was awarded European funding to deliver start-up support in 2019. Through these additional resources Cwmpas has been more active in the provision of pre-start and start-up support to social businesses. It is likely that this has shifted the size and age profile of social businesses supported and these shifts would be reflected in the database of contacts obtained from Cwmpas. Just over a quarter of the unique contacts (815, 27 percent) were sourced from a list provided by Cwmpas of 1,468 businesses who had engaged with it in the last 2 years for start-up support. It is important to note that this sub-sample may have affected the distribution of age of the social businesses presented in this report, where a large number of start-ups may bias the sample towards younger businesses. Thus, it is acknowledged that the proportion of start-up businesses in this report is likely to be an overestimate.

Whilst the primary purpose of the contact list was to generate leads for survey responses, it also provided a further opportunity for the researchers to validate the status of these businesses. During the Research Team calling, a further 122 businesses (four percent) were identified as having ceased trading and 93 (three percent) either were duplicates or did not consider themselves to be a social business. This resulted in a final list of 2,828 social businesses for the survey exercise and our estimate of the size of the current sector.

2.2 Survey

The other main change to the approach in 2022 concerned the survey itself. Several changes were made to the questions posed to respondents, including removing the section added in 2020 focusing specifically on the impact of COVID-19 and how businesses had adjusted in response. Additional questions were included to reflect the additional barriers which may face businesses in 2022 such as the increased cost of wholesale gas and electricity and businesses response to net zero policies in Wales. This included questions around commitments and actions to addressing the climate crisis. Equally, most of the questions and responses from the 2018 exercise were retained, which enables the comparison of findings between survey waves.

As with previous exercises, the survey was divided into two parts: Part 1 was a shorter, 10–15-minute survey that covered factual information about the businesses (e.g. sector, employment, geography, turnover, legal status, etc.), while Part 2 was a longer, more qualitatively focused survey (30–40 minutes on average) which included questions on workforce practices, social value, action on net zero, performance, achievements, and challenges.

In total, 336 businesses completed Part 1 of the survey (11 percent response rate). Additionally, 249 completed Part 2, representing an eight percent response rate.

Businesses were also invited to complete Part 1 online, which was first introduced for the 2020 wave of the survey. This was a departure from the approach in 2018, wherein all responses were collected through Research Team telephone interviews. The decision was made in response to the pandemic and the fact that increasing numbers of people and businesses are working from home. This methodology was maintained in 2022 for comparability with 2020, to reflect an acceleration in the increased use of digital technology and remote engagement, and to improve response rates. This was an effective approach, with 54 respondents (16 percent) completing Part 1 online, whereas all others were engaged through the Research Team. The online response rate was comparable with the 2020 figure which was 17 percent. All Part 2 responses were collected through telephone interviews.

2.2.1 Survey distribution during COVID-19 and post-covid recovery

The context of the COVID-19 pandemic and the socio-economic turbulence since the outbreak is very important to this research. The study is partly concerned with conducting a health check of the sector, and the wider socio-economic situation since the pandemic will have had a significant impact on that.

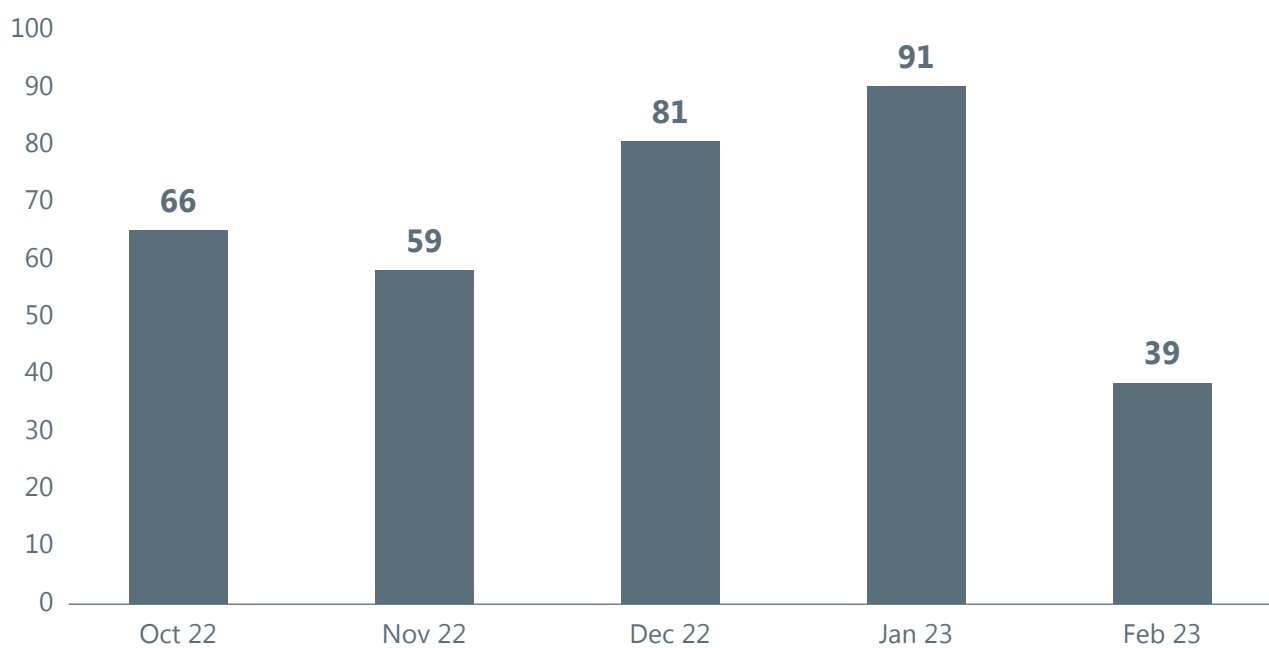
The restrictions imposed during the various national and local lockdowns throughout 2020 and in early 2021 halted many businesses' entire operations and severely impacted others, whilst several restrictions also remained in place in between lockdowns.

It is also important to note that there was an unprecedented package of support from both the UK and Welsh Governments and other stakeholders intended to support businesses through the pandemic which have since come to an end. A list of these funds can be found in Appendix 1.



The reopening of economies around the world following the COVID-19 pandemic led to increased energy prices and the early emergence of inflationary pressures. The Russian invasion of Ukraine in February 2022 accelerated the increase in global energy prices and caused considerable disruption to supply chains which led to a rise in inflation in the UK and global economies during 2022. Cost inflation is likely to have placed many social businesses under considerable strain, which may have limited their capacity to respond to the survey or influenced how they responded to certain questions. As such all comparisons of data in 2020 and 2022 should be considered alongside this context.

Figure 2.1: Number of survey responses per month



Source: Wavehill Survey (n=336)

2.3 Analysis and limitations

All survey data was analysed, with top-line findings presented in the remainder of this report. Wherever possible, the report presents trend analysis in order to demonstrate how the sector has changed since these exercises were conducted.

Two approaches are adopted in conducting this analysis: a comparison of overall samples within 2022 and previous exercises, and a panel approach by comparing a matched sample (i.e. the exact same businesses who completed the survey in 2018, 2020 and 2022). The panel approach used 73 businesses who had completed the survey in each year. Additionally, a separate analysis was undertaken of businesses responding in 2020 and 2022 only in order to expand the matched sample to the 126 who completed the survey in the last two exercises but not in 2018.

There are a number of caveats to highlight for the trend analysis in the context of the Covid-19 pandemic in 2020, which may impact comparisons between 2022 and 2020 data where businesses are not matched through the panel survey analysis.

The imposition of restrictions during the pandemic had a clear impact on the sample obtained from the fieldwork in 2020, given the disproportionate effect on different sectors of the economy. As a result, the sectors that were more inactive during the pandemic because of these restrictions and may have had more free time (e.g. arts, recreation, community groups, etc.) represented an above-average proportion of the sample in comparison to previous years, whilst sectors that were more active during the pandemic (e.g. health and social care) appear to be underrepresented. This is likely to have had an impact on the size of businesses reached in 2020 as businesses within underrepresented sectors (such as health and care) and registered social landlords (RSLs) tend to be much larger organisations, whilst organisations within overrepresented sectors are smaller. In 2022, survey sector trends were closer to those reported in 2018.

Additionally, the continuation of utilising contacts provided by Glamorgan Voluntary Services in 2020 from our dataset in the previous mapping exercise may also have affected the sample and estimates with regard to the number of businesses operating within the sector. Combined, all of these factors make comparisons with previous studies less robust and valid. Thus, any such comparisons should be treated as indicative only.

In addition to the trend analysis, the survey results have also been contextualised through benchmarking with the general business population in Wales and with the social business sector in other parts of the UK. As part of this process, we have drawn on data from the Inter-Departmental Business Register (IDBR) and the latest State of Social Enterprise survey conducted by Social Enterprise UK (2021)¹ although comparisons between these surveys should be taken as indicative since they rely on different sampling methods and are conducted at different times of the year.

¹ <https://www.socialenterprise.org.uk/seuk-report/no-going-back-state-of-social-enterprise-survey-2021/>

2.4 Policy context

Policy development in Wales has increasingly focused on the concept of inclusive growth, i.e. the concept of ensuring that economic growth is distributed fairly across society and creates opportunities for all.² This concept was front and centre of the Welsh Government's core strategy paper leading up to 2021, i.e. 'Prosperity for All', and the accompanying action plan, which states:

“ Our role as a government is to support an economy that increases both our wealth and our well-being through inclusive growth, by which we mean a fairer distribution of the benefits of economic growth.”³

This was reinforced in the Economic Resilience & Reconstruction Mission, which was announced by the Welsh Government in February 2021.⁴ The mission expresses a desire to “build on the progress we were making in delivering a more inclusive economy” by creating a ‘well-being economy’ which “helps everyone realise their potential [...] reducing inequality and spreading wealth and well-being across all of Wales.” Achieving an ‘equal economy’ represents one of the three goals, according to which the Welsh Government will demand and champion fair work.

There is strong alignment between this ambition and the social business model which combines a desire to make profit with investing that profit to create positive social change. Indeed, this is recognised within the Economic Resilience & Reconstruction Mission, with an explicit ambition to encourage both social enterprise and employee-owned business models as part of the well-being economy:

“ We intend to help rebuild, grow and strengthen the social enterprise sector so that it is a natural business model of choice for entrepreneurs delivering solutions to social, economic and environmental challenges.”⁵

² <https://www.oecd.org/inclusive-growth/>

³ Welsh Government, 'Prosperity for All: economic action plan', 2017.

⁴ Welsh Government, 'Economic resilience and reconstruction mission', 2021.

⁵ Ibid.

Building on this, the concept of the foundational economy is seen to be a key mechanism with which to drive inclusive growth. The foundational economy is the provision of basic goods and services on which every citizen relies, encompassing care and health services, food, housing, energy, construction, tourism, retail, and so on. It involves businesses that are embedded within their communities and is becoming an increasingly important part of the Welsh Government's economic development approach, incorporating a focus on place and making communities stronger and more resilient. Targeting investment in the foundational economy is designed to create good employment conditions, reduce the leakage of money from communities and address the environmental cost of extended supply chains.

The Well-being of Future Generations (Wales) Act (WBFGA) is also viewed as a framework for developing a new economic model that encourages sustainable growth across all parts of Wales and puts the inclusive growth agenda at the heart of all major policy decisions. The Act creates a legal obligation for public bodies to improve the social, cultural, environmental and economic well-being of the areas that they serve. It is underpinned by seven well-being goals and creates a favourable environment for social businesses because there is a clear, natural fit between the social purpose of businesses within the sector and the purpose of the Act.

The report of the Fair Work Commission⁶ defines fair work as "where workers are fairly rewarded, heard and represented, secure and able to progress in a healthy, inclusive environment where rights are respected." Characteristics within this definition include fair reward and employee voice and collective representation, which is important considering that part of the social value that the social business sector is perceived to have lies in its role as fair employers, offering a fair wage and conditions, aligning with the Welsh Government's commitments to making Wales a 'fair work nation'. Many of these commitments are also being progressed via the draft Social Partnership and Public Procurement (Wales) Bill.

Finally, since the Welsh Government declared a climate emergency in 2019, there has been increasing policy focus on the green agenda, in particular on achieving net zero targets. In September 2022, Welsh Government published its Net Zero Strategic Plan,⁷ which sets out 54 initiatives that will be assessed and reviewed to reach net zero carbon emissions by 2030.



⁶ Report of the Fair Work Commission, 2019

⁷ Net Zero Strategic Plan, 2022



Section 03 Composition of the sector

03

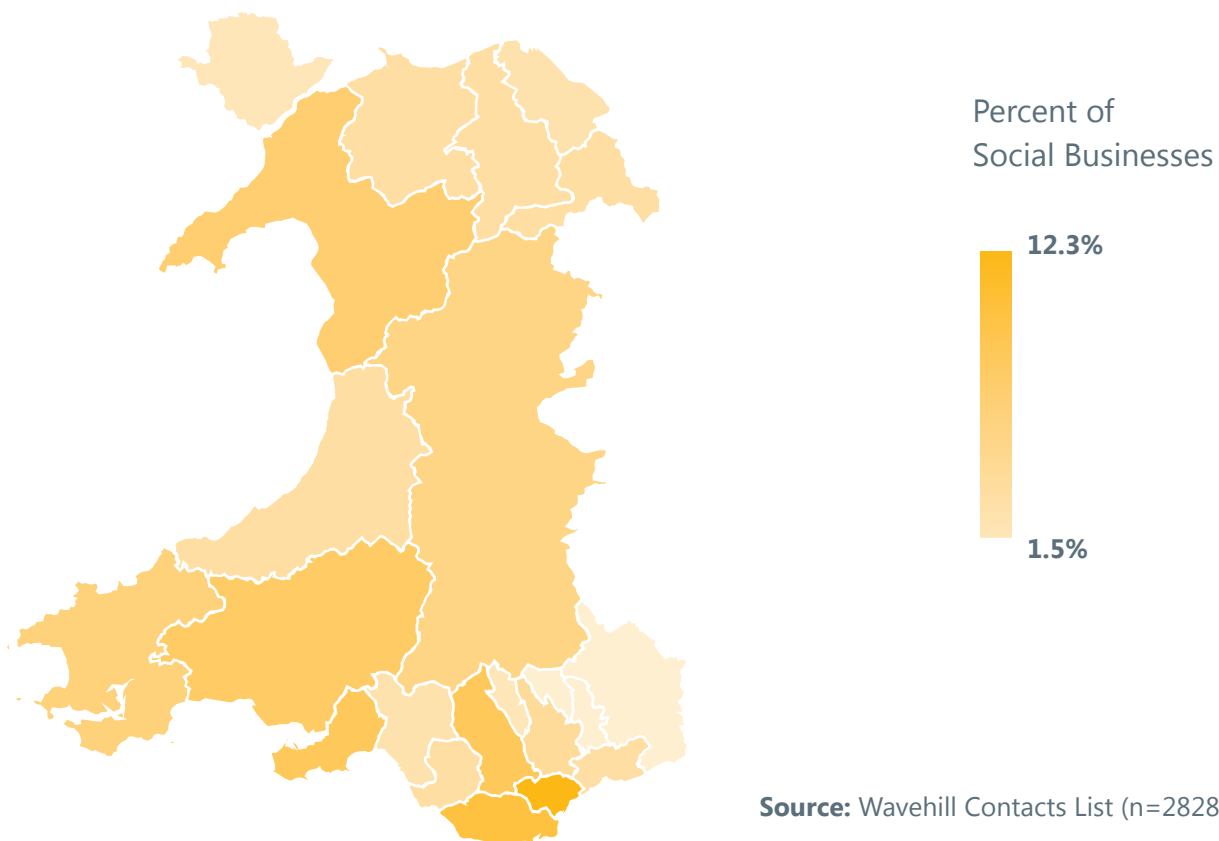


» 03 Composition of the sector

3.1 Geographical coverage and start-ups

We estimate that there are now 2,828 businesses in the sector, an increase of 19 percent from 2020 (2,309). The figure below shows the geographic distribution of social businesses in Wales.

Figure 3.1: Geographic distribution of social businesses across local authorities in Wales

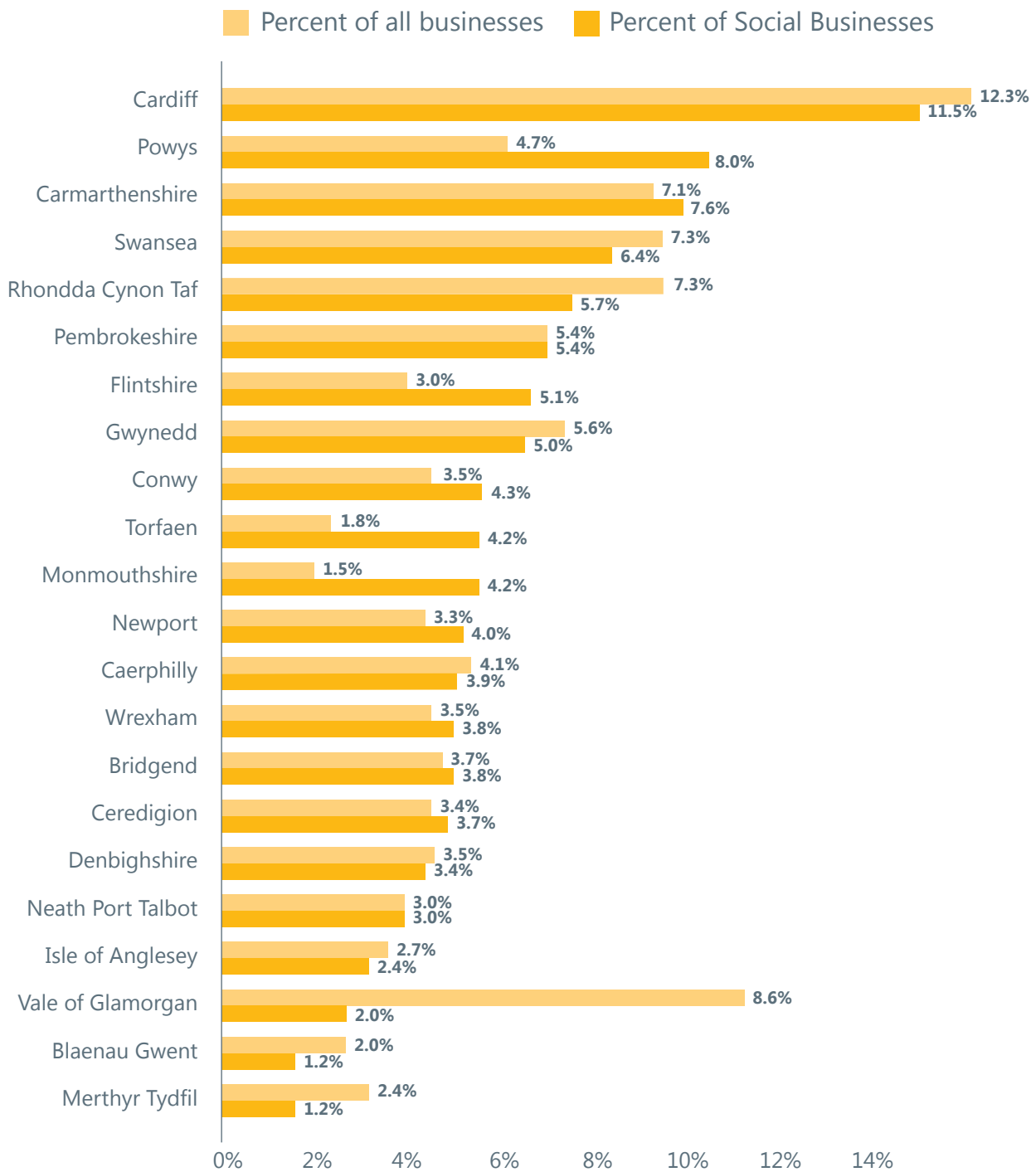


Geographical distribution can be analysed in two ways. Firstly, the percentage of social businesses out of the total social business stock compared with the percentage of other businesses in each local authority. Secondly social businesses as a proportion of total businesses stock for each local authority.

Using the first type of analysis, Cardiff has a comparable percentage of total businesses (11 percent) with social businesses (12 percent). As with previous analyses, there appears to be a concentration of social businesses in the South Wales Valleys region relative to business stock, whilst Mid Wales tends to have a lower concentration. Rhondda Cynon Taf, Blaenau Gwent and Merthyr Tydfil all have a higher percentage of social businesses than the general business stock in Wales. By comparison, Powys and Monmouthshire tend to have a lower percentage of social businesses compared with total business stock.

As with previous estimations, the figure for the Vale of Glamorgan is an outlier, given the addition of the GVS list of businesses, which was not replicated elsewhere in Wales; thus, it does not provide a comparable outline of social business activity within the area.

Figure 3.2: Geographical distribution of social businesses compared with all businesses

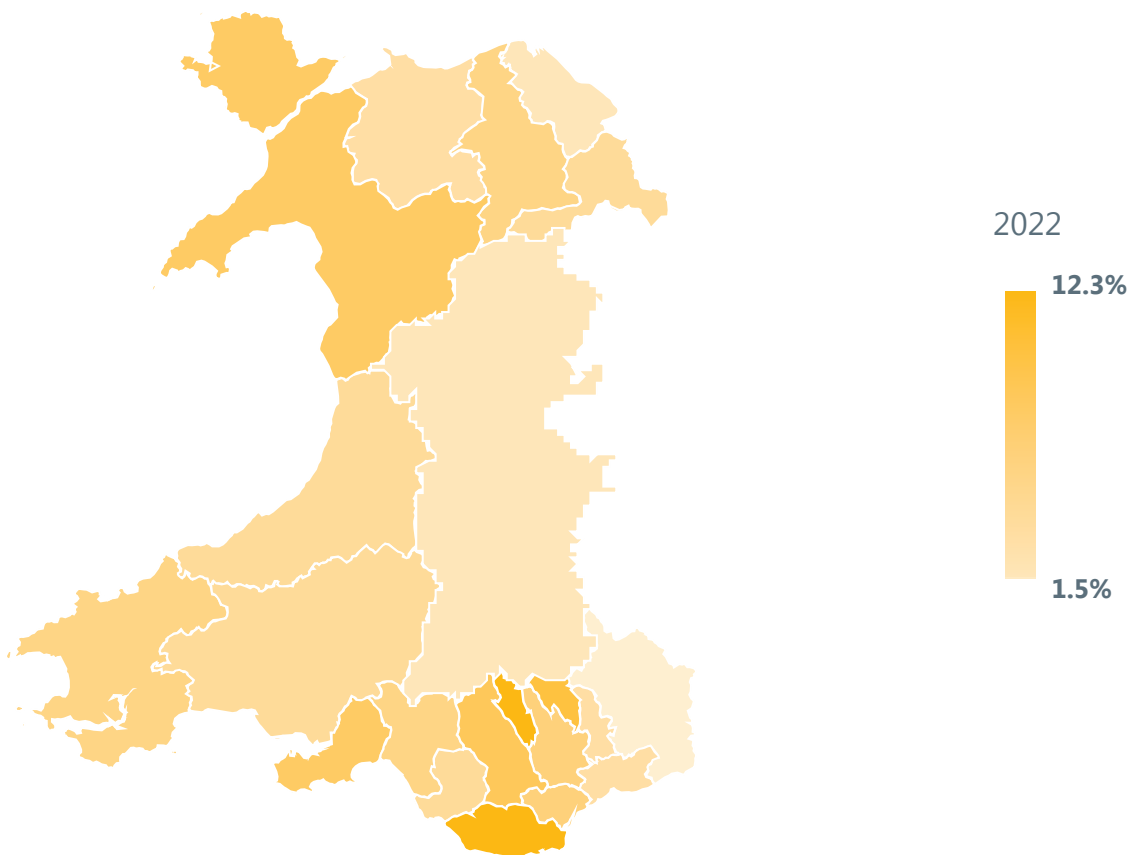


Source: Wavehill Contacts List (n=2474) and IDBR Business Counts Data (n=108,055)

Analysing the proportion of social businesses out of total business reinforces that the South East region has a strong social business activity. The map below demonstrates this, showing the proportion of social businesses of total business stock.



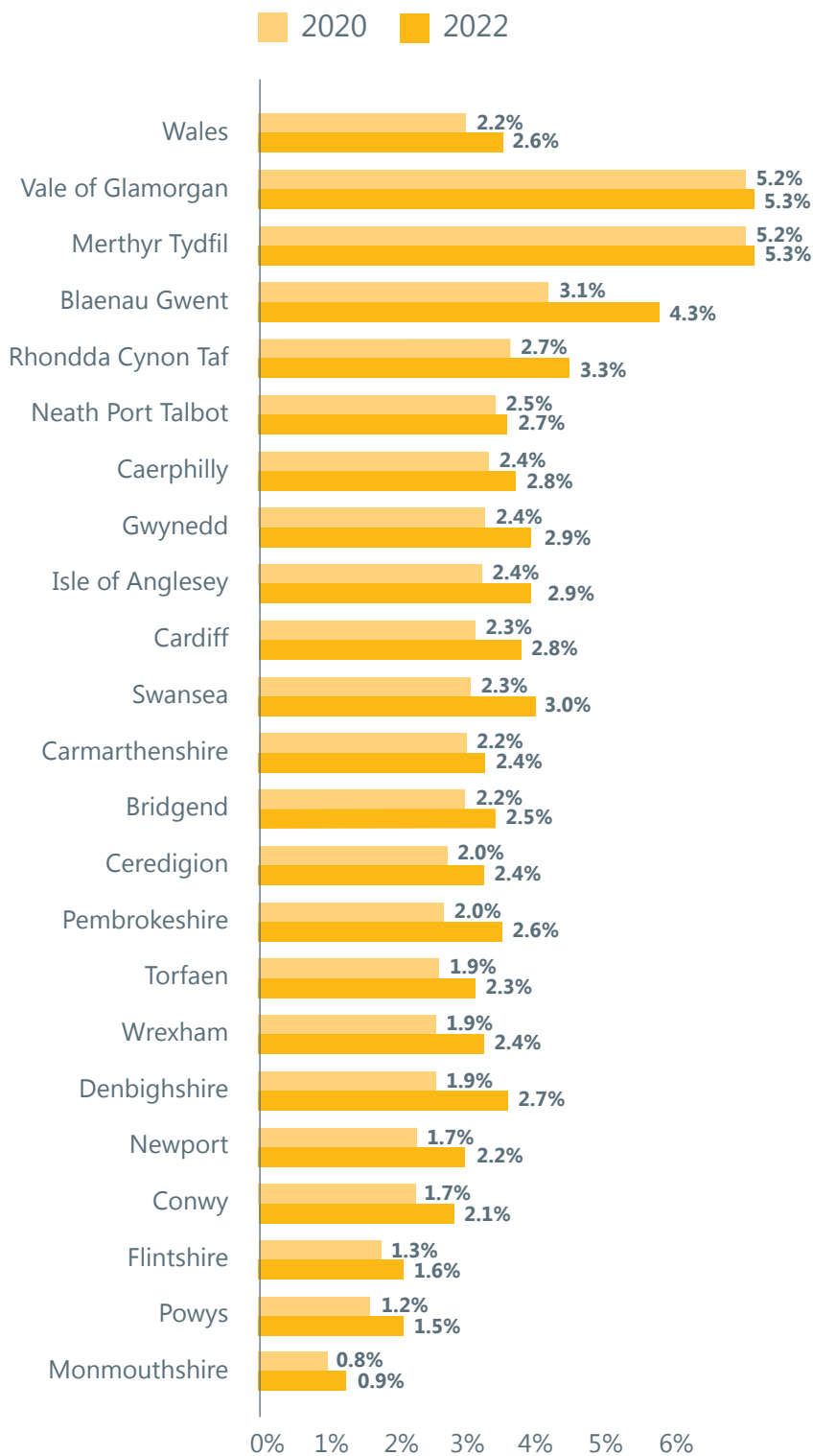
Figure 3.3: Social Businesses as a proportion of total business stock



Source: Wavehill Survey (n=315) and NOMIS (n=108,055)

It is notable that all regions have seen an increase in the stock of social businesses as a proportion of all businesses since 2020. Blaenau Gwent has seen the largest rise in the stock of social businesses, up 1.2 percent from 3.1 percent in 2020 to 4.3 percent in 2022. Merthyr Tydfil has the highest proportion of social businesses, which has remained consistent over the last six years.

Figure 3.4: Proportion of social businesses out of total business stock 2020 and 2022



Source: Wavehill Contacts List

The regional variation can be seen most clearly in Figure 6 below, where South East Wales has the highest average proportion of social businesses at 2.9 percent, whilst in Mid Wales this figure is 1.8 percent.

Figure 3.5: Proportion of social businesses out of total business stock by region, 2018, 2020, 2022

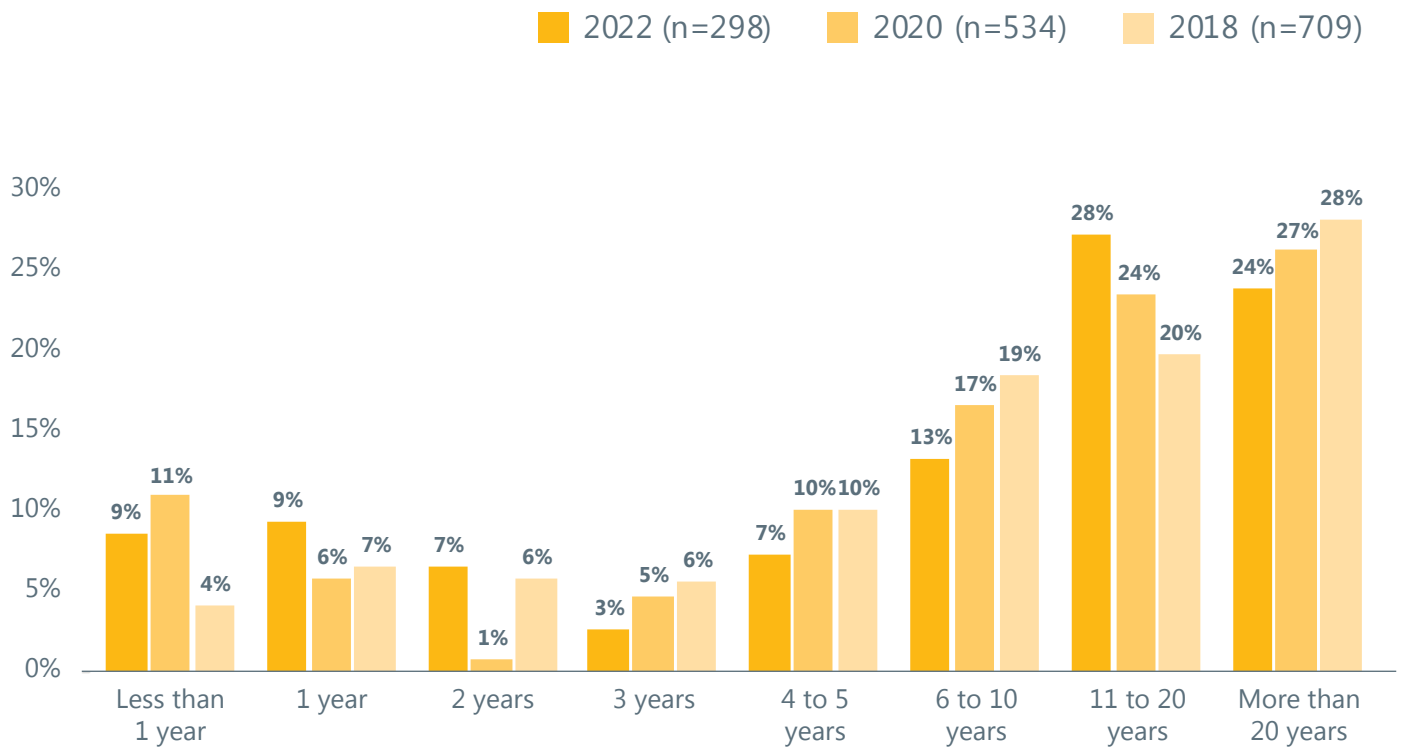


Source: Wavehill Survey

3.1.1 Start-up activity

An analysis of business age suggests a rise in new business starts since the last survey in 2020, with 25 percent of all businesses surveyed in 2022 having started trading within the last two years. This demonstrates a rise from 17 percent in 2020 and 11 percent in 2018. However, this figure may be linked to a shift in the profile of the population of social businesses held by Cwmpas (which delivers the Social Business Wales programme), linked to the enhancement of SBW business support towards start-ups.

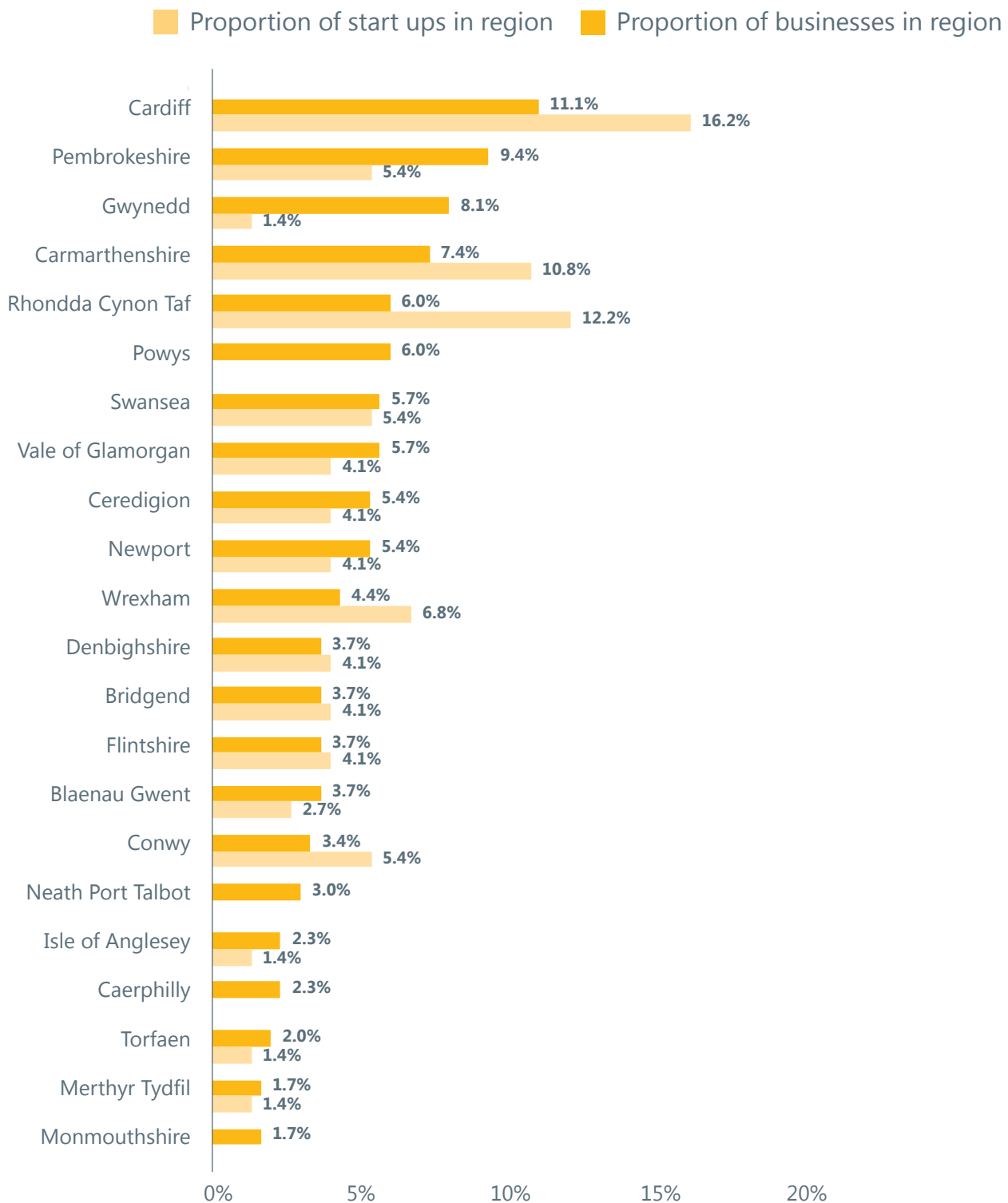
Like previous years, there continues to be a core of well-established businesses, with 52 percent of businesses (154 total) trading for 11 years or longer. Start-up activity appears to be distributed across 2020, 2021 and 2022, with a broadly similar percent of businesses noting they had been trading for less than a year (nine percent), 1 year (nine percent), and 2 years (seven percent).

Figure 3.6: Age of businesses at time of survey

Source: Wavehill Survey

Further analyses suggests that there is geographic variation in the distribution of start-up activity, which can be seen through a comparison of the overall distribution of surveyed businesses compared with start-up activity by local authority. Figure 9 demonstrates that Cardiff continues to have a high levels of start-up activity, with 16 percent of start-up businesses (12 out of 74 businesses) based in the capital compared to only 11 percent of all surveyed businesses (33 out of 298 businesses). Similarly, Carmarthenshire, Rhondda Cynon Taf and Wrexham have strong start-up activity, which is higher than their proportion of the business stock. Comparatively, only one percent of start-up businesses are located in Gwynedd (one out of 74 businesses) despite having the third highest percentage of total social businesses surveyed (eight percent or 24 out of 298 businesses).

Figure 3.7: Proportion of social businesses and social business start-up businesses surveyed by local authority

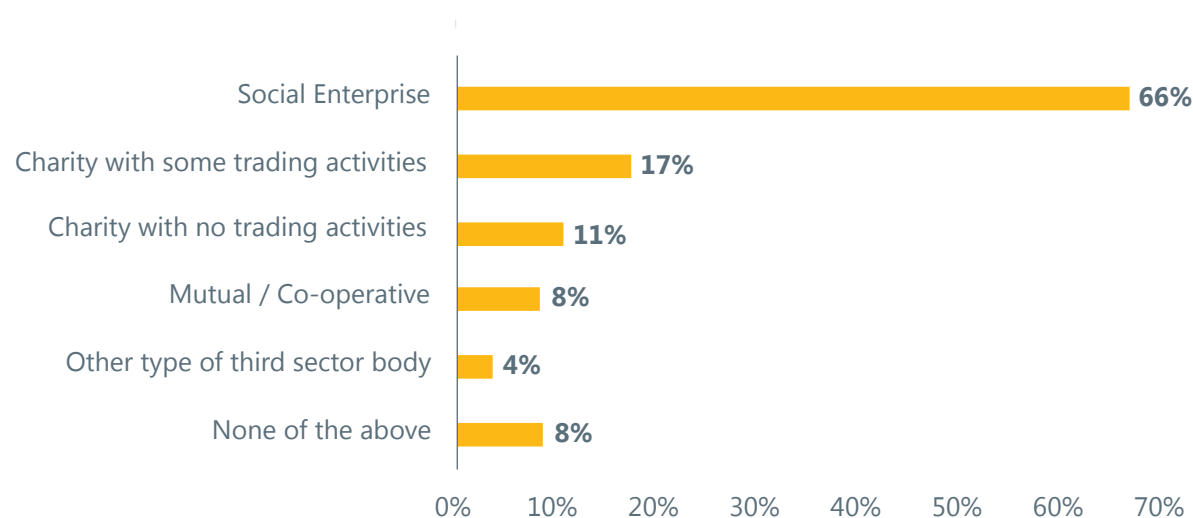


Source: Wavehill Survey

3.2 Organisation type and leadership

Previous mapping exercises suggested that a growing proportion of social businesses that identified as social enterprises and a reducing proportion of charities could reflect a trend towards a more commercial focus within the sector. To further understand this, the question on type of social businesses has been adjusted to include charities with trading activities. As such, it is not directly comparable with previous survey figures. However, these figures show a lower percentage of social enterprises than in 2020 (73 percent) falling to 66 percent. The total percentage of charities is also lower, with 28 percent in 2022 falling from 35 percent in 2020.

Figure 3.8: Types of social businesses surveyed in 2022

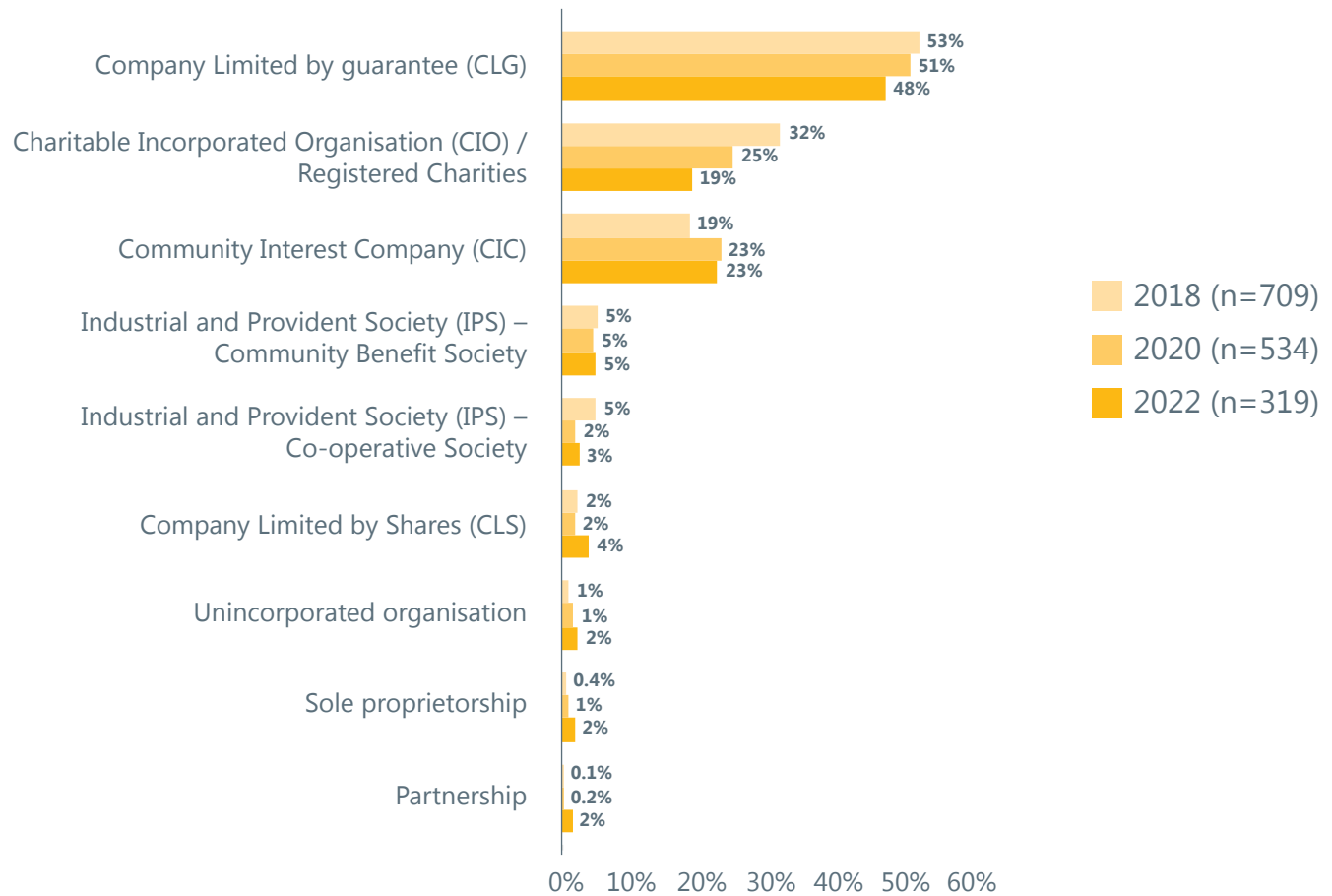


Source: Wavehill Survey (n=331)

A response option for 'supported businesses' was also removed from this question and included separately as a follow-on question. A full definition of supported business can be found in Appendix 2. Previous research has shown that many more businesses fit the supported business criteria than they realise. This is important because there are reserved opportunities for supported businesses incorporated within public procurement. Thus, two follow-up questions were asked for respondents not selecting this option to understand the true scale of supported business activity. Firstly, 22 percent of respondents indicated that they were a supported business, 41 percent said they were not, and 37 percent said they did not know. A follow up question was asked of those who responded that they didn't know where a full definition was outlined and respondents were asked again whether their operation met the criteria. As such, a total of 28 percent (94 out of 332 businesses) said they were supported businesses.

The legal status of social businesses has remained comparable with previous exercises, with just over half operating as companies limited by guarantee.

Figure 3.9: Legal status of social businesses 2018, 2020 and 2022 (total sample)



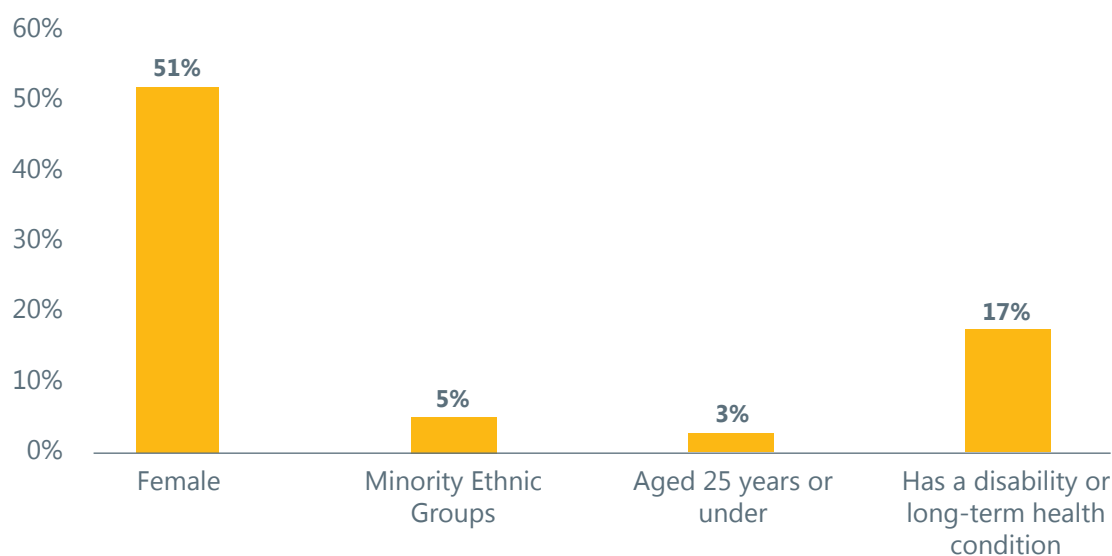
Source: Wavehill Survey

3.2.1 Leadership profile

Businesses were asked questions about the leadership profile of their business, including the number of individuals in their leadership team (including directors, trustees and non-executive directors) and the demographic profile of the leadership.

The average number of individuals on a leadership team was 6.5, with 47 percent of businesses having two to five individuals and 34 percent with six to ten. The demographic of these individuals reflected previous mapping exercises which suggest that there is a fairly even gender balance amongst leadership teams, which is much higher than is typical within the private sector. Whilst an average of 51 percent of senior leadership teams of social businesses are women, 56 percent of social businesses have a woman as their most senior manager.

Figure 3.10: Average proportion of demographic groups amongst the senior leadership teams of social businesses 2022



Source: Wavehill Survey (n=245)

Only five percent of social businesses were led by people of a minority ethnic group, which represents a one percent increase from 2020. Considering that the 2021 Census⁸ revealed that 6.2 percent of the adult population did not identify with the high-level category “White”, there is an underrepresentation of minority ethnic groups within the leadership of social businesses compared to the usual resident population in Wales.

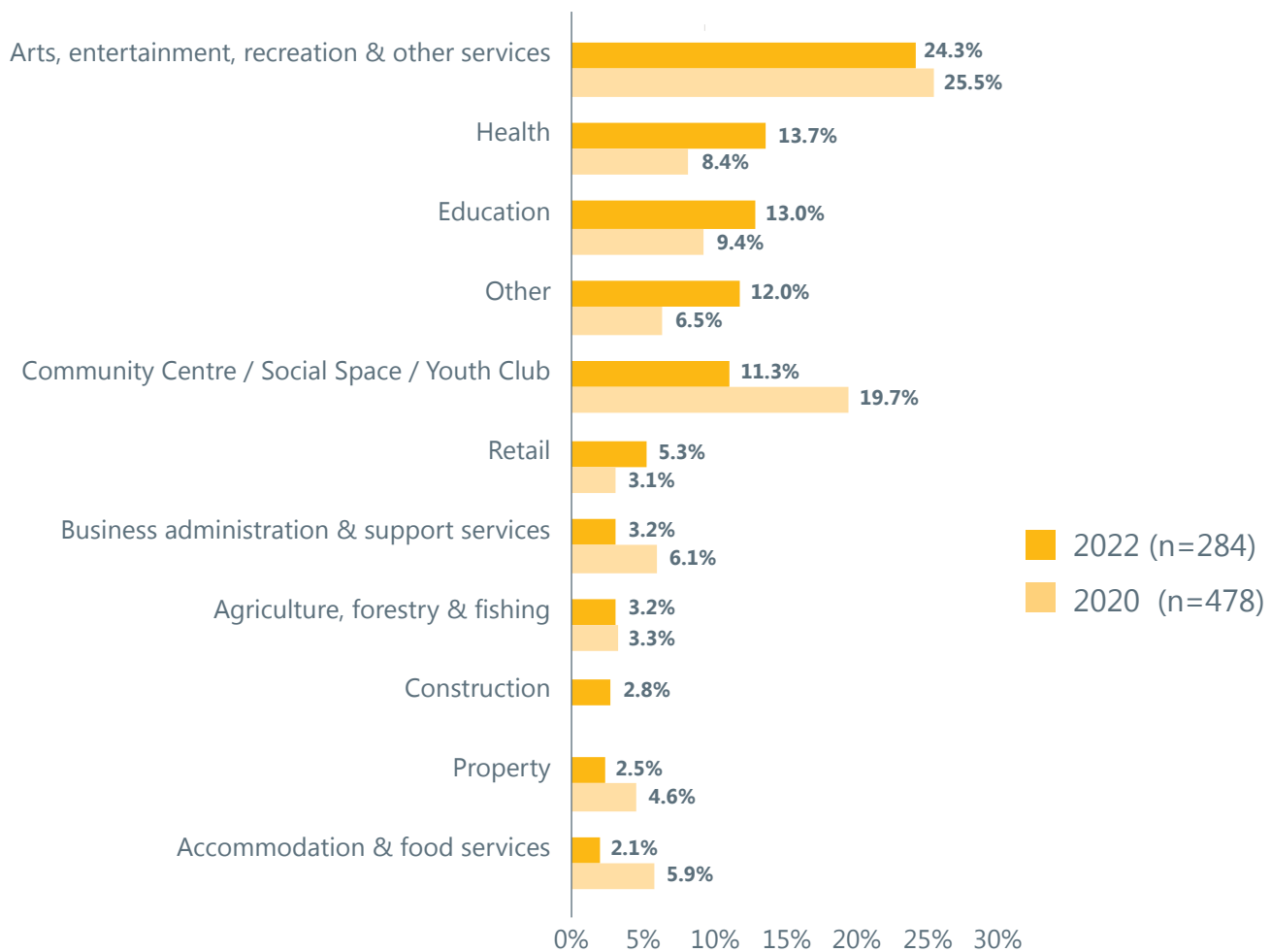
The data also suggests that people living with a disability or long-term health condition may be slightly underrepresented within the sector’s leadership teams. An average of 17 percent of the leadership team of social businesses had a disability or long-term health condition, compared to the 21 percent of those with a disability in Wales. However, 25 percent of social businesses have a person with a disability or long-term health condition as their most senior manager.

Engaging young entrepreneurs appears to have been another challenge for social businesses in Wales, with three percent of the leadership team below the age of 25, which is comparable with 2020 figures.

3.3 Operational sectors

The majority of social businesses self-reported their operational sectors, whilst some were manually coded by a description of their services. The change in sectoral profile may reflect the methodology in 2020, whereby the sectors that are more likely to have paused trading, such as arts and recreation, community centres, and accommodation, were easier to reach, whilst the more active sectors with regard to the pandemic response, e.g. health and care, were much more difficult to reach. As such, these figures should not be taken as indicative of precise changes in industrial sectors over time, but a reflection of the broad composition of businesses.

⁸ Census 2021

Figure 3.11: Key operational sectors of social businesses 2020 and 2022

Source: Wavehill Survey

The survey data again demonstrates the breadth of activity across social businesses, with businesses operating in a variety of sectors in the economy. Sectors within the foundational economy such as Health and Education appear to have a growing importance amongst social businesses.

There appears to be a significant reduction in the percentage of social businesses working as community centres or social spaces, accounting for 20 percent of respondent social businesses in 2020 and only 11 percent in 2022. Whilst this may be due to survey sampling during 2020, it could also reflect a wider trend around the closure of community centres.⁹

The data also shows that a large proportion of social businesses are smaller community groups or providers of arts and recreational activity, incorporating community arts organisations, heritage charities, sports clubs, governing bodies, leisure centre operators, providers of gymnastics and dance classes, and much more.

⁹ The Importance and Impact of Community Services within Wales, Older People's Commissioner for Wales, page 26

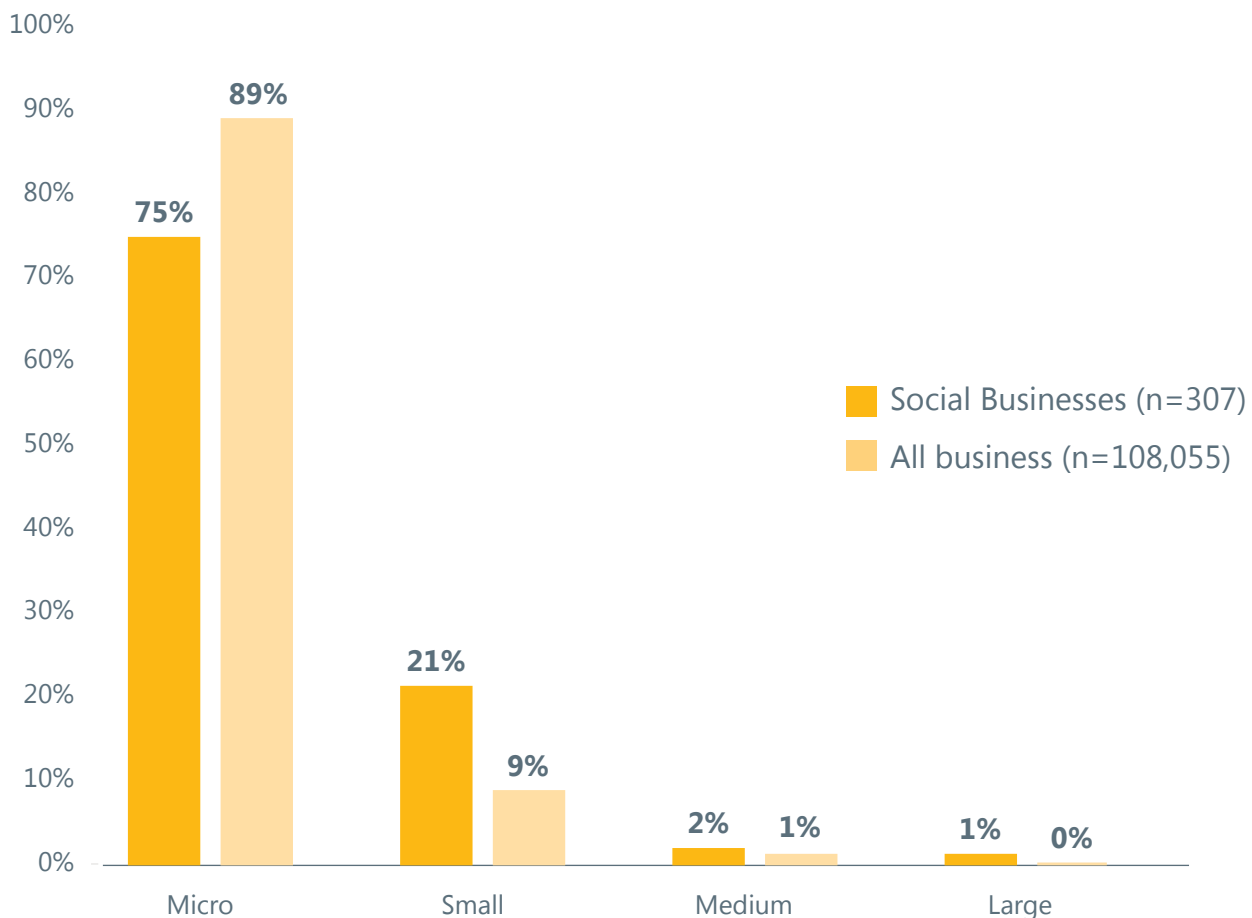
3.4 Size of businesses and sector estimations

It is important to note that the imposition of restrictions during the pandemic had a substantial impact on the sector to varying degrees depending on the business in question. Differing grant support, trade demand and ability to operate means that business performance, size and turnover has changed dramatically in different ways between 2020 and 2022. Further information on this will be presented in this chapter.

3.4.1 Employment

The data indicating the size of social businesses is largely reflective of the wider business structure, where business size is determined by the number of employees. However, there are more than double the proportion of small (10-49 employees) social businesses compared to all businesses (9 percent for all businesses and 21 percent for social businesses), and a lower percentage of micro (1-9 employees) businesses (89 percent for all businesses and 75 percent for social businesses).

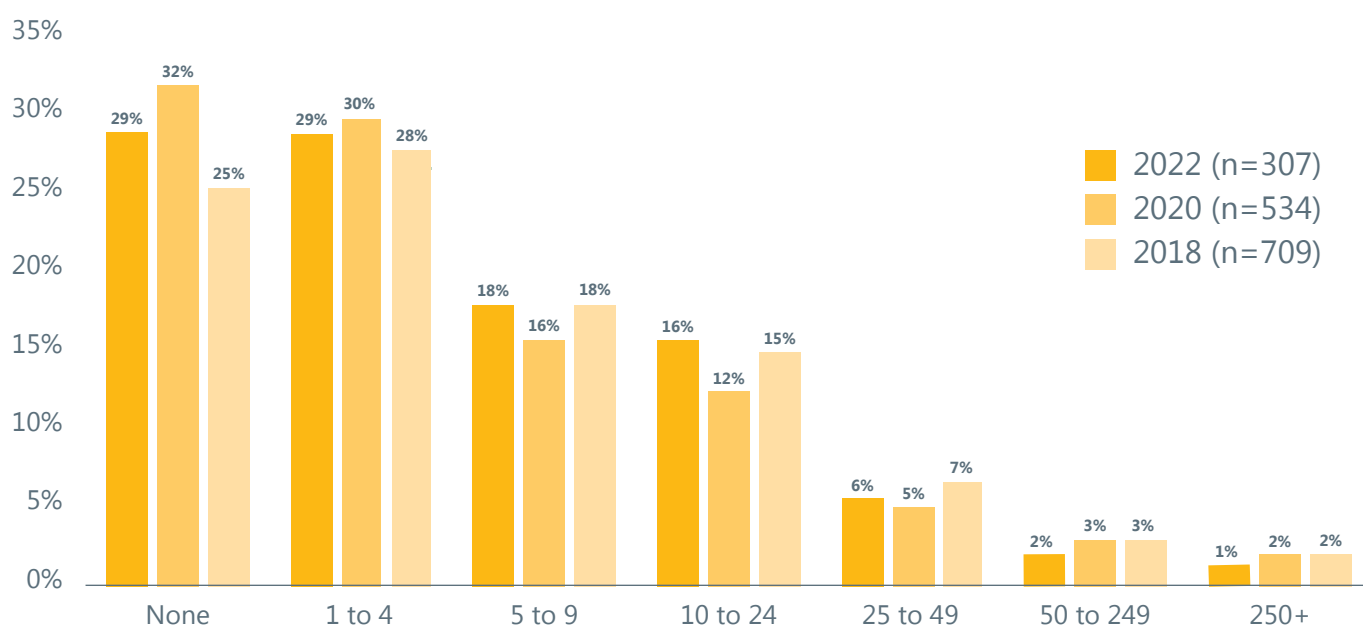
Figure 3.12: Size of social businesses compared to total business stock



Source: Wavehill Survey

There appears to have been a reduction in the percentage of social businesses with no paid staff (sole-traders or those run by volunteers), down to 29 percent in 2022 from 32 percent in 2020. When analysed for the matched panel businesses, the rate of reduction is greater. Indeed, there has been a fall in businesses with four or fewer employees, and an increase amongst those with between five and twenty-four. The data is reflective of many other results across the survey, where shifts apparent in 2020 seem to have returned to 2018 figures. Figure 15 demonstrates this below, where a shift towards lower employment and therefore smaller business operations was seen between 2018 and 2020, which has since reversed between 2020 and 2022.

Figure 3.13: Social business employment bandings 2018, 2020 and 2022 (Total sample)



Source: Wavehill Survey

The mean average size of all respondent businesses was 23 employees. As outlined in the methodology above, analysis of compiled sources on businesses in the sector have generated an estimated sector size of 2,828 businesses. Taking the approach used in previous mapping exercises using the mean average and estimated sector size, this generates a sector-wide estimate of 65,700 employees working within the sector.

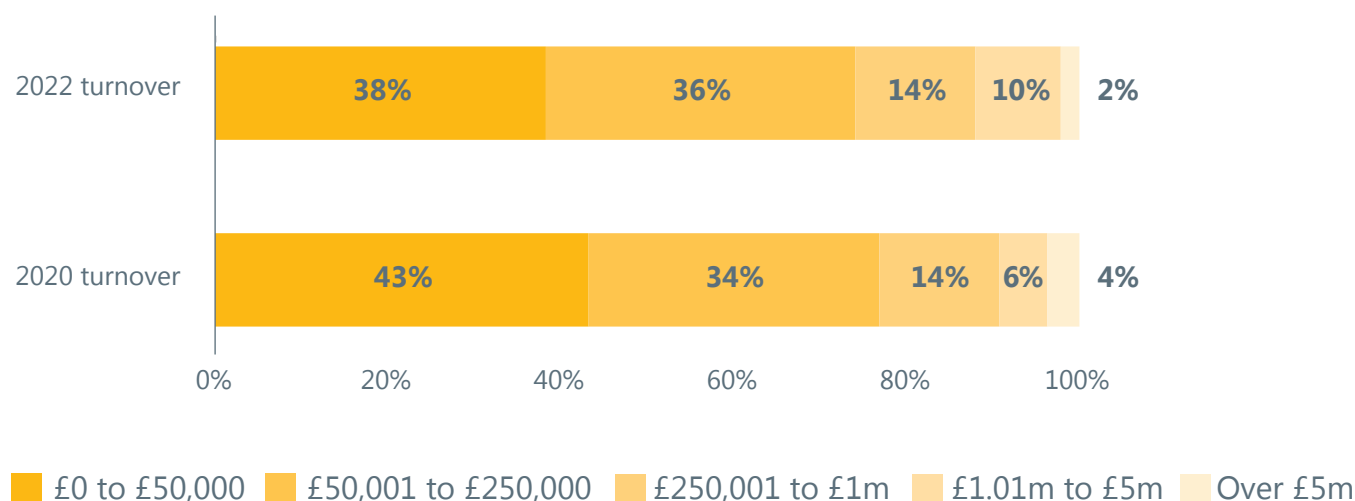
Due to methodological challenges faced during the last reporting period (largely due to the pandemic), the 2020 report contained two estimates for the total number of employees in the sector. The first, using the same method as identified above, produced an estimate of 39,878 employees which was at odds with the 2018 estimate of 58,000 employees in the sector and was largely due to the average business size surveyed in that year being unusually low. Therefore an alternative method was used by conducting an analysis of the matched sample and identifying growth patterns, to produce a final sector estimate of 55,969 in 2020. The 2022 figure therefore represents a 17 percent increase on the review employment figures from 2020. Using this methodology on the 2020-2022 matched sample, employee growth in these businesses has been more modest at 1.3 percent. Applying this growth to last year's estimate provides a revised estimate of 56,713 employees in the sector.

Therefore we estimate the number of employees operating within the sector to be between 56,713 and 65,299 employees.

3.4.2 Turnover

As in 2020, turnover data demonstrates the diverse nature of the sector as it contains both very small and very large businesses.

Figure 3.14: Turnover bandings reported in 2020 and 2022



Source: Wavehill Survey

Looking at matched sample trends there is a suggestion that business performance and turnover have varied considerably over the period. Looking at data from matched businesses who completed the survey in both 2020 and 2022, 88 percent of businesses have either seen an increase or decrease in their turnover. The median percentage change has been 50 percent or -33 percent of their total turnover.

Table 3.1: Turnover changes 2020 to 2022

	N	%	Average change	Median % change in income
Increased	54	57%	£207,141	50%
Stayed the same	11	12%		
Decreased	30	32%	-£96,708	-33%
Total N	95			

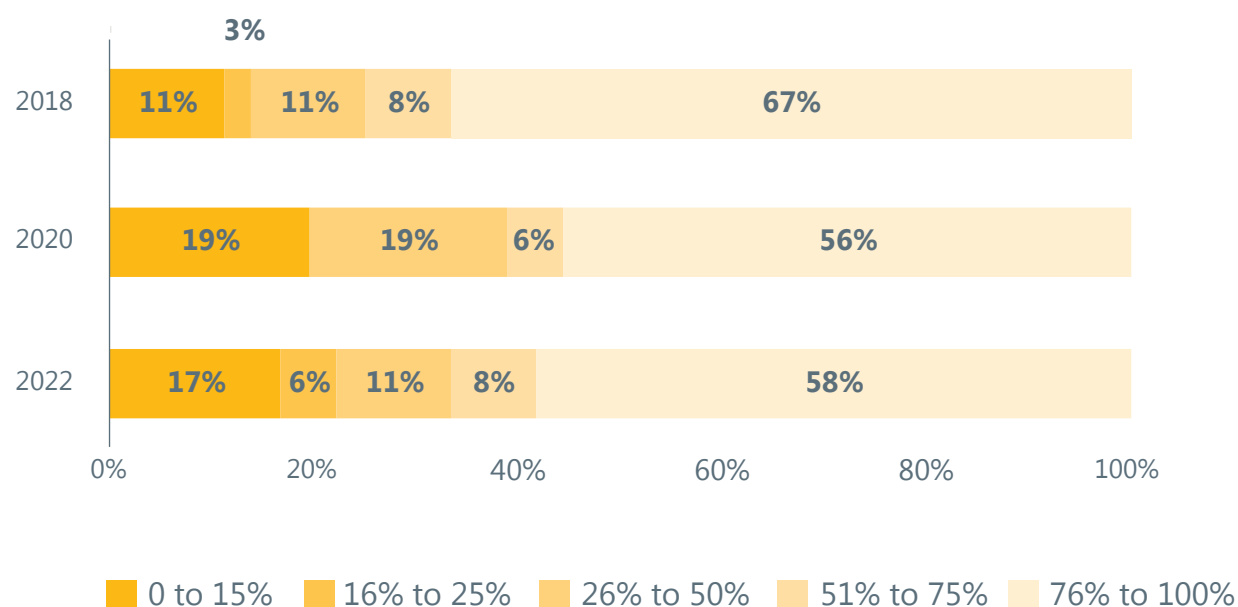
These fluctuations are more pronounced when examining the matched sample across 2018, 2020 and 2022. Median turnover changes between 2018 and 2020 where turnover either increased or decreased were 38 percent and -25 percent.

Table 3.2: Turnover changes 2020 to 2022 from 3 year matched sample

	N	%	Median % change in income
Increased	31	61%	301%
Stayed the same	0	0%	
Decreased	20	39%	-78%
Total N	51		

Finally, where data was available across all 3 years, it was stark that few businesses had either consistent growth or decline during the period. It is likely that these figures are heavily skewed by the impacts of the pandemic, where restrictions on ability to trade and the provision of grant support restricted many businesses' growth potential. Figure 3.15 indicates that the percentage of income generated from trade has fluctuated in the period for the matched sample.

Figure 3.15: Changes in % of income generated through trading 2018-2022





Average turnover for survey participants was calculated using a combination of self-reported figures and midpoint figures where turnover bands were used. For businesses with a turnover greater than £10 million, their annual turnover was taken from public reports.

Given the extremes in the dataset, two average turnovers were calculated which either included or excluded a particularly large turnover (sometimes referred to as outliers) captured in the survey. This generated an average turnover estimate of £1.38m per organisation when including the large organisation and £715,161 when the outlier was excluded.

These figures were applied to the sector wide figure of 2,828 businesses in order to determine the estimated turnover for the sector as a whole. The estimate was then adjusted to include turnovers from additional very large organisations with a very high turnover (for example, Glas Cymru and the Principality Building Society) who were not included in the survey. Where the large turnover captured in the sample was excluded from the average, this was also included in the adjustment.

The total value of the sector, based on the estimated turnover of known and identifiable social businesses in Wales, is estimated to be between £3.1 and £4.8 billion. As reported above, extreme fluctuations in business performance during the 2020 to 2022 period means these figures must be treated with caution, particularly when comparing this figure to previously estimated sector turnover.

These estimates of Welsh-domiciled social business activity do not account for the contribution made by other social businesses operating in Wales but headquartered elsewhere, such as the Co-operative Group and John Lewis & Partners. The contribution made by all social business activity in Wales is, therefore, even greater than what is shown here.

3.4.3 Size of operational sectors

An analysis of business size by operational sector further reveals the variability within the sector. The arts/recreation businesses and the community centres account for almost a quarter of all businesses surveyed (24 percent); however, they make up only five percent of employees and four percent of turnover generated by respondents. Conversely, the small number of 'property' sector employers account for 38 percent of employment and 67 percent of all turnover generated, whilst health and care also accounts for disproportionately high levels of employment.



Section 04
**Social value
and impacts**

04





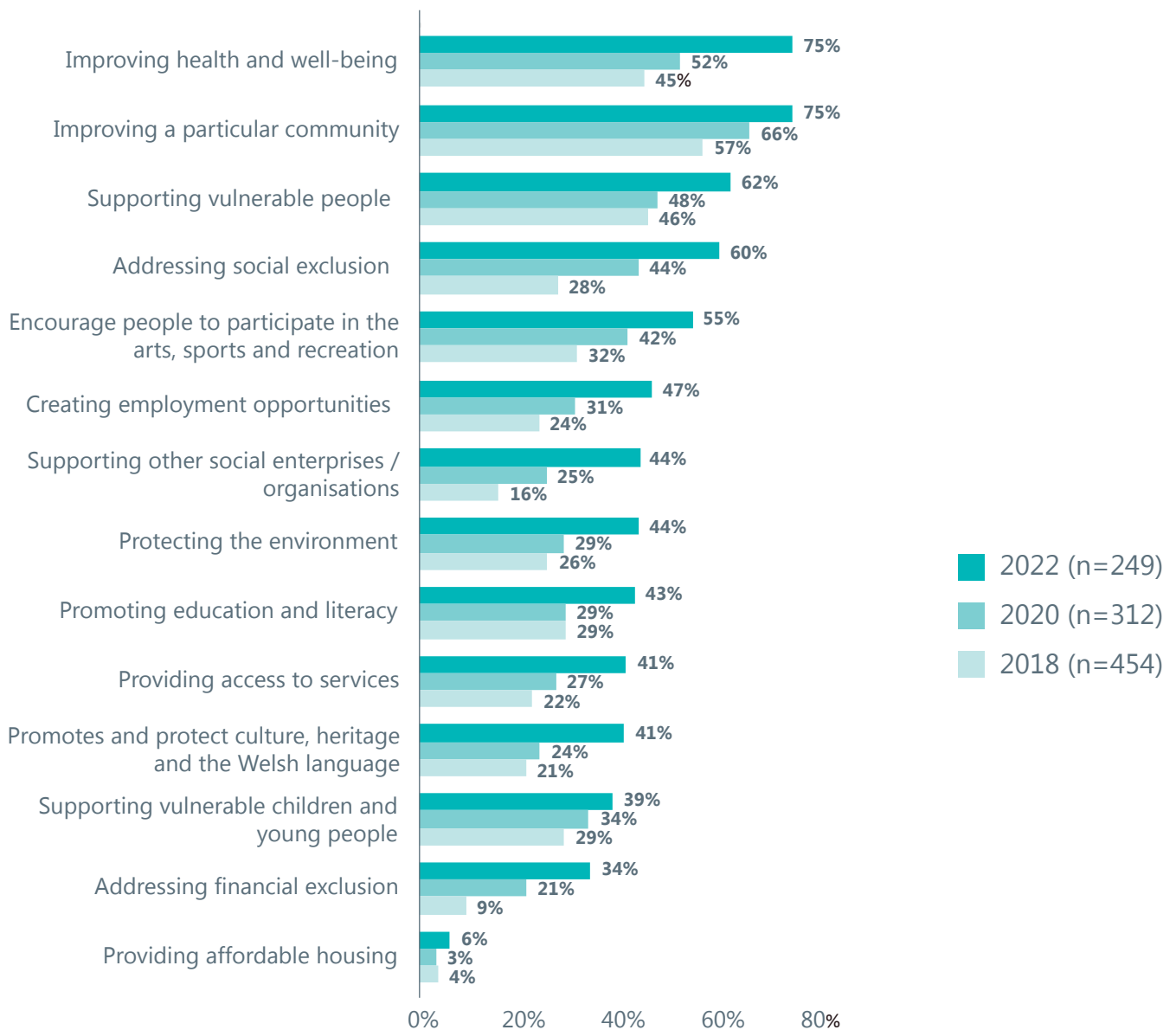
» 04 Social value and impacts

Social businesses are different from both classic private sector companies and traditional charities because they strike a balance between the two, looking to trade as any other business but also primarily existing to deliver on their social mission. This social mission could be creating positive value for the local communities in which they operate or on a national level. Having discussed business and trading performance in the previous chapter, we now turn our attention to exploring their social value and impacts.

4.1 Social objectives

The 2022 data suggests a stark increase in the number of social objectives identified by organisations. Businesses identified that on average they were working towards five social objectives as outlined in the response options below. In particular, improving health and well-being appears to be a key social driver for three quarters of businesses (75 percent or 186/249 businesses), which reflects the fact that health was the second largest operational sector for social businesses. Improving a particular community has been consistently important for social businesses, which demonstrates the role of social businesses in locally-focused community regeneration.

The number of social businesses supporting other social enterprises/organisations has more than doubled since 2018, with 44 percent of businesses identifying with this social objective, rising from 16 percent in 2018 and 25 percent in 2020. Support with respect to social and financial exclusion continues to rise, which is likely to reflect some of the needs presented by the pandemic, high inflation and general economic uncertainty.

Figure 4.1: Main social objectives as identified by organisations (Whole sample)

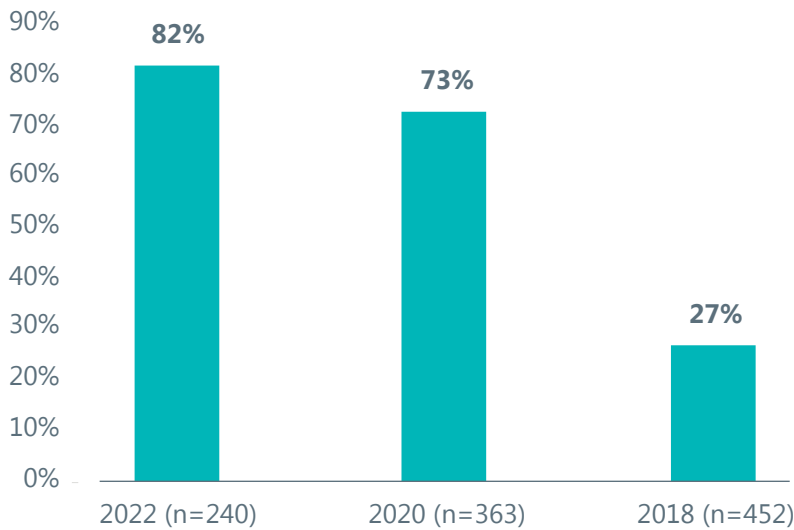
Source: Wavehill Survey 2018, 2020 and 2022

An analysis of business age compared with commitments to social missions suggests there is no correlation between the age of the business and its commitment to social objectives.

Awareness about key legislation appear to be significantly increasing, with 82 percent of businesses aware of the Well-being of Future Generations Act (2015), rising from 27 percent in 2018 and 73 percent in 2020. Equally, two thirds of businesses (66 percent) were aware of the Social Services and Well-being Act (2014), which is an increase from 54 percent in 2020. This may have had an impact on the increase in businesses noting commitments towards health and well-being.

Similarly, there has been an increase in awareness about the policy area around the foundational economy, from only 20 percent of businesses in 2020 to 31 percent in 2022.

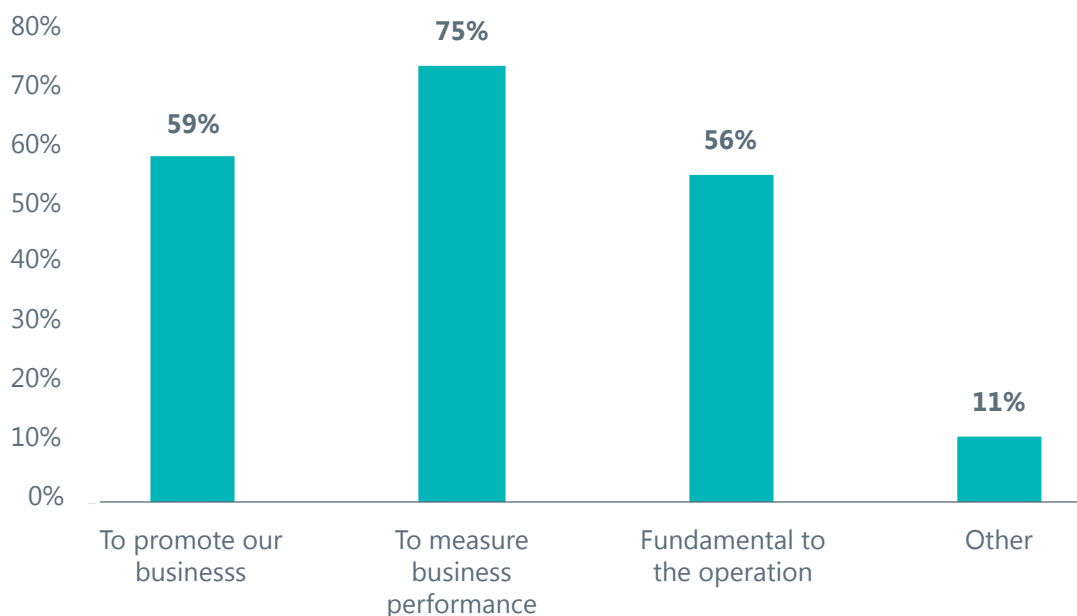
Figure 4.2: Business awareness of the Well-being of Future Generations Act (2015) 2018, 2020 and 2022



4.1.1 Measuring social impact

A similar proportion of businesses measure their social impact in 2022 compared with 2020 (43 percent compared with 44 percent). Amongst those who said they were measuring impact, 59 percent said this data was used to promote their business and a further 75 percent reported that they used it to measure business performance. For 56 percent of businesses measuring social impact was fundamental to their operations.

Figure 4.3: How do you use the information on your social/environmental impact?



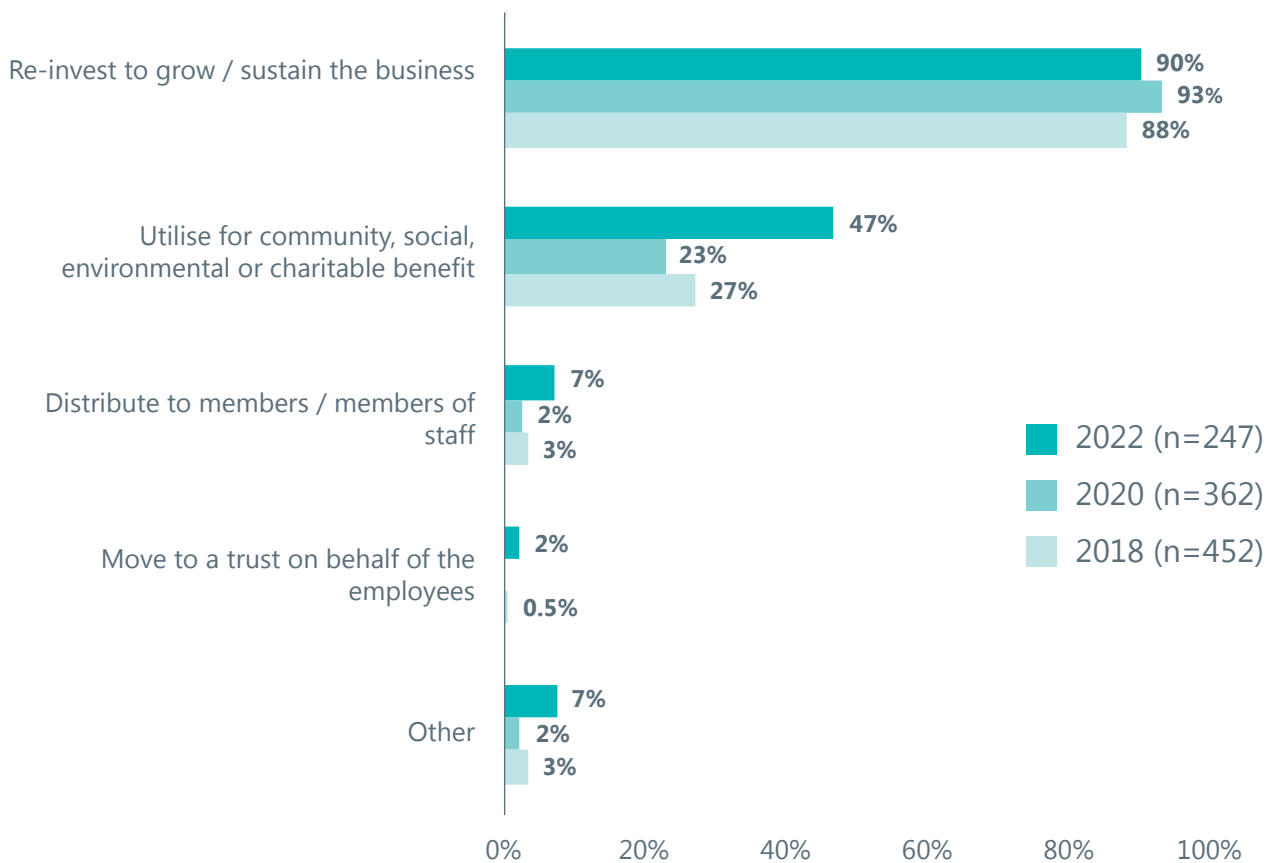
Source: Wavehill Survey 2022 (n=107)

4.2 Profit destinations

The key difference between a mainstream and a social business is that any surpluses made by the latter are principally reinvested in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners. The data suggests that 90 percent of businesses re-invest surplus to grow or sustain the business, which is broadly comparable with previous years. There has been a twofold increase in businesses utilising surplus for community, social, environmental, or charitable benefits, representing 23 percent of businesses in 2020 and 47 percent in 2022. This suggests that the increase in their anecdotal commitments to social objectives may be mirrored in financial investment in social aims. This somewhat reverses the shift seen in 2020, where businesses appeared more focussed on investing the business over social aims, perhaps due to the economic uncertainty caused by the pandemic.

Whilst very few businesses surveyed are employee-owned or membership based, there has been an increase in responses noting that surplus is moved to a trust on behalf of employees and distributed to members. Other responses noted in open text responses that surplus was put towards staff training or use it to make donations.

Figure 4.4: What do you do with any surplus/profit that you generate? 2018, 2020 and 2022



Source: Wavehill Survey 2018, 2020 and 2022

4.3 Business practices

Part of the social value that the sector is perceived to have lies in its role as fair employers, offering a fair wage and conditions. The above analysis on how social businesses use their surplus indicates there may be an increase in the number of employee-owned businesses or membership organisations.

Other questions related to social businesses as employers suggest that 66 percent pay the living wage to all staff (£9.50 in April 2022). This represents a slight fall from 68 percent in 2020 (£8.72), and even further from 2018 when this was 76 percent (living wage £7.50). It should be noted that the UK Living Wage increases yearly, and is due to increase again in April 2023 to £10.42. It should be also noted that in 2018 some social businesses expressed concerns in open text responses about cash flow in relation to the increase of the national living wage, suggesting that they are committed to paying fair wages to staff, but may struggle to ensure their turnover increases with inflation.

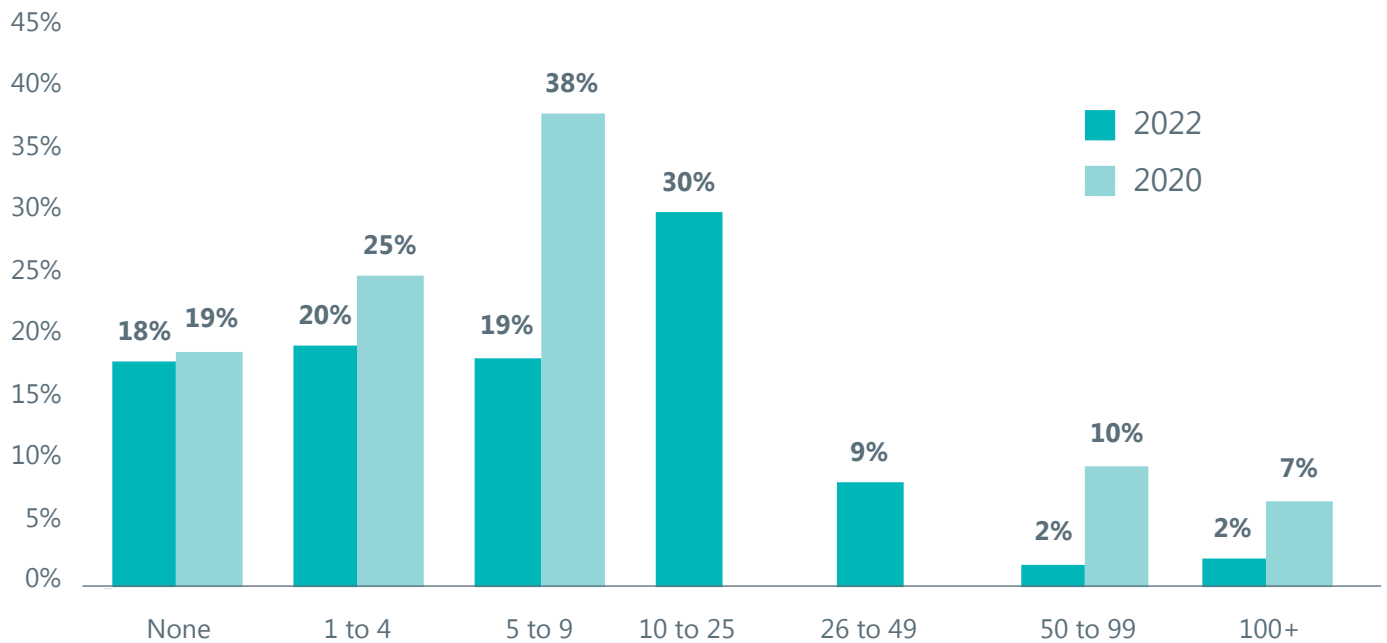
The survey found that 22 percent of employers who had taken on new employees in the last 12 months reported that these included individuals who were unemployed immediately before taking up the post, accounting for 65 full time roles and 141 part time roles. This reinforces the sector's role in providing employment opportunities for individuals who are further away from the labour market.

Furthermore, the data suggests that social businesses are good local employers, with 78 percent of businesses' workforce living within 10 miles of their workplace, up from 69 percent in 2020 and 57 percent in 2018. Despite the move towards online working during the pandemic, the increasing focus on hyper-local employment suggests that the social business labour market still requires staff to be close to office locations.

4.3.1 Volunteering

In the previous mapping exercise, it was reported that the pandemic had resulted in a drop in volunteer numbers with 52 percent of survey respondents in 2020 saying that they were unable to work during the pandemic. Data from the 2022 survey suggests that whilst the sector estimate as a whole is higher in 2022 this is largely due to a growth in the number of businesses in the sector; on average organisations have fewer volunteers than they did in 2020 (19 vs 20).

Analysis of the full 2022 and 2020 samples demonstrates that the number of organisations that offered volunteering was largely comparable (83 percent in 2022, 82 percent in 2020).

Figure 4.5: Number of volunteers 2020 and 2022

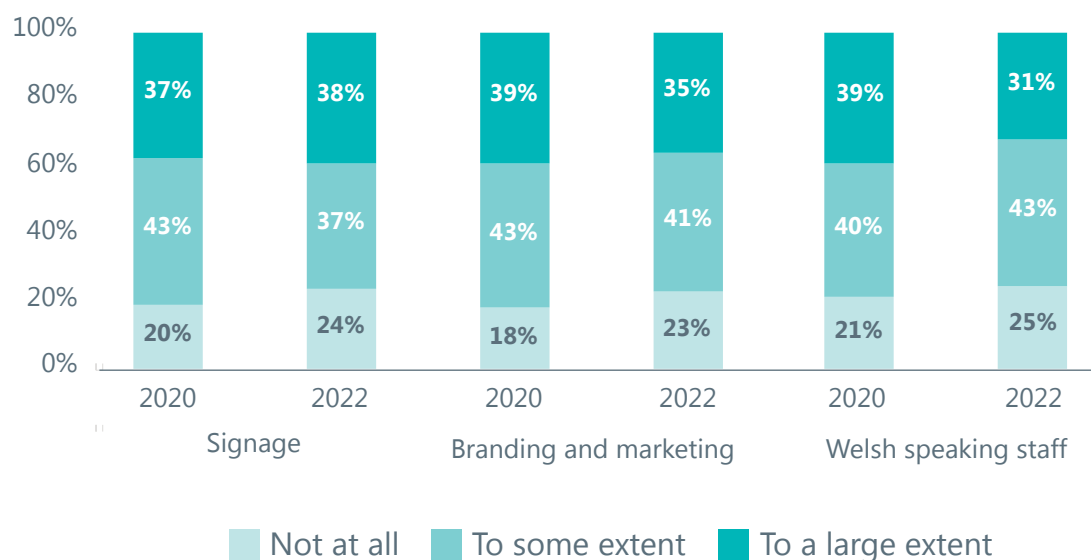
Source: Wavehill Survey 2020 and 2022

Comparing only matched businesses that completed the 2020 and 2022 mapping surveys (n=110), 45 percent of businesses had fewer volunteers in 2022 with 17 percent having less than half the number of volunteers they had in 2020. It is estimated that the net loss of volunteers for these businesses was 395.

Using the estimated number of businesses in the sector (2,828) the average number of volunteers for each business (19) was scaled up to provide an estimate of **54,261 volunteers** operating in the sector, this represents a 14 percent increase from 2020, likely due to growth in the number of businesses in the sector, however is still slightly below the 2018 estimate of 57,688.

4.3.2 Welsh Language

In 2020 a new question was added to the survey to capture the extent to which organisations offered their services in Welsh. Responses to this question in 2022 were broadly in line with figures reported in 2020 although responses from the matched sample suggests there has been a slight rise in businesses who are not offering these services at all.

Figure 4.6: The extent to which businesses offer their services in Welsh 2020 to 2022


Source: Wavehill Survey 2020 and 2022 (n = 99)

It was positive to note that around 8 percent of businesses were offering services in Welsh where they hadn't done previously, however a comparable percentage no longer offered services in Welsh where they had previously. There is no qualitative data in the survey to capture why this is the case, possible causes may include a loss of staff with relevant skills, a lack of effectiveness or associated translation expenses.

Table 4.1: Changes in Welsh provision 2020 to 2022

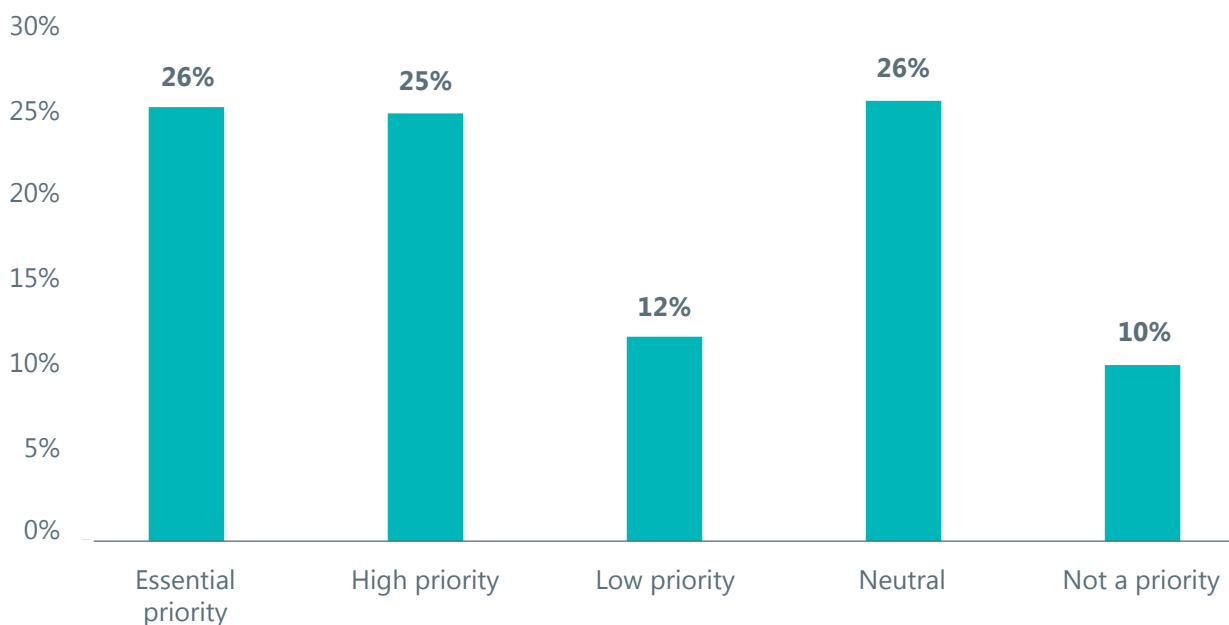
	Signage	Branding and marketing	Welsh speaking staff
Were offering previously but no longer offer in Welsh	9%	11%	9%
Didn't offer in Welsh before and now do	7%	9%	8%

n = 99

4.4 Action on net zero

In 2022, additional questions were asked of businesses around commitments to and actions on becoming a business with net zero carbon emissions. Over half of businesses (51 percent or 127/248 businesses) said that mitigating the climate crisis was a 'high' or 'essential' priority for them. Conversely, 10 percent said it was not a priority for them, and 26 percent had neutral opinions.

Figure 4.7: How much of a priority is mitigating climate change for your business?



Source: Wavehill Survey 2022 (n= 248)

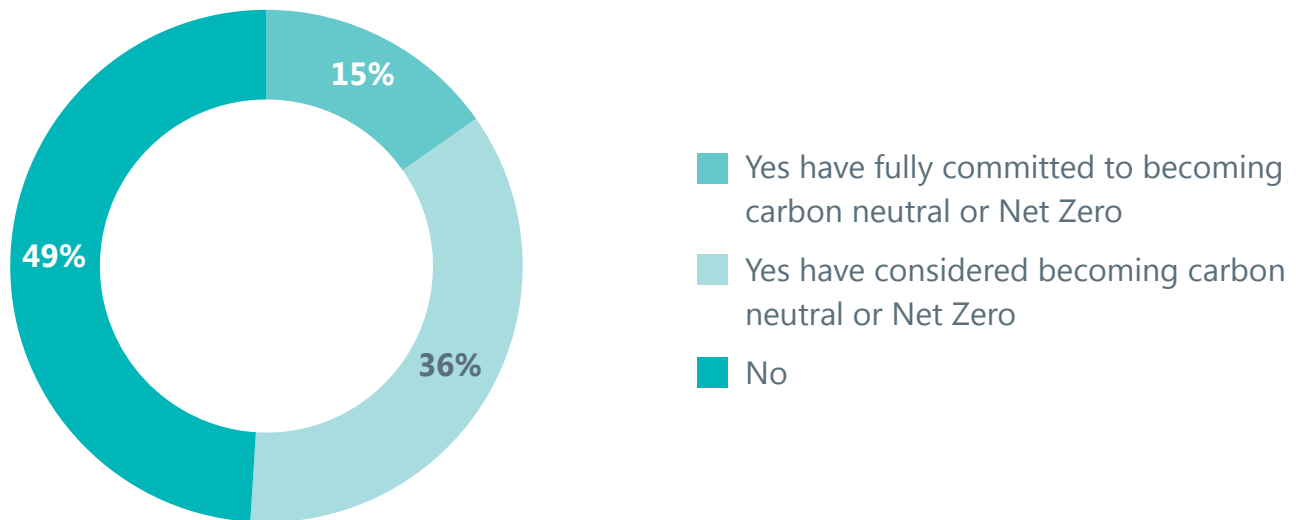
4.4.1 Commitments

Businesses were also asked if they have fully committed or considered becoming carbon neutral or net zero, with 15 percent of businesses committing and 36 percent of business considering it. This demonstrates that whilst many feel that addressing the climate crisis is a priority, a limited number of these businesses have fully committed to becoming carbon neutral or net zero.

However, the State of Social Enterprise Survey Report 2021¹⁰ (SEUK21) report noted that social enterprises located in the devolved nations (Wales and Scotland) were more likely to have embedded tackling climate change in their constitution (44 percent) than the English average (35 percent), also suggesting that businesses in more rural areas had a greater commitment to addressing the climate crisis.

¹⁰ State of Social Enterprise Survey Report 2021

Figure 4.8: Have you fully committed or considering becoming carbon neutral or net zero?



Source: Wavehill Survey 2022 (n=249)

4.4.2 Actions

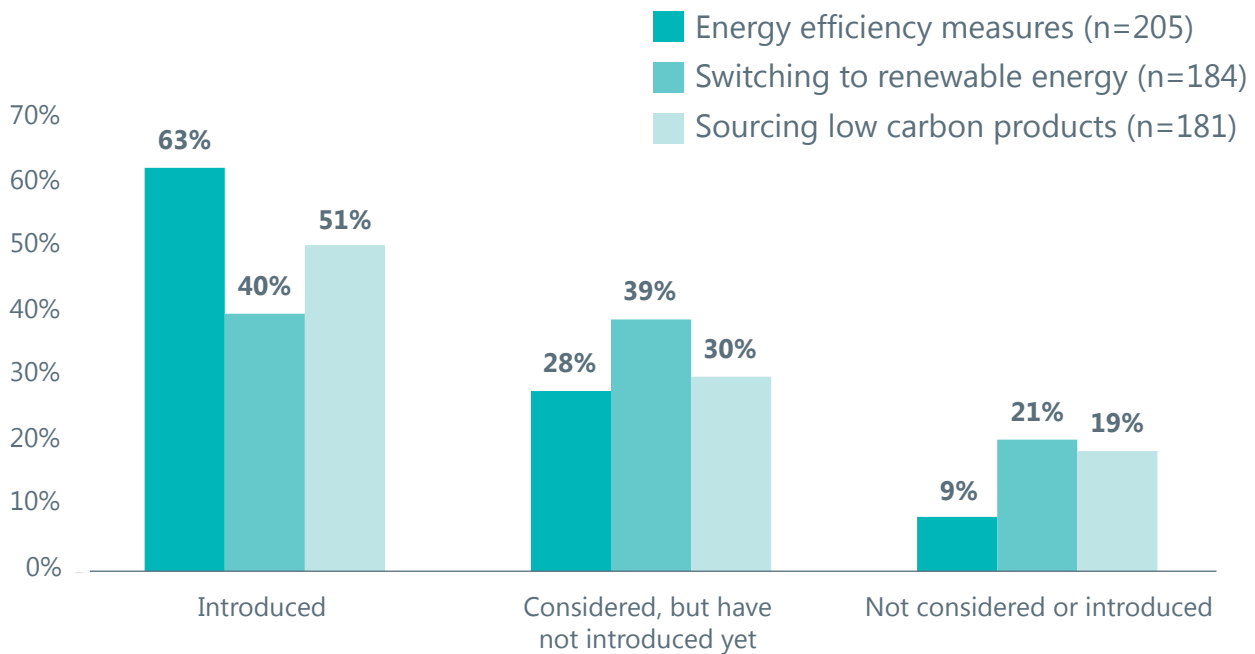
Businesses were most likely to have introduced energy efficiency measures (63 percent or 129/205 businesses), whilst 39 percent (72/184) were considering switching to renewable energy. These figures may be impacted by the energy crisis in late 2022 following the lifting of the energy price cap and Russia’s war against Ukraine.

Comparably, the SEUK report suggests that 30 percent of social enterprises had installed energy efficiency devices in the last twelve months whilst according to the Business Insights and Conditions Survey in March 2022, approximately eight percent of businesses reported taking at least one strategic action to protect the environment.¹¹



¹¹ Business Insights and Conditions Survey Wave 53, ONS

Figure 4.9: Have you considered or introduced any of the following measures to address the climate crisis?



Source: Wavehill Survey 2022

Respondents were asked an open text question based on their level of commitment to becoming carbon neutral/net zero as seen in Figure 4.9 (above). These responses were then qualitatively coded.

Those who had considered or committed to becoming carbon neutral or net zero were asked how they intended to achieve this, with 30 percent of responses referencing switching to renewable energy sources and a further 25 percent planning on improving the energy efficiency of their business premises. 27 percent noted commitments to recycling or reducing waste, and 11 percent around electric vehicle use or facilitation. Seven percent of businesses noted carbon offsetting measures such as tree planting, whilst nine percent mentioned either a carbon policy, plan or strategy.

“ We will be using solar panels to generate electricity, we harvest water and use environmental friendly equipment on the site and recycle and reuse products on site.”

Businesses who hadn't considered becoming carbon neutral or net zero attributed this to a variety of reasons. For 27 percent of businesses (32/117) it wasn't a priority, with many mentioning a lack of time or staff resource and some saying their focus was on their core social mission.

“ It's not a priority for us at the moment, our priority is helping to house the homeless and those in poverty.”

“ We're trying to survive as a business and don't have the funds in place to become carbon neutral or net zero at the moment.”

For 10 percent of businesses (12/117), the cost of implementing measures to become carbon neutral was the main reason why it was not something they had considered. For example, one business noted they were operating from an old building where the cost of energy saving measures would be too high. Responses indicated that for many businesses, energy efficiency measures on buildings were believed to be the primary action their business was able to take towards mitigating the climate crisis. Similarly, 18 percent (21/227) commented that taking action was not in their power, mostly because they rent space and do not have the power to make energy saving adjustments. A further 19 percent (21/117) of businesses felt that becoming carbon neutral was not relevant to their work, with many not having fixed locations, some being based outside, or being run by volunteers.

Many of the statements made by the respondents centred around their Scope 1 (facilities and vehicles) and Scope 2 (purchased energy) emissions. This may reflect a lack of understanding of the main sources of a business' carbon impact. The Business Growth Hub states¹² that for the average business, Scope 3 emissions (the emissions made indirectly through their supply chain) by far make the largest contribution to their carbon footprint.



¹² Business Growth Hub, A quick-fire guide to 'Scope 3' emissions, August 2021

“ We don't have an actual office. Everybody works remotely from home and it's up to each individual to decide what they do. We certainly as an organisation for example have cut printing down enormously and reduced [in-person] visits to clients to one, then it's done on screen.”

For those businesses who had considered, but not introduced the options, nearly half (44 percent) of responses noted they needed funding or financial support to be able to implement action.

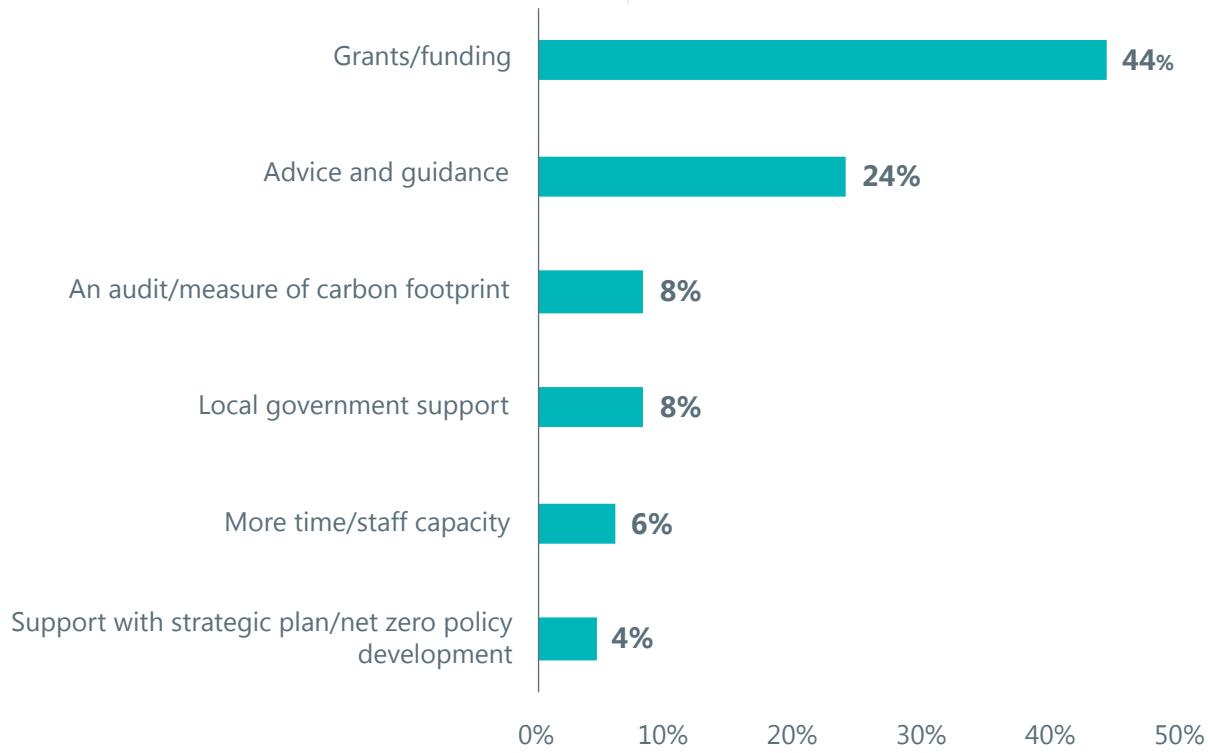
“ Central government organisations could assist with the transition from fossil fuels technology to renewables because the high cost involved of sourcing eco-friendly products for sale or technology to use, those transitional costs are massive, prohibitively expensive.”

“ We've developed a green energy strategy and are ticking things off as we go but they generally cost a lot of money, so funding support to implement them.”

Amongst the 24 percent (32/134) of businesses who needed advice and guidance to help introduce measures to become carbon neutral, two businesses needed planning advice, three noted specific advice around energy providers, seven noted that they needed bespoke advice or consultancy support, and 17 did not specify the type of advice needed. Six businesses (4 percent) needed support with developing a strategic plan or a net zero policy, whilst 11 businesses (8 percent) needed support with either an environmental audit or a measure of carbon footprint.

“ [Support needed] would be the practicality of doing the maths of how we can be net zero. Knowing what the carbon footprint looks like in terms of a number and then knowing the options for offsetting it.”

Figure 4.10: You say you have considered, but not introduced these options. What would help you to introduce them?



Source: Wavehill Survey 2022 (n=134)



Section 05
**Business practices
and trading
performance**

05



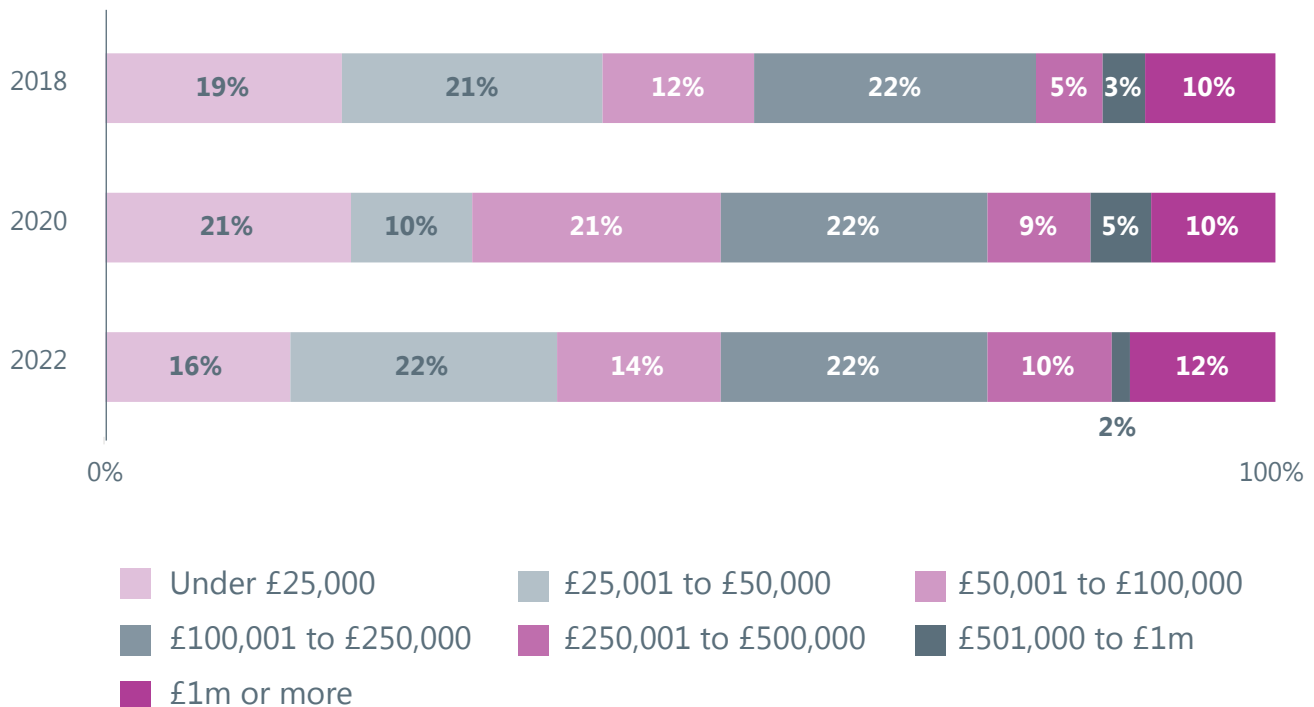
» 05 Business practices and trading performance

5.1 Business growth

To understand business growth between 2018 and 2022 it is most useful to compare businesses who have contributed turnover or employment data for all three waves of the survey. This allows meaningful comparison of growth figures which ensures any apparent growth is not due to sampling variation.

A comparison of turnover suggests a mixed picture, with fluctuation between 2018, 2020 and 2022. During this time, some businesses have grown consistently, and many have seen a sudden loss of turnover either in 2020 or 2022. The proportion of businesses earning less than 50k has risen from 31 percent in 2020 to 39 percent in 2022. However, it is positive that there are fewer businesses with a turnover of under £25k now in 2022 than in 2018, following a rise in 2020.

Figure 5.1: Please could you confirm your organisation's turnover in the last financial year (Panel Sample)

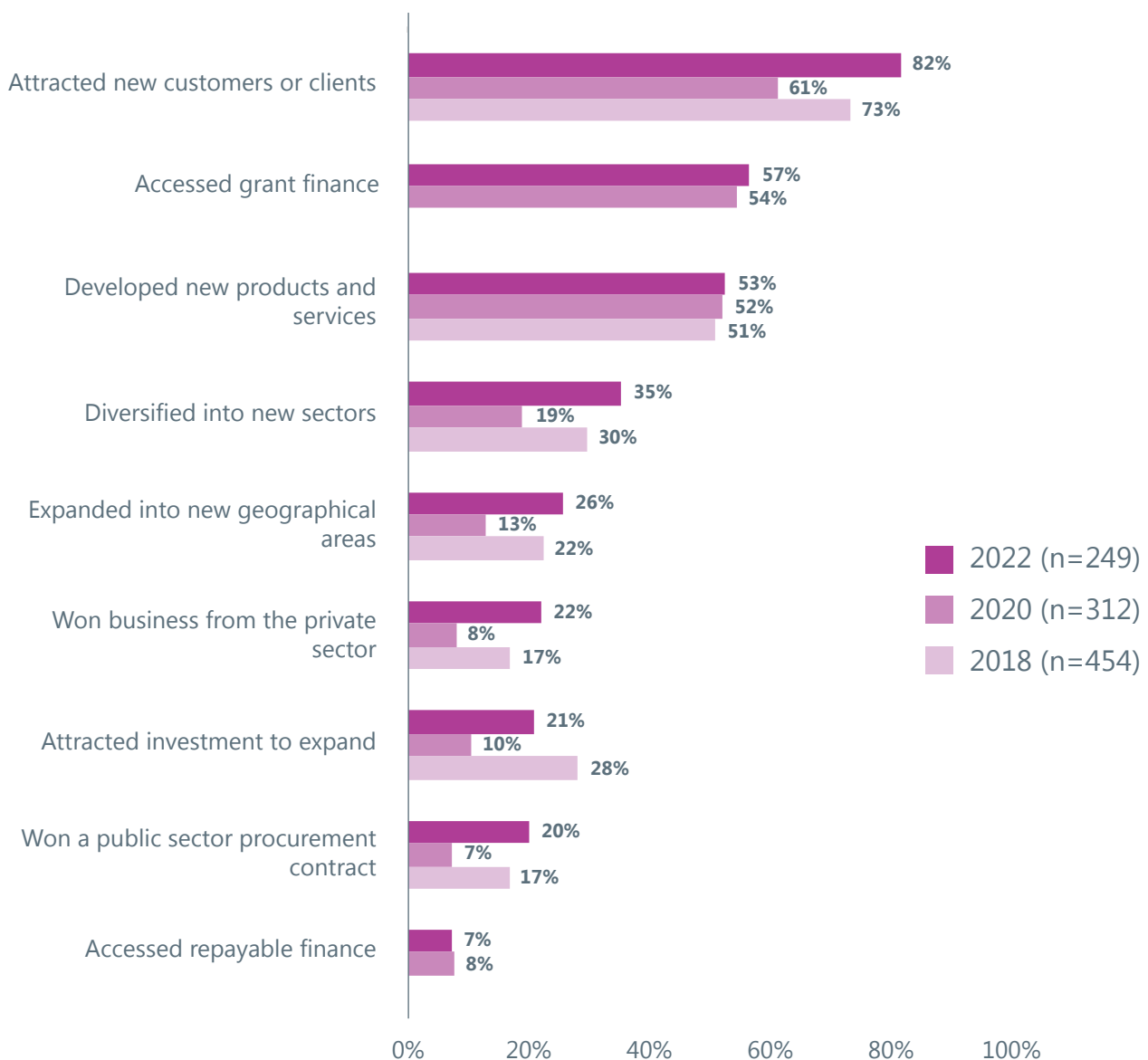


Source: Wavehill Survey 2022 (n=58)

The average number of staff in panel businesses has grown by 15 percent since 2020, with an average of 40.7 people compared with 35.4 in 2020. Fewer panel respondents have no staff in 2022, with 29 percent (19/68) sole trader businesses in 2018 and only 19 percent (13/68) sole traders in 2022.

Indicators related to business development suggest that businesses are seeking to expand and diversify, reporting a variety of business development indicators during the last 23 months. Many indicators are broadly in line with 2018 figures, following a fall in 2020, which could suggest that during the pandemic businesses were in a phase of consolidation or survival, but are seeking to grow in 2022. For example, 35 percent of businesses (88/249) have diversified into new sectors, which represents a rise from 2020 and 2018 which were 19 percent and 30 percent respectively.

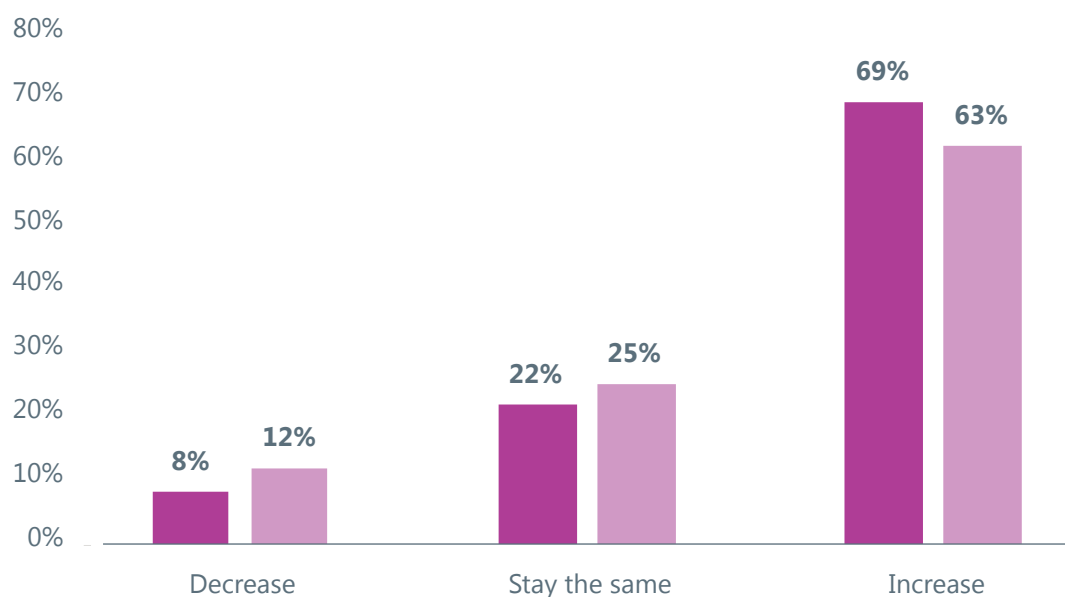
Figure 5.2: Business development indicators during the last 12 months



Source: Wavehill Survey 2022 (n=249)

Businesses were broadly optimistic about their growth prospects over the next three years, with 69 percent of businesses expecting their turnover to increase and 63 percent expecting their profit to increase.

Figure 5.3: Thinking about the next 2-3 years, do you think you turnover and profit will increase, decrease or stay the same?



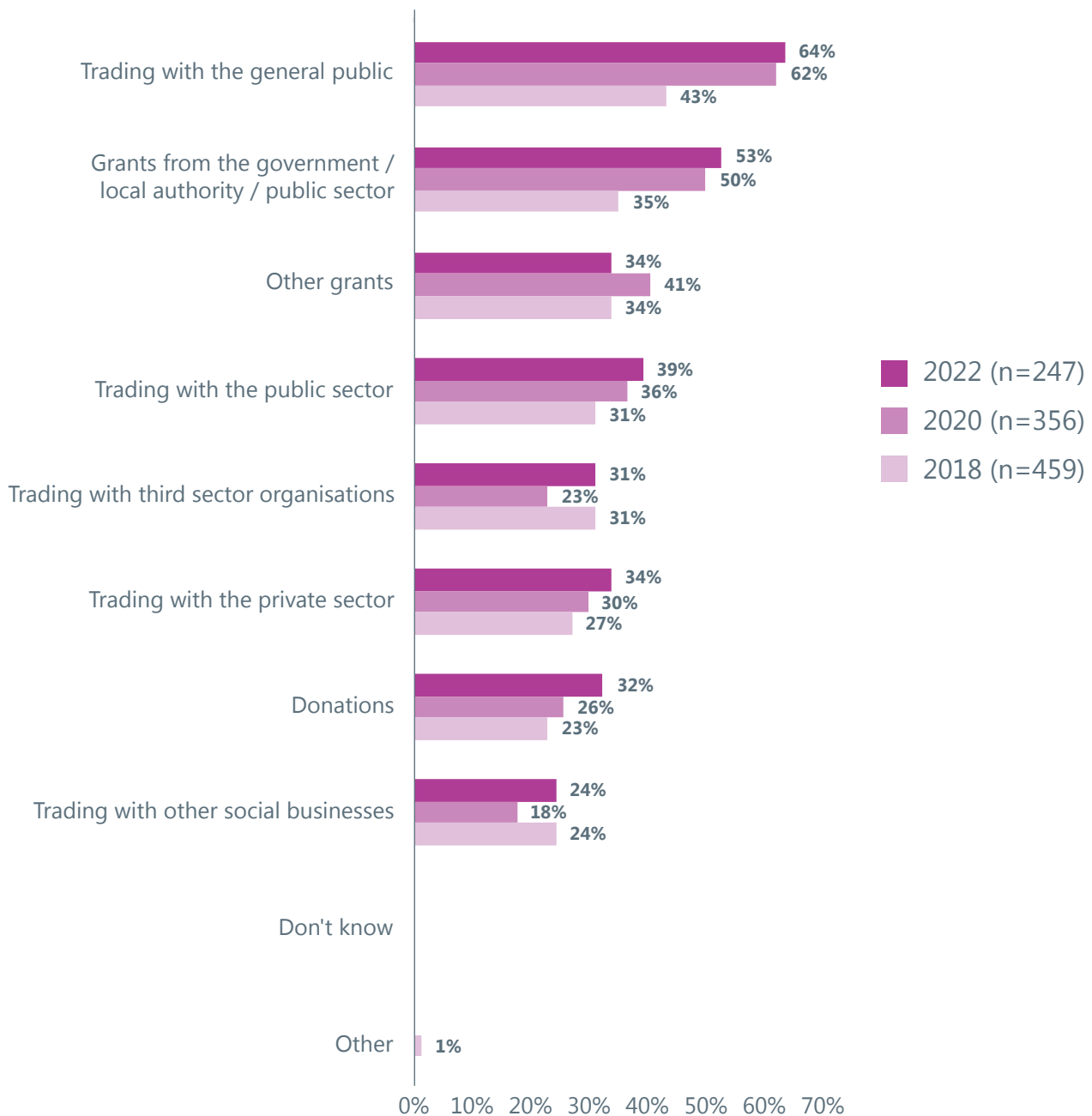
Source: Wavehill Survey 2022 (n=236)

5.2 Trading patterns

Whilst previous mapping exercises found that the sector in Wales may have been becoming more mature and commercially focused, during the pandemic there was significant disruption to trading conditions for many businesses and a large number of grants available to businesses, including the Coronavirus Job Retention Scheme, Business Interruption Loan Scheme and Third Sector Resilience Fund amongst many others (see Appendix 1 for full list). However, this commercial focus is what differentiates social businesses from other third sector organisations.

Businesses reporting use of local government grants only appears to have slightly increased between 2020 and 2022 (from 49 percent to 51 percent). The proportion of income generated through trading activity, i.e. income generated by the goods or services that they offer as opposed to the receipt of grants or donations has also varied, with trading with the general public falling from 64 percent in 2020 to 53 percent in 2022. However, trading with the public sector and private sectors appear to have risen to near-2018 levels following falls in 2020.

Figure 5.4: What are the main sources of income your organisation receives?

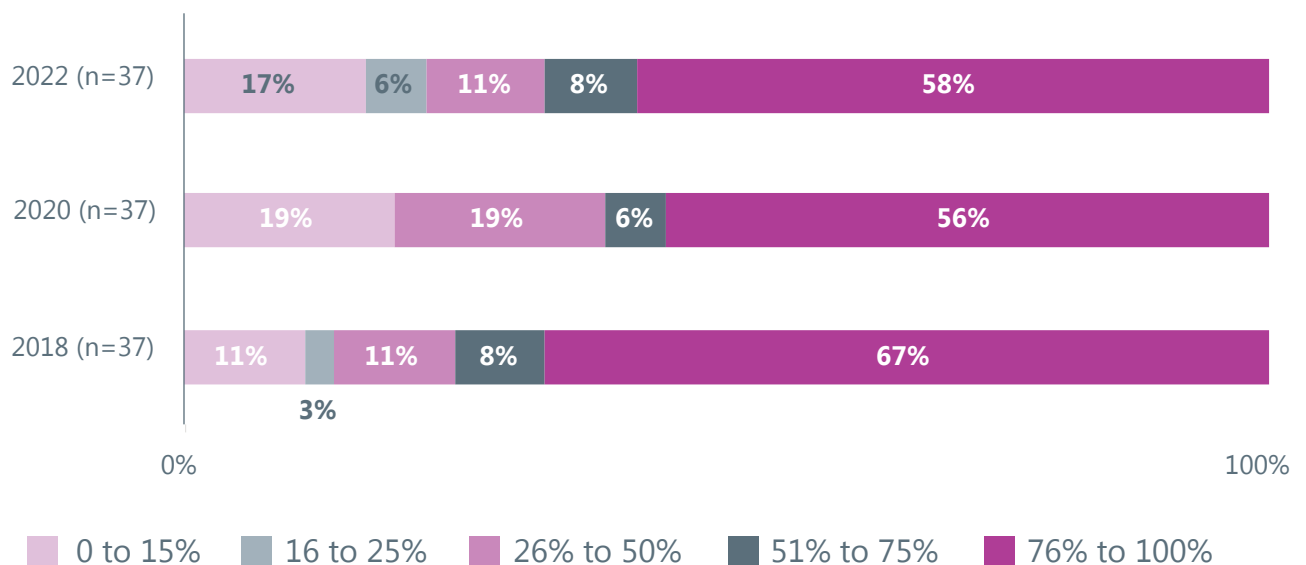


Source: Wavehill Survey 2022

Using the matched sample of panel respondents who provided income data in 2018, 2020 and 2022, it appears there has been a greater reliance on non-trading activity. Whilst there has been an increase in businesses with over 50 percent of income generated from trading activity since 2020 (from 62 percent to 66 percent), this has not returned to 2018 levels (75 percent).



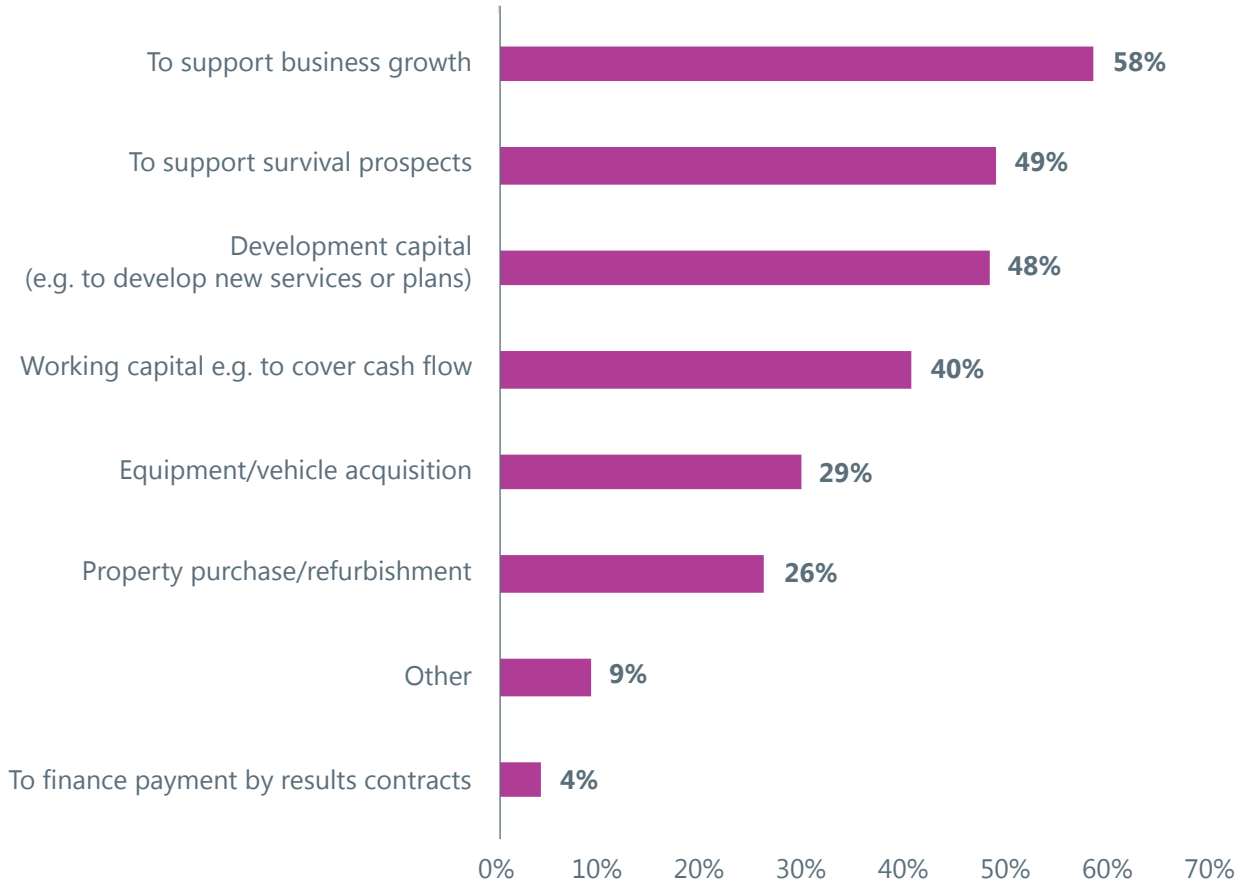
Figure 5.5: Approximately how much of your organisation's total income is generated from trading activities? (Panel Sample)



Source: Wavehill Survey 2018, 2020 and 2022

For the first time, those businesses who said they had accessed grant or repayable finance in the last year were asked what they were using this finance or capital to fund. The majority of businesses were using this capital to support business growth (58 percent or 85/146 businesses) and 48 percent (70 businesses) for development capital. However, it's worrying that nearly half (49 percent of 71 businesses) said the funding would support survival prospects. Amongst 'other' responses, two businesses noted it would cover staff costs whilst five will use it for funding a specific project.

Figure 5.6: What were you using this finance or capital for?

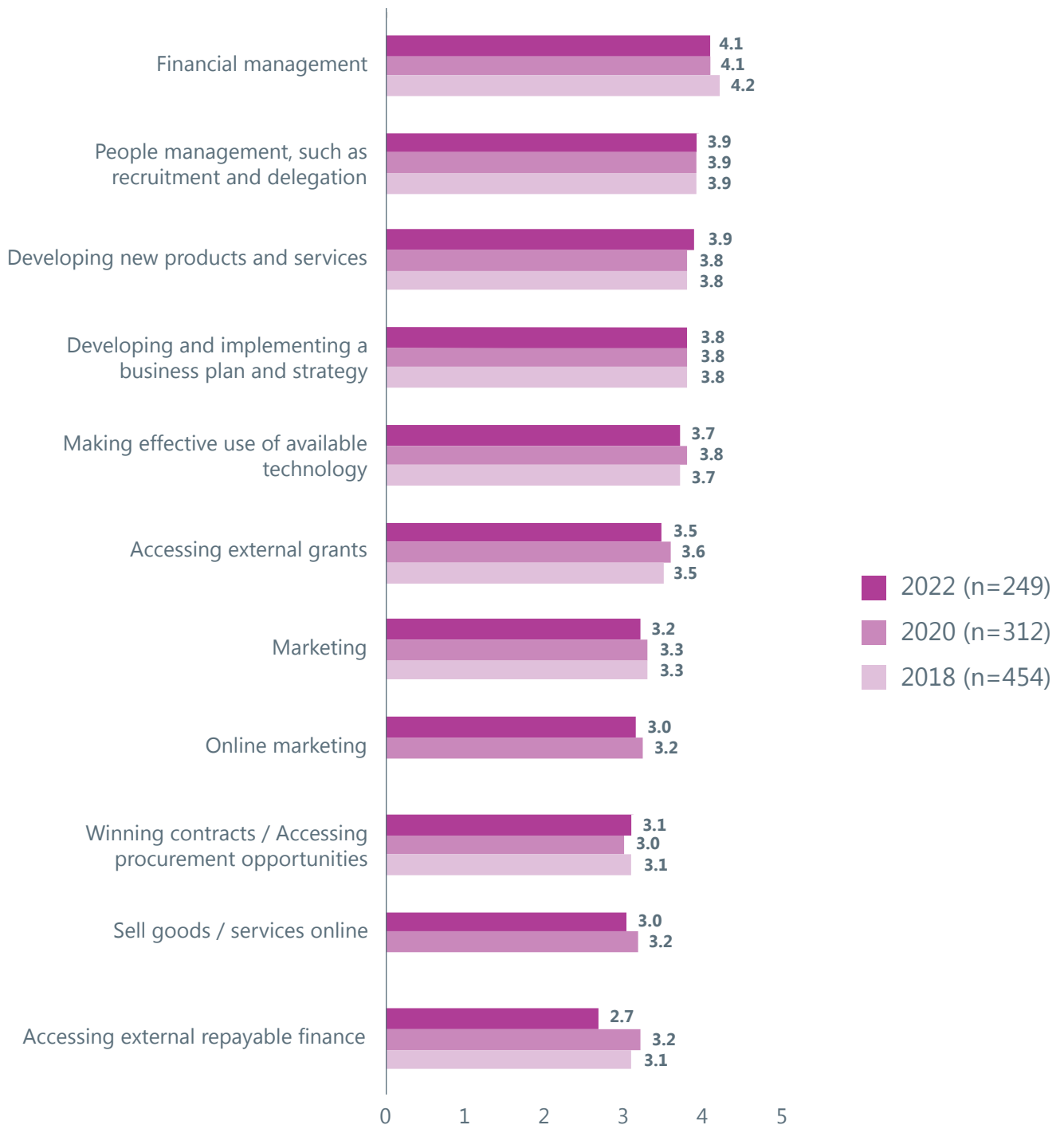


Source: Wavehill Survey 2022 (n=146)

5.3 Business capabilities

Survey respondents were asked to rate their own business capabilities over a range of different business practices on a scale of 1 to 5 (where 1 is rated as very poor and 5 as very strong). The mean score provided for each of these areas is shown in the chart below and reveals that self-reported business capabilities are generally consistent with those in previous years.

Figure 5.7: Self-reported capability in relevant business skills (Average score where 5 is very strong and 1 is very poor) 2018, 2020 and 2022



Source: Wavehill Survey 2022 (n=249)

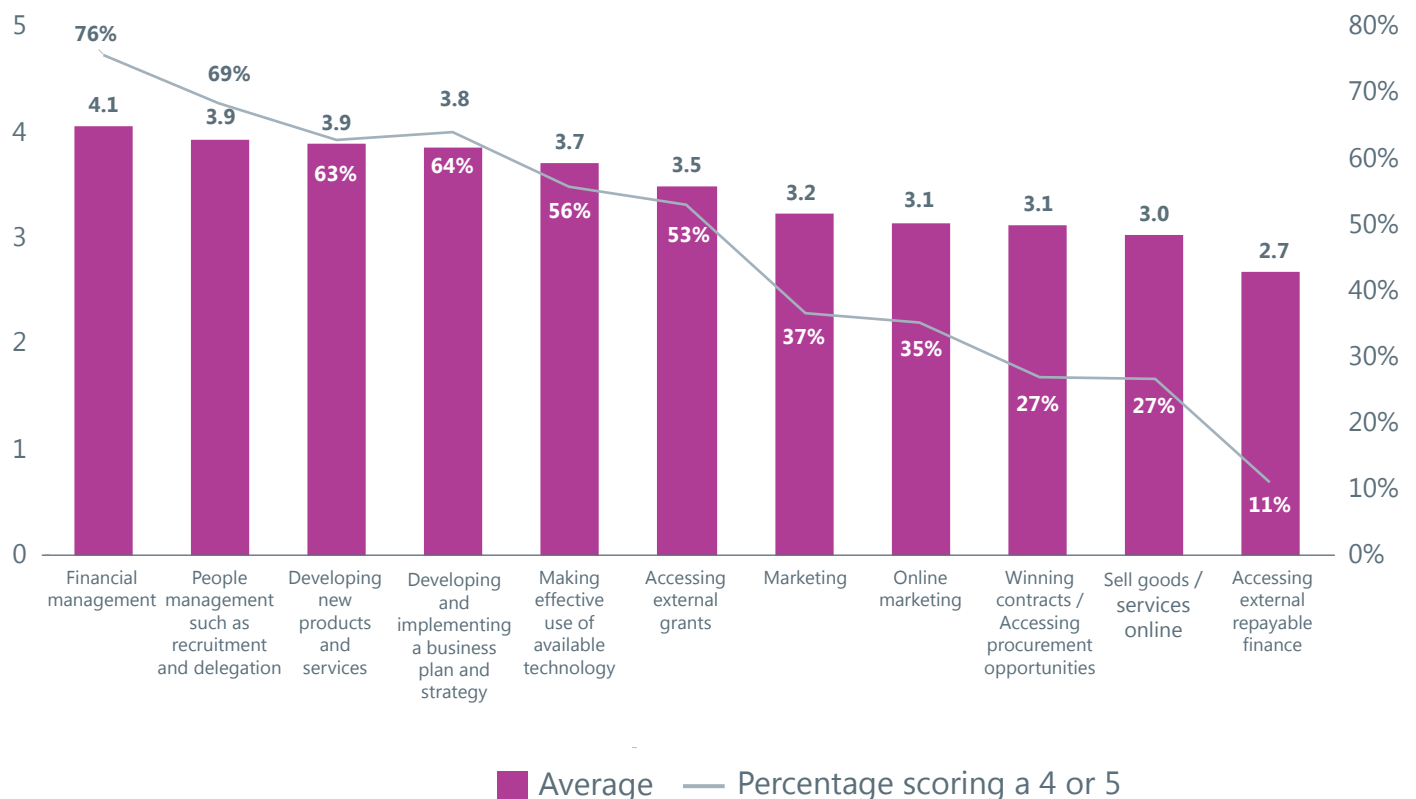
New response options included in 2020 around online marketing and selling goods/services online can now be compared with 2022 results, which suggest there has been a fall in self-reported capability in these digital skills. However, it should be noted that 34 percent of respondents said that selling online wasn't applicable for their business.

There appears to also be a fall in business capabilities in accessing external repayable finance, however 65 percent of businesses said that this skill wasn't applicable to their business.

As previous responses suggested, there is high confidence (where a business reported 5 out of 5) in strategic skills such as financial management (37 percent), people skills and management (29 percent) and developing and implementing a strategy (29 percent). However, only three percent (7/249 businesses) rated themselves as very strong at accessing external repayable finance, and seven percent (18/248 businesses) at winning contracts or accessing procurement opportunities.

Finally, the data shows that marketing continues to be one of the least proficient areas, whilst businesses were even less proficient in online marketing and sales. With the digital market becoming increasingly important within the economy, and the pandemic accelerating consumer trends towards this direction, the lack of knowhow within this area represents another clear skills gap.

Figure 5.8: Average capability score (where 5 is very strong) and percentage responding either 'strong' or 'very strong'



Source: Wavehill Survey 2022 (n=248)



Section 06
**Challenges, support needs,
and pathways to growth**

06





» 06 Challenges, support needs, and pathways to growth

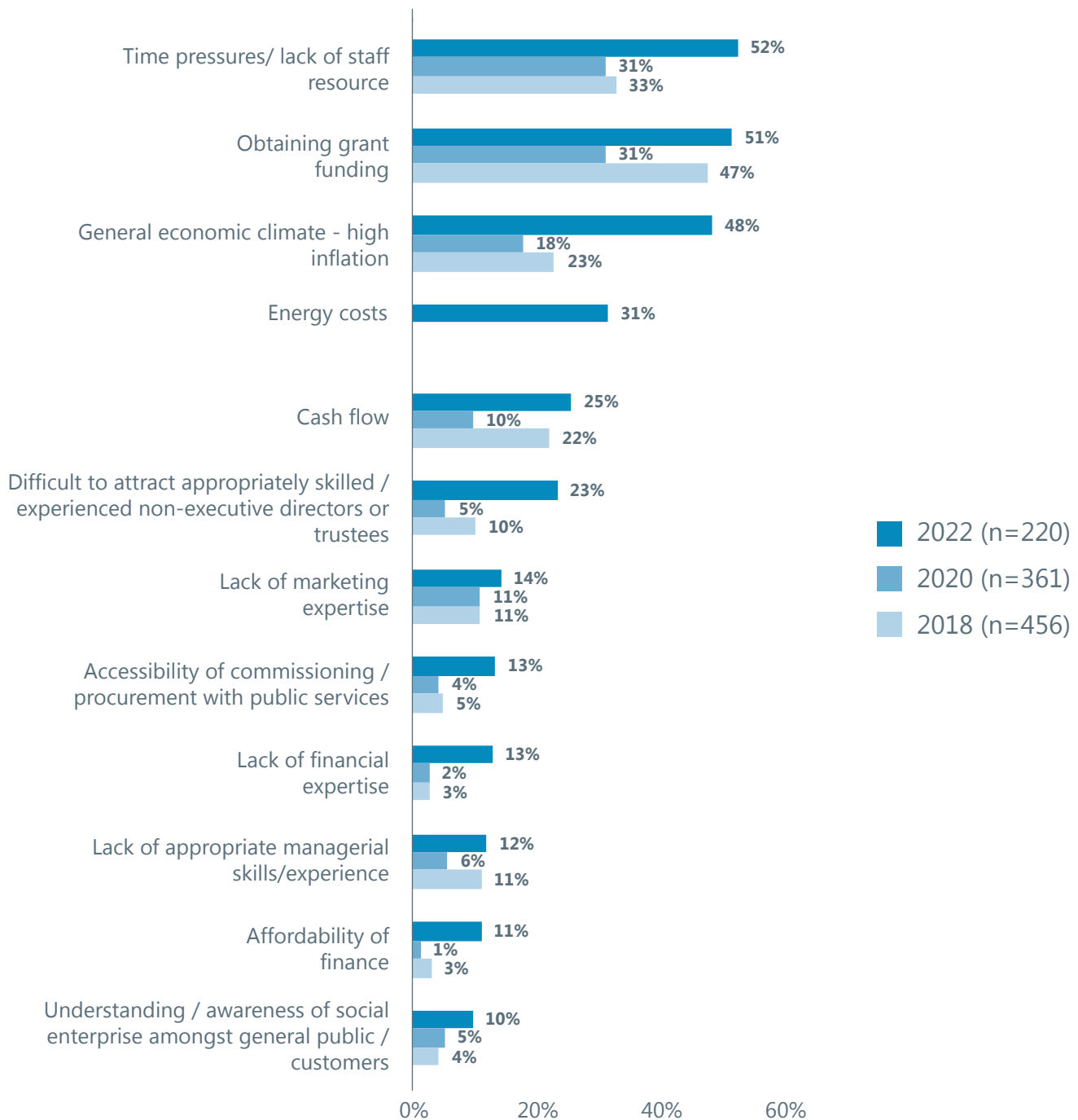
This section examines the main barriers identified by businesses that are preventing growth and their ability to achieve their social objectives. Furthermore, it discusses the skills gaps identified within the sector and the support needed in order to address them.

6.1 Barriers to growth

As with the previous mapping exercise, respondents were asked to select their four main barriers to sustainability or growth. Only one response option was added to reflect the changing economic context, and 'energy costs' was cited by nearly a third of businesses on 2022 (31 percent) as one of their main barriers to growth. Equally, economic climate and high inflation were cited by nearly half of respondents (48 percent), compared with 19 percent in 2020 and 23 percent in 2018. Cash flow was also a barrier for a quarter of businesses (25 percent) which more than doubled from only 10 percent in 2020. This paints a concerning picture for the state of the sector.

The greatest barrier for businesses, however, was time pressures/lack of staff capacity, which was noted by 52 percent of social businesses surveyed. It's interesting to note that obtaining grant funding has also risen to 51 percent, having fallen in 2020 to only 31 percent. This follows a pattern seen elsewhere with the effect of the pandemic, where there were a number of resilience or recovery grants for businesses in 2020 which were no longer available in 2022.

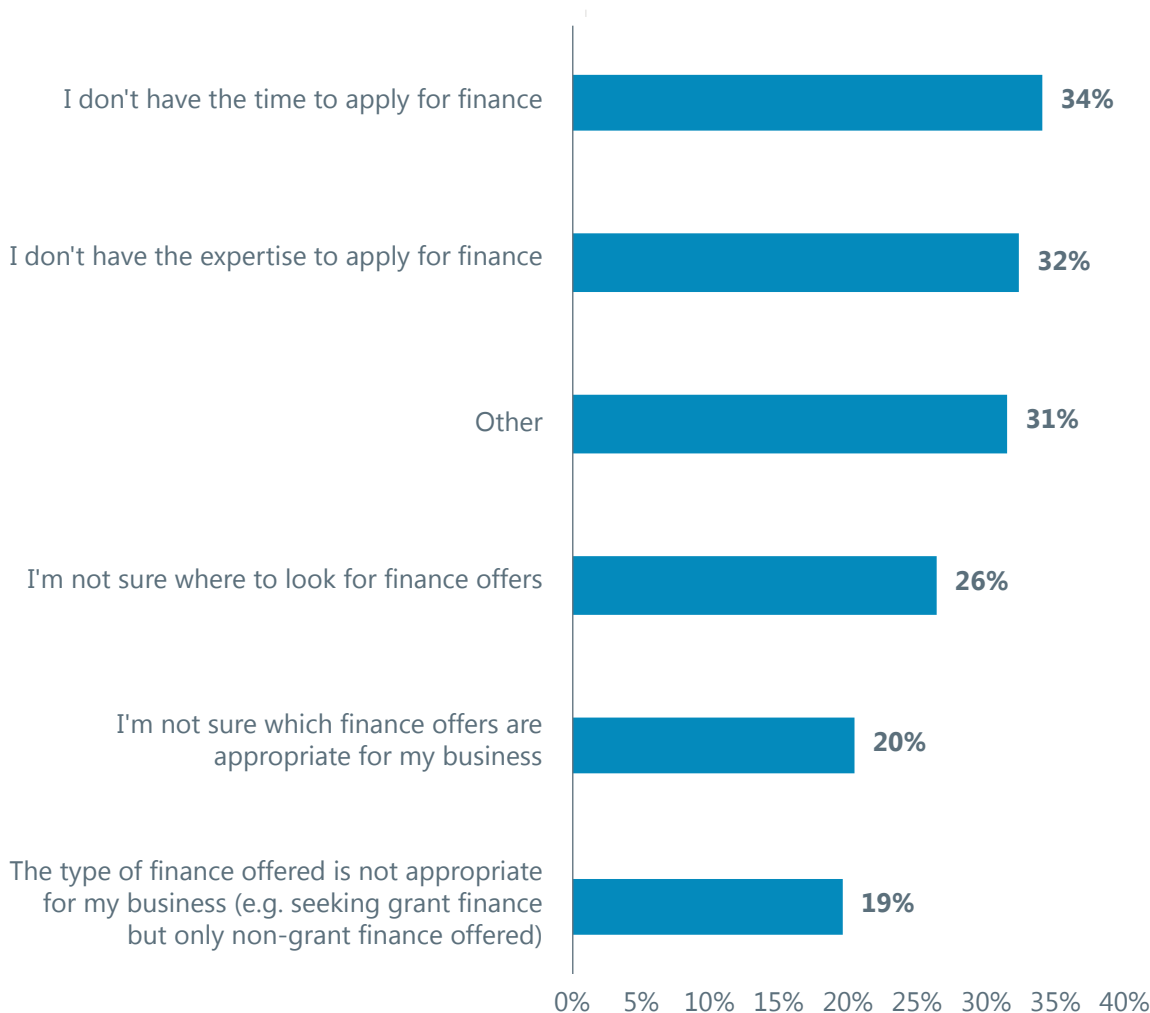
Figure 6.1: What are the four most significant barriers to your organisation's sustainability and/or growth currently



Source: Wavehill Survey 2018, 2020 and 2022

Businesses who suggested that accessing finance was a barrier for their business were asked a follow up question to understand the nature of these challenges. The data suggests that a key driver of this concern was a lack of time to be able to apply for finance (34 percent or 40/118 businesses), which reflects the broader barriers facing businesses around organisational and staff capacity. A further 32 percent didn't have the expertise to apply for finance, which suggests a skills need within the sector.

Figure 6.2: Why do you state that accessing finance represents a challenge for your business?



Source: Wavehill Survey 2022 (n=118)

There were a number of businesses who responded 'other', where 11 businesses (9 percent) commented that there was increasing competition for grant funding and 3 saying there was limited availability of finance. Those who discussed finance options other than grants suggested that their ethics did not align with traditional banks or lenders or found that banks were cautious with lending to a business not driven by profit.

“ Finance likes profit-driven businesses and does not generally want to take the risk with social businesses, and interest rates are too high”

“ The high street banks aren't well suited to our business needs, we'd rather have something more ethical”

6.2 Skills gaps and support needs

Businesses were able to offer free text responses around the support they needed to address their barriers to growth. The most common response was around marketing (16 percent or 39/237 businesses). Whilst 9 percent commented that they needed funding to address barriers, 15 percent said they wanted training or support to be able to access funding or finance themselves. A significant number of responses referenced support around staff or training, with 14 percent needing support with recruitment for staff or volunteers, 13 percent needing training for their existing staff, and a further 2 businesses struggling to recruit apprentices.

Figure 6.3: What support would best address barriers to sustainability or growth you identified?



Source: Wavehill Survey 2022 (n=237)



Businesses were also asked about the blended finance model, which was used for funds such as the Third Sector Resilience Fund and the Social Business Growth Fund (i.e. a mix of grants and loans) and may become more prevalent in the future. Most businesses (55 percent) are aware of the funds and, where they are aware, most (55 percent) indicated that they are interested in the model. This is despite the fact that only four percent accessed blended finance in the past year (see Figure 5.15), suggesting that there is good scope to increase this type of offer as an alternative for businesses who are eager to access grant funding.

“ Help with funding efficiency in the operational aspect of businesses, as well as mentoring and networking to help connectivity, would be useful.”

“ We do use Facebook a lot but I think our digital footprint could be better, we're all older volunteers who could maybe do with more specialist support or mentoring.”

“ September should be our busier time of year because young people have left school and they move into businesses and they start apprenticeships, it's strange this year because the numbers aren't there.”

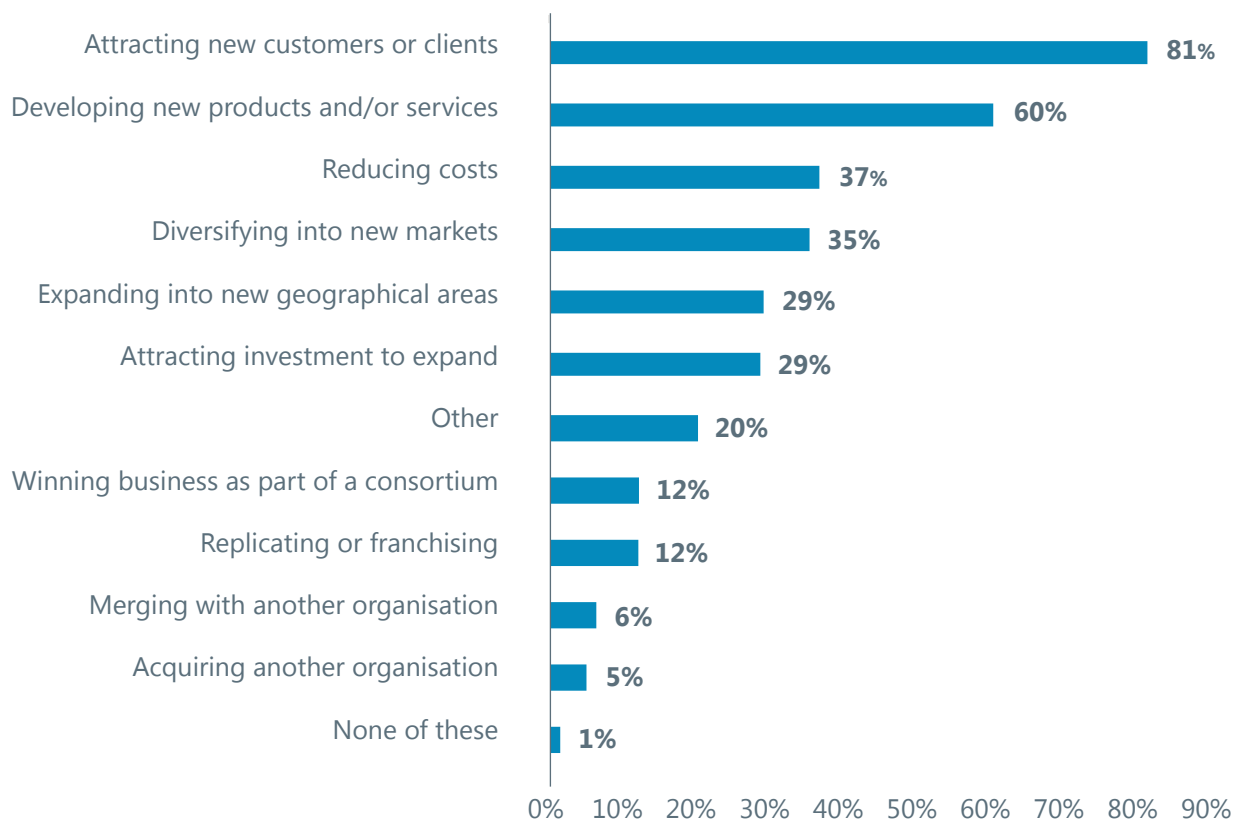
“ Help in finding more skilled directors to join us and work for us would be helpful, rather than mentoring as we are stretched for time.”

“ Mentoring or assistance with networking the local authority areas. How they comply with the social services and well-being.”

6.3 Pathways to growth

Many businesses said they planned on achieving this increase through business growth activities such as attracting new customers or clients (81 percent or 133/164) or developing new products or services (60 percent or 99/164). However, it should be noted that 37 percent of respondents (60/164) would do this by reducing costs.

Figure 6.4: How does your organisation plan on achieving this increase?



Source: Wavehill Survey 2022 (n=164)

The following quotes serve to illustrate some of the responses given to the open text question.



Better financial management and increasing the rents. Long term investments coming to fruition.”



Recovering the business lost through the pandemic - we are trialling extended opening hours and a marketing push - we have hired a marketing company to do some marketing for us.”



Section 07

Summary of findings

07



7.1 State of the sector

The 2020 Mapping Social Business Census found a sector in recovery from the Covid-19 pandemic, where the effect of the pandemic appeared to have manifested in stalling growth, rather than a decline. Following the social and economic upheaval triggered by the pandemic, there appears to be an expansion of business stock through continued entrepreneurial activity, aided by the additional European funded support delivered by Cwmpas through the Social Business Wales programme.

There are however signs of vulnerability within the sector with evidence suggesting there may be lingering effects from the pandemic alongside an increasingly competitive trading environment, potentially triggered by a reduction in available funding. The changing landscape of funding (and the imminent loss of EU funding) and the cessation of grant finance offered during the pandemic appear to be affecting social businesses with an increased proportion noting issues relating to cash flow. These challenges are perhaps all more acute given recent inflationary pressures associated with energy costs and other key items of expenditure. It is also important to note that the imposition of restrictions during the pandemic had a clear and disproportionate impact on the sector as a whole. Differing grant support, trade demand and ability to operate means that, at an organisational level, business performance, size and turnover has changed dramatically in different ways between 2020 and 2022.

However, the prospects for business growth are optimistic over the long term, with many businesses positive about their future turnover and profit. Indicators related to business development suggest that businesses are seeking to expand and diversify, reporting a variety of business development indicators during the last two years. Many indicators have rebounded to be broadly in line with 2018 figures, following a fall in 2020, which could suggest that during the pandemic businesses were in a phase of consolidation or survival, but are now seeking to grow again.

7.2 Trading performance and barriers to growth

An analysis of business age suggests a rise in new business starts since the last survey in 2020, with strong start-up activity in Wrexham, Conwy, Carmarthenshire and Rhondda Cynon Taf in particular.

Staff capacity appears to be the greatest barrier to growth faced by businesses which could be driven by a range of factors including general labour market fluctuations and associated shortages of skilled staff, or an increase in trade or demand for services. Businesses also appeared to have on average fewer volunteers than in 2020.

Data on trading patterns suggest the level of commercial focus in 2022 has fallen, perhaps linked to the availability of grant finance during the pandemic. Access to finance remains a key perceived barrier to growth and sustainability. Very few businesses have accessed repayable or blended finance, and the former was rated as businesses' least proficient area, with the sector indicating it has a lower skill level in this area than in 2020. This was also the main support need stated.

Digital competency relating to online marketing and selling goods online continues to be a skills gap for some businesses. Respondents also highlighted a need for marketing skills, whether this be through training, mentoring or bespoke consultancy support.



7.3 Effecting social change

The research suggests that social businesses appear to have a particularly important role to play in areas of greater deprivation, with the South Wales Valleys continuing to exhibit strong social business activity.

There has been a jump in the focus on social impacts for businesses, with a consistent number of businesses measuring this impact. This may be due to the recognition of the need to articulate social value to potential funders, particularly in an increasingly competitive funding landscape. In particular, improving health and well-being appears to be a key social driver for three quarters of businesses. This may reflect the fact that health was the second largest operational sector as well as the growing recognition of the Well-being of Future Generations Act (2015). Improving a particular community has been consistently important for social businesses, which demonstrates the role of social businesses in locally-focussed community regeneration.

Social businesses are good employers, with the vast majority offering the Living Wage to all staff and employing people who are further away from the labour market. Social businesses continue to be a key driver of local employment, and there hasn't been a de-localisation effect following the shift to remote working during the pandemic. The data suggests there may be a small but growing number of businesses becoming employee owned. There is a very positive gender balance within the leadership of these businesses, although ethnic minority communities and people with disabilities are underrepresented.



Appendix 1: **Grants offered during the pandemic**

08



8. Grants offered during the pandemic

The main aspects of this support are:

- **Coronavirus Job Retention Scheme ('Furlough Scheme')** – a grant that covers 80 percent of employees' monthly wage costs where businesses cannot maintain their workforce because their operations have been affected by COVID-19.
- **Coronavirus Business Interruption Loan Scheme** – SMEs could apply for a temporary loan, overdraft, invoice finance, and asset finance of up to £5 million, for up to six years, with the government giving lenders an 80 percent guarantee on each loan.
- **Coronavirus Bounce Back Loan** – between £2,000 and £50,000, with the government guaranteeing 100 percent of the loan with no fees, interest or repayments required for the first 12 months.
- **Economic Resilience Fund** – three rounds of loan and grant funding to support businesses who were affected by pandemic-related restrictions and unable to operate.
- **Cultural Recovery Fund** – provided funding to support theatres, music venues, heritage sites, events, museums, libraries, galleries, independent cinemas, and freelancers.
- **Third Sector Resilience Fund** – provided direct financial support, including a blend of 75 percent grant funding and 25 percent initially interest-free loan funding, to third sector organisations which needed help in getting through the crisis.
- **Business Rates Relief** – including the retail, leisure and hospitality rates relief scheme, the small business rates relief scheme, and charitable and non-profit organisation rates relief.
- **Deferring VAT** – VAT-registered businesses with a VAT payment due between 20 March and 30 June 2020 had the option to defer payment until 31 March 2021.
- **Statutory Sick Pay Rebate** – employers could reclaim Statutory Sick Pay paid for sickness absence due to COVID-19.
- **Time to Pay** – discarding penalties for businesses who could not pay their tax in time because of the pandemic.



Appendix 2: **Definition of Supported Business**

09



9. Definition of Supported Business

Supported businesses are organisations that meet the following three conditions:

- a)** at least 30% of their paid workforce is made up of people who are disabled or disadvantaged in the labour market. This includes the following eight categories for an employee who:
 - i. has a disability;
 - ii. or has not been in regular paid employment for the previous 6 months;
 - iii. is between 15 and 24 years of age;
 - iv. or has not attained an upper secondary educational or vocational qualification such as an A Level/NVQ3;
 - v. or has not obtained regular paid employment within two years after completing full-time education;
 - vi. or is over the age of 50 years;
 - vii. or lives as a single adult with one or more dependants;
 - viii. or works in a sector or profession where the gender imbalance is at least 25 % higher than the average (e.g. in sectors such as manufacturing and construction; or occupations such as care, administrative/secretarial, process, plant & machine operatives);
 - ix. or is a member of an ethnic minority and who requires development of his or her linguistic, vocational training or work experience profile.

- b)** the business can show that their primary aim is the social and professional integration of disabled or disadvantaged persons

- c)** the social and professional integration of disabled or disadvantaged persons is set out in their constitutional documents (e.g. Memorandum, Charitable objectives, membership agreement)

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