30th April 2020

COVID-19 – SOCIAL ECONOMY UPDATE

Birmingham: Impact & Issues

This briefing paper has been produced by members of the Birmingham Social Enterprise City steering group. In particular we thank Sarah Crawley, Alun Severn and Louise McKiernan. It is intended as a contribution to current discussions regarding the collective effort that will be required for economic, social and community recovery from the pandemic. In particular, we hope that it helps illumine the actual conditions on the ground as experienced by social enterprises and other kinds of social economy organisations in Birmingham.

1.0   CONTEXT

1.   Not all parts of the social economy have been equally affected by Covid-19 or in the same way. The impact varies by sub-sector and to some degree by type of organisation. Organisations that are directly involved at the frontline of the civil society response to Covid-19 face a different set of difficulties, but nonetheless all organisations – social enterprises, voluntary and community groups and charities – are grappling with the difficulties presented by keeping, staff, volunteers, users and clients safe, the feasibility of moving operations online, business/service interruption, the collapse of trading income and other revenue, narrowing funding options as independent grant-makers refocus or pause their programmes, and the challenges of mothballing offices, home-working and furloughing staff.

2.   Organisations at the frontline of the civil society Covid-19 response are more likely to be voluntary and community groups and charities rather than social enterprises, although this is a generalisation and there are notable exceptions. Those most actively involved at the frontline are service delivery organisations involved in health and social care, elderly support, children and family services, disability, vulnerable women/domestic violence, homelessness, and mental health. They are also, because of Birmingham's specific approaches to co-ordinating a civil society response to coronavirus [**see 2.0 below**], more likely to be existing Birmingham City Council contractors.

3.   It is also likely that there will be substantial job losses across the sector once furloughing and/or business interruption support ends and in the period prior to contracts, programmes and trading opportunities returning to pre-virus levels.

2.0 THE SOCIAL ENTERPRISE EXPERIENCE

4. Social enterprises, including those directly involved in the frontline response to coronavirus, are adversely affected by the pandemic. Social enterprises we have spoken to are reporting the following problems:

    a) **Diminished public service delivery capacity**: Many social enterprises and charities have introduced trading activities to create additional income streams. These activities have been interrupted or in some cases halted entirely by the need to furlough staff and mothball offices and other premises. Some of these organisations have public sector contracts. Their ability to continue to deliver these now or resume full delivery once the lockdown is lifted/eased will depend on whether staff employed are 'vulnerable'; whether the service can be delivered observing whatever health and social distancing guidelines are in place at the time; and whether they still have or can reacquire staffing capacity. Post-lockdown capacity for service delivery across a wide range of critical community services (especially in early intervention and preventative services, mental health, family support and employability) could be significantly diminished – precisely at the time when the contribution these services can make to economic, social and community recovery will be vital.

    b) **Contract renegotiation**: The need to renegotiate contracts and funding agreements with funders and commissioners in order to respond to the immediate crisis and divert resources to where these can have the greatest impact. This involves some negotiating with multiple funders/commissioners (one reported as many as 35+). This is time-consuming and in some cases has slowed down or obstructed diverting resources and/or changing delivery models so that a greater Covid-19 contribution can be made. Many funders and commissioners have been accommodating and supportive but there are exceptions, with some insisting on adherence to unrealistic and unhelpful delivery targets.

    c) **Loss of traded and self-generated income**: Managing the loss of trading and self-generated income. Many social enterprises, especially those that have a hybrid structure, such as charities with a trading arm generating income from trading activities, use their unrestricted trading income to help fund corporate and back office costs. The loss of this income means that these functions have become an additional source of financial pressure.

    d) **Cashflow**: Managing cash-flow and the loss of forecast income. Many funding and commissioning opportunities have been delayed or put on hold. Increasingly we are also seeing funders diverting all grant funding into the Covid-19 response or halting current programmes while they work out how best to structure and operate new programmes.

    e) **Disruption and home-working**: Navigating the difficulties presented by staff, volunteer, user and client safety, the feasibility of moving operations online,

business/service interruption, the collapse of trading income, the need to furlough staff, and plan and implement arrangements for home-working including access to IT equipment and relevant software and other packages to support this. This in itself has a resource implication both in terms of staff time and money.

f) **Virtual services**: Moving services to virtual support (telephone and online platforms) offers particular problems for many in the social enterprise sector, especially those at the forefront of delivering services that historically have always been face-to-face. Virtual/online services supporting vulnerable adults have the potential to create even more serious problems as there are existing and pronounced inequalities in older, poorer and disabled people's online access and abilities. Virtual and online services rarely serve all sections of the community equally and this is especially the case in the delivery of services to vulnerable and disadvantaged groups.

g) **User-led organisations and workforce wellbeing**: Some social enterprises, and especially user-led organisations, have high proportions of staff and volunteers with disabilities and/or underlying health conditions with requirements for shielding and/or self-isolating, and higher numbers of staff with caring responsibilities. Those with home schooling responsibilities face additional burdens (including competing access to IT) and those with mental ill health issues are especially affected by the present situation.

h) **PPE and small grassroots providers**: The social care sector is facing a crisis in provision lack of PPE and this is widely acknowledged. Less emphasis is placed on the problems this presents for small, grassroots and local community providers, whose role has become essential at the local level during the current health crisis.

i) **Heavily affected social enterprise trade sectors**: Social enterprises whose revenues derive from retail, community hubs, hospitality, events, conferencing, co-working spaces or business unit rental have been substantially effected and are likely to remain so for the foreseeable future.

2.1 Business Interruption Support

5. Although the government has announced packages of support for business – both grants and loans – and a £750m support package for charities, these provisions do not offer parity for social enterprises specifically. SEUK, the national membership body for social enterprises,[1] has produced valuable guidance and lobbying materials to support the sector, but we think it is useful and instructive to try and summarise the issues we are identifying and/or hearing about at the local level:

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[1] See: Support for Social Enterprises: Covid-19 (17th April 2020 Version 4.0). https://www.socialenterprise.org.uk/wp-content/uploads/2020/04/Social-Enterprise-UK-17-April-COVID-19-Briefing.pdf.

a) **Small Business Grant Fund ineligibility – smaller social enterprises**: The key eligibility mechanism for the Small Business Grant Fund (SBGF)[2] – that of qualifying for either Small Business Rates Relief (SBRR) or Rural Rates Relief (RRR) – disadvantages social enterprises and especially smaller social enterprises. These are more likely to be renting premises offering inclusive monthly fees that include rent, business rates and utilities (and this may be especially the case where landlords are social landlords of some description), thus removing the only route (SBRR) these social enterprises might have into this grant support.

b) **Small Business Grant Fund ineligibility – larger social enterprises**: Other larger and more established social enterprises – such as business support providers, managed workspaces, enterprise centres – may also be ineligible for Small Business Grant Fund support because their premises are not eligible for Small Business Rates Relief. These enterprises face continuing overheads from their premises but collapsing rental or leasing income from managed and shared workspace provision and from venue and conferencing/meeting services.

c) **Micro and new-starts – hardship**: Many of the smallest new-start and micro-social enterprises are sole traders, reflective of a trend in the sector that has been evident over recent years for newer, younger (and especially women) social entrepreneurs to adopt less formal and 'hybrid' legal forms. It should be recognised that BAME groups, lone parents, those in private sector rented accommodation, and those with other health or mental health conditions that may have made 'mainstream' employment difficult are heavily represented at this level in the sector. These individuals typically have no savings/capital. Many are struggling with putting services online and setting up effective, viable home-working. Some are experiencing real poverty and women in particular report only being able to put one meal a day on the table.

d) **Welcome support but narrow eligibility criteria – suited to crisis but not recovery**: Even where much-needed local funding efforts exist – such as the Heart of England Community Fund's Coronavirus Resilience Fund – eligibility is narrow and focused primarily on assisting groups that are directly involved in frontline provision for individuals and communities most affected by coronavirus.[3] Other funders are seeking only to work with existing recipients of funding which further excludes SEs that have relied on traded income to create social value. This narrowing and/or repurposing of grant programmes and funds is widely observed: it is right for a response to the crisis but presents problems for enterprises that are beginning to plan to meet the needs of their organisations and users' during the economic and social recovery.

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[2] See: Small Business Grant Fund (SBGF) / Retail, Hospitality and Leisure Grant Fund (RHLGF): guidance for businesses: version 2. https://www.gov.uk/government/publications/coronavirus-covid-19-business-support-grant-funding-guidance-for-businesses.

[3] See Heart of England Community Fund – Coronavirus Resilience Fund. https://www.heartofenglandcf.co.uk/available-grants/.

3.0   BIRMINGHAM – THE CIVIL SOCIETY RESPONSE TO C-19

6.   The scale and nature civil society response in Birmingham merits particular mention. It has brought together public institutions, social enterprises, voluntary, community and faith groups as well as volunteers and active citizens organising independently or under the broad umbrella of Covid-19 Mutual Aid UK.[4]

   a)   A formal partnership has been set up between Birmingham City Council, Public Health, the NHS and Birmingham Voluntary Service Council (BVSC) to enable an effective and co-ordinated cross-sector response. BVSC has convened a group of around 25-30 local and specialist neighbourhood organisations and charities – the C19 Support Birmingham Partnership – to be part of co-ordinating and delivering the community-level response. Birmingham City Council Business Continuity Structure has responsibility for all internal BCC functions and services, and BVSC for operational management and co-ordination of the C19 Support Birmingham Partnership.[5]

   b)   Given the need to co-ordinate a civil society response in haste and under pressure, existing networks and structures have been utilised. This means that the primary mechanisms and providers are existing Neighbourhood Network Schemes (NNS),[6] existing NNS providers/participants, and the c50 third sector providers already active as Birmingham City Council contractors under its Prevention & Communities programme. Local anchor organisations have been selected to operate as Neighbourhood Leads, and key specialist organisations chosen to act as Thematic Leads.[7] These are paid *organisational roles* (not individual or personal) and operate to an agreed role specification.

   c)   Organisations working to provide frontline services as part of the civil society response to coronavirus may in fact be better off financially than they were before the pandemic. Some existing BCC contractors have been able to draw on additional funding (via Neighbourhood Network funding) to repurpose and/or extend or scale-up services. As a percentage of the sector though, these numbers are low.

   d)   A large number social enterprises and voluntary and community organisations that are not Birmingham City Council contractors/providers are not formally connected to this civil society response but doing what they can within the

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[4] See: https://covidmutualaid.org.

[5] See: https://www.bvsc.org/resources; https://www.bvsc.org/covid-19-pathways-accessing-support-birmingham; and https://www.bvsc.org/offer-local-support.

[6] 'The purpose of NNS is to ensure that as many citizens over 50 as possible can access community based support which can promote well-being and a better quality of life. NNS aims to do this through better co-ordination of community-based prevention & early intervention services.' See: https://brumnns.files.wordpress.com/2020/03/191126-what-is-nns.pdf.

[7] Thematic specialisms: Carers, Disability, Homelessness & Housing, Domestic Abuse and Vulnerable Women, Advocacy, Faith, Housing, Food, Mental Health, Children and Young People and Migration.

constraints of their staffing, capacity and service expertise to contribute where they can.

e) Food distribution is one of the largest and most organised sectors and ranges from large partnership schemes (such as that organised by The Active Wellbeing Society and currently being funded by Birmingham City Council) through to numerous small, volunteer-led schemes.

4.0   INFORMATION

7.   Many social economy organisations report being overwhelmed with information and/or requests from sector intermediary bodies for information. This information doesn't appear to be being published or shared more widely within/across the sector.

5.0   MOVING FROM CRISIS TO RECOVERY

8.   **Existential threat, inequalities in access to support**: As things presently stand the Covid-19 crisis poses an existential threat for many social enterprises. They face a perfect storm of collapsing trade revenue, loss of staffing capacity, inability to deliver the often face-to-face services the sector is heavily represented in, ineligibility for grant support [**see 3.1**], and debt finance support which for many would be inappropriate and impossible to service. And yet social enterprises will be vital to the economic and social recovery at a local, regional and national level.

5.1   Recommendations

9.   With the above in mind, we make the following recommendations:

a) **Refocusing on economic, social, financial and community recovery**: Key players across the sectors will soon need to move from crisis control to economic, social, financial and community recovery. We need to be part of repositioning and strengthening arguments around business and social enterprise recovery and survival as opposed to immediate civil response to Covid-19. The social enterprise sector needs to position itself as part of the *recovery solution* rather than necessarily a part of the immediate response to the crisis. There is much work to be done to get this message across to all stakeholders – to the public sector, the private sector and to communities.

b) **Set up recovery partnerships now**: We need to start engaging those key players that can and should be part of leading the economic and social recovery. West Midlands Combined Authority (WMCA), local authorities, public institutions, Local Enterprise Partnerships, Chambers of Commerce, social enterprises and the wider VCS will need to work together as part of wider recovery partnerships. We believe that the WMCA can play a key role in this because it has already worked with the sector to develop a framework for growing the social economy and its contribution and so has an existing policy framework that can be repurposed to

form part of the post-virus recovery strategy. Similarly, Birmingham City Council has demonstrated its willingness and ability to engage with and mobilise the wider third sector and similar approaches can and should form part of the recovery strategy.

c) **Furloughing – it improves the chances of financial survival but impedes voluntary effort**: Clearer guidance is needed from government, the Charities Commission and HMRC on how the Job Retention Scheme affects staff who might be furloughed but want to remain working as volunteers to keep essential services going. Currently there is no clear, unequivocal guidance on whether organisations can legally take such an approach. There is a vast pool of furloughed labour and expertise that could be mobilised for the economic, social and community recovery but under present legislation it is unclear whether is possible.

d) **Explicit extension of existing schemes to social enterprises and all types of voluntary and community organisations**: The government support offered to small businesses should be explicitly extended to cover social enterprises and all types of community organisations. Furlough grants are needed that are designed to enable social enterprises to continue to employ staff to pivot businesses and prepare for end of lockdown. We also support the requests made in the recent joint letter from SEUK to the Chancellor, which amplify some our own made here. The letter, signed by ten social economy organisations asks that government:

   - Extend existing business grants to include social enterprises;
   - Change the delivery of loan finance to work for social enterprises;
   - Open up emergency financing for public services to social enterprises delivering services on behalf of the state; and
   - Provide business support so that social enterprises can use any funds they do receive effectively to transition their business.[8]

e) **Small Business Grant Fund – immediate reform**: Ineligibility for the Small Business Grant Fund arising from not qualifying for Small Business Rate Relief should be rectified with immediate effect.

f) **Resources – reviewing the emphasis on crisis and moving to support economic, social and community recovery**: Many independent funders and grant-makers have moved quickly to refocus their resources on the pandemic and ensuing health crisis. This has been right and necessary but we believe these funders should now be reviewing their programmes in light of changing circumstances with a view to moving the emphasis towards economic, social and community recovery.

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[8] See: https://www.socialenterprise.org.uk/wp-content/uploads/2020/04/Letter-to-the-Chancellor-of-the-Exchequer-Help-social-enterprises-to-support-UK-recovery-April-2020.pdf.

g) **Unspent European Programmes and other resources**: As we move to recovery, specialist business support needs for social enterprises and other social economy organisations will not just escalate they will also change – both in terms of their nature and how they can be delivered. Wherever possible, existing programmes as well as currently unspent resources in European Programmes should be mobilised to support new national programmes supporting business advice, coaching, mentoring, training and skills and other activities explicitly focused on economic, social and community recovery.

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