

MAY 2017

THE
NATWEST SE100
DATA REPORT



WELCOME

WELCOME TO THE NATWEST SE100 DATA REPORT



EMMA WILLIAMS, PROJECT
MANAGER FOR THE SE100,
INTRODUCES OUR ANNUAL
REPORT

This is the seventh SE100 annual report, and it has become the biggest survey of the UK social enterprise sector's turnover, growth, profitability and employment.

Social enterprises are organisations with a social mission. They are run like businesses, making most of their income from trading, but reinvest a significant proportion of their profits back into their social mission.

The SE100 was launched in 2010 by Matter&Co in partnership with RBS. When we began, we set out our objective as being to forge a better understanding – within the sector and among the wider public – of the exciting, pioneering and successful social enterprises in the UK. We aimed to put the facts and figures behind the fantastic stories of change that characterise the sector.

In that first year we gathered data from 350 social enterprises with a total turnover of £312m. We discovered strong growth in year-on-year turnover among the survey participants, and the minister for civil society at the time, Nick Hurd, said the SE100 Index “shows phenomenal growth which will boost confidence in the sector and open doors to private finance”.

This year, we have data from 2,120 social enterprises with a total turnover of £3.5bn. The findings are interesting – read on to find out more.

@SE100
#SE100Report
www.se100.net



ABOUT THE DATA

All data was taken for analysis on 26 January 2017 and, to the best of our knowledge, was correct on that date. Social enterprises were surveyed using primary and secondary sources, including the official websites of enterprises in the data set, information from Companies House and DueDil.

A total of 2,120 enterprises were included in the final data. For each, we collected both turnover and profit/loss figures for two consecutive years, whereby the most recent year-end date falls within 24 months of 26 January 2017.

Organisations included in the data self-defined or were judged by our researchers as being a ‘social enterprise’ according to the criteria laid out at se100.net/faq.

Note that growth or decline in the turnovers of social enterprises can be particularly volatile compared with those of other small and medium sized enterprises. For example, if an organisation receives a large grant, it may hugely increase their turnover for one year. This unpredictability in income is one of the challenges of the sector. Therefore, when calculating our growth in turnover figures we have filtered out small enterprises that have reported growth of more than 1,000 per cent year-on-year.

The research for this year's report was carried out by Emma Williams and the report was written by Julie Pybus.

FOREWORD



Mark Parsons, head of community finance and social enterprise at NatWest, reflects on the growth of the sector over the life of the SE100

Once again, NatWest are pleased to publish this unique survey of social enterprise with Matter&Co. The year 2016 has been a year of growth for the NatWest SE100 with more companies on the index, more events in more locations – and more awards too.

It's fitting then, that this year's report has more data from more companies and is the biggest survey of the UK social enterprise sector's turnover, growth, profitability and employment to date. It compiles data from 2,120 social enterprises with a total turnover of £8.5bn.

It tells us a lot about the sector. It tells us that whilst the average social enterprise is small, together they pack a significant punch. Last year, profits of those on the index was over £900 million.

The sector is growing strongly too. The average year-on-year growth in turnover for the established social enterprises on the Index was 61%. This is despite us excluding those enterprises under three years old which can often demonstrate more volatile growth. The growth of the fastest growing 100 was a strong 932%.

New trends are emerging too. We're seeing an increasing maturity with 44% of the enterprises on the Index between five and nine years old and they're still managing to grow as they mature. The average turnover of enterprises under three years old on our Index is £634,000. The average turnover of enterprises which are ten years old or more is £8m.

The growth figures are impressive and important – after all there can be no sustainable social impact unless there's a financially sustainable business. But, that's not the only reason we at NatWest support the sector. We care about social enterprise because we see and appreciate the impact they have on the disadvantaged and the marginalised. That impact can't be as easily quantified or reported as the financials in this report but we see everyday that it makes our communities stronger.

So, while we're pleased to support social enterprises that do well, we're most inspired when we see them making a positive difference to our society.

ABOUT THE NATWEST SE100 INDEX

The NatWest SE100 Index is now in its seventh year. Its aim remains the same: to track the success of social businesses across the UK by examining both their growth and the impact that they make.

All entrants to the Index have to provide certain basic information such as the region in which they operate, what legal structure they have and accounts signed off by an accountant. In addition to seeking data about enterprises' financial performance, we are keen to find out about their impact, and how they define, measure and communicate it. This is an area of the Index we hope to grow in the coming year.

By providing their data to us, there is an understanding that the information should be true and accurate, although we cannot guarantee this. The enterprises shortlisted for awards were asked to provide more detailed information as part of a due diligence process.

After our teams of number-crunchers and judges have been to work, the NatWest SE100 members are divided into different sections – there is the Main Index for mature organisations which have more than three years of accounts, and the Newcomers Index for start-up organisations.

Our analysis of the data is presented in this report, and there's even more information online – check out our website www.se100.net.

NATWEST WISE100

The NatWest WISE100 (Women in Social Enterprise 100) is a new initiative from the NatWest SE100 which aims to recognise and celebrate 100 leading women in social enterprise, impact investing and social innovation. Nominations are open from Friday 12 May until Thursday 31 August 2017.

An all-female panel will narrow down those put forward to produce a final WISE100 List. These 100 women will then be invited to a special celebration event on 12 October 2017, as well as being featured on Pioneers Post at www.pioneerspost.com. For more information and to cast your vote, go to www.wise100.co.uk.

WISE¹⁰⁰
RECOGNISING LEADING WOMEN
IN SOCIAL ENTERPRISE

THE NATWEST SE100 SOCIAL BUSINESS AWARDS

Alongside our data analysis, we celebrate the best of the SE100 with the NatWest SE100 Social Business Awards. In January 2017, eight social enterprises were honoured at the annual ceremony. They impressed the judges with how they are leading the way with strong leadership, impressive growth, sound business approaches, great communication of their stories and much more.

Read about the winners in Pioneers Post Quarterly issue 7.



GROWTH CHAMPION

LET'S DO BUSINESS



IMPACT CHAMPION

MANOR HOUSE DEVELOPMENT TRUST



TRAILBLAZING NEWCOMER

CHANGE PLEASE



RESILIENCE AWARD WINNER

HERTFORDSHIRE INDEPENDENT LIVING SERVICE



STORYTELLER AWARD WINNERS

THE PHILOSOPHY FOUNDATION AND HOUSE OF ST BARNABAS (JOINT WINNERS)



LEADERSHIP AWARD WINNER

KAREN LYNCH, BELU WATER



HALL OF FAME AWARD WINNER

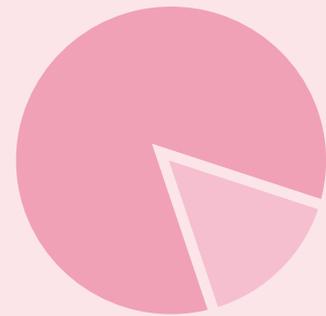
FRC GROUP

KEY FINDINGS

This year's survey shows that social enterprises are growing strongly, reinvesting millions of pounds into doing good and providing jobs for hundreds of thousands of people who are passionate about making a difference

THIS IS THE BIGGEST SURVEY OF THE UK SOCIAL ENTERPRISE SECTOR TO DATE

It compiles data from 2,120 social enterprises with a total turnover of £8.5bn contributed to UK GDP.



SOCIAL ENTERPRISES ARE GROWING STRONGLY

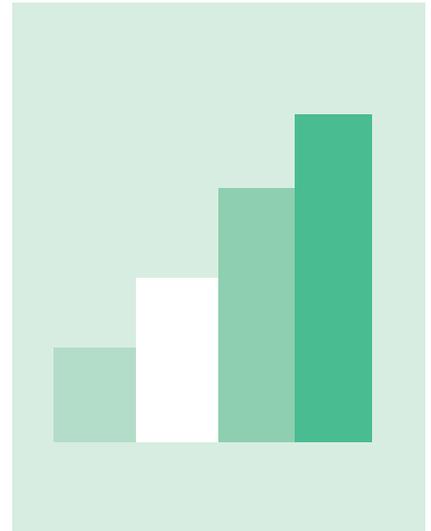
The average year-on-year growth in turnover for the established social enterprises on the Index is 61%.

The average year-on-year growth in turnover of the 100 fastest growing enterprises is 932%.

MORE SOCIAL ENTERPRISES ARE GROWING RATHER THAN SHRINKING

57% reported a positive growth in their turnover, just under 2% said their turnover was consistent and just under 42% reported negative growth.

60% reported profits and 40% reported a loss.



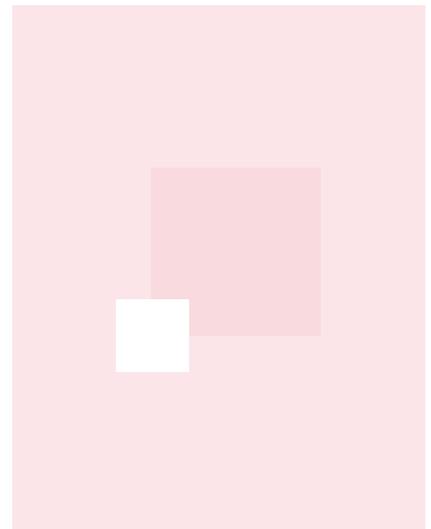
SOCIAL ENTERPRISES INVEST MILLIONS OF POUNDS OF PROFIT INTO DOING GOOD

This year, the social enterprises on the Index raised a combined total of £934m in profit. Most of this money is used to further their social or environmental goals.

MOST SOCIAL ENTERPRISES ARE SMALL BUSINESSES

The median turnover of all social enterprises on the Index is £92,277.

84% of the enterprises on the Index are small and medium-sized enterprises (SMEs) or micro-enterprises.





THE BIGGEST ENTERPRISES ARE ON AN IMPRESSIVE JOURNEY OF GROWTH

The biggest 100 enterprises (by turnover) handle most of the money that passes through the Index. The total turnover of the biggest 100 enterprises is £6.5bn which represents 76% of the total turnover of the whole Index.

SOCIAL ENTERPRISES ARE PROVIDERS OF THOUSANDS OF JOBS FOR PEOPLE WHO WANT TO MAKE A DIFFERENCE

Data from 610 enterprises on our Index shows that they employ a total of nearly 116,000 people, that's an average of 190 people per enterprise, and a median of 21.



SOCIAL ENTERPRISES ARE GROWING AS THEY MATURE

44% of the enterprises on the Index are between five and nine years old.

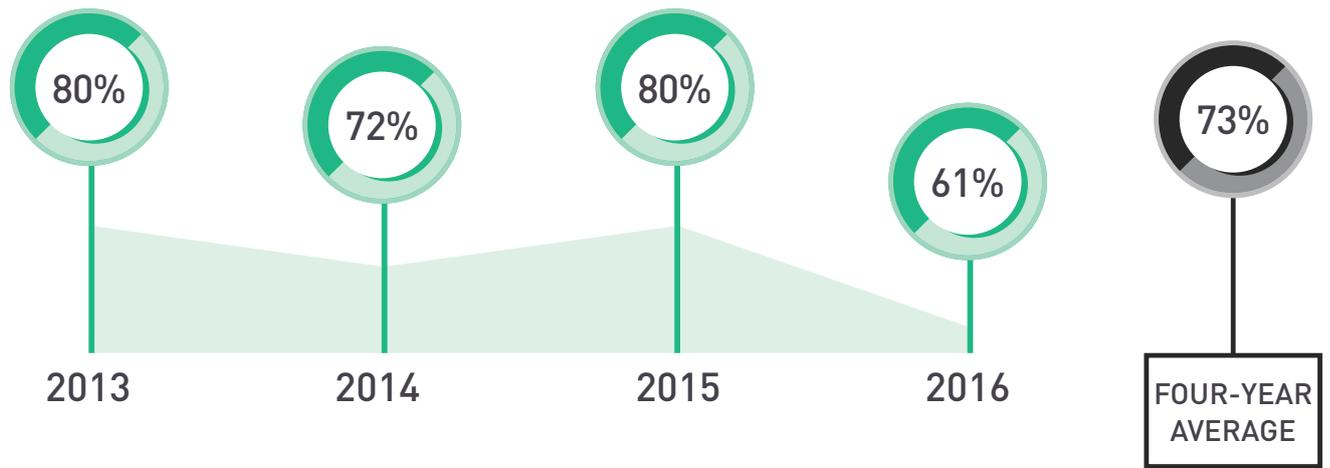
The average turnover of enterprises under three years old on our Index is £634,000.

The average turnover of enterprises which are ten years old or more is £8m.



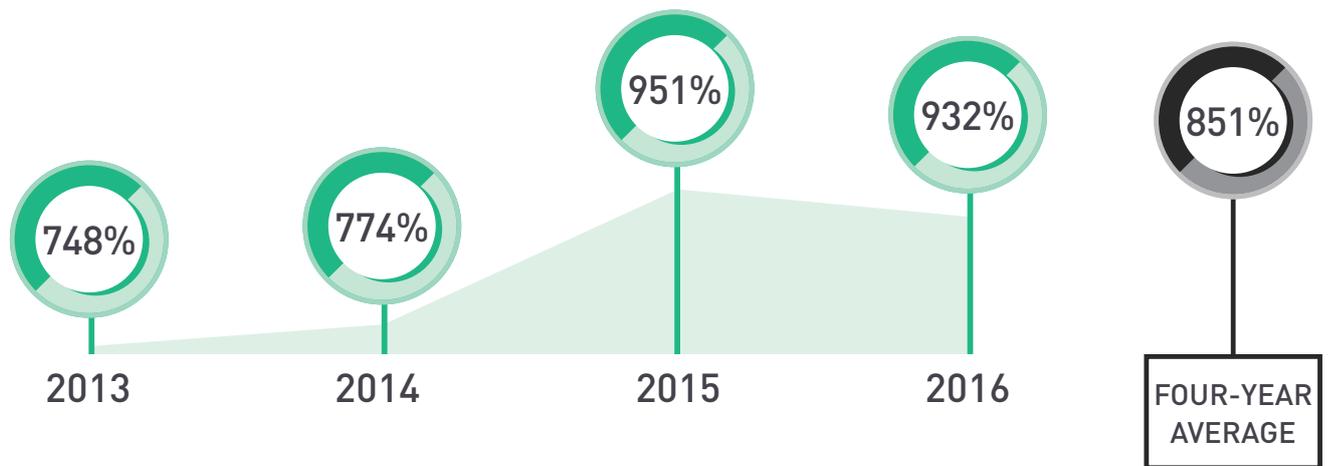
ANALYSIS

FIGURE 1: AVERAGE GROWTH IN TURNOVER FOR ALL SE100 ENTERPRISES



This excludes data from enterprises trading for less than three years

FIGURE 2: AVERAGE GROWTH IN TURNOVER OF THE 100 FASTEST GROWING ENTERPRISES



This excludes data from enterprises trading for less than three years

GROWTH

The social enterprises on this year's Index show strong growth again, slightly down on 2015 but still outpacing many other UK businesses

In spite of continuing external pressures (public sector cuts, austerity, the Brexit bombshell) social enterprises continue to grow strongly. This year, the average year-on-year growth in turnover for the established social enterprises on the Index is 61%. The average year-on-year growth of the 100 fastest growing enterprises is 932%.

We have excluded enterprises under three years old from these analyses because newcomers often demonstrate more volatile growth. (For example, the year-on-year difference in turnover of the enterprises in our dataset that are less than three years old ranges from nearly 12,000% growth to a decline of 89%.)

In order to generate a more honest picture of the growth of the social enterprise sector as a whole, we have also filtered out small enterprises from the growth calculations that have reported year-on-year growth of more than 1,000 per cent.

Just a few enterprises with these volatile figures can unhelpfully skew the

picture. For example, Generation England Community Interest Company saw its turnover grow by more than 40,000% between 2015 and 2016. A closer look at the figures shows that this growth was solely due to a £42,000 grant from the Big Lottery Fund received during this year, which was a huge increase on the organisation's turnover of £153 the previous year.

Although this year's growth figures are slightly lower than last year's (see figures 1 and 2) they still look healthy against other UK businesses.

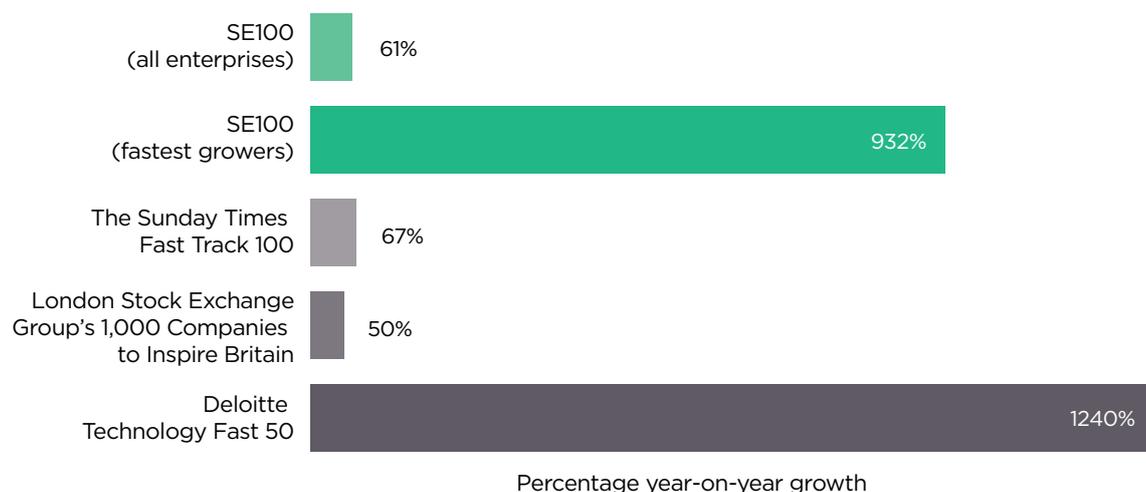
For example, *The Sunday Times Fast Track 100* ranks Britain's 100 private companies with the fastest-growing sales over their latest three years. The results for 2016, published in December 2016, shows they have grown their sales by an average of 67% a year over three years. Even though the enterprises in our SE100 Index as a whole aren't selected for their speed of growth, their 61% average growth

compares favourably to the Fast Track 100 companies. What's more, our top 100 fastest growers, with growth of 932%, comfortably outpace them.

The London Stock Exchange Group's *1,000 Companies to Inspire Britain* highlights the UK's 'most exciting and dynamic small and medium sized enterprises'. The 2016 report, published in May 2016, shows 50% annual growth of the companies on its list between 2011 and 2015. Again, the performance of the SE100 Index as a whole and the SE100 top 100 fastest growers compare well.

Only the tech sector leaves social enterprises standing. The *Deloitte Technology Fast 50* lists the UK's most dynamic tech enterprises (of any size). The results for 2016 show a four-year average growth rate of 1,240%.

FIGURE 3: SE100 TURNOVER GROWTH COMPARED WITH OTHER UK BUSINESSES



More enterprises on the Index are growing rather than shrinking: 57% reported a growth in their turnover on the previous year, just under 2% said their turnover was consistent and just under 42% reported a decline in turnover.

To offer a comparison (figure 4), the government has collected data about more than 15,000 small and medium sized businesses (which include charities and social enterprises) through its Longitudinal Small Business Survey. The latest research, published in May 2016, shows that, of *businesses with employees*, 38% reported growth in turnover, 41% were consistent and 17% had a decline. Of *businesses with no employees*, 25% had greater turnover, 50% were consistent and 23% had declined.

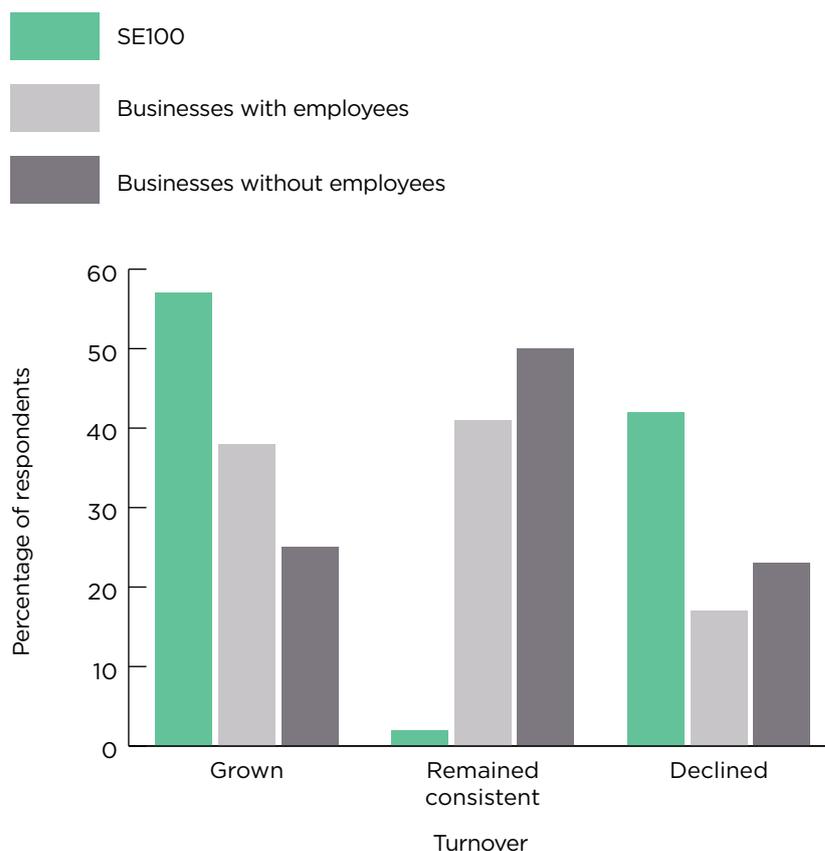
There are hundreds of different stories behind these figures. If we focus on the 100 fastest growers we can see enormous differences between types and sizes of organisations. For example, The Rare Trust, which provides performing arts training for young disadvantaged people, grew its turnover by more than 5,600% by increasing grants along with generating more of its own income from its charitable activities.

Social housing provider Peabody Enterprises grew its turnover by 1,600% to £211m due to a rise in its commercial activities and property sales.

The Peel Insitute, which provides activities for vulnerable people and groups in the London boroughs of Islington, Camden and the City of London, saw its turnover rise by nearly 2,000%. Its trustees explain in the accounts that the organisation was operating against a backdrop of reductions in public spending and, at the same time, running more activities away from its main centre. The main premises were no longer fit for purpose, so a decision was taken to “re-boot the charity financially” by selling its building. This generated £8.6m to be reinvested back into its work – including allowing it to bid for new service delivery contracts.

At the SE100, we think it’s important to highlight outstanding levels of growth, however, we know sustainable growth is key to success. That’s why the Growth

FIGURE 4: HAS TURNOVER GROWN, REMAINED CONSISTENT OR DECLINED?



Champion at this year’s SE100 Social Business Awards was not an enterprise with an astounding year-on-year rise in turnover, but one that has demonstrated a steady development.

Let’s Do Business had a 51% growth in turnover between 2015 and 2016 – an impressive rise from just under £1m to £1.5m. The business support agency’s roots go back 25 years and the SE100 awards judges identified a track record of positive, sustainable growth. Most of its income is derived from government contracts, but it is constantly seeking out new markets and building new income streams.

EMPLOYMENT

Social enterprises are attractive employers for jobseekers who are keen to make a difference – millennials, in particular, follow their hearts when pursuing a career

Social enterprises are providers of thousands of jobs for people who want to make a difference. Data from 610 enterprises on the Index (which employ at least one person) shows that they employ a total of nearly 116,000 people. That's an average of 190 people per enterprise and a median of 21.

The largest employers include the Anchor Trust, England's largest not-for-profit provider of housing and care for older people, with 8,600 employees. United Learning Trust, a group of academy and independent schools, has 4,850 employees. Sports and leisure provider Fusion Lifestyle has 3,312 employees at 100 locations across the UK.

In terms of employees, most of the enterprises on the Index – 84% – are small and medium sized enterprises (SMEs), or micro-enterprises. The government defines SMEs as those with fewer than 250 employees, and these make up more than half (53%) of the Index.

Micro-enterprises are those with between zero and nine employees. Nearly one-third (31%) of the Index are micro-enterprises. Our employee figures don't capture those enterprises with no employees, so it's likely that the actual figure is higher than this.

Social enterprises are likely to be attractive employers both now and in the future. The *2017 Deloitte Millennial Survey* talked to 8,000 people born between 1982 and 2004 with degrees in full-time employment across 30 countries. It shows that millennials want businesses to have a positive impact on society. Almost nine in ten of them believe that the success of a business should be measured in terms of more than just its financial performance, and millennials tend to stay longer with employers that engage in social issues.

FIGURE 5: THE FIVE LARGEST EMPLOYERS ON THE SE100 INDEX

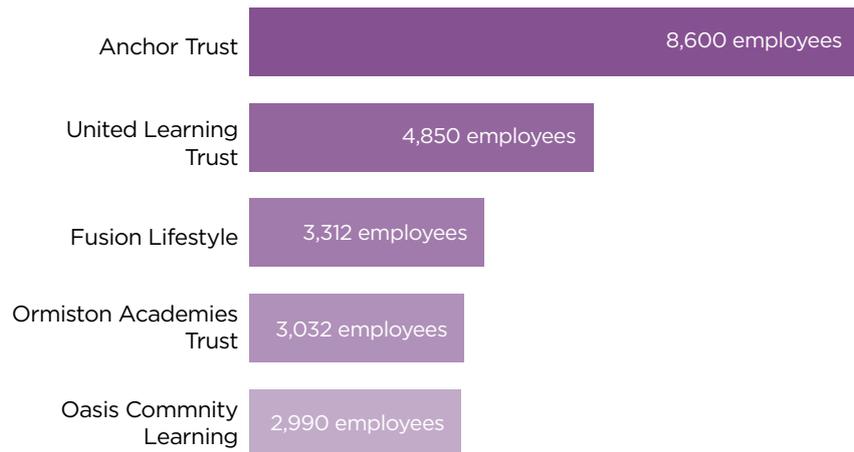
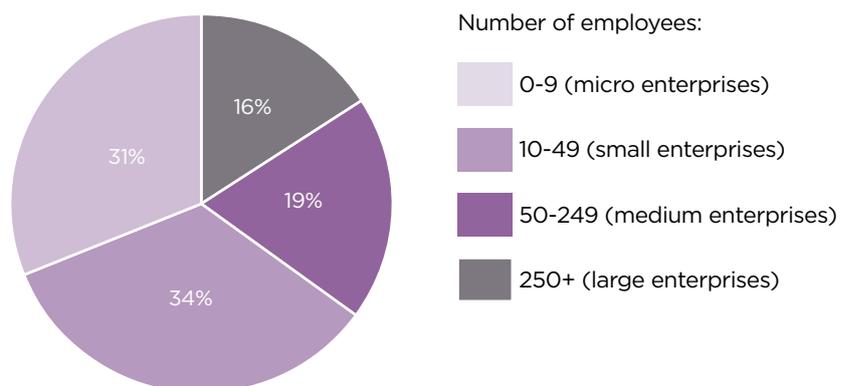


FIGURE 6: SMALLER EMPLOYERS DOMINATE THE SE100 INDEX



AGE

As social enterprises mature, many of them grow into multi-million pound ventures

The enterprises on the SE100 Index are maturing: 77% of them are more than five years old, and one-third are ten years old or more.

As social enterprises mature, we can expect many of them to grow into multi-million pound ventures. The start-ups have an average turnover of £634,000 and the most mature have an average turnover of more than £8m.

FIGURE 7: AGE OF ENTERPRISES ON THE SE100 INDEX

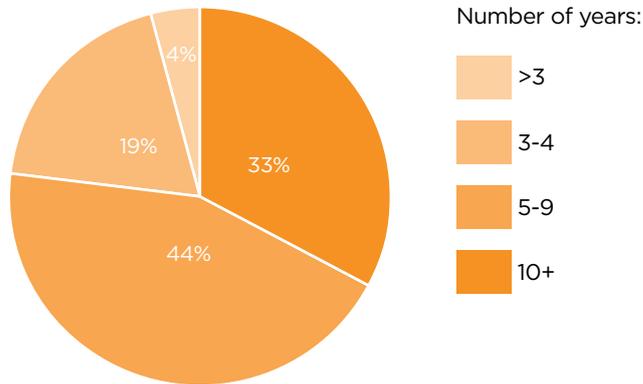
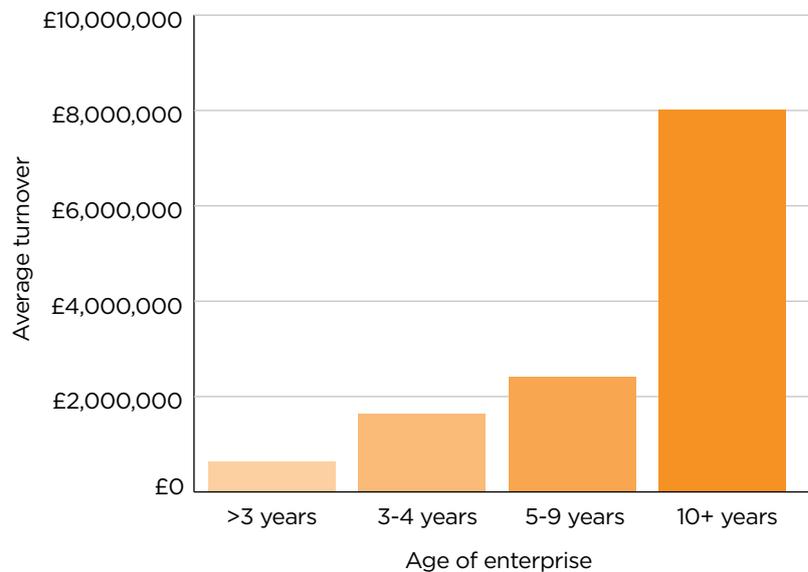


FIGURE 8: AVERAGE TURNOVER OF SE100 ENTERPRISES BY AGE



SIZE

The largest 100 enterprises on the SE100 Index turn over a total of £6.5bn, and they're focused on the housing, education and health sectors

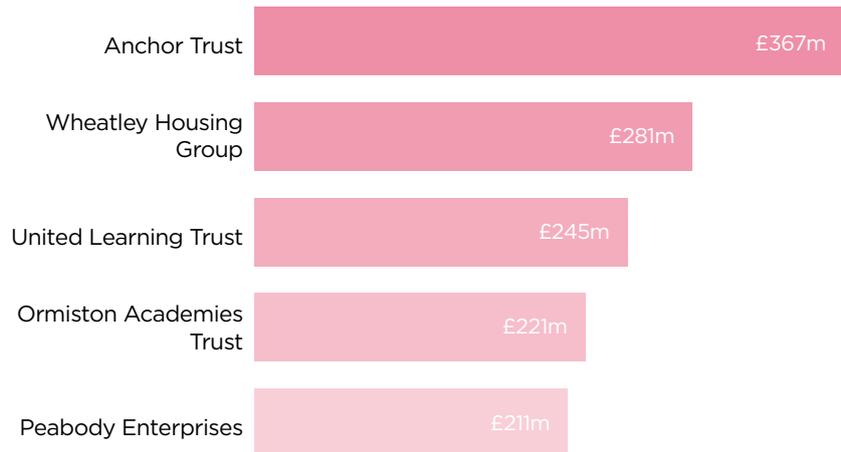
While most of the enterprises on the SE100 Index are small, the enterprises at the top are on an impressive journey of growth.

The biggest 100 enterprises (by turnover) handle most of the money that passes through the Index. Their total turnover is £6.5bn, which represents 76% of the total turnover of the whole Index.

The average turnover of the largest 100 enterprises is £65m – and they're not standing still, the average turnover growth is 30%.

The largest 100 are dominated by housing, education and health. Some exceptions include HCT Group, a transport operator which has a turnover of £44m, Recycling Lives, which works in waste management, and Pluss, which helps people with disabilities and other disadvantages find jobs.

FIGURE 9: THE FIVE BIGGEST ENTERPRISES ON THE SE100 INDEX BY TURNOVER



SE100 INDEX UK SNAPSHOT

This year's SE100 Index members come from across the UK.

Our map shows how the regions stack up



Note: When calculating the average turnover figures in each region, we have filtered out small enterprises that have reported growth of more than 1,000 per cent year-on-year as these unduly influence the final figures.

“IT’S ENCOURAGING TO SEE THE OVERALL GROWTH IN SOCIAL ENTERPRISE ACROSS ALL REGIONS OF THE UK. THE USE OF SOCIAL INVESTMENT HAS GROWN OVER THIS LAST YEAR AND WE HOPE THAT SOCIAL INVESTORS WILL PLAY AN INCREASINGLY IMPORTANT ROLE IN SUPPORTING THE GROWTH AND RESILIENCE OF SOCIAL ENTERPRISES OF ALL SIZES IN FUTURE.”

Geetha Rabindrakumar, Head of Social Sector Engagement, Big Society Capital

“THE SE100 IS ALWAYS A GREAT BAROMETER OF THE HEALTH OF THE SECTOR, AND THIS YEAR’S REPORT REALLY HIGHLIGHTS ITS GROWING MATURITY THROUGHOUT THE UK. ITS FINDINGS PROVIDE FURTHER EVIDENCE THAT MISSION-LED TEAMS CAN BUILD SUCCESSFUL, HIGH-GROWTH ENTERPRISES AT SCALE – WHILE MAKING A REAL DIFFERENCE TO PRESSING SOCIAL CHALLENGES.”

Zoe Burgess, Investment Associate, Bridges Fund Management

Produced by

MATTERS
and co.

© London Fields Publishing,

May 2017

www.matterandco.com