SOCIAL ENTERPRISE IN SCOTLAND

CENSUS 2024

Contents

SOCIAL ENTERPRISE IN SCOTLAND: KEY FACTS 2024

6,103
SOCIAL ENTERPRISES CURRENTLY OPERATING IN SCOTLAND

33%
OF SOCIAL ENTERPRISES ARE IN RURAL AREAS

60%
OF SOCIAL ENTERPRISES ARE LED BY A FEMALE

61%
WOULD USE THE TERM 'SOCIAL ENTERPRISE' TO DESCRIBE THEMSELVES

£5.2bn
TOTAL ANNUAL INCOME OF SOCIAL ENTERPRISES IN SCOTLAND

£346m
OF FINANCIAL SURPLUS GENERATED BY THE SECTOR

£3.9bn
OF INCOME GENERATED THROUGH TRADING

£2.89bn
OF GROSS VALUE ADDED TO THE SCOTTISH ECONOMY

90,050
FULL-TIME EQUIVALENT EMPLOYEES IN THE SECTOR

£8bn
NET WORTH OF SCOTTISH SOCIAL ENTERPRISES

88%
REPORT PAYING AT LEAST THE REAL LIVING WAGE

£4.9bn
TOTAL ANNUAL EXPENDITURE OF SOCIAL ENTERPRISES IN SCOTLAND

25%
REPORT OPERATING IN A SINGLE NEIGHBOURHOOD OR COMMUNITY

61%
REPORT AN INCREASE IN THE NUMBER OF PEOPLE THEY SUPPORT

8%
REPORT EXPORTING OVERSEAS

16%
REPORT WINNING A PUBLIC CONTRACT BIDDING ALONE

Key Trends

	2015	2017	2019	2021	2024
Social Enterprises	5,199	5,600	6,025	6,047	6,103
Rural Location	32%	34%	33%	33%	33%
Incorporated Entities	70%	71%	75%	77%	79%
Self-Identify as Social Enterprise	-	56%	55%	56%	61%
Selling Direct to Consumer	68%	79%	79%	82%	78%
Exporting	5%	4%	6%	7%	8%
Led by Women	60%	64%	65%	71%	60%
Pay the Real Living Wage	68%	72%	75%	85%	88%
FTE Employees	-	81,357	88,318	89,970	90,050
Total Income	£3.6bn	£3.8bn	£4.4bn	£4.8bn	£5.2bn
Income from Trade	£2.3bn	£2.7bn	£3.2bn	£3.3bn	£3.9bn
Self Sufficiency	68%	70%	69%	67%	73%
Surplus Generated	£300m	£287m	£396m	£524m	£346m
Net Worth	£3.9bn	£5.0bn	£6.1bn	£7.0bn	£8.0bn
Gross Value Added (GVA)	-	£2.04bn	£2.30bn	£2.63bn	£2.89bn

Introduction

Social enterprises operate across a wide range of sectors in Scotland, from health and social care to renewable energy, culture, and community development. What unites these diverse organisations is their shared commitment to trading for the common good and reinvesting profits to generate positive social or environmental impact, rather than prioritising private gain. Collectively, they play a vital role in tackling inequalities, fostering inclusive growth, and strengthening local communities.

The Social Enterprise Census 2024 is the fifth comprehensive account of social enterprise activity in Scotland, following previous censuses in 2015, 2017, 2019, and 2021. This study provides a detailed profile of the scale, reach, and contribution of social enterprises across the country, as well as insights into their characteristics, prospects, and needs. By capturing the evolving landscape of the sector, this report highlights both the achievements of these organisations and the challenges they face in an increasingly complex operating environment.

Background and Methodology

Background

The Social Enterprise Census 2024 is the fifth comprehensive account of social enterprise activity in Scotland following similar exercises undertaken in 2015, 2017, 2019 and 2021.

Methodology

This report presents the findings from four strands of the work, namely:

- An online survey of social enterprises in Scotland which gathered 763 responses. After purging and combining duplicate responses the survey was left with 702 unique valid responses which are analysed within this report.
- Interviews with 20 social enterprise leaders. These interviews each lasted an hour and offered social enterprises the opportunity to discuss in detail their experiences of operating as a social enterprise in 2024.
- Analysis of financial data available for organisations identified to be social enterprises was carried out. Data from the various sources were combined and cleaned for further analysis.
- An economic analysis of the financial data was carried out. This involved aggregating, analysing and benchmarking using various financial ratios relating to financial performance, strength and sustainability. Income, employment and GVA (Gross Value Added) estimates were also produced.

Further notes on the methodology are available in the technical report.

Identification

The Social Enterprise Census is based on a dataset of social enterprises first developed in 2015. The 'population' of social enterprises was identified through cross-matching, verifying, and filtering data from multiple regulators. The dataset was then enriched with survey responses and financial data collected as part of the project. This dataset is screened against the criteria set out in the Voluntary Code of Practice for Social Enterprise in Scotland, which defines the essential characteristics of a social enterprise in the Scottish context.

The Voluntary Code has continued to evolve since its introduction, reflecting the organic growth and diversification of the sector. The dataset is updated with each Census to provide a current estimate of the number and types of social enterprises active at that point in time.

Social Enterprise Definitional Criteria

The study has identified social enterprises systematically and objectively based on agreed definitional criteria, consistent with the Voluntary Code of Practice for Social Enterprise in Scotland. This includes five essential elements of a social enterprise:

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

Limitations

Extensive work has been undertaken since the first Social Enterprise Census in 2015 to continually improve the accuracy and coverage of data on social enterprise activity in Scotland.

Despite these efforts, some limitations and challenges remain:

- The identification of social enterprises draws on a wide range of data sources, including information from regulators, survey responses, and financial records. However, in the absence of a single legal definition of a social enterprise—and with the Voluntary Code of

Practice providing broad, interpretable criteria, the process of identification will always be imperfect.

- As a result, the dataset may include organisations undertaking social enterprise activity that do not self-identify as social enterprises, while also excluding some organisations that do self-identify but do not fully meet the agreed criteria.
- The Census focuses on organisations headquartered in Scotland. It does not include social enterprises registered elsewhere but operating within Scotland, which may lead to a partial underrepresentation of overall activity.
- The analysis is largely based on organisations subject to some form of statutory registration (e.g. companies, charities, societies) or operating in regulated sectors (e.g. housing, care). This means smaller, unregistered or informal community enterprises, particularly those that are unincorporated, are less likely to be captured in the data.
- Financial data used to verify trading activity is drawn from publicly available annual accounts, which are not consistently available for all organisations. Income from trading or contracts may also be inconsistently reported. Where verification has not been possible, a conservative approach has been taken in estimating trading income. All financial data reported are estimates of activity based on the available data sourced.
- The study includes an analysis of social enterprise activity using a snapshot of data drawn from regulators such as Companies House, the Office of the Scottish Charity Regulator (OSCR), and the Financial Conduct Authority (FCA), along with historic accounting records covering the most recent available financial years. As such, it may not fully reflect the most recently registered, deregistered, or dormant enterprises, nor capture the latest significant changes in trading or financial activity. However, this provides a robust and consistent baseline for understanding sector trends over time.
- The 2024 Census incorporated qualitative insights through interviews and open-ended survey responses, adding valuable depth and context to the findings. However, as with any self-reported data, these insights are subject to interpretation and may reflect individual perspectives rather than universally representative views. It should be noted that survey respondents are self-selecting and may not be representative of the sector as a whole.

Sector Composition

The social enterprise sector is made up of a diverse group of organisations that are involved in trading activity and whose profits are reinvested in fulfilling their social mission. This section examines the changing composition of this group of organisations, the form they take, and their coverage across Scotland.

Size of the Sector

According to the 2024 Social Enterprise Census, there are an estimated 6,103 social enterprises active in Scotland representing an increase of 17% on 2015 and 1% on 2021, Table 1.

Table 1: Number of social enterprises, 2015 to 2024

Year	Estimated number of social enterprises
2015	5,199
2017	5,600
2019	6,025
2021	6,047
2024	6,103

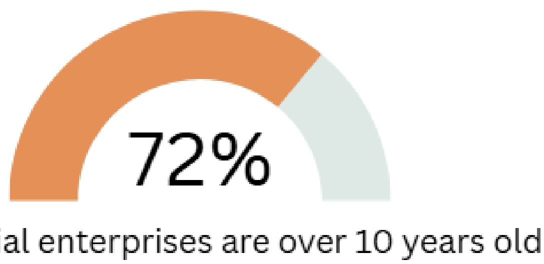
The figures, however, indicate that the steady growth observed since 2015 appears to have been largely halted during the turbulent period experienced by the sector since the COVID-19 pandemic and subsequent cost of living crisis.

While this reflects continued long-term growth, the figures suggest that the rapid expansion seen in earlier years has slowed significantly. Since 2021, the net increase in social enterprises has been minimal, pointing to a period of relative stagnation. This likely reflects ongoing turbulence in the operating environment, including the lasting impacts of the COVID-19 pandemic and the pressures of the cost of living crisis.

Beneath the surface, there is evidence of considerable churn within the sector, with new social enterprises emerging while others have closed, merged, or changed status. This dynamic highlights both the resilience and vulnerability of the sector, as it adapts to a rapidly changing landscape.

Age of the Sector

According to data from the 2024 Social Enterprise Census, the proportion of social enterprises that are over 10 years old stands at 72% demonstrating an increase in maturity across the sector from 2021 where this figure was 69%.



The mean age of social enterprises in Scotland currently stands at 23 years while the median age stands at 20 years.

Sector Identity

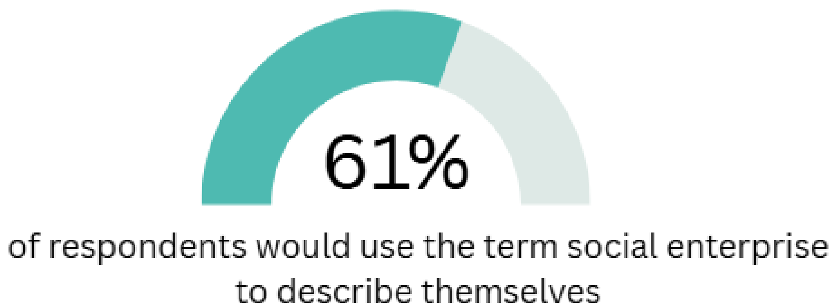
There is no single legal definition or model for social enterprises in Scotland. They can take multiple forms, all of which are subject to some form of regulation.

79% of social enterprises are now legally incorporated. Most tend to trade as private companies, operating without share capital, with a continuing growth evident in the number of registered Scottish Charitable Incorporated Organisations and Community Interest Companies that have been added in the period between 2015 and 2024. These are the most recently introduced forms of legal incorporation relevant to social enterprise activity, which have been widely promoted to the sector (see Table 2).

Table 2: Sector

Type	Number of social enterprises	% of all 2024	Net Change 2015-2024
Community Interest Company	1,296	21%	217%
Company Ltd by Guarantee	2,338	38%	-7%
Registered Society	326	5%	-23%
Scottish Charitable Incorporated Organisation	855	14%	192%
Trust	272	4%	0%
Unincorporated Association	1,016	17%	-21%

The 2024 Census findings indicate a continued rise in the number of organisations choosing to identify as social enterprises. This year, 61% of survey respondents reported actively using the term "social enterprise" to describe their organisation, an increase from 56% in 2021.



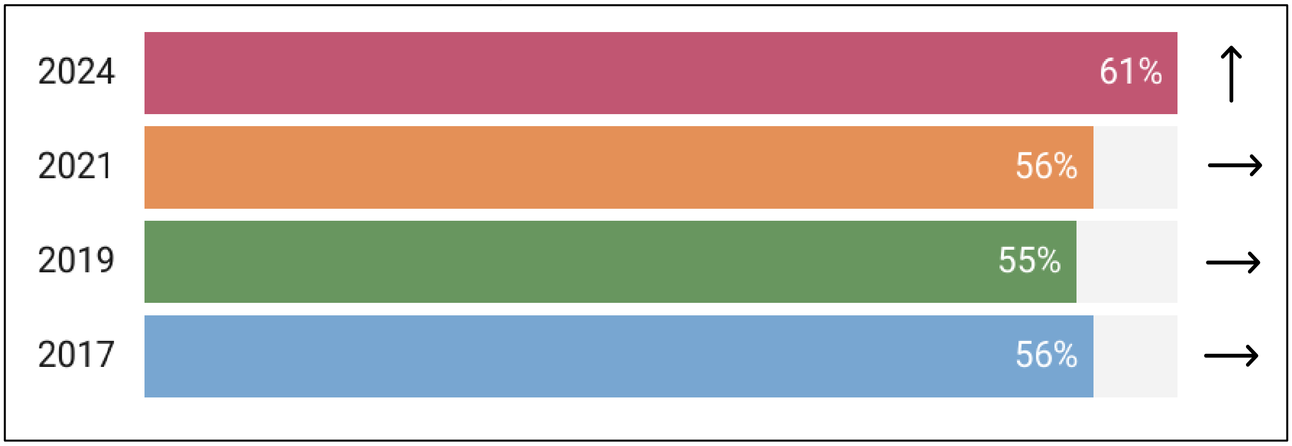
This gradual growth points to increasing recognition and acceptance of the social enterprise model. As in previous years, newer organisations—particularly those established within the last decade, are more likely to adopt the term, reflecting the sector's growing visibility and the impact of ongoing efforts to promote social enterprise as a distinct and credible business approach.

That said, not every organisation engaging in social enterprise activity chooses to label themselves as such. Many prefer to describe their work in terms of their origins (e.g., "community initiative"), their legal form (e.g., "charity"), or their sector focus (e.g., "early years provider").

In reality, many social enterprise leaders tailor their language depending on the audience, whether speaking to funders, customers, policymakers, or the communities they support.

The continued broadening of social enterprise identity is encouraging, while also recognising that diverse organisational histories and structures contribute to the richness and strength of the sector.

Figure 1: Identification as a social enterprise



Qualitative interviews offered insight into the varied ways organisations relate to the term "social enterprise." For some, the term is deeply embraced and seen as fundamental to their identity. These organisations view the label as an essential part of communicating their dual focus on social impact and commercial activity, aligning with the wider movement in Scotland to promote social and community benefits through business. One participant who was interviewed summarised:

"we are in no way embarrassed that we strive to make money in order to plough it back into our colleagues and our communities."

Another explained how they considered their organisation to be a social enterprise by stating:

"it's often difficult to sort of explain to people quite where we are because we're not a charity, although we've clearly got aims and goals which for many folk would be considered charitable, but they're social and we're clearly an enterprise... we don't rely on grants and external funding, although at the moment we could do with some... we're a not-for-profit enterprise...we are trying to operate on a commercial basis so that we cover our costs. So enterprise is a good term to have in there and..... clearly, we are socially focused."

However, others reported challenges in identifying with the term "social enterprise." Some felt that the term lacks clarity or that it doesn't fully capture their organisation's model. For instance, some organisations struggled with the wide range of organisations that could be classified as social enterprises. For example, one commented they didn't understand how their organisation could be grouped under the same umbrella as Community Interest Companies (CICs) or other structures that may have different governance models or funding approaches.

This lack of a clear, universally understood definition made it harder for some organisations to see themselves as fitting within the social enterprise sector, despite their commitment to social aims, as one interviewee summarised:

"There's a lot of ambiguity about the term social enterprise so it's not always the easiest way to describe our organisation. People don't always know quite what that is."

These perspectives underline a diversity of experiences with the term "social enterprise." While the identity is strengthening for some, others feel a need for a more clear-cut definition to reflect the breadth of organisations that are captured by the label.

Fields of Economic Activity

Social Enterprise Sector

Social enterprises continue to be active in many parts of the economy and are most numerous in relation to the management of community facilities, creative activities, and health and social care services. These have consistently been the largest fields of activity since the sector was first examined in 2015, see Table 3.

Table 3: Fields of economic activity, 2015 to 2024

Economic Sector	Number of Social Enterprises					% of 2024	Net change (2015-2024)
	2015	2017	2019	2021	2024		
Community Centres and Halls	846	971	1,005	1,022	997	16%	18%
Arts and Creative Industries	708	777	816	839	865	14%	22%
Health and Social Care	623	659	755	795	780	13%	25%
Early Learning and Childcare	670	708	667	604	545	9%	-19%
Tourism, Heritage and Festivals	243	361	365	363	363	6%	49%
Sport and Leisure	228	254	318	341	389	6%	71%
Property, Energy, Utilities and Land	238	307	315	321	325	5%	37%
Information, Consultancy and Support	250	223	269	292	294	5%	18%
Education, Training & Employment	222	262	297	282	341	6%	54%
Housing	264	226	228	217	202	3%	-23%
Retailing	136	182	218	210	216	4%	59%
Environment & recycling	156	153	179	197	202	3%	29%
Food, Catering & Hospitality	78	106	138	151	158	3%	103%
Transport	82	108	110	108	104	2%	27%
Financial Services	138	121	112	104	102	2%	-26%
Other	317	182	233	201	220	4%	-31%
All Social Enterprises	**5,199**	**5,600**	**6,025**	**6,047**	**6,103**	**100%**	17%

Survey

The 2024 census reveals a diverse range of primary trading activities among social enterprises in Scotland, reflecting the sector's broad contributions across various industries. Table 4 presents the trading areas of respondents by the main area of trading that they identified in their survey response. In terms of survey responses the largest share of respondents operate within the Arts and Creative Industries (14%), highlighting the sector's role in fostering cultural engagement and community cohesion (Table 4).

Community Centres and Halls represent 12% of respondents, indicating a significant focus on providing community spaces and fostering local engagement. Education, Training, and Employment (11%) and Health and Social Care (10%) also emerge as major areas, underscoring respondents' commitment to providing essential services that enhance skills, job readiness, and overall community wellbeing.

Table 4: Main trading area of respondents, 2024

	2024
Arts and Creative Industries	14%
Community Centres and Halls	12%
Early Learning and Childcare	6%
Education, Training, and Employment	11%
Environment and Recycling	4%
Financial Services	2%
Food, Catering & Hospitality	4%
Health and Social Care	10%
Housing	2%
Information, Consultancy & Support Services	3%
Property, Energy, Utilities, and Land Management	3%
Retailing	5%
Sport and Leisure	5%
Tourism, Heritage and Festivals	5%
Transport	3%
Other (please specify)	11%

Geography

Despite the influence of the pandemic and the cost of living crisis, the registered location of social enterprises has been fairly stable since the first Social Enterprise Census in 2015.

The largest number of social enterprises are located in the West of Scotland (29% of all), East of Scotland (28%), and Highlands and Islands (21%), Table 5.

Table 5: Social enterprises by region

Area	Number of Social Enterprises	% Share of Social Enterprises
Aberdeen City and Shire	447	7%
East of Scotland	1686	28%
Highlands and Islands	1274	21%
South of Scotland	458	8%
Tayside	457	7%
West of Scotland	1781	29%

Table 6 below highlights some selected key statistics in relation to the Highlands and Islands region from 2017 to 2024.

Table 6: Selected key statistics for the Highlands and Islands region, 2017 to 2024

	2017	2019	2021	2024
Social Enterprises	1,196	1,270	1,277	1,274
Rural Location	72%	73%	72%	74%
Self-Identify as Social Enterprise	52%	52%	55%	56%
Exporting	4%	8%	6%	7%
Led by Women	62%	67%	68%	58%
Pay the Real Living Wage	74%	76%	87%	92%
Total Income	£288m	£320m	£348m	£405m
Surplus Generated	£20m	£28m	£46m	£34m

Table 7 below highlights some selected key statistics in relation to the South of Scotland region from 2017 to 2024.

Table 7: Selected key statistics for the South of Scotland region, 2017 to 2024

	2017	2019	2021	2024
Social Enterprises	441	481	475	458
Rural Location	61%	61%	60%	59%
Self-Identify as Social Enterprise	44%	52%	51%	57%
Exporting	1%	1%	2%	4%
Led by Women	60%	63%	76%	61%
Pay the Real Living Wage	59%	58%	83%	90%
Total Income	£166.5m	£191.5m	£215m	£195m
Surplus Generated	£16m	£23m	£35.5m	£17m

Social enterprises operate in all local authority areas, although unevenly spread. The main city authorities (Glasgow, Edinburgh, Aberdeen and Dundee) account for 32% of all social enterprises. The largest numbers can be found in Glasgow and Edinburgh, which together account for 27% of all social enterprises.

However, the greatest density (in terms of numbers of social enterprises per head of population) of social enterprises is evident in Scotland's three island authorities (Comhairle nan Eilean Siar, Shetland and Orkney), Table 8.

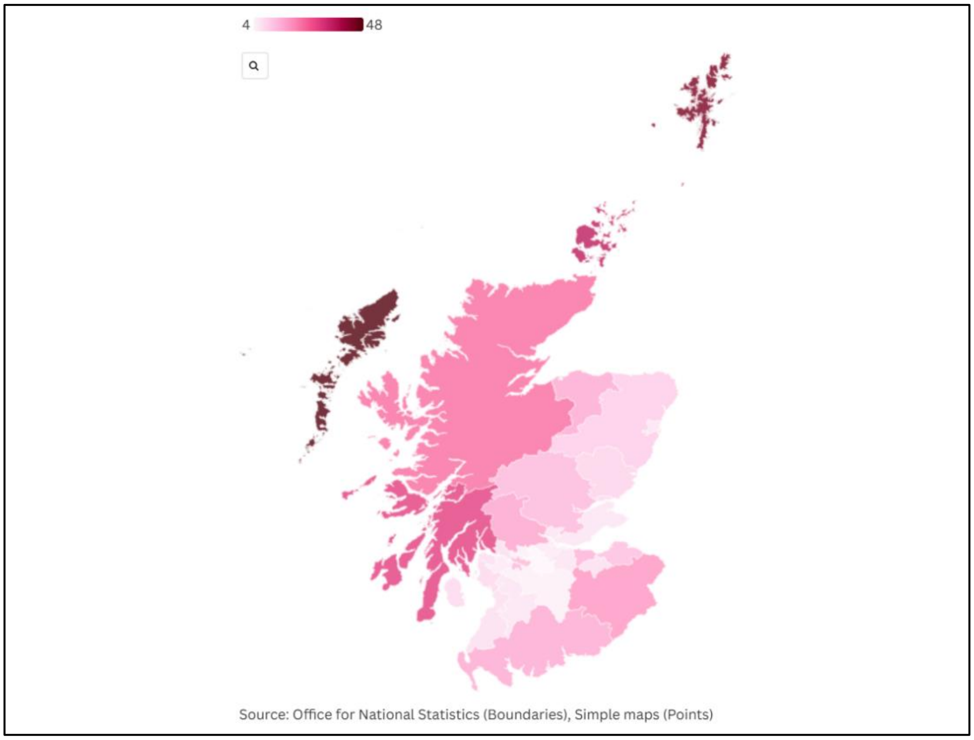
Table 8: Social enterprises by local authority

Local Authority	Estimated number of social enterprises	% share of all social enterprises	2023 mid-year population estimate	Social enterprises per 10,000 people
Aberdeen City	149	2%	227,750	7
Aberdeenshire	290	5%	264,320	11
Angus	118	2%	114,820	10
Argyll and Bute	261	4%	87,810	30
City of Edinburgh	776	13%	523,250	15
Clackmannanshire	37	1%	51,940	7
Dumfries and Galloway	234	4%	145,670	16
Dundee City	139	2%	150,390	9
East Ayrshire	79	1%	120,750	7
East Dunbartonshire	53	1%	109,230	5
East Lothian	146	2%	113,740	13
East Renfrewshire	51	1%	98,600	5
Falkirk	93	2%	158,620	6
Fife	260	4%	373,210	7
Glasgow City	864	14%	631,970	14
Highland	558	9%	236,330	24
Inverclyde	60	1%	78,330	8
Midlothian	79	1%	98,260	8
Moray	147	2%	94,670	16
Na h-Eileanan Siar	126	2%	26,030	48
North Ayrshire	119	2%	133,570	9
North Lanarkshire	125	2%	341,890	4

Orkney Islands	79	1%	22,000	36
Perth and Kinross	210	3%	152,560	14
Renfrewshire	110	2%	186,540	6
Scottish Borders	224	4%	116,630	19
Shetland Islands	101	2%	23,000	44
South Ayrshire	88	1%	111,830	8
South Lanarkshire	175	3%	330,280	5
Stirling	159	3%	93,550	17
West Dunbartonshire	67	1%	88,750	8
West Lothian	126	2%	183,810	7
All areas	6,103	100%	5,490,100	11

Figure 2 below visualises this across Scotland with the darkest areas representing those with the highest density of social enterprises per 10,000 of the population.

Figure 2: Social enterprises per 10,000 of the population, 2024



While urban areas contain the largest share of social enterprises (67%) in absolute terms, rural areas demonstrate a significantly higher density, with several local authorities hosting over twice the national average number of social enterprises per 10,000 people, highlighting the vital role of the sector in rural Scotland.

33% of social enterprises are in rural areas

The data shows that social enterprises are more densely concentrated in rural areas than in urban ones. In particular, remote rural communities, which account for only 5% of Scotland's population, are home to 19% of all social enterprises, highlighting a strong presence in these areas. This pattern is shown in Table 9, which breaks down social enterprises by urban and rural location.

Table 9: Urban/Rural social enterprises

Urban-Rural categorisation	Share of Scottish Population	Number of social enterprises	% of All Social Enterprises
Large Urban Areas	38%	2,196	36%
Other Urban Areas	34%	1,189	19%
Accessible Small Towns	9%	368	6%
Remote Small Towns	3%	326	5%
Accessible Rural	12%	866	14%
Remote Rural	5%	1,158	19%
TOTAL	100%	6,103	100%

Summary

The 2024 Social Enterprise Census offers a snapshot of a growing yet evolving sector, with 6,103 social enterprises operating across Scotland, an increase of 17% since 2015.

While the pace of growth has slowed in recent years, this trend reflects both the sector's stability and the ongoing challenges faced by enterprises, such as the lingering impacts of the pandemic and rising economic pressures.

A notable trend highlighted in the data is the growing formalisation of social enterprises. With 79% now legally incorporated, this shift demonstrates the sector's increasing recognition of the importance of structured governance, financial resilience, and legal clarity. These factors are all crucial for securing investment and contracts.

Among the legal structures, Community Interest Companies (CICs) and Scottish Charitable Incorporated Organisations (SCIOs) have seen the most significant growth, emphasising the sector's commitment to balancing business objectives with social impact.

The census also highlights the vital role that social enterprises play in rural Scotland, where they are often essential to local economies and service provision. Despite comprising just 5% of Scotland's population, remote rural areas account for 19% of all social enterprises.

These organisations are critical in maintaining community resilience and providing local employment and services in areas where mainstream businesses may not operate. Frequently community-led and owned, rural social enterprises address gaps in public services by offering essential amenities such as transport, childcare, retail, and energy projects.

They are not only economic drivers but also serve as vital social infrastructure, fostering self-reliance and innovation in isolated regions. To ensure the long-term success of these enterprises, it is crucial to offer tailored investment, infrastructure support, and policies that recognise their unique needs.

Markets

Social enterprises are becoming a more visible and integral part of everyday life in Scotland, offering a diverse array of products and services. This section explores the key markets they operate in and the types of customers they typically serve.

Geographic Markets

Areas of Operation of Social Enterprises

The majority of social enterprises operate within local or regional boundaries, with 25% working in a single neighbourhood or community (see Table 10) and 29% operating within a local authority area.

25% of social enterprises operate in a single neighbourhood or community

Social enterprises with national (Scotland-wide) operations have remained steady at 11%, showing that while there is some national presence, most social enterprises remain locally focused. The proportion of social enterprises reporting international reach has remained steady at 9%, from 10% in 2021.

9% of social enterprises report operating internationally

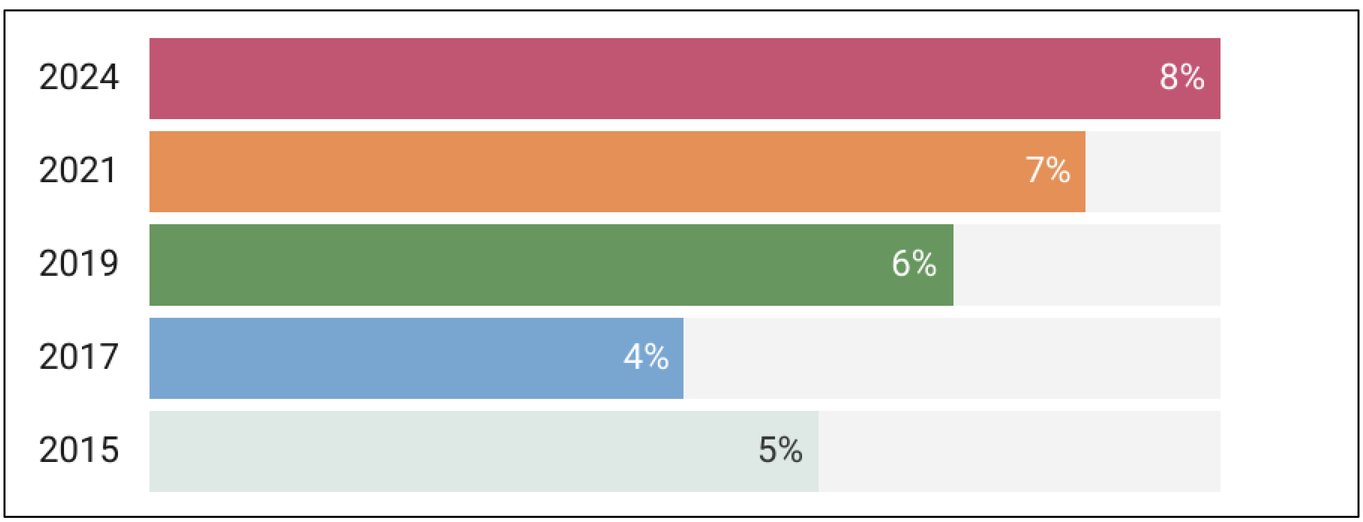
Table 10: Widest geographic area served, 2015 to 2024

	2015	2017	2019	2021	2024
A single neighbourhood/community	24%	26%	26%	25%	25%
A local authority area	32%	32%	31%	30%	29%
Multiple local authority areas[1]	21%	20%	21%	20%	20%
Scotland-wide	11%	10%	11%	10%	11%
Across the UK	5%	5%	3%	5%	7%
Internationally	7%	7%	8%	10%	9%

Percentage of Social Enterprises that Export/License to Overseas Markets in the Last 12 Months

The data from the 2024 Social Enterprise Census shows that 8% of social enterprises have exported or licensed goods or services to overseas markets in the last 12 months (Figure 3). This is a slight increase from 7% in 2021, 6% in 2019, and 4-5% in earlier years (2015-2017).

Figure 3: Proportion of social enterprises exporting to overseas markets



[1] Includes a new category 'Regionally' for 2024

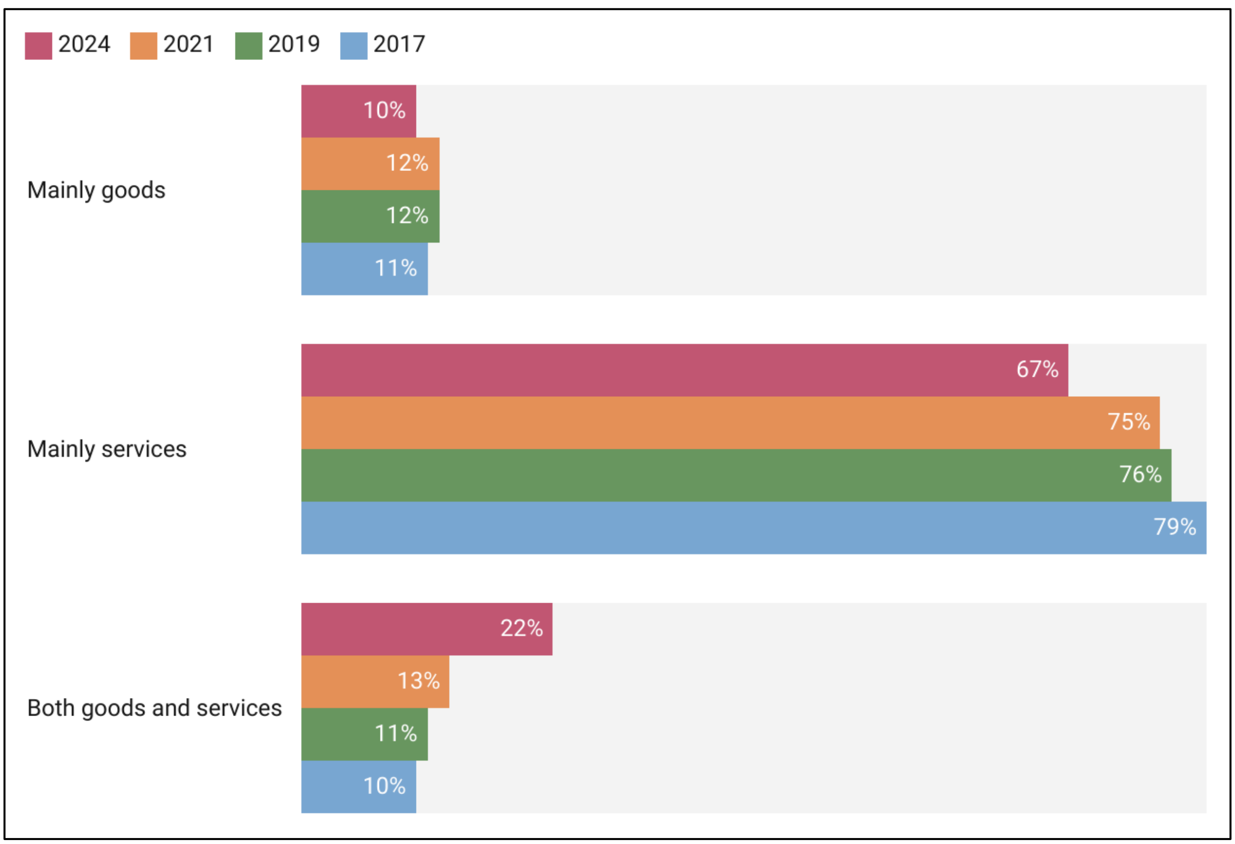
Goods and Services

In 2024, 10% of social enterprises primarily focus on selling goods, a decrease from 12% in 2021 and 2019, and 11% in 2017 (Figure 4). Service-oriented social enterprises continue to dominate the landscape, although their share has decreased slightly over the years. In 2024, 67% of social enterprises mainly offer services, compared to 75% in 2021 and 79% in 2017. This appears to be driven by the fact that the proportion of social enterprises offering both goods and services has seen a significant increase, rising from 13% in 2021 to 22% in 2024.

This shift suggests that more social enterprises are embracing hybrid business models, blending service provision with product sales to diversify income streams, increase resilience, and broaden their impact. It may also reflect the sector's responsiveness to complex and evolving community needs, where a mix of goods and services can deliver more integrated and sustainable solutions.

The growing adoption of mixed models points to a maturing sector, one that is adapting creatively to economic pressures and exploring new ways to balance financial sustainability with mission delivery.

Figure 4: Goods and services



Customer Groups

In 2024, 78% of social enterprises reported selling goods or services to the general public, making it the largest customer group (see Table 11). This emphasises the growing importance of consumer engagement and highlights the role of social enterprises in meeting the needs of individuals, whether through products or services that address social or community issues.

of social enterprises report selling goods or services to the general public

Engagement with the public sector was 46%, showing a continued decline from previous years. Sales to the private sector were reported by 35% of enterprises (down from 40% in 2021). Despite this drop, the private sector remains a notable customer group, showing that social enterprises are still able to secure business contracts and partnerships with private companies, often focusing on social value and ethical considerations that align with corporate social responsibility goals.

Initiatives such as Buy Social Scotland, led by Social Enterprise Scotland and supported by the Scottish Government and other partners, aim to encourage business leaders to facilitate social impact through procurement by providing a directory of social enterprises that they can use in their supply chain.[2]

46% engaged with the third sector, including other social enterprises. This figure reflects the sector's ongoing commitment to collaboration and partnership with like-minded organisations. By working together, social enterprises can share resources, amplify their impact, and leverage each other's strengths in areas like capacity-building and service delivery.

[2] About Buy Social Scotland Business - Buy Social Scotland

Table 11: Customer groups, 2015 to 2024

	2015	2017	2019	2021	2024
Public sector	61%	52%	53%	50%	46%
Private sector	39%	36%	39%	40%	35%
Third sector (inc. social enterprises)	50%	46%	47%	49%	46%
General public	68%	79%	79%	82%	78%

Overall, the data highlights that social enterprises are diversifying their customer base, with a clear shift towards the general public while facing a gradual decline in public sector sales.

This trend emphasises the importance of reaching a wide audience and exploring new avenues for revenue generation, while also acknowledging the continued value of partnerships within the third sector. The ability to adapt to these changing dynamics will be crucial for the long-term sustainability and growth of social enterprises.

Summary

The 2024 Social Enterprise Census paints a picture of a sector that remains firmly rooted in local communities, even as it steadily broadens its reach across regional, national, and international markets. Most social enterprises continue to prioritise community-level impact, with 54% operating within a single local authority and 25% focused on a specific neighbourhood or community. This underlines the sector's ongoing dedication to place-based solutions, offering locally accessible and socially driven goods and services.

At the same time, there are signs of gradual outward expansion. The proportion of social enterprises operating at a national level (11%) and internationally (9%) has held steady or grown slightly since 2021, demonstrating that some organisations are successfully scaling their activities beyond their immediate localities. The share engaged in exporting or licensing overseas has also risen—from 7% in 2021 to 8% in 2024—suggesting that international markets are becoming a more important avenue for growth for a subset of social enterprises.

Perhaps one of the more significant trends is the continued decline in reliance on public sector contracts. In 2024, just 46% of social enterprises reported trading with the public sector, down from 50% in 2021 and 61% in 2015. In contrast, direct sales to the public remain dominant, with 78% of social enterprises selling goods and services directly to consumers. This ongoing shift reflects a broader move toward greater financial independence, as organisations seek to sustain themselves through trading activity rather than public funding.

Overall, the findings highlight a sector that is diversifying its markets but also facing important challenges. To support the future growth and sustainability of the sector, it will be essential to create more inclusive procurement opportunities, enable access to broader markets, and ensure that social enterprises can scale without losing sight of their core social missions.

Business Practices

Social Enterprises are driven by a dual objective: to create social or environmental value while being financially sustainable. This section examines the commitment of social enterprises across various business practices such as good governance, fair work practices and employee engagement.

Paid Employees

The 2024 Social Enterprise Census data reveals that 81% of respondents have paid employees, reflecting a significant majority of organisations operating with paid staff members. This proportion is roughly equal to that reported in the 2021 Census. This percentage reflects the sector's growing capacity with many organisations now able to support employees as they scale their operations.

While the proportion of social enterprises with paid staff has remained consistent, some interviewees reflected on the challenges of delivering for an increased number of beneficiaries with a limited workforce. For example:

"It's quite a lean team actually for considering how many people we're supporting. The core team, we call our clients our members - it's less stigma. But considering we're supporting 600 people, … the core of the volunteer member team, there's only four people."

On the other hand, 19% of social enterprises report not having any paid employees. These organisations may rely on volunteers or operate with minimal staffing, which is often the case for smaller or community-based enterprises that have not yet reached the capacity to pay staff.

In interviews, social enterprises that did not have paid employees but desired them set out challenges they faced in terms of securing funding that would allow them to employ someone because of the current very competitive environment for grant funding and one felt that they were not listened to by bodies in the sector when they approached them for help. One interviewee noted that the inability to secure paid staff held back the potential development of the business and impacted their ability to have consistency of staff:

"Like we literally don't have enough money to have employees. And none of us get paid. There's nobody who gets paid in this building. We would like to be able to pay staff because we would like consistency of staff"

Fair Work Practices

The 2024 Social Enterprise Census highlights the fair work practices implemented by organisations with paid employees, showcasing a significant commitment to ethical and supportive employment standards (see Table 12). This analysis presents the fair work practices selected by enterprises from the available list and should not be interpreted to mean that other fair work practices are not in place, as many enterprises may be implementing additional practices not reflected in this selection.

The majority (83%) reported having a Real Living Wage commitment, reflecting their dedication to providing fair and adequate compensation for staff. In addition, 88% of respondents with paid employees report paying at least the Real Living Wage.

Similarly, 74% of organisations provide secure employment with fair pay and conditions, prioritising stability and fairness within their workforce.

Flexible working arrangements are also widely adopted, with 80% offering family-friendly policies that promote work-life balance. Additionally, 58% have embraced hybrid working models, allowing employees greater flexibility in how they fulfil their roles.

Ethical employment practices are further reinforced by the 78% of enterprises reporting that they avoid inappropriate use of zero-hour contracts and the 73% that refrain from fire-and-rehire practices, ensuring employees experience job security and respect.

Inclusivity and employee engagement are cornerstones of these organisations. A notable 89% have equal opportunities and diversity policies, signalling a strong emphasis on fostering inclusive work environments. Additionally, 72% of enterprises involve employees in decision-making processes, empowering their workforce and fostering collaboration.

Development and wellbeing are also high priorities, with 85% of social enterprises providing training and development opportunities to support employee growth. 87% report that they ensure safe and healthy working environments, demonstrating a commitment to staff wellbeing. External validation of these efforts is evident, as 27% of organisations have received recognition or awards for their fair work practices.

Only 1% of enterprises with paid employees report not implementing any of these practices, highlighting the sector's strong commitment to ethical employment.

Table 12: Fair Work practices of social enterprises with paid employees

Fair Work measures	2024 survey (organisations with employees)
Equal opportunities and diversity policies	89%
Safe and healthy work environment	87%
Training and development opportunities	85%
Real Living wage commitment	83%
Flexible and family-friendly working arrangements	80%
No inappropriate use of zero hour contacts	78%
Secure employment with fair pay and conditions	74%
No use of fire and rehire practices	73%
Employee representation in decision-making	72%
Hybrid working	58%
Taking action to tackle the gender pay gap	40%
Recognition or awards for fair work practices	27%
Other (please specify)	8%
None of the above	1%

The importance of fair work practices to social enterprises was consistently raised in the interviews conducted as part of the 2024 Census. Social enterprises that had paid employees gave practical examples of providing the kind of practices set out above in Table 12. For example:

"We are completely committed to the fair work practises. We're a living wage employer, accredited living wage employer….. we've got so many kind of processes where people have their voice and they can [be heard], we've got all staff meetings and team meetings so, yeah, subscribe fully to the principles of fair work"

Real Living Hours Accreditation

Real Living Hours is an initiative that complements the Real Living Wage, where employers pledge to offer secure and guaranteed working hours to their employees. This commitment ensures that employees have predictable and stable shift patterns, with a minimum number of guaranteed hours each week, typically 16 or more. The Living Hours standard also mandates that workers receive a contract that accurately reflects their hours, at least four weeks' notice for shifts, and guaranteed pay if shifts are cancelled within that notice period.

Among social enterprises with paid employees, only 30% reported being accredited as Real Living Hours employers, leaving a significant 70% not yet accredited. Information on the real living hours can be found on the Real Living Wage website.

Looking ahead, 39% of organisations intend to seek Real Living Hours accreditation within the next year, while 61% have no immediate plans to do so.

In interviews, many respondents had not heard of the Real Living Hours scheme which perhaps indicates why such a low proportion of respondents to the survey reported being a Real Living Hours employer.

Living Pension Accreditation

The Living Pension is a savings initiative created by the Living Wage Foundation to help workers build a pension fund that provides sufficient income to cover basic daily needs during retirement. Its goal is to combat retirement poverty by establishing a benchmark for pension contributions, and encouraging employers to increase their contributions to employees' retirement savings.

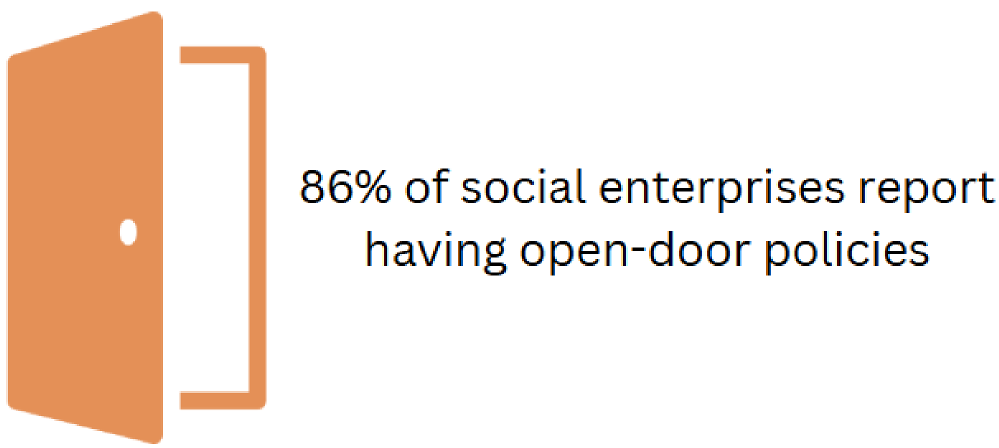
Only 20% of social enterprises with paid employees are currently accredited as Living Pension employers, with 80% not yet meeting this standard.

A quarter (25%) of those not currently living pension employers reported that they plan to achieve Living Pension accreditation in the next 12 months, while the majority, 75%, do not intend to pursue this.

Employee Engagement Practices

Social enterprises with paid employees employ a variety of methods to engage their workforce in decision-making, recognising that employee involvement is essential for the success and sustainability of the organisation.

The majority of these enterprises (86%) report using open-door policies, ensuring that employees feel comfortable approaching management and sharing their ideas, concerns, and suggestions. This approach fosters a culture of transparency and accessibility within the organisation.



Additionally, 72% of these enterprises allow staff to present items for Board meetings, giving employees a direct platform to influence high-level decisions. This empowers staff to participate in discussions that affect the direction of the organisation, aligning with the democratic principles that often underpin the mission of social enterprises.

Two-thirds (66%) of social enterprises actively seek feedback from employees through surveys or other channels, further enhancing their commitment to employee engagement. By regularly gathering input from staff, these enterprises can address concerns, improve working conditions, and refine their policies. This feedback loop not only improves internal processes but also contributes to a sense of belonging and ownership among employees, as they know their opinions are valued.

Two-thirds (66%) of social enterprises actively seek feedback from employees through surveys or other channels

Moreover, 42% of social enterprises have staff representatives on the Board, which ensures that employees have a voice in the highest levels of governance. This inclusion in decision-making reinforces the importance of a collaborative approach to running the enterprise, fostering stronger alignment between management and staff.

Fewer organisations have staff engagement forums (33%), staff councils (13%), or voting rights in governance (11%). Notably, only 2% use trade union recognition agreements and 2% have no engagement mechanisms at all.

Some social enterprises that took part in the interviews gave examples of their employee engagement practices. For example, one talked about the benefits for their organisation of employing such engagement practices:

> ***"We don't want people to be unhappy in the culture that we've created…a lot of people love it. So it has built a necessary trust, in that you can't do that without trust within and between people….we try to ensure every day that our culture allows for that. The colleague representation, the dialogue, the bringing forward ideas."***

Flexible Working Arrangements

The majority of organisations with employees support flexibility (see Table 13), with 72% offering flexitime and 55% providing hybrid working. Other arrangements include job-sharing (22%), annualised hours (21%), compressed hours (20%), and term-time working (20%).

55% of social enterprises reported providing hybrid working

Less common practices are zero-hours contracts (13%) and on-call working (5%). Additionally, 33% offer other flexible working options, while 6% do not provide any flexible arrangements.

Table 13: Working hours arrangements of social enterprises with paid employees

Working hours arrangements	2024 survey (organisations with employees)
Flexitime (flexible working hours)	72%
Hybrid working	55%
Other flexible working patterns	33%
Job-sharing	22%
An annualised hours contract	21%
Compressed hours	20%
Term-time working	20%
Zero hours contracts	13%
Other (please specify)	8%
None of the above	6%
On call working	5%

One interviewee discussed the flexible working arrangement they have in place and laid out the impact it has on the culture of their organisation:

"And so in that regard, I think we've got ultimate flexibility. Now, was that easy? No, because actually humans are conditioned to being told what to be somewhere at 9 and to go home at

5:00 and some people really like that. And we were saying do your job to the best that you could do it in and do it whenever. …So that's the flexibility piece. It provides inequity so people can live in the way that, you know, a lot of people don't have kids, some people do. Some people have grandparents to look after, wives to look after, husbands to look after, etcetera. So we have a colleague led, colleague born and colleague led programme"

Summary

The 2024 Social Enterprise Census confirms that strong ethical principles remain at the heart of Scotland's social enterprise sector. From governance and leadership to employment practices, social enterprises continue to set a high standard for responsible business conduct.

Transparent and inclusive governance remains a hallmark of the sector. Most social enterprises are overseen by voluntary boards, helping to maintain accountability to the communities they serve. Nevertheless, broader representation, particularly among young people, ethnic minority groups, and individuals with disabilities, remains an important area for future improvement.

Commitment to fair work also remains a clear priority. In 2024, 88% of social enterprises reported paying at least the Real Living Wage, up from 85% in 2021. Flexible working practices are widespread, with 72% offering flexitime and 55% providing hybrid work options. These measures reflect not just a values-driven approach to employment, but also a strategic response to the need to attract and retain skilled staff in a competitive labour market.

However, challenges persist. Formal accreditation in areas such as Real Living Hours and Living Pensions is still limited, suggesting there is more work to be done to fully embed fair work principles across the sector. Additionally, while staff involvement in decision-making is strong, reported by 72% of organisations, formal structures for employee representation are less common, indicating an opportunity for further strengthening workplace democracy.

Overall, the Census shows that social enterprises continue to lead by example when it comes to ethical business practices. To build on this foundation, the sector must keep pushing for greater diversity in leadership and deeper adoption of fair work standards, ensuring that social enterprises remain pioneers of sustainable, people-centred business.

Equity, Diversity, and Workforce Demographics

This chapter explores the workforce composition and diversity within social enterprises, with a focus on the 2024 data and comparisons to previous years where applicable. It highlights the key trends and shifts in the collection of equality and diversity data, the diversity within the workforce, and the characteristics of senior leadership. The findings reveal both positive strides and ongoing challenges in ensuring diversity and inclusivity across the social enterprise sector.

Workforce Diversity Data Collection

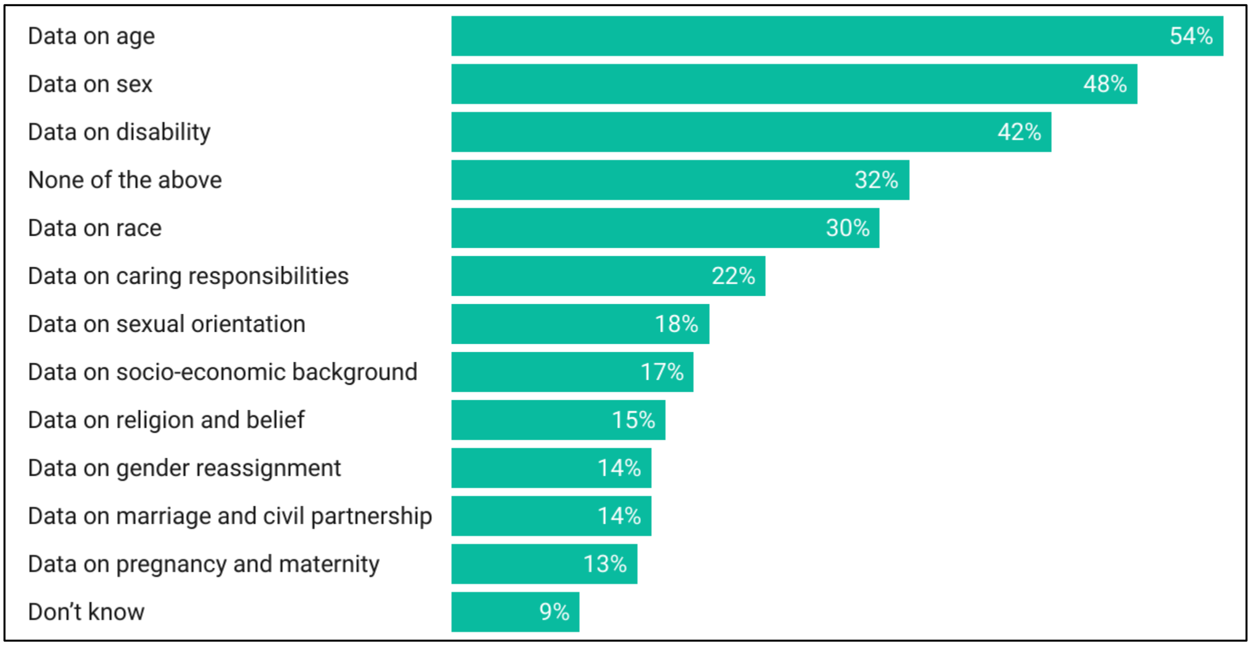
In 2024, 32% of organisations with paid employees reported that they do not collect any equality or diversity data, indicating that a significant proportion of businesses may not be actively monitoring or addressing diversity within their workforce (Figure 5).

Over half (54%) collect data on age. This suggests a strong focus on understanding the generational makeup of the workforce, which can be valuable for tailoring policies, benefits, and support to different age groups. Similarly, 48% of organisations collect data on sex, reflecting a widespread commitment to monitoring gender representation within the workplace.

Data on disability is tracked by 42% of organisations, which highlights an awareness of the need to be inclusive of employees with disabilities or long-term conditions. Additionally, 30% of organisations collect data on race and collection of socio-economic background data is reported by 17% of organisations. The tracking of sexual orientation data is reported by 18% of organisations, which shows a focus on inclusion for LGBTIQA+ individuals.

More than a fifth (22%) of organisations track data on caring responsibilities, acknowledging the challenges faced by employees who are caregivers and the need for policies that support them in balancing work and care duties.

Figure 5: Workforce data collected by respondents with paid employees



Workforce Composition and Demographics

Table 14 below presents the proportion of the workforce by certain demographics reported by all social enterprises that responded to the survey.

Table 14: Workforce composition

	None	Under a quarter	Between a quarter and a half	Between half and three quarters	Between three quarters and one hundred per cent	Unknown
Identify as female	6%	7%	12%	27%	39%	8%
Identify as non-binary	58%	9%	1%	0%	0%	32%
Are residents of the local area(s) in which your organisation is based	4%	6%	7%	14%	63%	7%
Are aged under 30	28%	34%	16%	11%	3%	7%
Are aged over 55	16%	34%	16%	15%	13%	8%
Have caring responsibilities	20%	27%	17%	11%	5%	20%
Consider themselves to have a disability or a long-term condition	26%	34%	10%	6%	4%	19%
Consider themselves as from a minority ethnic background	52%	26%	3%	1%	2%	17%
Were previously unemployed before taking up post	28%	28%	10%	4%	7%	21%

Were previously unemployed young people (aged under 30 years)	44%	27%	6%	1%	1%	20%
Received training or support intended to improve their employability	31%	21%	10%	7%	11%	21%
Identify as LGBTIQA+	41%	20%	3%	1%	2%	33%

The workforce data reveals strong local representation and gender diversity across many social enterprises, with 63% reporting that between 75% and 100% of their staff live in the communities they serve, and 66% indicating that at least half of their workforce identifies as female.

The data also suggests that employment of people with disabilities or long-term conditions, carers, and those with previous unemployment experience is uneven. For example, only 10% of organisations reported that between 50% and 100% of their staff have disabilities, while a sizable proportion (26%) reported none at all. These figures highlight both progress and gaps in workforce inclusivity, pointing to the need for more targeted recruitment, development, and support strategies to reach underrepresented groups.

Equality and Diversity in Senior Leadership

The gender diversity of senior leadership in social enterprises is relatively strong, with 60% of the most senior employees (e.g., CEO, Manager) identifying as female, representing a decline from the 71% reported in 2021 but is consistent with previous years (Table 15).[3] The representation of minority ethnic backgrounds among senior leaders remains low, with only 6% of senior leaders identifying as from a minority ethnic background, from 5% in 2021.

[3] These figures are based on self-reported survey responses from social enterprises participating in the survey.

Table 15: Social enterprise leaders, 2021 and 2024

% of social enterprise leaders	2021 respondents	2024 respondents
Identifies as female	71%	60%
Identifies as non-binary	1%	1%
Is from a minority ethnic background	5%	6%
Is aged under 30 years	4%	3%
Is aged over 55 years		50%
Considers themselves to have a disability or long-term health condition	21%	23%
Identifies as LGBTIQA+	6%	7%

Age diversity is similarly limited. Just 3% of senior leaders are under 30, a figure that has remained stagnant across reporting years. This underrepresentation of younger voices may reflect traditional leadership pipelines that favour experience and tenure, but it also raises concerns about succession planning, innovation, and the long-term sustainability of leadership within the sector.

Additionally, 23% of senior employees consider themselves to have a disability or long-term condition, marking a slight increase from 21% in 2021. This suggests growing inclusivity in terms of physical and mental health diversity, which may reflect broader efforts in the sector to support accessibility and lived experience in leadership.

Summary

Overall, while the sector remains progressive in gender representation, the data points to ongoing challenges around intersectional diversity, particularly relating to race and age. Addressing these disparities will require intentional action, including targeted leadership development, inclusive recruitment practices, and a focus on equitable career pathways.

Social Impact

Social enterprises are businesses that operate intending to create positive social change. They work to address a range of social needs, support community development, protect the environment, and improve the life chances of individuals. Understanding the social impact of these businesses in Scotland is crucial, not only for ensuring they are effectively contributing to these goals but also for guiding how resources are allocated, encouraging investment, and ensuring alignment with national priorities.

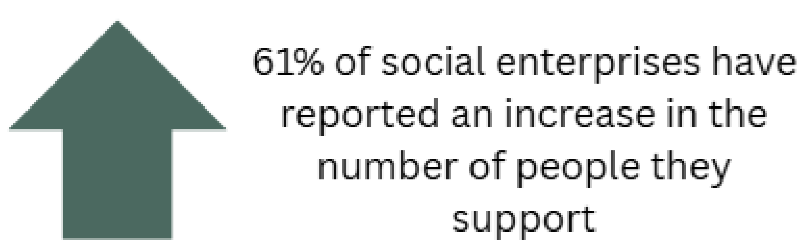
This section delves into the various tools available for measuring social impact, identifies common barriers, and offers suggestions for improvement. By assessing their social impact, social enterprises can better understand their effectiveness, inform key decisions (such as for grant applications), demonstrate accountability and transparency, and attract investment.

Beneficiaries and Services Provided

Changes in Beneficiaries

The 2024 Social Enterprise Census shows a sector that is growing its reach and adapting to rising social and economic demands. Beneficiaries are the people or groups who benefit from the work of social enterprises. Services provided are the activities or support delivered to meet the needs of these beneficiaries, often addressing social, economic, or community challenges.

A majority of social enterprises (61%) reported an increase in the number of people they support, with almost a quarter (24%) experiencing a substantial surge in beneficiaries (see Figure 6). This reflects the sector's increasingly vital role in delivering essential services and support, particularly during periods of acute community need.



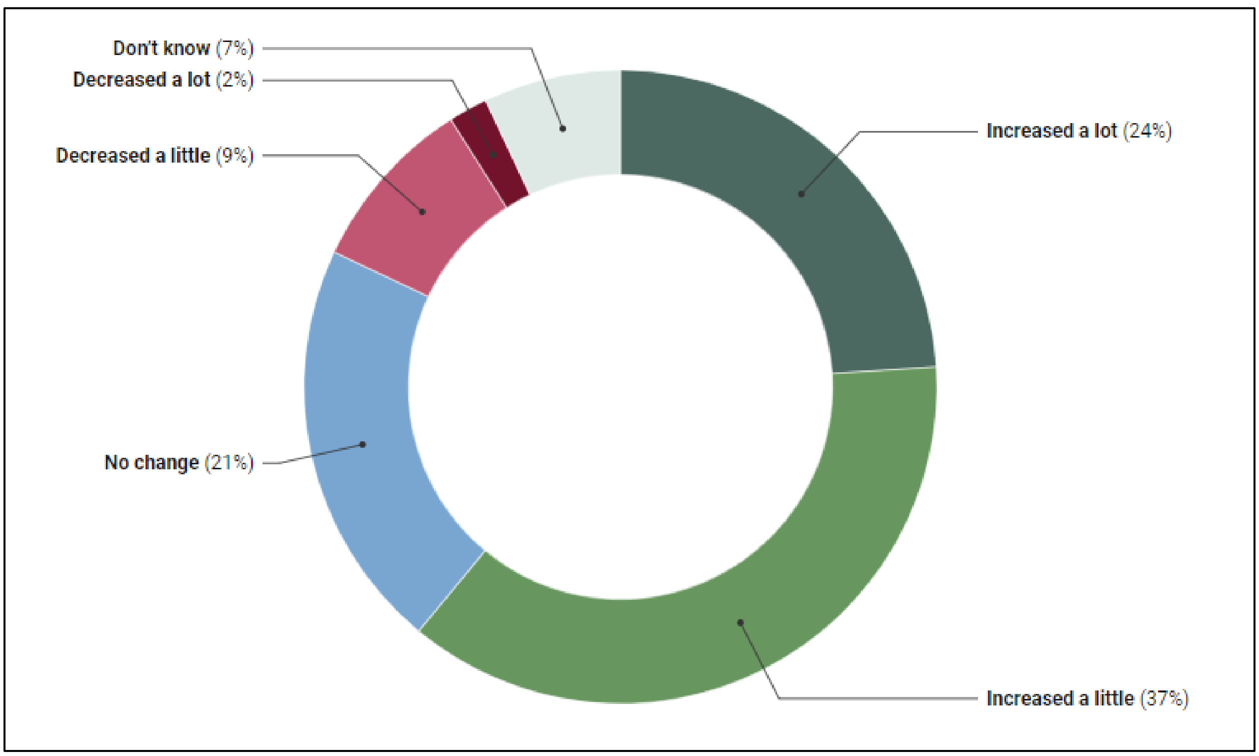
Organisations largely attribute this growth to the combined impacts of two major crises: the COVID-19 pandemic and the ongoing cost-of-living emergency. Qualitative insights gathered during the Census reveal that many social enterprises were on the frontlines during the pandemic, rapidly expanding their services to meet urgent needs such as food insecurity, mental health support, and digital access.

The majority of interviewees who took part in the qualitative research also observed that their number of beneficiaries had increased. Many of these noted initial spikes during COVID-19 and then further spikes during the cost of living crisis. For example:

"COVID created such issues with social isolation and … people aren't out of that yet. You know, it was such a long protracted period that people hunkered down and actually, whether people have mental health issues, other issues, whatever….. During COVID, numbers went up because we did a lot of stuff online. After COVID and actually now we're seeing everyday new referrals and people either self-refer or come through…. agencies…it gets to the point where every so often we have to pause on registrations because we just don't have the capacity."

While there was some expectation that demand might ease post-pandemic, the cost-of-living crisis has instead fuelled further increases, especially for services targeting poverty, hardship, and community wellbeing.

Figure 6: Reported change in beneficiaries



Others attributed increases in beneficiaries to providing spaces within areas where either there were not adequate and affordable spaces for people to go to or where there were no other safe spaces in their community for their beneficiaries.

Nevertheless, not every organisation has experienced growth, 11% of social enterprises reported a decrease in beneficiary numbers, with 2% citing a significant fall. Some of the challenges identified include funding constraints, demographic changes, and the move toward online service delivery, which has in some cases made it harder to maintain strong community connections.

Targeted Beneficiary Groups

Social enterprises continue to focus their efforts on supporting a diverse range of beneficiary groups. The largest targeted group was people experiencing socio-economic disadvantage, identified by 60% of organisations (Table 16). A significant proportion of respondents reported that they target young people (49%), individuals with physical disabilities or long-term conditions (42%), and people with mental health conditions (41%).

Other notable beneficiary groups included older people (40%), individuals with learning disabilities (39%), and people from rural and island communities (35%). Organisations also targeted support to women and girls (30%), long-term unemployed individuals (26%), and carers (26%). Smaller proportions of support were directed toward people from minority ethnic backgrounds (24%), LGBTIQA+ individuals (22%), and refugees and asylum seekers (20%).

Table 16: Target beneficiary groups, 2021 and 2024

	2021	2024
People experiencing socio-economic disadvantage	55%	60%
Young people	52%	49%
Individuals with a physical disability or long-term condition	35%	42%
People with mental illness or mental health conditions or illnesses	39%	41%
Older people	42%	40%
Individuals with a learning disability	36%	39%
People from rural and island communities	33%	35%
Women and girls	29%	30%
Long-term unemployed	27%	26%
Carers	22%	26%
People from a minority ethnic background	18%	24%
People identifying as LGBTIQA+	11%	22%
Refugees and asylum seekers	14%	20%
Alcohol or drug addiction/dependency	19%	18%
Homeless/coming out of homelessness	12%	13%
People with convictions	12%	13%
Veterans/ex-military	8%	11%
Victims of crime	6%	9%

Overall, the data points to a sector that continues to adapt to evolving social challenges, maintaining a broad beneficiary base while reflecting targeted interventions based on areas of greatest need. It also suggests potential areas where further support, investment, or collaboration could strengthen the sector's reach, particularly in underserved or marginalised communities.

Social Outcomes Achieved

Social enterprises made a wide-ranging impact over the past year, directly enabling several social and economic outcomes (Figure 7). A significant majority (67%) contributed to creating inclusive, empowered, resilient, and safe communities, while 59% enabled education, skills development, and societal contributions. Health and wellbeing were also major focus areas, with 55% reporting activities that helped people become healthier and more active.

Environmental outcomes were achieved by 46% of organisations, which enabled individuals and communities to value, enjoy, protect, and enhance the environment.

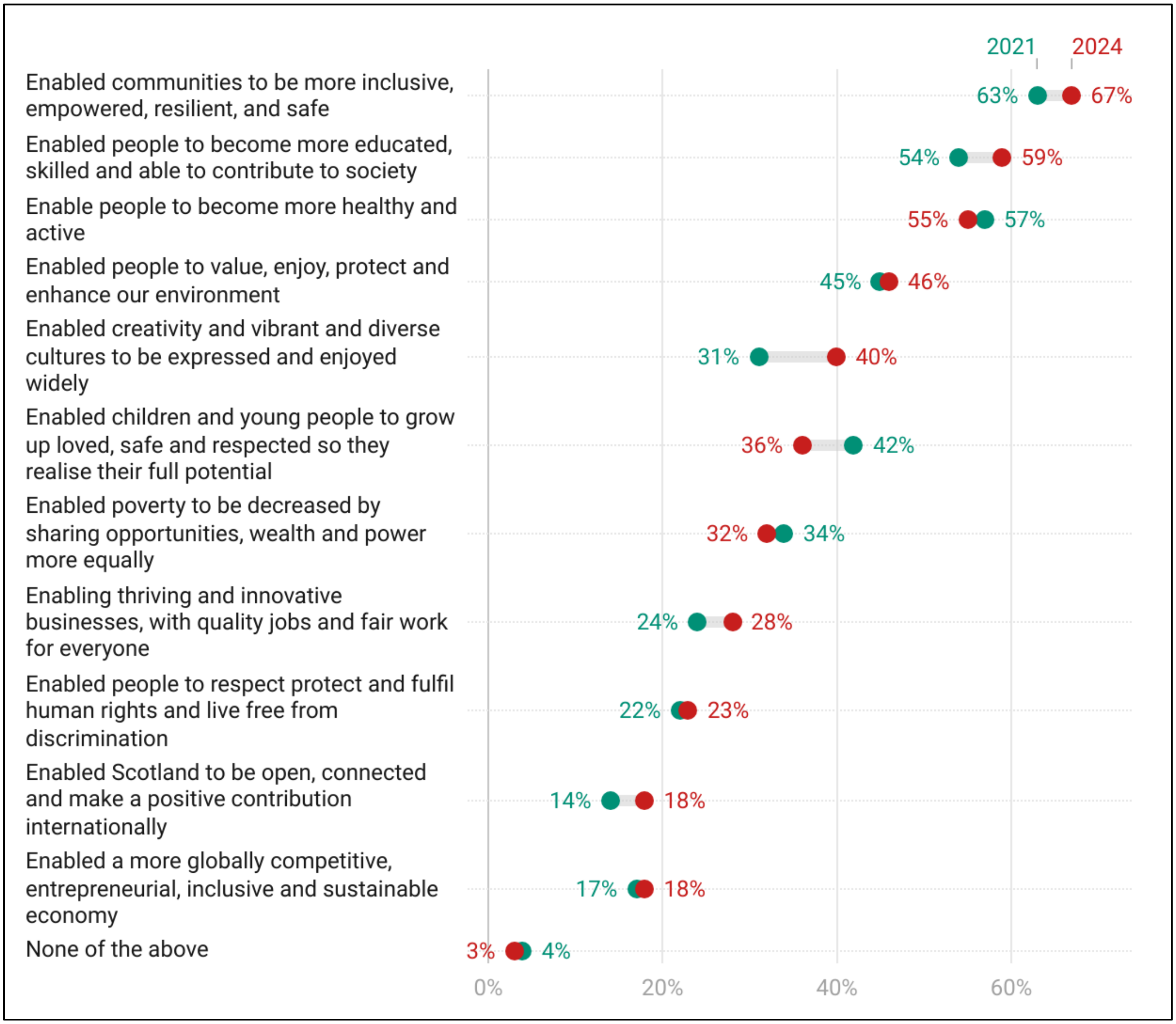
55% report achieving outcomes to help people to become more healthy and active

Additionally, 40% supported creativity and cultural expression, while 36% worked to ensure children and young people grow up loved, safe, and respected.

Economic development also featured in the outcomes, with 28% helping to create thriving businesses with quality jobs, and 32% contributing to poverty reduction through fairer sharing of wealth, opportunities, and power.

Notably, 23% of organisations helped protect human rights and promote equality. Meanwhile, only 3% indicated their activities did not contribute to any of these outcomes, with a further 3% unsure of their direct impact.

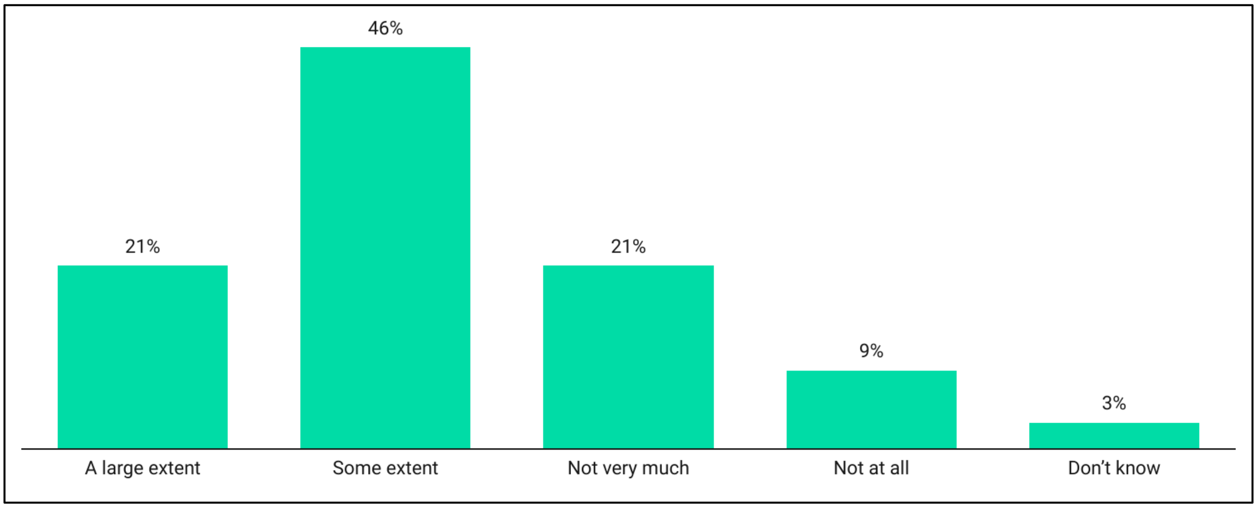
Figure 7: Social outcomes achieved



Measuring Social Impact

The extent to which organisations measure their social impact varies widely, with just over one-fifth (21%) reporting that they do so to a large extent (Figure 8). A significant proportion (46%) indicated they measure impact to some extent, while 21% reported that they do not measure their impact very much. On the other hand, 9% did not engage in impact measurement at all, while 3% were uncertain about their practices.

Figure 8: Reported measurement of social impact



This data suggests that while a majority of organisations recognise the value of social impact measurement, many still face challenges in integrating it comprehensively into their operations. The relatively high percentage of those measuring impact only to "some extent" or "not very much" highlights room for growth in adopting systematic and robust evaluation practices.

The need for social enterprises to be able to showcase and measure their impact is recognised in the Scottish Government's Social Enterprise Action Plan for 2024-2026 under Priority 2 for developing stronger organisations.[4]

A positive example of supporting social enterprises with social impact measurement is from Highlands and Islands Enterprise which provides community-led organisations and social enterprises access to expert help and practical support to deliver local projects including identifying appropriate methodologies for social impact measurement.[5]

Tools and Methodologies for Measuring Impact

Organisations employ a range of methodologies to evaluate their social impact, with the most common being surveys and questionnaires used by 74% of respondents (Figure 9). Additionally, 62% rely on case studies or success stories to highlight their achievements, while 45% utilise quantitative data analysis, reflecting a focus on metrics and indicators. Less common, but still notable, are tools such as interviews or focus groups (41%) and qualitative data analysis (37%).

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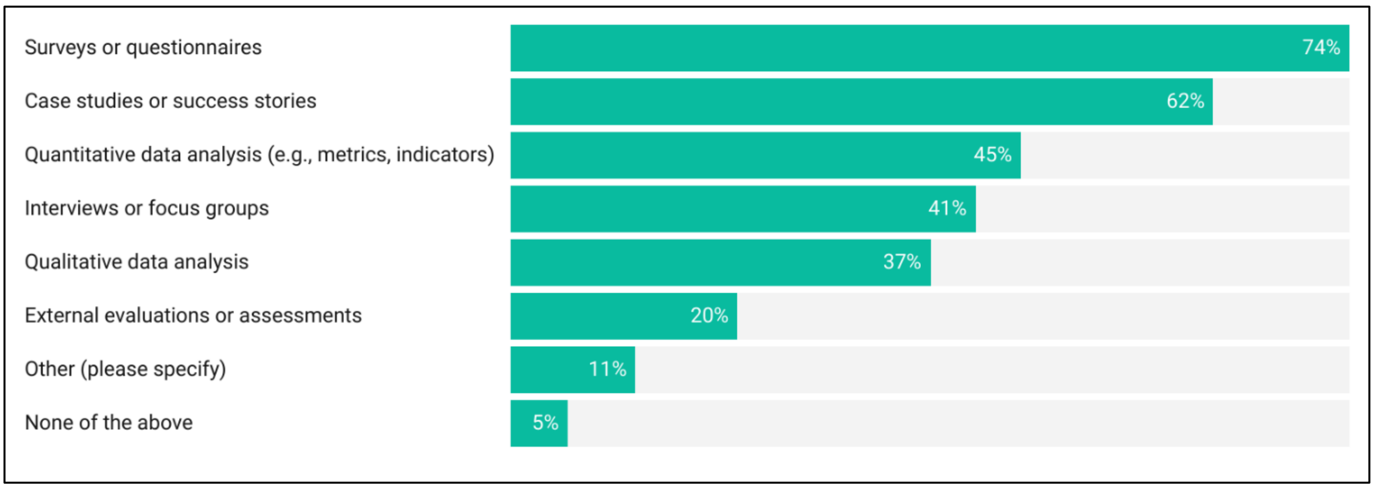
[4] Social enterprise - Driving a Wellbeing Economy for Scotland: action plan 2024-2026 - gov.scot
[5] Community support | HIE

Only 20% of organisations engage in external evaluations or assessments, likely due to cost or resource constraints.

Interestingly, only 5% reported using none of these tools, indicating a widespread awareness of the need for evaluation frameworks. The prevalence of tools like surveys and success stories reflects the accessibility of these approaches, but the lower adoption of quantitative analysis and external evaluations highlights the potential need for further training and resource allocation.

Figure 9: Method of measuring social impact

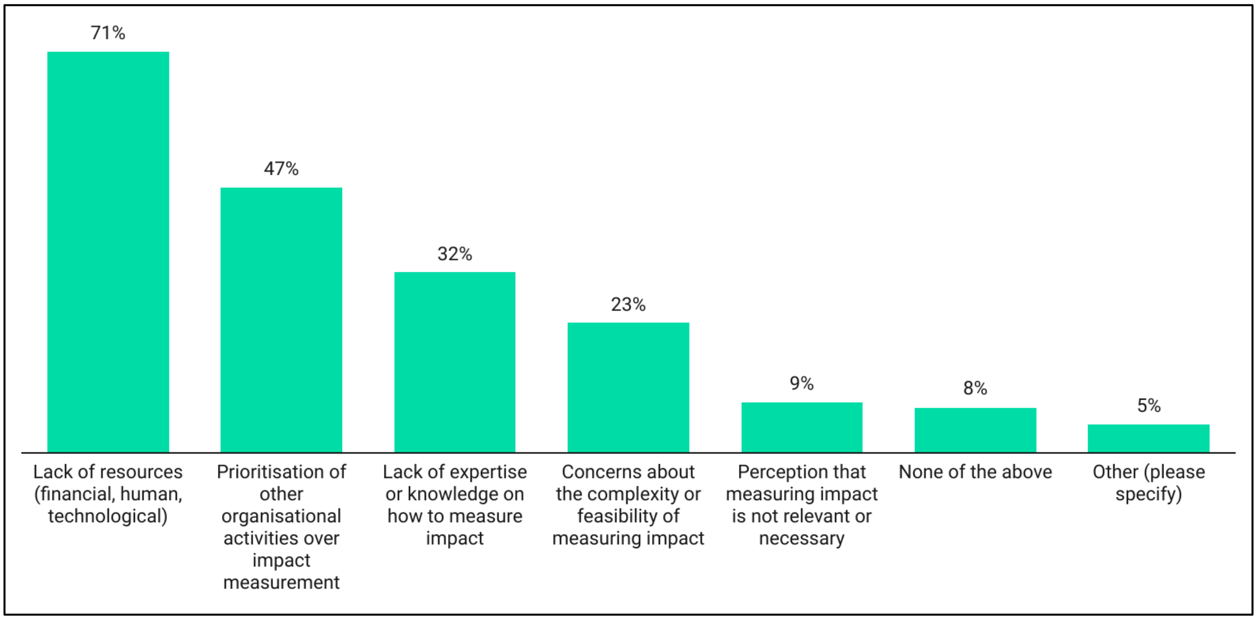


In the qualitative interviews, many of the social enterprises gave examples of the different types of tools they utilised for measuring their social impact. These examples include collecting feedback from beneficiaries and trying to work out the amount of money that their activities put into the communities or saved through prevention (though this was seen to be challenging).

Barriers to Measuring Social Impact

Despite the widespread acknowledgement of the importance of measuring social impact, organisations face significant barriers to doing so effectively. The most commonly cited challenge is a lack of resources, including financial, human, and technological, reported by 71% of respondents (see Figure 10). Additionally, 47% highlighted the prioritisation of other organisational activities, suggesting competing demands on time and budgets.

Figure 10: Barriers to measuring social impact



A lack of expertise or knowledge on how to measure impact affects 32%, while 23% pointed to concerns about the complexity or feasibility of impact measurement. However, only 9% perceived impact measurement as irrelevant or unnecessary, indicating a strong overall commitment to its importance.

In interviews, several challenges were raised in terms of measuring social impact:

- **Complexity of outcomes:** Social impact is often multifaceted and difficult to quantify, especially when dealing with intangible outcomes like gained confidence or improved wellbeing.
- **Resource constraints:** Many social enterprises lack the time, funding, or expertise to implement robust measurement frameworks or hire specialists.
- **Attribution challenges:** It can be hard to determine whether observed outcomes are directly attributable to the organisation's activities or influenced by external factors.
- **Standardisation issues:** There is no universally agreed-upon method for measuring social impact, making comparisons across organisations or industries difficult.
- **Data collection difficulties:** Gathering accurate and reliable data from beneficiaries or stakeholders can be challenging, particularly for hard-to-reach or vulnerable populations.
- **Pressure to demonstrate results:** Funders and stakeholders often expect clear evidence of impact, which can lead to overemphasis on easily measurable outputs rather than meaningful long-term outcomes.

- **Balancing qualitative and quantitative data:** Social impact involves both numbers (e.g., people helped) and stories (e.g., personal transformations), and finding the right balance can be tricky.
- **Lack of capacity for ongoing monitoring:** Measuring impact is not a one-time effort, but regular monitoring can strain limited resources.

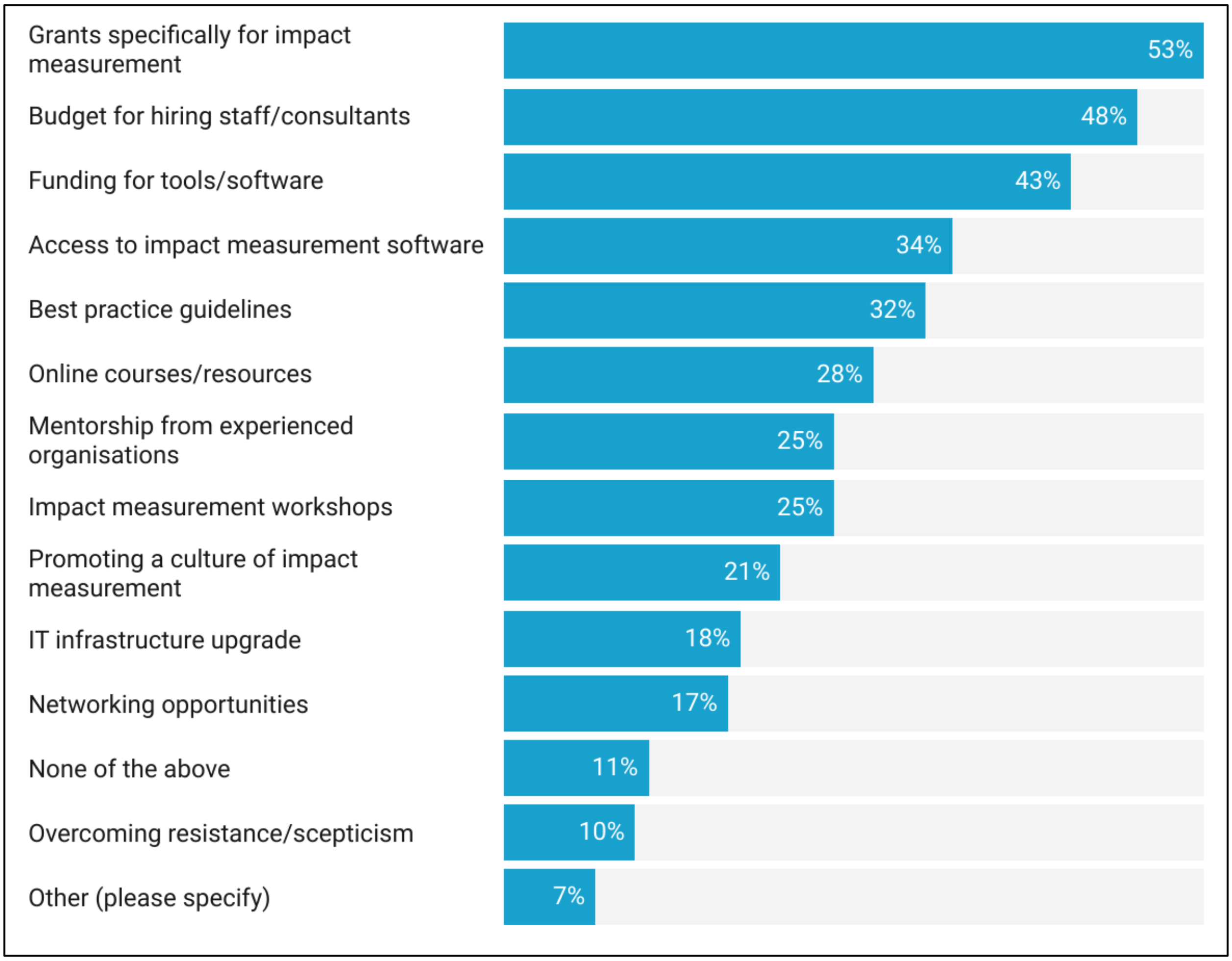
Improving Impact Measurement

To improve their ability to measure social impact, organisations identified several key needs (Figure 11). Foremost among these is funding support, with 53% indicating a need for grants specifically for impact measurement, and 48% calling for a budget to hire additional staff or consultants. Similarly, 43% emphasised the need for funding for tools or software, reflecting resource constraints.

Practical solutions were also highlighted, including access to best practice guidelines (32%), online courses or resources (28%), and impact measurement workshops (25%). Additionally, 34% expressed a desire for access to impact measurement software, while 18% identified the need for IT infrastructure upgrades.

Cultural and networking solutions were less commonly cited but still important, with 21% noting the importance of promoting a culture of impact measurement and 25% seeking mentorship from experienced organisations. Networking opportunities and overcoming resistance or scepticism were lower priorities, noted by 17% and 10% respectively.

Figure 11: Means to improve impact measurement



Overall, the data indicates that organisations recognise the value of robust social impact measurement and are seeking both practical tools and funding support to strengthen their capabilities. By addressing these needs, more organisations may be able to transition from partial measurement practices to more comprehensive and impactful evaluations.

Summary

The 2024 Social Enterprise Census once again highlights the vital role social enterprises play in advancing positive social change across Scotland. Whether addressing poverty and inequality, supporting health and wellbeing, or strengthening community resilience, social enterprises remain central to delivering impact where it is most urgently needed.

A strong pattern emerging from this year's findings is a growing emphasis on evidencing social impact. More organisations are embedding formal impact measurement processes within their operations to demonstrate their value to funders, stakeholders, and communities alike. Nevertheless, challenges persist: many social enterprises cite a lack of time, resources, and standardised tools as ongoing barriers to consistently capturing and reporting their impact.

The findings also make clear that ongoing economic pressures, particularly the cost-of-living crisis have intensified the demand for services. A significant number of organisations report reaching more beneficiaries than ever before, particularly in critical areas like food provision, mental health, and financial advice. While this expanding reach highlights the sector's resilience and importance, it also raises questions about the sustainability of meeting growing community needs with limited resources.

Overall, the 2024 data paints a picture of a sector that is dynamic, responsive, and essential but also stretched. If social enterprises are to continue scaling their impact and building resilient communities, greater investment, policy support, and public recognition will be crucial.

Net Zero

Social enterprises play a crucial role in advancing Scotland's ambition of achieving a net-zero economy. Positioned within local communities, they are well-placed to adopt and promote environmentally sustainable practices. Many integrate environmental responsibility into their core mission, working to reduce carbon emissions, promote renewable energy, and minimise waste. By setting high standards and leading by example, social enterprises help drive both grassroots action and broader societal change.

Through the use of various climate and sustainability tools, these organisations directly contribute to national net-zero targets while encouraging other sectors to follow suit. This section explores how such tools are being implemented, the challenges faced along the way, and how these efforts align with Scotland's wider environmental and economic goals. In doing so, it underscores the central role social enterprises play in shaping a greener, more sustainable future.

Adoption of Climate Tools

The adoption of specific climate tools like the Growing Climate Confidence Scorecard and the Net Zero Accelerator Tool remains relatively low among organisations. A vast majority (88%) reported that they have not used either of these tools. Of those that have, 8% utilised the Growing Climate Confidence Scorecard, and 5% employed the Net Zero Accelerator Tool.

Reasons for Not Using the Tools

Survey responses and interviews revealed several reasons why organisations are not utilising climate and sustainability tools, which fall into key themes: a lack of awareness about the tools' existence; time and resource constraints, especially among small or volunteer-led groups; and a perceived irrelevance to their specific contexts, such as limited control over rented premises or rural transport challenges. Some organisations rely on alternative frameworks they find more suitable, while others face practical barriers or question the tool's value, viewing it as a "tick-box" exercise. Additionally, many prioritise urgent operational or financial concerns over environmental initiatives, leading to a deprioritisation of such tools despite recognising the importance of climate action.

The low uptake of these climate tools among social enterprises reveals important structural and contextual barriers that hinder environmental progress within the sector. Despite widespread support for sustainability in principle, many organisations face practical limitations, including time, staffing, and financial constraints, that prevent deeper engagement. The perception that such tools are not relevant or actionable within certain operational contexts (e.g., rented premises, rural transport limitations) further limits their appeal and applicability.

These limitations are in line with survey findings from other research of Scottish businesses published by Barclays in 2024 which showed that Scottish businesses surveyed reported that the main barriers to investing in environmental and sustainability-focused projects are a lack of clear return on investment (26%), lack of funds to invest (21%), and other business priorities (23%).[6]

Critically, this indicates that existing climate tools may not be sufficiently tailored to the diversity of social enterprise models or the environments in which they operate. The reliance on alternative frameworks and the prioritisation of core service delivery over environmental planning suggest that, without targeted incentives and capacity-building support, climate engagement risks becoming a lower priority.

This matters because social enterprises are key actors in Scotland's transition to net zero. Their community-rooted nature gives them the potential to lead local climate action. However, if the uptake of key tools remains low, the sector's contribution to national sustainability goals may be constrained, not by a lack of commitment, but by misalignment between ambition and operational feasibility. Bridging this gap requires more flexible, accessible, and context-sensitive approaches to climate support.

Sustainability Practices in Daily Operations

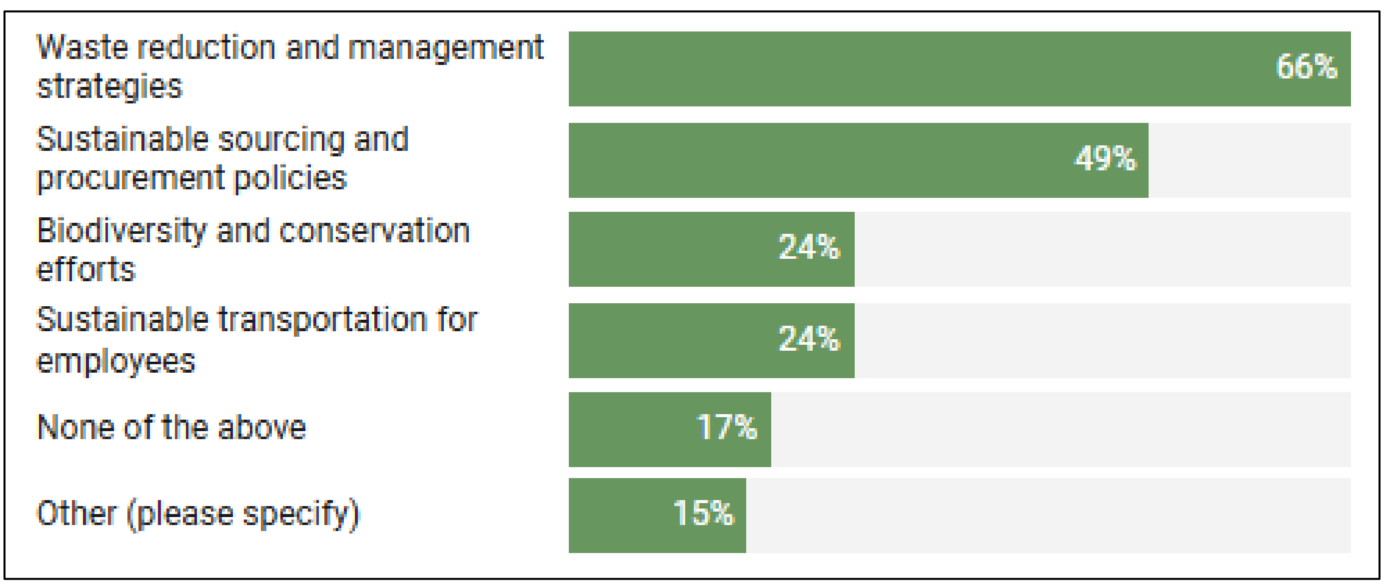
Organisations are incorporating sustainability practices into their daily operations in various ways, with some approaches more common than others. Waste reduction and management strategies are the most widely adopted, with 66% of organisations implementing these practices (Figure 12). Additionally, nearly half (49%) reported having sustainable sourcing and procurement policies, indicating a commitment to responsible supply chain management.

[6] Scotland: 2024 business survey |Barclays Corporate

66% of organisations report implementing waste reduction and management strategies

Efforts to address biodiversity and conservation, as well as sustainable transportation, were each implemented by 24% of respondents, reflecting a focus on both environmental preservation and reducing carbon footprints. However, 17% of organisations reported that they do not incorporate any sustainability practices into their daily operations, which highlights an opportunity to expand awareness and resources for integrating sustainability measures.

Figure 12: Sustainability practices



A smaller proportion (15%) cited "Other" practices, which included unique or context-specific initiatives. The variety of responses demonstrates a growing but uneven focus on sustainability across organisations, with waste management and procurement leading the way. This indicates that while many organisations are making strides, there remains significant potential for further integration of comprehensive sustainability strategies.

The low adoption rates of formal climate tools, coupled with the uneven integration of sustainability practices, suggest a gap in both awareness and resource allocation for environmental initiatives.

Summary

The 2024 Social Enterprise Census highlights the important role social enterprises are playing in Scotland's transition to a net-zero economy, embedding environmental sustainability within their operations and inspiring broader societal change. However, while many organisations are committed to sustainable practices such as waste reduction and ethical procurement, the adoption of formal climate measurement tools like the Growing Climate Confidence Scorecard and the Net Zero Accelerator Tool remains limited, with 88% of social enterprises not using either.

Qualitative feedback identified several barriers to adoption, including lack of awareness, time and resource constraints, perceived irrelevance to certain operating contexts (particularly among organisations in rented premises or rural areas), and a sense that existing tools or internal practices were sufficient. Additionally, some organisations deprioritised environmental action amid more pressing financial and operational challenges.

Despite these obstacles, sustainability practices are becoming increasingly embedded in day-to-day activities, though progress remains uneven. While waste management and responsible sourcing are widely adopted, other areas like biodiversity initiatives and sustainable transport lag behind. Overall, the findings point to a sector committed to sustainability in principle, but facing practical and structural barriers that limit deeper engagement with formal climate tools and strategies.

Closing the awareness and resource gaps will be critical if social enterprises are to fully realise their potential as leaders in Scotland's net-zero journey.

Financial Analysis

This chapter explores the economic contribution of social enterprises in Scotland, highlighting their role in driving economic activity in Scotland. By analysing key economic data and trends, we gain a deeper understanding of the sector's value and its potential to drive sustainable economic growth in both urban and rural communities across the country.

Income, Expenditure and Net Income

Social enterprises vary widely, ranging from large housing associations with significant asset bases to small local community enterprises with modest annual turnovers. This section presents an objective financial analysis based on published accounts, assessing the financial health of the sector and providing estimates of its overall financial position.

The study team did not have access to all of the calculations from previous exercises. The assessment of the outputs of the data suggests that they are comparable with those from previous iterations of the Census.

Income

Despite the tricky economic circumstances of the last three years, the income of the sector has held up well and has grown by 9% since 2021 to an estimated £5.2bn (see Table 17). This continues a general upward trend from the first Census in 2015.

Table 17: Income by type of social enterprise

Type	Total Income					Net Change (2021-2024)
	2015	2017	2019	2021	2024	
Registered Social Landlords	£1,300m	£1,569m	£1,817m	£1,988m	£2,090m	5%
Credit Unions	£30m	£33m	£38m	£46m	£60m	31%
Other Social Enterprises	£2,290m	£2,206m	£2,509m	£2,782m	£3,091m	11%
ALL SOCIAL ENTERPRISES	£3,620m	£3,809m	£4,364m	£4,816m	£5,241m	**9%**

When looking at different types of social enterprise we see that registered social landlords have seen an increase of 5% in income while credit unions have seen an increase of 31% in the last three years.

When examining only the social enterprises for which gross income and expenditure data was sourced by the study team, we can estimate that almost half (49%) of social enterprises have an income of less than £100k per year (see Table 18).

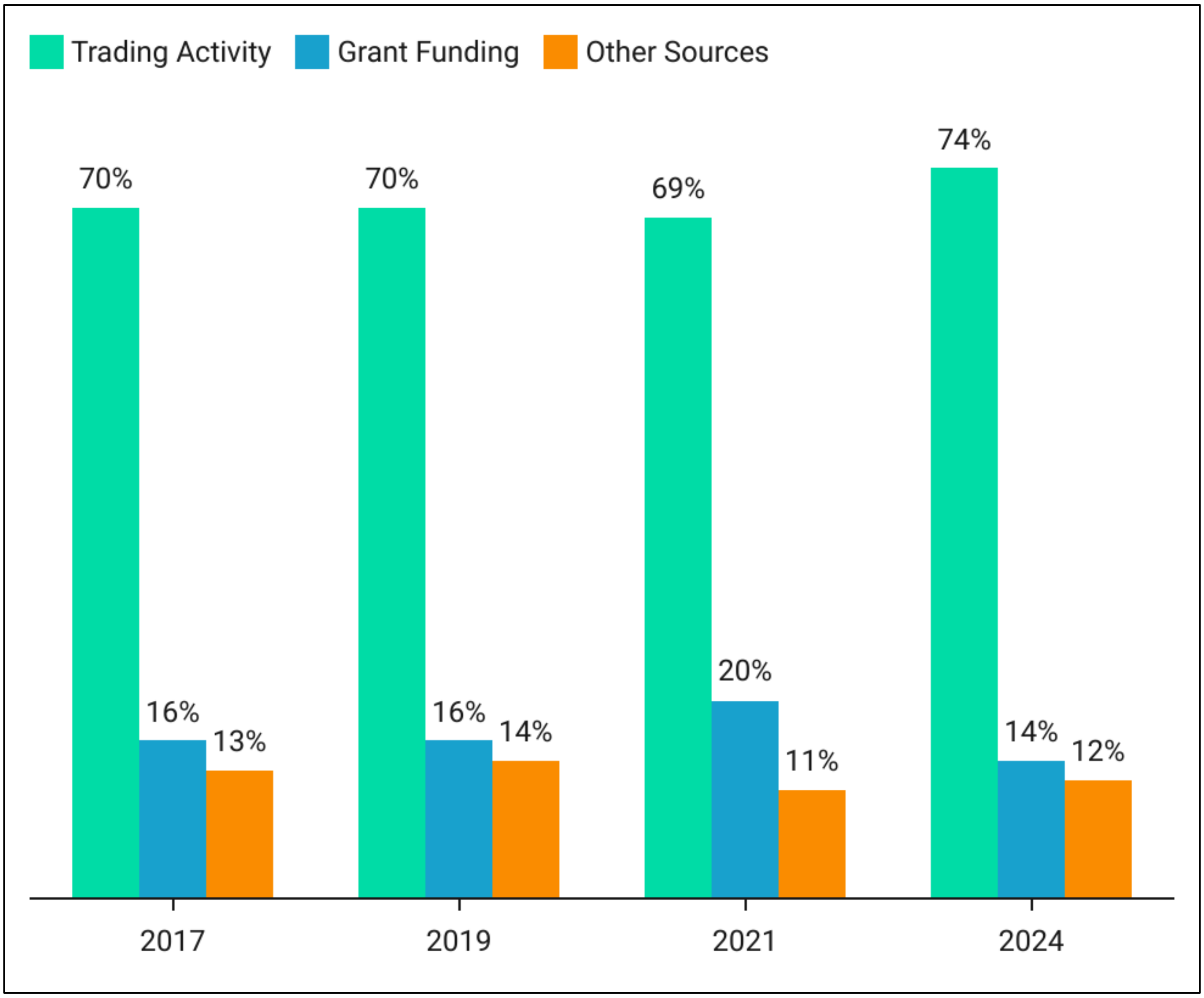
Table 18: Income bands of social enterprises

Income of organisation	Proportion of social enterprises
£0-49k	38%
£50-99k	11%
£100-249k	16%
£250-499k	13%
£500-999k	8%
£1-5m	10%
£5m+	5%

In addition to the value of income, it is important to consider the various strands of income that social enterprises take receipt of. To estimate this the study team have taken averages across different types of social enterprises of trade income, grant income and other income and grossed these up for all social enterprises.

The social enterprise sector derives its income from a variety of sources. Analysis of financial accounts for the 2024 Census estimates that around three-quarters (74%) of income comes from trading for social enterprises while the proportion earned from grants has dropped to a similar proportion to those estimated in 2017 and 2019 (see Figure 13). It should, however, be noted that grant income is not always clearly denoted in financial accounts

Figure 13: Proportion of income from trading, grants and other sources



Over the past decade, income from trading within Scotland's social enterprise sector has shown consistent growth. From £2.25 billion in 2015, trading income has steadily increased, reaching £3.9 billion in 2024 (see Table 19) the continuous upward trend underscores the sector's increasing capacity to generate revenue through trading activities, contributing significantly to its overall financial health.

Table 19: Income from trading

	2015	2017	2019	2021	2024
All Social Enterprises	£2,246m	£2,744m	£3,059m	£3,274m	£3,901m

The decline in grant income from £941 million in 2021 to £730 million in 2024 can likely be attributed to the lingering effects of the COVID-19 pandemic (see Table 20). During the pandemic, there was a surge in grant funding to support social enterprises through economic challenges, but as recovery progresses, this emergency funding has tapered off. The reduction in grants reflects a broader tightening of available financial resources, with many funders shifting focus or reducing allocations post-pandemic. Despite this, grants remain an important funding source, and the sector may need to adapt to a more competitive and less predictable funding environment.

Table 20: Income from grants

	2019	2021	2024
All Social Enterprises	£656m	£941m	£730m

Expenditure

Collectively Scotland's social enterprises spent £4.9bn in 2024, 14% more than in the same period two years earlier (see Table 21).

This increase in expenditure is likely driven by post-COVID recovery efforts, rising costs linked to the ongoing cost-of-living crisis, and significantly higher prices for utilities and core supplies. These external pressures have placed added strain on operational budgets, even for organisations not actively expanding their services.

Table 21: Expenditure by type of social enterprise

Type	Total Expenditure					Net Change (2021-2024)
	2015	2017	2019	2021	2024	
Registered Social Landlords	£1,073m	£1,376m	£1,527m	£1,742m	£1,853m	6%
Credit Unions	£27m	£28m	£32m	£36m	£44m	21%
Other Social Enterprises	£1,990m	£2,118m	£2,408m	£2,515m	£2,999m	19%
ALL SOCIAL ENTERPRISES	£3,090m	£3,522m	£3,968m	£4,293m	£4,895m	**14%**

When looking at expenditure, it is estimated that staff costs make up 50% of the overall costs of social enterprises which is in line with findings from previous years.

Surplus

The total net income (surplus) reported by the sector at year-end was £346m, a 34% decrease since 2021. While the operating profits of housing associations and other social enterprises have shown some decline, the surpluses of credit unions have grown strongly (see Table 22).

Table 22: Net Income of social enterprises

Type	Net Income					Net Change (2021-2024)
	2015	2017	2019	2021	2024	
Registered Social Landlords	£201m	£193m	£289m	£247m	£237m	-4%
Credit Unions	£9m	£5m	£6m	£10m	£17m	68%
Other Social Enterprises	£90m	£89m	£101m	£267m	£92m	-66%
ALL SOCIAL ENTERPRISES	£300m	£287m	£396m	£524m	£346m	**-34%**

The contraction of net income overall is likely a result of the challenging economic climate and increased costs for social enterprises for supplies and other core costs needed to operate their organisations (see Table 23). An important factor to consider is the considerable financial assistance supplied to the sector during the pandemic from the Scottish Government and others which has resulted in levels of net income for 2024 falling back into line with previous studies before the 2021 Census.

Table 23: Profitability Ratio, 2024 (excludes RSL and Credit Unions)

Year	Profitability Ratio
2015	4.4%
2017	4.0%
2019	4.1%
2021	9.5%
2024	3.0%

The trends outlined have led to a return to levels of profitability seen in previous iterations of this exercise at 3.0% which is more in line, albeit lower, with 2017 (4.0%) and 2019 (4.1%). This is down from the 9.5% recorded in 2021, a return to lower levels was anticipated in the 2021 Census.

In line with the trends above, we see that 54% of social enterprises were making a surplus at their most recent year-end accounts while 46% were making a loss. This is a significant change from the figures observed in 2021 where 66% were making a surplus but is similar to figures observed in 2019 (57%), see Table 24.

Table 24: Proportion of social enterprises making a surplus, breaking even or making a loss

Situation at Year-end	% of Organisations
Making a Surplus	53.5%
Breaking Even	0.2%
Making a Loss	46.3%

Financial Health

A key indicator of financial health is the extent to which organisations' short-term debts (current liabilities) are covered by cash and other assets that are easily convertible into cash (current assets).

An analysis of year-end accounts shows that current assets (£2.9bn) outweigh current liabilities (£1.7bn) suggesting that the sector is still currently in a strong position overall when it comes to meeting its short-term debts (see Table 25).

Table 25: Current assets and liabilities of the sector

Type	Current Assets	Current Liabilities
Registered Social Landlords	£992m	£838m
Credit Unions	£525m	£453m
Other Social Enterprises	£1,354m	£421m
All Social Enterprises	£2,871m	£1,711m

Financial health is best expressed as a current ratio, in other words, the ability of an organisation to meet short-term debts i.e. the ability to meet short-term debt obligations from their liquid assets. Despite significant turbulence over the last two years, data suggests that the social enterprise sector remains able to cover its short-term obligations (see Table 26).

Table 26: Current ratio of social enterprises.

Type	Current Ratio					Net Change (2021-2024)
	2015	2017	2019	2021	2024	
Registered Social Landlords	1.8	2	1.4	1.7	1.2	-0.5
Credit Unions	1.1	1.1	1.1	1.1	1.2	0.1
Other Social Enterprises	3.4	2.7	2.8	2.1	3.2	1.1
All Social Enterprises	1.9	1.8	1.7	1.7	1.7	0.0

Another important factor is how quickly social enterprises receive money that is owed to them. This can be expressed via a Debt Turnover ratio which indicates how long it takes for debtor to pay their invoices.

In 2021, this stood at 117 days, largely as a result of the pandemic but the figure for 2024 has fallen to 55 days (excluding Registered Social Landlords and Credit Unions as per previous studies). However, it should be noted that best practice guidelines indicate that invoices should be paid within 30 days. The current figure of 55 days is significantly higher than this and delays to receiving monies owed can have significant issues for cash flow for social enterprises, particularly those in a fragile financial position.

Table 27: Debt Turnover Ratio.

	2015	2017	2019	2021	2024	Net Change (2021-2024)
All Social Enterprises	43 days	49 days	48 days	117 days	55 days	-62 days

Financial Strength

The balance sheet of the social enterprise sector remains strong overall in 2024 with an estimated £8bn of net assets being calculated for the sector (see Table 28).

Table 28: Net Assets, 2021 and 2024

	2021	2024
Registered Social Landlords	£3,600m	£4,635m
Credit Unions	£173m	£355m
Other Social Enterprises	£3,275m	£3,028m
All social enterprises	£7,048m	£8,019m

The strong balance sheet of housing associations accounts for more than half (57%) of the sector's net worth, reflecting long-term asset strength. As noted earlier, however, rising costs have narrowed operating margins across the sector, helping explain the narrowing surplus values despite the observed increase in net worth.

The estimated net worth of the social enterprise sector is £8bn (up £1bn from 2021)

The social enterprise sector has seen a consistent increase in financial strength since it was first examined in 2015, adding £1.1bn in net worth every two years until 2021 when it grew by £0.9bn. The latest figures for 2024 of £8bn estimate a further growth of £1bn (see Table 29).

Table 29: Net worth of the social enterprise sector

	2015	2017	2019	2021	2024
All Social Enterprises	£3.9bn	£5.0bn	£6.1bn	£7.0bn	£8.0bn

Financial Sustainability

To be sustainable over the longer term, social enterprises try to increase self-reliance through trading and to build a financial cushion (reserves) to ensure business continuity should unforeseen difficulties arise.

The Self Sufficiency Ratio indicates the extent to which social enterprises are financially independent through earned income (i.e. can cover their costs through trading). In 2024, self-sufficiency among social enterprises has increased to 73%.

The data indicates that the social enterprise sector can cover the vast majority of its total expenditure through trading, this increase could be partly explained by the challenging grant funding landscape mentioned in this report as those in the sector seek to ensure they are less reliant on grant funding where possible.

Table 30: Self-Sufficiency Ratio of social enterprises (excluding Registered Social Landlords and Credit Unions)

	2015	2017	2019	2021	2024
All Social Enterprises	67.9%	70.4%	69.9%	67 .3%	73.4%

The Grants Ratio on the other hand shows how reliant social enterprises are on grant funding. The latest figures for 2024 suggest that the declines observed between 2015 and 2019 in the reliance on grant funding have continued despite the increase observed during the pandemic where there was far greater reliance on grant funding by social enterprises due to the nature of that time and the support available.

The grants ratio has fallen to 17.3% in 2024 from 26.3% in 2021

The grants ratio is now estimated to stand at 17.3%, down from 26.3% in 2021 and continuing the decline observed since first estimated in 2015 (31.5%).

Table 31: Grants Ratio of social enterprises (excluding Registered Social Landlords and Credit Unions)

	2015	2017	2019	2021	2024
All Social Enterprises	31.5%	28.1%	20.2%	26.3%	17.3%

Economic Contribution

Gross Value Added

The economic contribution of the social enterprise sector can be expressed as Gross Value Added (GVA), the measure of the value of goods and services produced in any part of the economy.

£2.89bn of gross value added to the Scottish economy

Analysis of the data from published financial accounts has revealed that, despite a minimal growth in the numbers of social enterprises, the GVA of the sector has grown by about £260 million to contribute £2.89bn to the economy in Scotland. This figure is estimated by totalling net income, employment cost and depreciation estimates across social enterprises, see Table 32.

Table 32: Gross Value Added, 2015 to 2024

	2015	2017	2019	2021	2024
All Social Enterprises	£1.68bn	£2.04bn	£2.30bn	£2.63bn	£2.89bn

The continued growth in Gross Value Added (GVA) highlights the increasing economic significance of the social enterprise sector in Scotland in addition to the social impact that social enterprises have. This is a clear indicator that social enterprises are becoming more productive and economically impactful, generating greater value from their activities even without a major expansion in scale.

Employment

In terms of staffing, the 2024 Census estimates that the sector employs the equivalent of **90,050 FTE** employees across the sector. This was calculated utilising assumptions from the survey data about the proportion of employees in the sector likely to be employed full and part-time.

90,050 FTE jobs supported by the sector

This continues a steady increase in the number of FTE jobs since this was first estimated in 2017 (see Table 33). This represents an increase of 11% over the period since this has been measured.

Table 33: FTE jobs provided by the sector, 2017 to 2024

	2017	2019	2021	2024	Net Change (2017-2024)
FTE Jobs	81,357	88,318	89,970	90,050	+11%

However, the relatively modest increase between 2021 and 2024 may point to recent challenges in scaling operations, such as constrained funding, recruitment difficulties, or economic uncertainty. While the overall trajectory remains positive, the plateauing growth rate highlights the need for continued support and investment if the sector is to maintain its job creation potential and respond effectively to rising demand for services.

Summary

The 2024 Social Enterprise Census shows that, despite ongoing economic challenges, the financial footing of Scotland's social enterprise sector remains relatively solid. Most organisations continue to meet their short-term financial commitments, although levels of resilience differ across the sector, signalling a need for more tailored financial support to secure long-term viability.

A key indicator of financial health, the current ratio, remains steady at 1.7 across the sector, suggesting that, in general, organisations hold sufficient assets to cover immediate liabilities. However, a closer look at specific subsectors reveals varying trajectories. For example, "other" social enterprises have improved their financial stability in meeting their short-term debts, with their current ratio increasing from 2.1 in 2021 to 3.2 in 2024. In contrast, Registered Social Landlords (RSLs) have seen a notable decline, with their current ratio falling from 1.7 to 1.2. This likely reflects the rising operational costs, increasing interest rates, and broader economic volatility facing the housing sector.

From a broader economic perspective, the sector continues to make a strong contribution to Scotland's economy, generating £2.89 billion in Gross Value Added (GVA), highlighting its dual role in delivering social benefit and economic value.

Taken together, the data suggests that while many social enterprises are coping well in the short term, sustained financial health is far from guaranteed. For the sector to thrive and scale its impact, there is a pressing need for long-term, flexible funding solutions, improved access to investment, and a policy environment that supports financial durability.

Economic Climate

Over the last three years, Scotland's social enterprises have navigated a landscape marked by both challenges and growth, shaped by broader economic conditions. While global disruptions have presented hurdles, the sector has shown remarkable resilience, continuing to deliver valuable contributions to the Scottish economy and society.

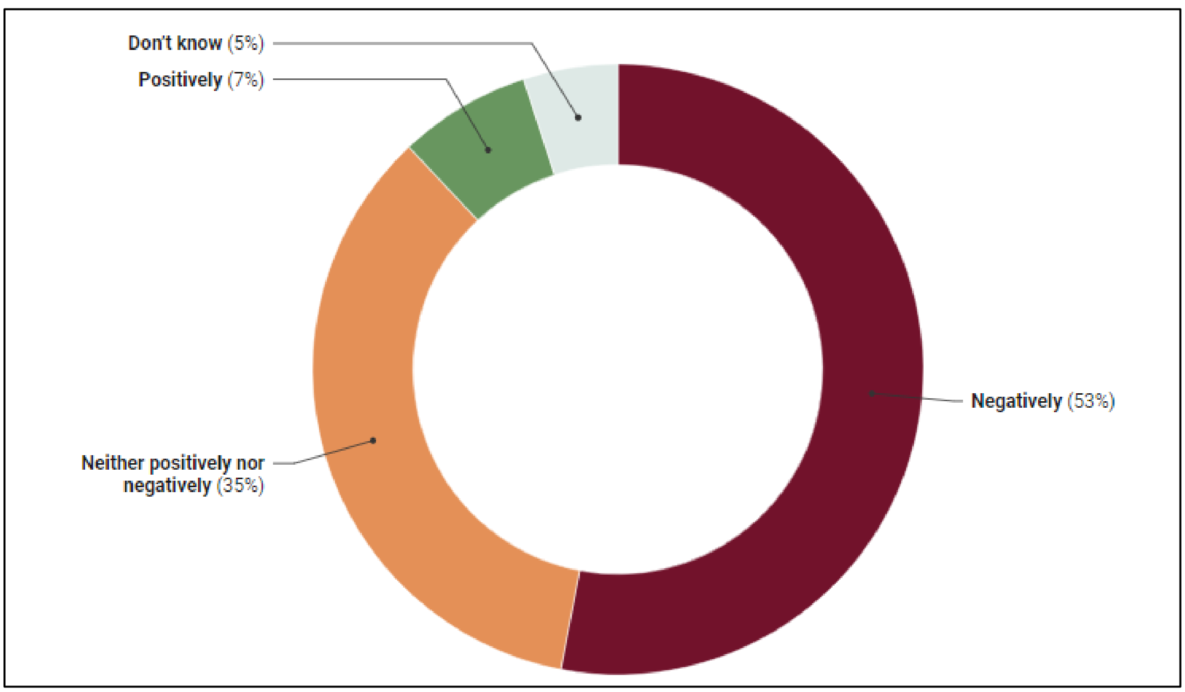
This section explores how the economic climate has affected social enterprises, focusing on the financial aspects of the sector, its current financial health, and the outlook for the future. By examining these elements, we gain insight into how social enterprises are adapting and sustaining their impact amidst a shifting economic environment.

Impact of the Economic Climate

Over the past year, the economic climate has significantly influenced organisational prospects, with more negative than positive effects reported. Over half (53%) of respondents indicated that the economic climate had a negative impact, while only 7% noted positive effects (Figure 14).

A notable proportion (35%) stated that the economic climate had neither positively nor negatively affected their organisation, and 5% were uncertain about the extent of its influence.

Figure 14: Impact of the economic climate



This largely negative outlook reflects the wider economic challenges facing Scotland during this period. The ongoing cost-of-living crisis, persistent inflation, and rising energy costs have placed significant pressure on both households and organisations.

For social enterprises in particular, many of which work directly with disadvantaged communities, the impact has been twofold: increased demand for services at the same time as operational costs have risen sharply.

Additionally, uncertainties around public sector funding and slow economic recovery in key sectors such as retail, hospitality, and tourism have created a more fragile environment for growth and investment. These compounded pressures help explain why so many organisations reported negative effects, even as they continue to play a vital role in supporting community resilience.

Changes in Financial Elements

The financial circumstances organisations have experienced varied in key areas over the last financial year based on the reporting from survey respondents (see Figure 15).

Many social enterprises experienced modest changes in income over the past year. Around a third reported slight increases, while a similar number saw decreases. Though only a small proportion experienced more severe reductions, this variation points to uneven financial performance across the sector.

Grant funding showed a similarly mixed picture. Some organisations noted small increases, but a larger group reported declines, with 10% experiencing a drop of between a quarter and a half of their previous grant income. This suggests growing uncertainty in the grant funding landscape.

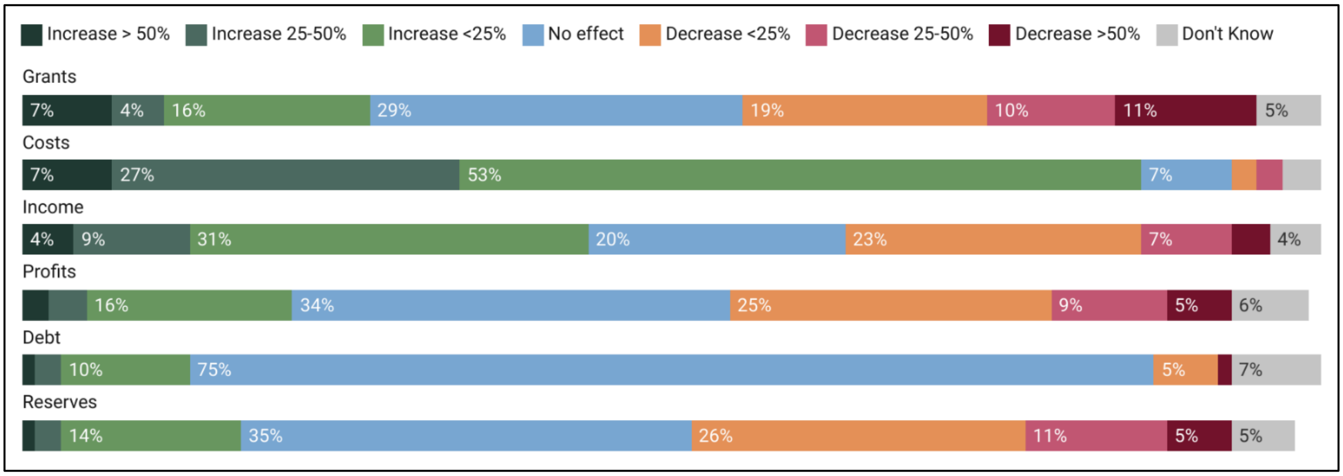
Debt levels have remained mostly stable, with the majority of organisations reporting no change. A smaller number (10%) indicated that they had taken on slightly more debt, possibly as a short-term response to financial pressures.

Rising costs, however, were a near-universal experience. Most organisations reported increases, with many seeing their costs rise significantly. Very few were insulated from cost pressures, underlining how inflation and economic conditions are continuing to affect operational budgets.

As a result, profits have been squeezed. A notable share of organisations reported a decline, particularly modest reductions, though a few faced steeper falls. This suggests financial margins are tightening, making it harder for some organisations to reinvest or plan for the future.

Financial reserves have also taken a hit. A significant number of organisations have had to draw on their reserves, eroding financial buffers that are essential for long-term sustainability and risk management.

Figure 15: Changes to elements of finance, 2024



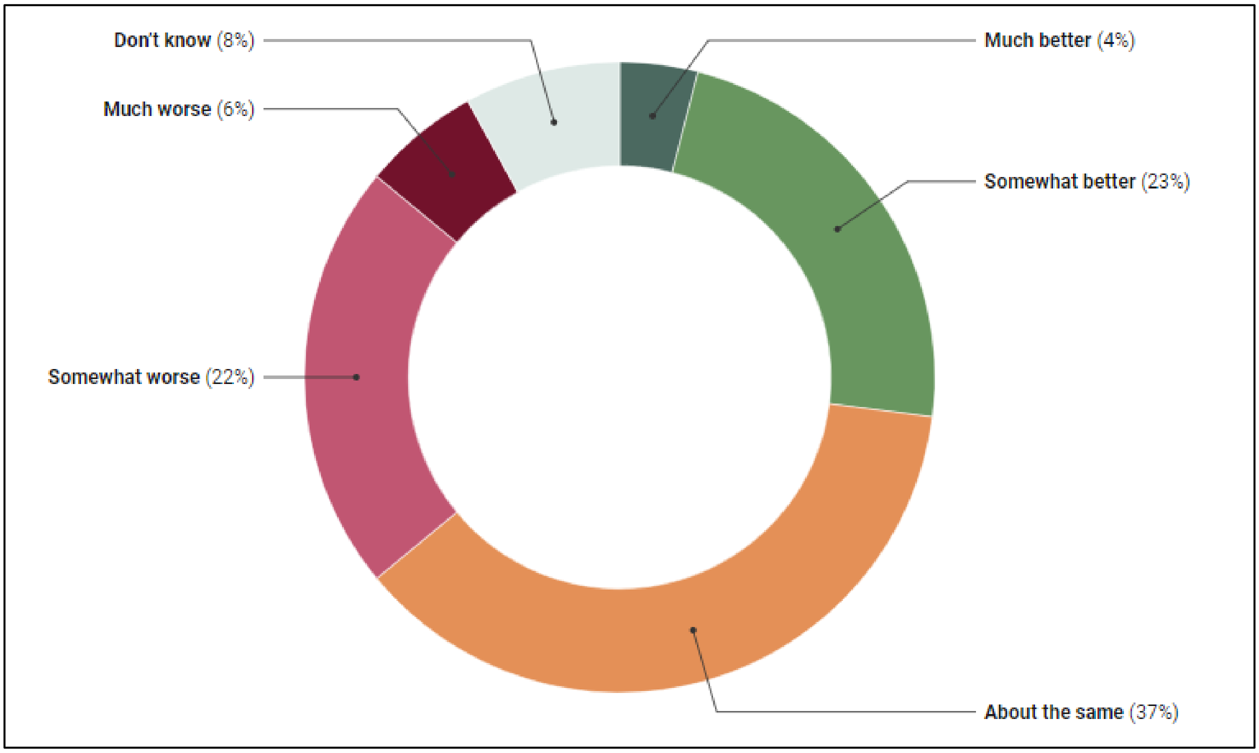
Overall, rising costs have been a dominant theme, creating challenges for organisations that are not offset by similar gains in income, grants, or profits.

Financial Outlook

Looking ahead, optimism about financial circumstances is tempered by a notable sense of uncertainty and concern within the sector. Only 4% of respondents believe their financial situation will improve significantly over the next 12 months, while 23% expect it to improve somewhat (Figure 16). The largest proportion (37%) anticipate that conditions will remain stable, reflecting a cautious optimism. This suggests that while many social enterprises are hopeful, they are also mindful of the challenges they continue to face.

The cautious outlook is likely driven by ongoing economic pressures, with 22% of respondents expecting their financial circumstances to worsen somewhat and 6% predicting a significant decline. These concerns reflect the sector's sensitivity to external factors such as rising costs, inflation, and potential reductions in public funding, which have made financial planning increasingly difficult. Additionally, 8% of respondents remain uncertain about the future, underscoring the unpredictability of the current financial environment.

Figure 16: Financial outlook



This mix of cautious optimism and apprehension suggests that while social enterprises are showing resilience, they are operating in a climate where external economic pressures are likely to influence their financial outlook. The cautious tone in the responses likely reflects both the sector's adaptability and the uncertainty created by global and domestic economic challenges. This cautious approach is unsurprising in an environment where much of the business community in Scotland anticipates worsening general economic conditions over the next twelve months. For example, findings from Understanding Business (a quarterly survey of 500 businesses in Scotland) found that 48% of businesses anticipate that economic conditions will worsen over the next year. [7]

Summary

Scotland's social enterprises have shown resilience amid economic challenges, including inflation, rising costs, and funding uncertainty. Over half report negative impacts from the economic climate, facing increased service demand and squeezed financial margins. While some income and funding levels have changed modestly, rising costs are nearly universal. Looking ahead, financial outlooks are mixed—most expect stability or slight improvement, but uncertainty and concern persist due to ongoing economic pressures.

[7] Understanding Business- Wave 8- Mar 2025

Public Sector Contracts

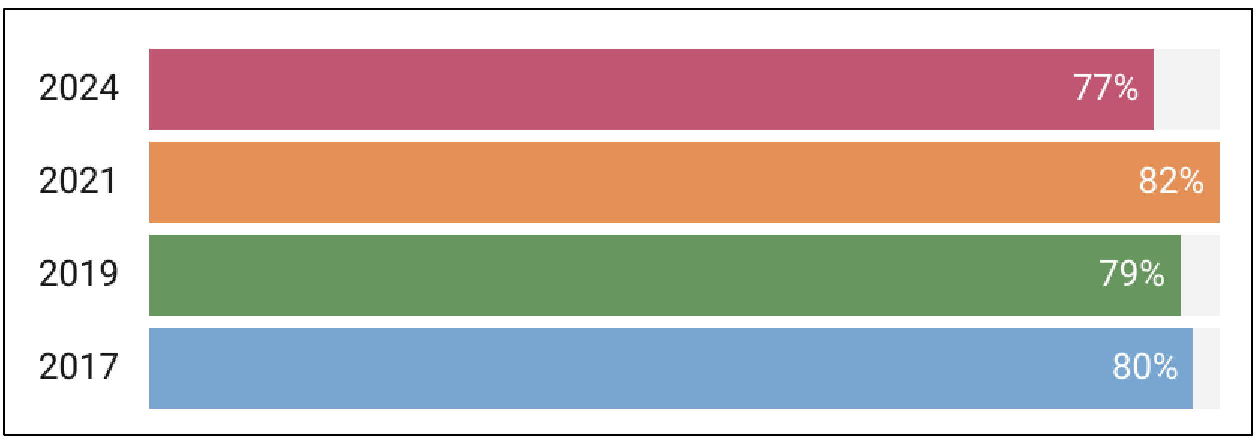
The 2024 Social Enterprise Census provides a comprehensive overview of how social enterprises engage with public sector contracts, revealing both the challenges and opportunities faced by these organisations. This chapter explores the findings in detail, with a focus on the barriers to participation, the support available, and the relationship between the Scottish Government's policy intention and the practical realities of procurement.

Bidding for Public Sector Contracts

The survey results indicate a mixed experience among social enterprises when engaging with public sector contracts. While 77% of respondents reported not bidding for any public sector contracts in the past 12 months (down from 82% in 2021), a significant portion of organisations did engage in the bidding process (Figure 17):

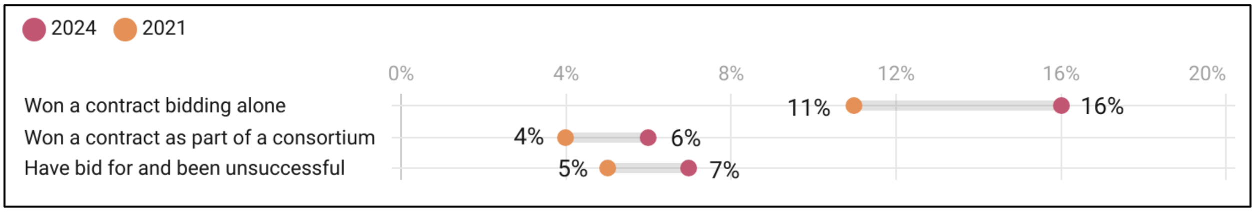
- 16% of organisations were successful in winning a contract by bidding alone (up from 11% in 2021).
- 6% were successful in winning a contract as part of a consortium (up from 4% in 2021).
- 7% of organisations reported unsuccessful bids (up from 5% in 2021).

Figure 17: Proportion that has not bid for a public sector contract



These figures show that while a small group of social enterprises can win contracts, the majority of organisations either do not bid or struggle to secure contracts in the highly competitive public sector procurement environment.

Figure 18: Success in bidding for public sector contracts



The increase in public sector contract engagement may reflect several intersecting factors. The role of a single intermediary likely improved access to procurement support, helping more organisations navigate bidding processes.

Additionally, ongoing reductions in grant funding may be pushing social enterprises to diversify income sources, prompting more to pursue contracts out of necessity. Collectively, these changes suggest both improved support infrastructure and shifting financial pressures are influencing behaviour.

The survey asked what kind of support would make organisations feel better prepared to bid for those who didn't bid or were unsuccessful (see Table 34). Of the reasons a third (32%) cited more capacity to write bids and a quarter (23%) cited collaboration opportunities with other organisations.

Table 34: Forms of support desired

Support	2024 responses
None of the above	42%
More capacity to write bids	32%
Collaboration opportunities with other organisations	23%
Financial assistance for bid preparation costs	22%
Streamlined procurement processes	21%
Networking events with potential partners or clients	19%
Training or workshops on bidding processes	17%
Mentorship programs for bidding guidance	17%
Consultation with bid writing experts	16%
Legal support for contract review and compliance	15%
Other (please specify)	14%
Diversification of offerings	11%
Support from industry associations or networks	11%
Feedback sessions on previous bid submissions	11%
Access to online resources or guides	10%
Lower levels of insurance to be eligible to bid	7%

Qualitative Feedback from Interviews

In qualitative interviews with social enterprises, several recurring themes emerged, providing deeper insights into the challenges organisations face when bidding for public sector contracts.

- **Resource Intensity**: Many organisations described the public sector bidding process as resource-intensive, requiring significant time and effort to prepare competitive proposals. Smaller social enterprises, in particular, lack the administrative capacity or financial resources to compete on equal terms with larger, more established organisations.
- **Lack of Feedback:** A consistent frustration raised by interviewees was the lack of feedback following unsuccessful bids. Many social enterprises noted that without constructive feedback, they struggled to understand why their bids were not successful, making it difficult to improve their future submissions. This absence of transparency is a barrier to learning and growth for smaller organisations.
- **Procurement Requirements:** The complexity of procurement requirements, short deadlines, and high demands were often cited as factors that lock out smaller organisations. Social enterprises with limited staff and resources find it challenging to meet

the extensive documentation and administrative requirements of the public sector procurement process.

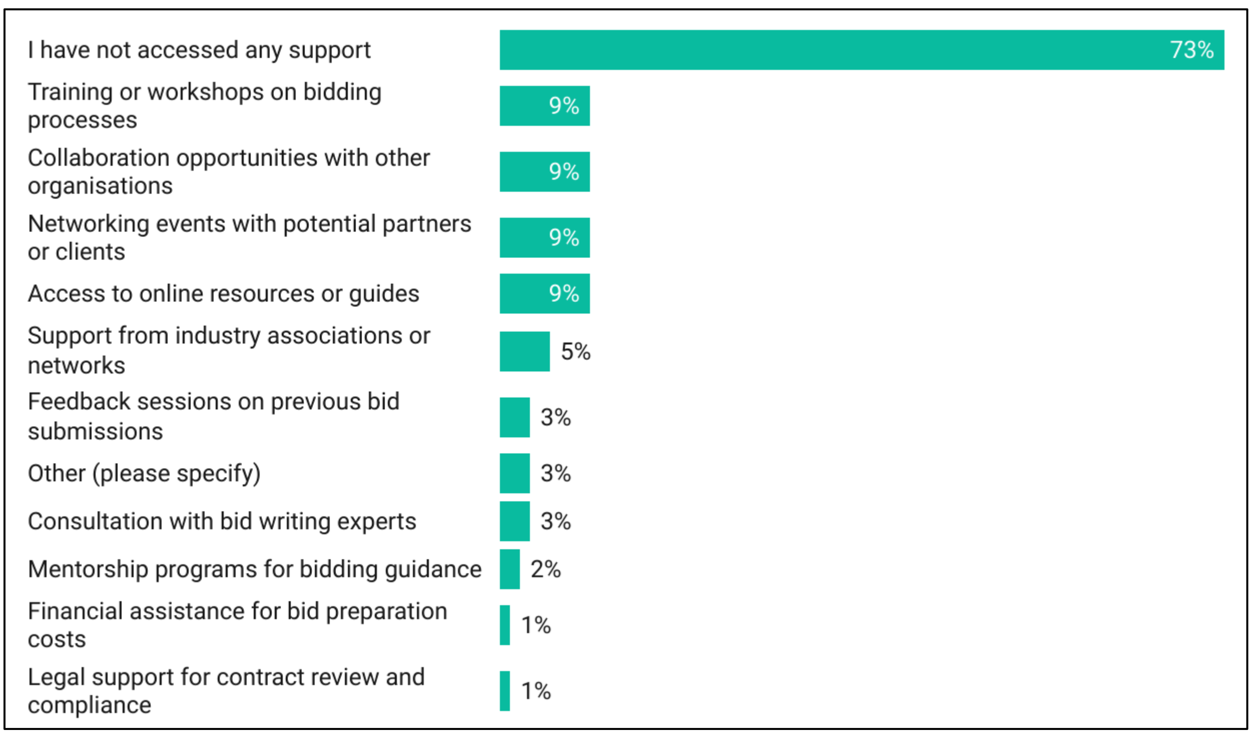
- **Disconnect Between Policy Intention and Reality:** Many interviewees did not feel that the reality of the procurement approach aligned with the Scottish Government's policy intention and commitments. The tight deadlines, duplication of asks for documentation, and lack of accessible support can make it feel as though the public sector is not genuinely committed to fostering an inclusive environment for smaller players. This disconnect between policy and practice contributes to a sense of exclusion and frustration for some.

Support Accessed by Social Enterprises

The survey also examined the types of support that social enterprises accessed when preparing bids (Figure 19). The findings revealed a limited engagement with available resources:

- 73% of respondents did not access any external support when preparing bids.
- 9% participated in training or workshops on the bidding process.
- 9% made use of online resources or guides, while the same percentage accessed networking events with potential partners or clients.
- 3% sought consultation with bid writing experts, and 2% engaged with mentorship programs.

Figure 19: Support accessed when preparing bids



While these forms of support can be valuable, they appear to be underutilised by most social enterprises. This suggests that many organisations may not be fully aware of, or able to access, the resources available to assist with the often complex bidding process. Several factors could be contributing to this low uptake.

Firstly, many smaller or grassroots social enterprises operate with limited staff capacity, meaning that time constraints often prevent them from seeking or engaging with external support. Secondly, some organisations may feel that available training or advice is too generic and not tailored to the specific challenges they face, such as social value requirements in procurement or complex public sector tendering rules.

Additionally, there may be a perception that bid preparation support is either too expensive, too time-consuming, or not practically useful, particularly when weighed against more immediate operational priorities like service delivery or fundraising. Some enterprises may also lack confidence or experience in navigating external systems of support, particularly if they have historically relied on informal networks or in-house skills.

Finally, there may be issues around the visibility and promotion of support programmes, if organisations are unaware that specialised bid-writing assistance exists or unclear about how it could improve their success rates, they are unlikely to prioritise accessing it.

Helpfulness of the Support

When asked about the helpfulness of the support they accessed, social enterprises provided a mixed response. The results show that while some found the support beneficial, others did not experience a significant impact:

- 22% of respondents found the support they received to be "very helpful."
- 44% considered it "somewhat helpful," indicating that while support was useful, it was not always comprehensive or impactful enough to make a significant difference.
- 16% reported that the support was neither helpful nor unhelpful.
- 4% felt the support was "somewhat unhelpful," and 1% found it to be "very unhelpful."
- 12% of respondents were unsure about the effectiveness of the support they accessed.

Summary

The 2024 Social Enterprise Census reveals that public sector procurement presents both opportunities and challenges for social enterprises. While some organisations have successfully secured contracts, many describe facing significant barriers, including complex requirements, short timelines, and a lack of adequate support. The feedback from both the survey and qualitative interviews highlights the need for more streamlined, accessible, and transparent procurement processes.

External Finance

Access to finance remains a critical factor shaping the sustainability and growth of social enterprises in Scotland. The 2024 Social Enterprise Census provides an updated picture of how organisations are navigating the external funding landscape, highlighting ongoing reliance on grant funding alongside cautious engagement with other financial tools.

Accessing External Finance

The 2024 Social Enterprise Census provides a detailed picture of how social enterprises are accessing external finance (Table 35).

Grants remain the most commonly used form of funding, with 79% of respondents applying for a grant in the past 12 months. This is consistent with previous years, underscoring the critical role that grants play in supporting the sector.

79% of respondents report applying for grants in the last 12 months

Only 9% of respondents applied for loans, a slight drop from 12% in 2021, suggesting that while loans are an option, they remain a secondary choice for most social enterprises.

Other forms of finance, such as leasing (3%) or overdrafts (2%), were applied for by very few organisations, indicating that these methods are less popular or less accessible for the majority of social enterprises. Interestingly, crowdfunding was used by 5% of organisations, which demonstrates that some social enterprises are exploring alternative, more flexible funding models.

Table 35: External finance accessed, 2017 to 2024

External Finance	2017	2019	2021	2024
A grant	73%	72%	80%	79%
A loan	9%	10%	12%	9%
Leasing/Hire Purchase	3%	4%	2%	3%
An overdraft	4%	4%	1%	2%
Community share capital	1%	1%	1%	0%
Equity finance	0%	1%	0%	0%
Crowdfunding	-	-	-	5%
None of the above	24%	25%	17%	18%

In terms of organisations that did not apply for any external finance, 18% of respondents fell into this category, a slight increase from 17% in 2021. While this is still relatively low compared to past years, it highlights that a portion of social enterprises are either self-sustaining, do not see the need for external finance or are cautious about utilising external finance in their operations.

Reflections on Grant Funding

Interviews conducted for the study reveal several critical challenges faced by social enterprises in Scotland's competitive grant funding landscape.

Many participants expressed frustration with short-term, time-bound grants, which often undermine long-term sustainability and require organisations to repeatedly apply for funding, diverting resources from their core work. The need for more unrestricted funding was emphasised, as it would offer operational stability, long-term planning, and job security, which is especially important given the uncertainty in funding.

"We need unrestricted core funding and we need it to last more than a year because if a project works, we want it to keep being funded. Just because you've funded it for a year doesn't mean that it then has vanished, because if it's worked, we want to keep doing it, but we can't keep doing it if you don't fund it."

Interviewees also highlighted the mental health impact of funding pressures, leading to stress, anxiety, and burnout among staff. The unpredictability of funding was noted as a major source of concern.

Another key issue was the lack of constructive feedback from funders on unsuccessful applications, leaving organisations with little guidance on how to improve future submissions. Participants also suggested that funders and the Scottish Government should visit social enterprises to better understand their services and needs, fostering closer relationships.

A perception emerged that funders often favour 'trendy' or fashionable projects over longstanding initiatives with proven community impact, such as childminders or local community spaces. The high competition for limited funds and rigid eligibility criteria were seen as further barriers, discouraging collaboration between organisations.

Ultimately, the reliance on competitive, short-term funding was seen to create instability, hindering long-term planning and growth. Interviewees called for more flexible, multi-year funding models that prioritise sustainability, value both innovation and proven methods and provide clearer support during the application process.

Willingness to Consider Loan Finance

The willingness of social enterprises to consider repayable finance, such as loans, has shown a slight decline over the past few years. In 2024, 24% of respondents expressed an openness to consider loan finance, down from 29% in 2021. On the other hand, 58% of respondents indicated they were not willing to consider loan finance, and 18% were unsure.

It is interesting to note that the British Business Bank's annual survey of SMEs found that 41% of smaller businesses in Scotland anticipated that they would need additional financing over the next 12 months in 2024.[8]

24% of social enterprises expressed an openness to consider loan finance, down from 29% in 2021

This shift suggests a growing caution among social enterprises when it comes to taking on debt, likely due to economic uncertainties and the potential risks associated with repayable finance. It should also be noted that some social enterprises can face challenges in acquiring debt due to

[8] British Business Bank (2025): Access to Finance Report (Scotland)

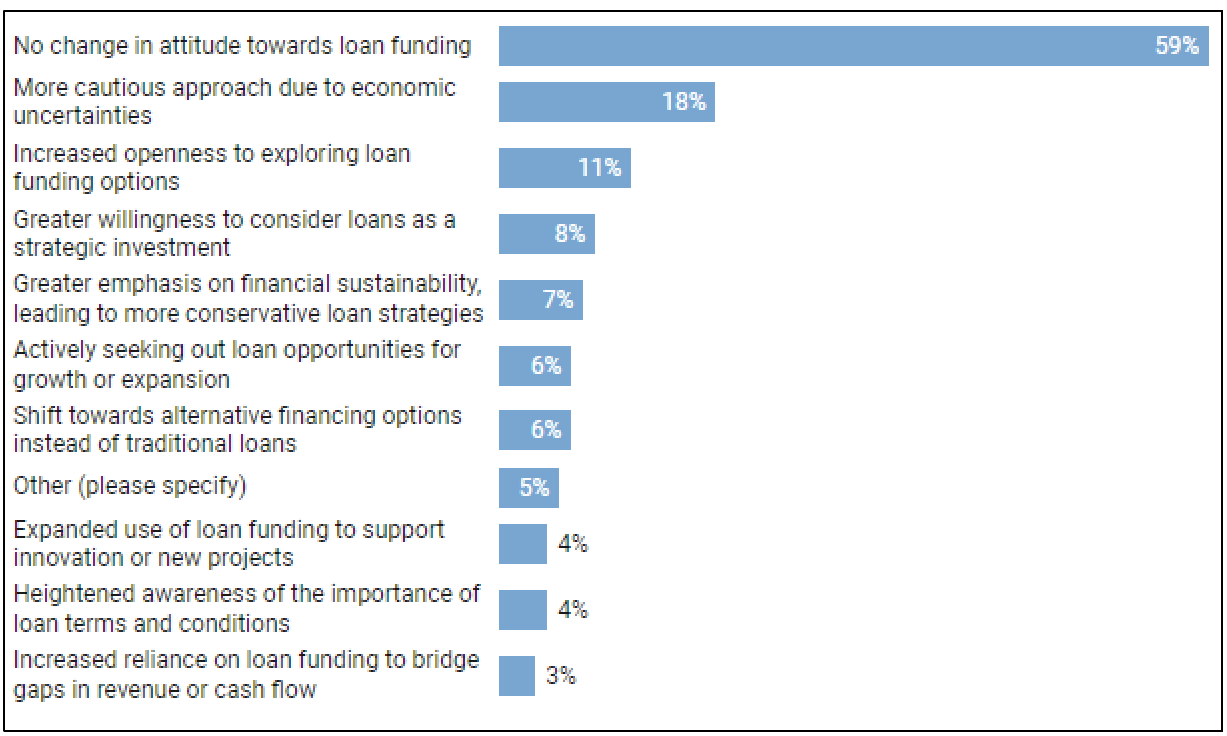
their non-traditional business models, which prioritise social impact over profit. Lenders may perceive them as riskier due to unpredictable revenue streams, lack of collateral, and limited financial history (particularly for new social enterprises).

Additionally, the complexity of their financial models and their focus on mission over profit make them less appealing to traditional lenders, who prefer clear, predictable returns. As a result, many social enterprises turn to alternative funding sources, like impact investing or grants, to meet their financing needs. This cautious approach reflects a broader trend of reluctance to take on financial obligations that could pose a risk to the organisation's long-term sustainability.

Changes in Attitudes Towards Loan Funding

The attitudes of social enterprises towards loan funding have evolved over the last year, reflecting both external economic factors and internal organisational priorities. A significant proportion of respondents, 59%, reported no change in their attitude towards loan funding, indicating that many social enterprises maintain a consistent approach to finance (Figure 20). Around a fifth (18%) of social enterprises have become more cautious about loan funding due to economic uncertainties, suggesting that the volatile financial landscape has prompted many to reassess their financial strategies.

Figure 20: Reported change in attitudes to loan funding



On the other hand, a smaller proportion, 11%, has become more open to exploring loan funding options, potentially driven by a need for capital to fund expansion or growth. A further 6% of respondents are actively seeking out loan opportunities to support their business growth, reflecting a more proactive stance towards using debt as a tool for scaling their operations. Similarly, 8% expressed a greater willingness to consider loans as a strategic investment, which suggests that for some organisations, loans are viewed not just as a necessary source of capital, but as part of a long-term financial strategy.

In terms of accessing loan funding, there were mixed views expressed in the interviews conducted as part of this research. Some mentioned where they had accessed loans successfully, but others talked of not being in a position financially to consider finance and others talked of hesitance from their board as it was seen as too risky in terms of the future of their organisation.

Summary

The findings from the 2024 Social Enterprise Census survey and interviews highlight the central role of grants in supporting social enterprises, while also revealing a more cautious approach to repayable finance. Although loans remain a less popular choice, there are signs of some openness to their use, particularly for growth or strategic investments. The shift towards more diverse financing options, including crowdfunding and alternative funding models, reflects the sector's evolving landscape as social enterprises adapt to economic uncertainties. As organisations continue to explore a mix of funding options, there is a clear need for accessible, flexible financial products that align with the unique challenges and opportunities faced by social enterprises.

Financial Health and Sustainability

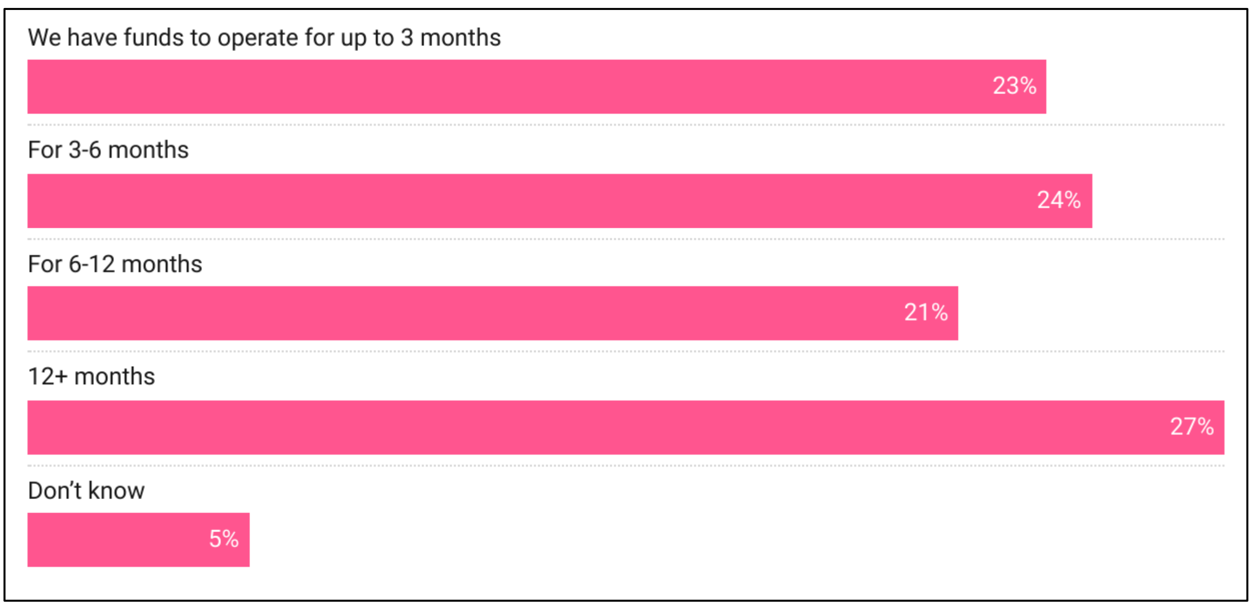
The 2024 Social Enterprise Census presents an in-depth analysis of the financial health, sustainability concerns, and outlooks of social enterprises. This chapter examines organisations' current financial positions, their views on future sustainability, and the challenges they face in maintaining or growing their operations. The data also provides insight into how social enterprises are responding to financial pressures and external economic factors, such as rising costs, access to finance, and the evolving demand for their services.

Current Financial Position and Cash Flow

Social enterprises continue to face a wide range of financial challenges, with cash flow and financial sustainability emerging as key areas of concern. When asked about their current financial position, 27% of social enterprises reported having enough funds to operate for 12+ months, which suggests a degree of financial resilience among a substantial proportion of the sector (Figure 21).

However, 23% of respondents reported that they only have enough funds to operate for up to 3 months, and 24% for 3-6 months, highlighting that a significant portion of social enterprises are operating with limited financial security.

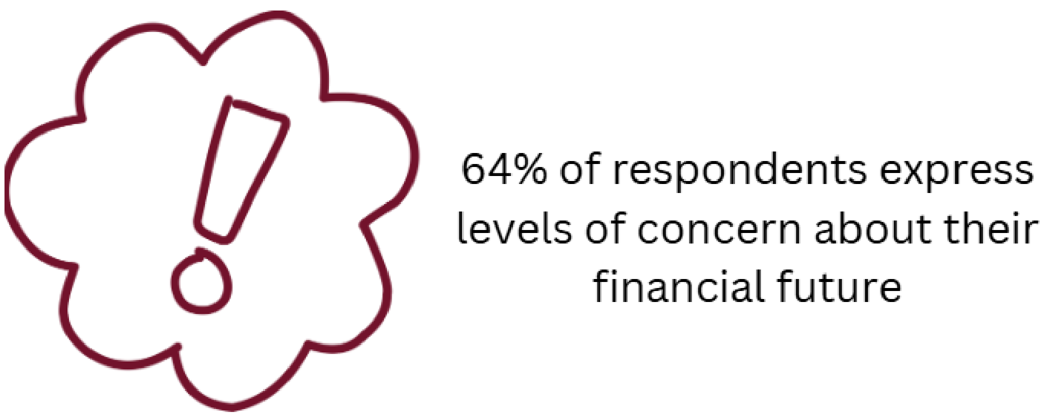
Figure 21: Current financial position and cash flow



The relatively high proportion of organisations with limited cash flow, combined with the 5% who reported being unsure of their financial position, underscores the vulnerability faced by many social enterprises. These figures are indicative of a sector that, while demonstrating resilience, faces ongoing cash flow challenges that could impact long-term sustainability.

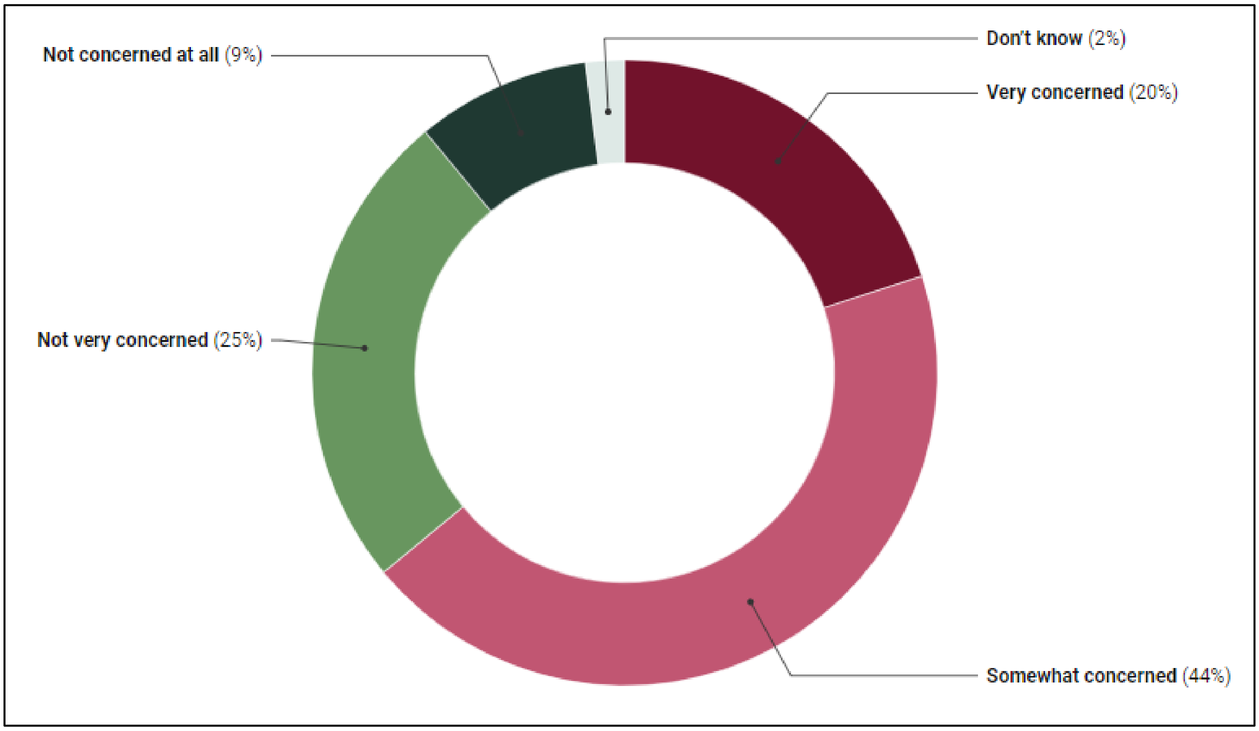
Concerns About Financial Sustainability

The issue of financial sustainability is a growing concern for social enterprises, with 64% of respondents expressing varying levels of concern about their financial future (Figure 22). Specifically, 20% reported being very concerned about their financial sustainability, while 44% were somewhat concerned.



A further 25% were not very concerned, and 9% were not concerned at all, suggesting that a portion of the sector remains relatively stable. However, the significant number of organisations expressing concern indicates that many social enterprises are grappling with challenges such as rising operating costs, economic uncertainties, and cash flow difficulties.

Figure 22: Concerns about financial sustainability



Changes in the Last 12 Months: Income, Costs, and Operations

The survey data reveals a mixed picture of financial health and operational adjustments in the past year. Around half (48%) of social enterprises reported an increase in total income (Figure 23).

However, 28% saw a decrease in income, while 19% reported no change, suggesting that some organisations are experiencing stagnation or contraction.

This mixed picture likely reflects the varied operating environments that social enterprises face. The increase in income for nearly half of respondents could point to improved trading conditions for some, an increase in prices of the services or goods delivered, renewed funding streams, or successful adaptation to new market demands potentially supported by recent policy initiatives or contract opportunities.

However, the fact that over a quarter saw income decline and nearly a fifth saw no change, suggests that many organisations are still struggling with increased costs, inflation, reduced grant availability, or market volatility.

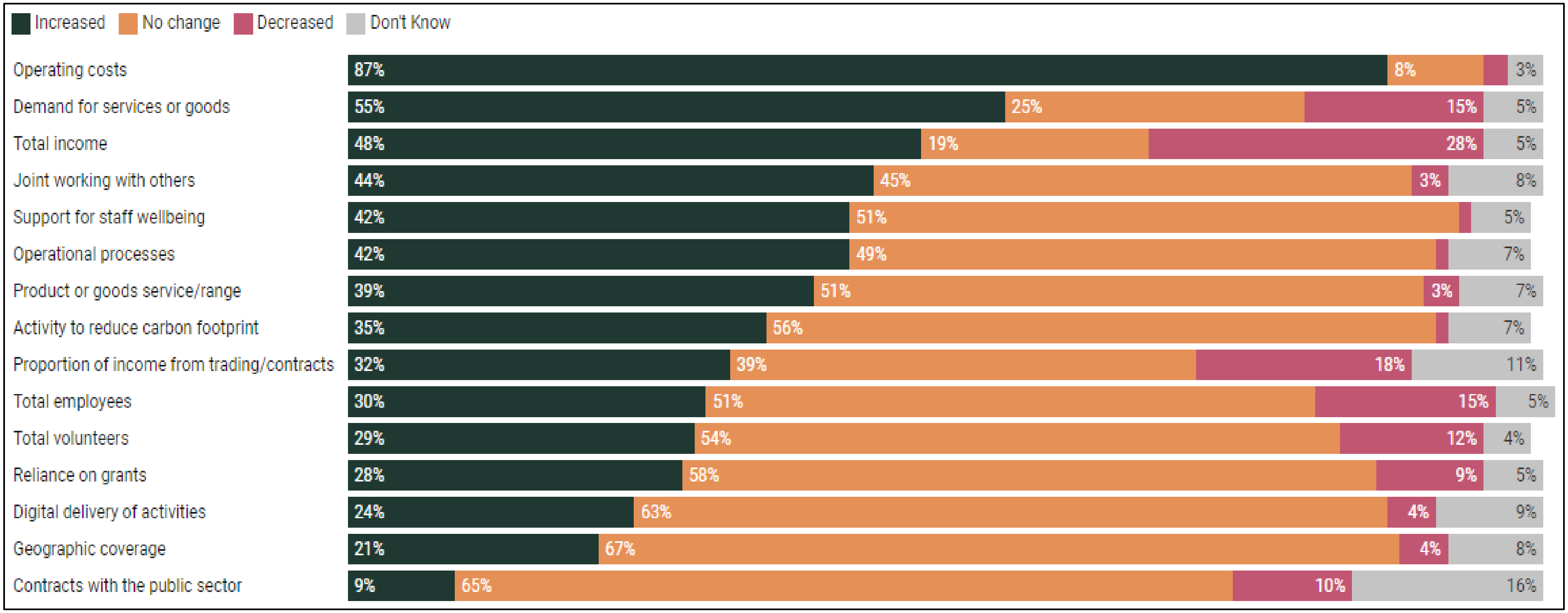
The proportion of income derived from trading/contracts also saw some fluctuation, with 32% of social enterprises reporting an increase, while 18% saw a decline. Despite these fluctuations, 39% reported no change, suggesting a continued reliance on trading as a stable income source for many.

Regarding operating costs, a striking 87% of organisations reported an increase in costs, which is a significant concern. Rising costs are identified as one of the primary obstacles to growth and stability, affecting a vast majority of social enterprises. These figures are especially stark when we note that less than half of social enterprises report that they experienced an increase in their income over the previous 12 months.

44% report an increase in joint working with others over the last 12 months

Other notable trends include an increase in joint working with others (44%), suggesting that social enterprises are seeking collaboration as a strategy for enhancing resilience and leveraging shared resources. Meanwhile, staff wellbeing support (42%) and digital delivery (24%) saw increased attention, reflecting the sector's response to both operational challenges and the shift towards digital-first solutions.

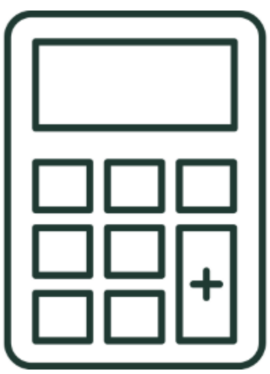
Figure 23: Changes in the last 12 months to elements of the organisation



Outlook for the Next 12 Months

Looking forward, social enterprises are uncertain about their future prospects (Figure 24). Six in ten (60%) respondents expect an increase in demand for their services or goods, indicating that there is optimism about growth, especially in areas where services are seen as essential. It should be noted, however, that this increasing demand for goods will have to be in areas that drive income to have a positive impact on the sector's financial position.

However, 76% of respondents anticipate increased operating costs over the next year, reflecting the ongoing pressure from inflation, rising wages, and supply chain challenges. In terms of income, 47% expect an increase, but 18% foresee a decrease, illustrating that while there is optimism about future earnings, the overall economic environment is creating significant uncertainty.



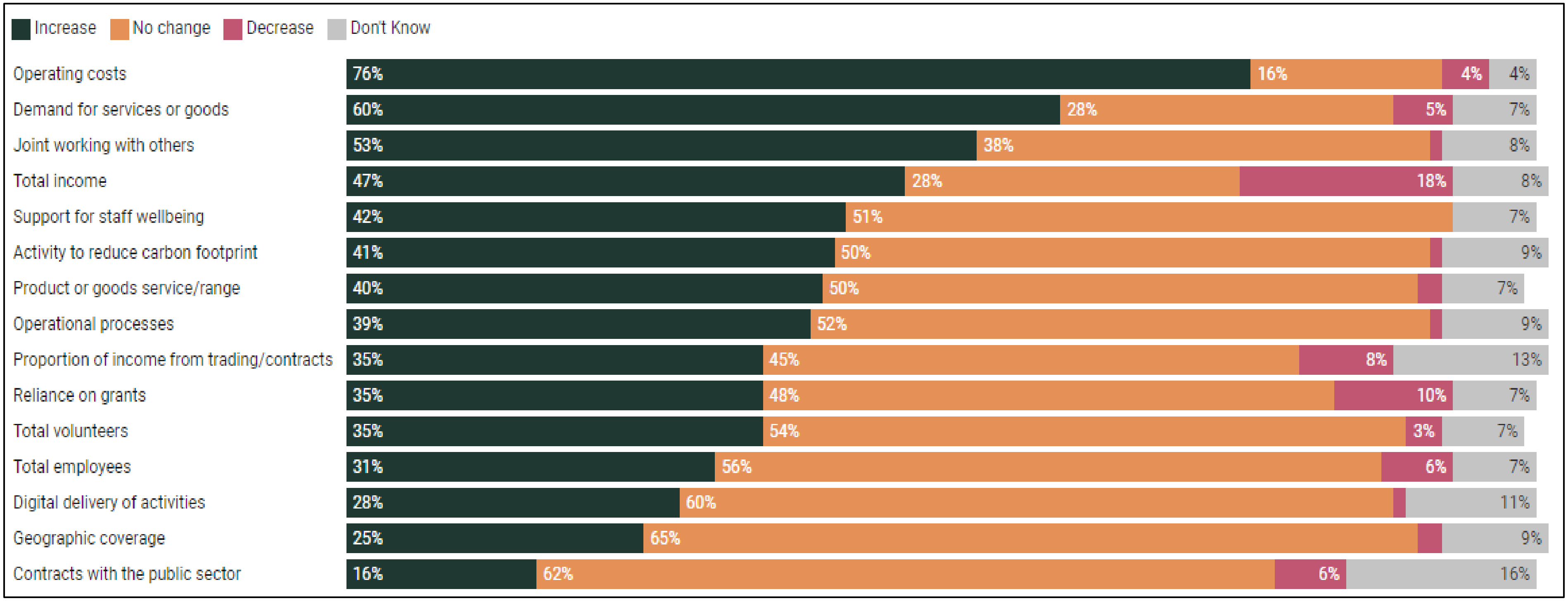
76% of respondents anticipate increased operating costs over the next year

More than a third (35%) expect an increase in their reliance on grants which is worth noting given previous findings on the availability and competitiveness of the current grant environment.

A large proportion, 62%, expect no change in public sector contracts in the coming year, with only 16% anticipating an increase. This suggests that while public sector funding remains a key element of the revenue model for many social enterprises, the opportunities in this area are seen to be limited or stagnant.

Regarding employment, 31% of organisations expect to increase their total employees, while 35% expect to see an increase in volunteers. This points to a growing need for social enterprises to expand their workforce in line with service demand, though recruitment and retention continue to be a challenge, as evidenced by the 22% reporting recruitment and retention difficulties.

Figure 24: Anticipated changes in the next 12 months to.....



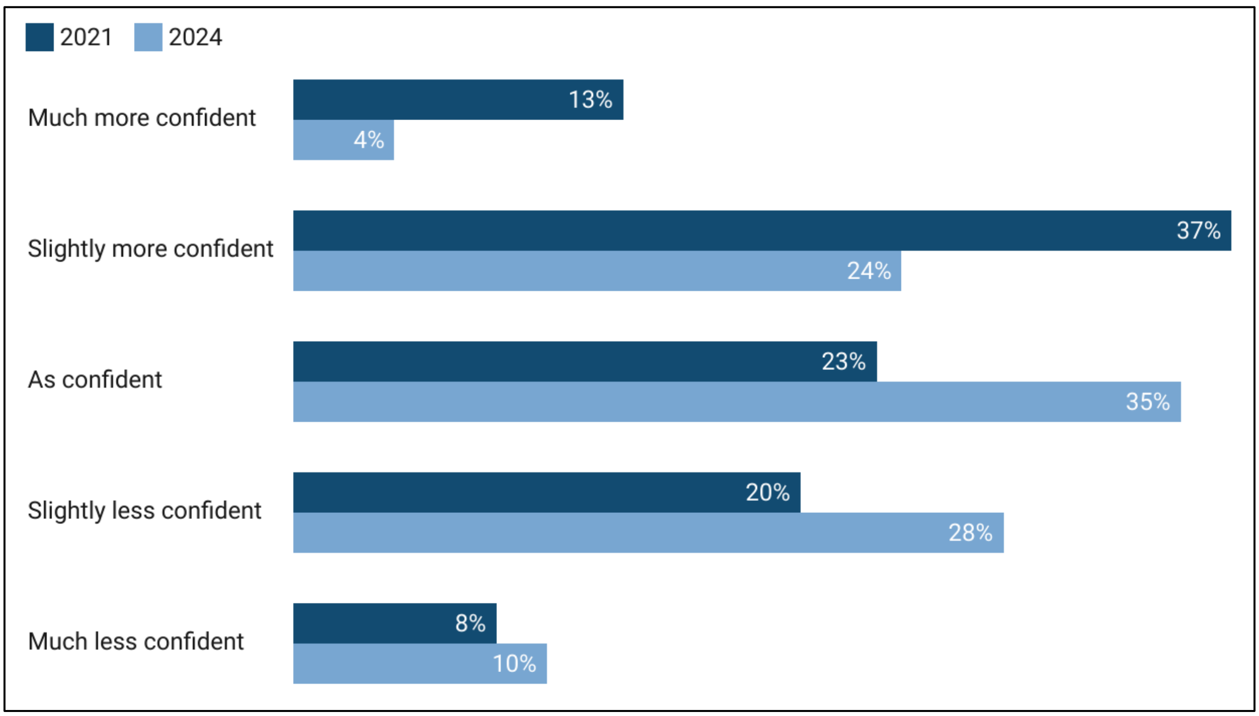
Confidence Compared to the Previous 12 months

In 2024, confidence among social enterprises about their economic prospects showed a marked decline compared to 2021 (see Figure 25).

The percentage of respondents feeling "much more confident" dropped sharply from 13% in 2021 to just 4% in 2024, while those "slightly more confident" fell from 37% to 24%. Conversely, the proportion of respondents feeling "as confident" rose significantly from 23% to 35%, suggesting more organisations are maintaining a neutral outlook.

However, uncertainty and pessimism have grown, with 28% reporting feeling "slightly less confident" (up from 20%) and 10% feeling "much less confident" (up from 8%). Overall, these figures highlight a clear decline in optimism among social enterprises over the past three years.

Figure 25: Confidence about prospects compared to the previous 12 months, 2021 and 2024



The data suggests that, while some organisations are managing to maintain stability, many are bracing for further challenges rather than expecting imminent recovery. This erosion of optimism could have important implications for future investment, growth ambitions, and the ability of social enterprises to take on new projects. It also reinforces the need for targeted policy and funding interventions to rebuild confidence and support organisational resilience over the longer term.

Prospects Over the Next 12 months

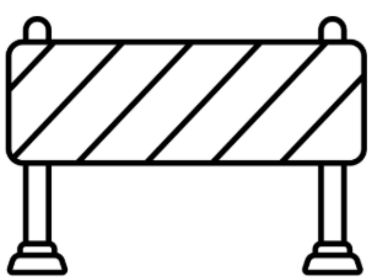
In 2024, 23% of social enterprises anticipated growth over the next 12 months, while 31% expected stability (Table 36). However, 24% faced uncertainty, 16% anticipated challenges, 5% reported significant risks, and 1% expected to close permanently.

Table 36: Prospects over the next 12 months

Prospects	2024 responses
Positive, expecting growth or expansion	23%
Stable, foreseeing consistent operations	31%
Uncertain, with potential fluctuations in business activity	24%
Challenging, anticipating difficulties or setbacks	16%
Negative, facing significant obstacles or risks to sustainability	5%
We expect to close permanently	1%

Barriers to Growth and Development

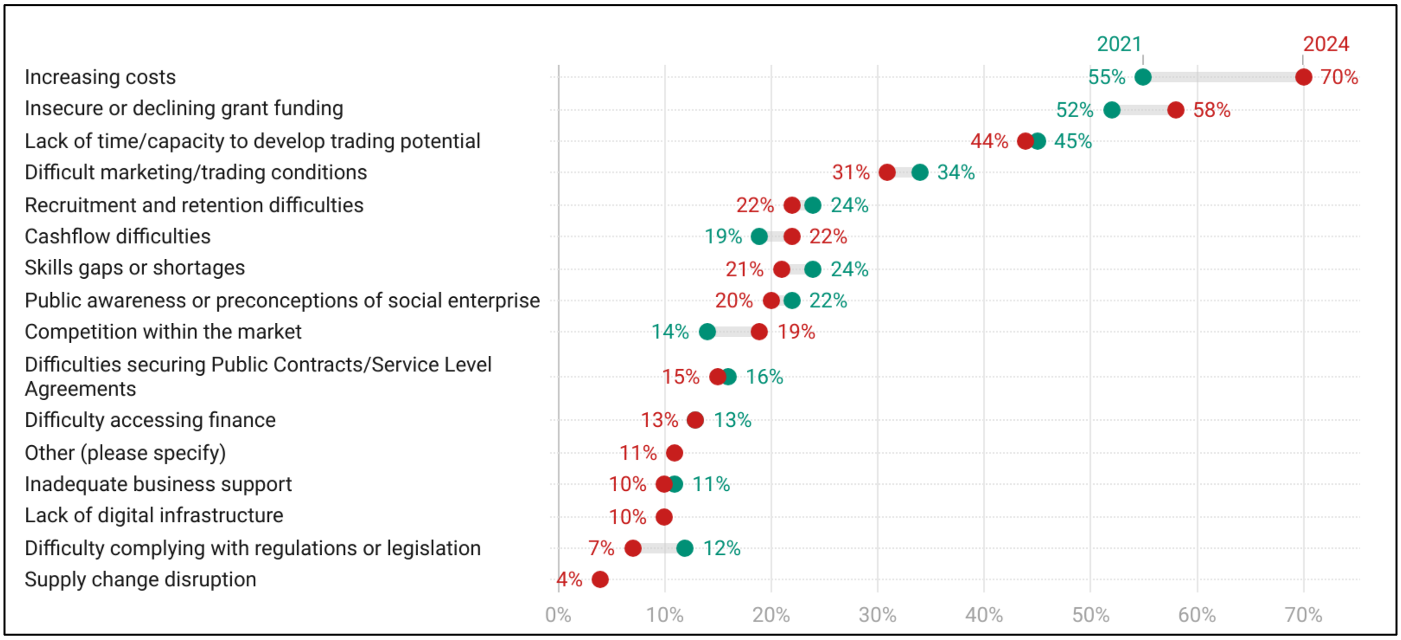
Despite positive expectations for growth and demand, social enterprises face significant barriers to development. Increasing costs emerged as the primary obstacle, cited by 70% of respondents, up significantly from 55% in 2021 (Figure 26). Another key barrier identified by social enterprises is a lack of time and capacity to develop trading potential (44%). This increase highlights the mounting pressure on social enterprises to manage escalating operational expenses amid broader economic uncertainties.



70% identify increasing costs as the primary obstacle to growth, up significantly from 55% in 2021

This issue is compounded by insecure or declining grant funding, which affects 58% of organisations. Difficult marketing/trading conditions and cashflow difficulties also emerged as significant barriers, cited by 31% and 22% of respondents respectively. Together, these challenges paint a picture of a sector under strain, with financial pressures being the most significant barrier to development.

Figure 26: Barriers to growth and development, 2021 and 2024



Other obstacles include competition within the market (19%), difficulty accessing finance (13%), and skills gaps or shortages (21%). These factors indicate that social enterprises are facing a multifaceted set of challenges, requiring not just financial support but also strategic guidance, capacity-building, and access to markets.

Other barriers, like public awareness and preconceptions of social enterprise, have seen a slight decrease, reflecting some improvement in understanding and recognition of the sector. However, competition within the market has intensified, indicating a maturing social enterprise landscape where differentiation becomes key to survival. Furthermore, a new challenge in 2024, the lack of digital infrastructure, points to the growing importance of technology in scaling operations and reaching broader audiences, with 10% of enterprises acknowledging this as a barrier.

Areas for Support and Development

To overcome these barriers and build a sustainable future, social enterprises have identified several areas where they would benefit from external support. Collaborating with others was identified as a key area for development, with 43% of respondents seeking help in building partnerships and joint working opportunities (Table 37). This reflects the growing recognition that collaboration can help alleviate some of the challenges faced by individual organisations, from sharing resources to expanding reach.

Other areas where support is needed include developing marketing strategies (42%), measuring social impact (43%), and developing leadership capabilities (38%). This highlights a broad desire for organisational development, with many social enterprises seeking to enhance their operational and strategic capabilities to thrive in a competitive and uncertain environment. There is a notably decreased interest in support for improving environmental sustainability in the 2024 Census (26%, down from 41% in 2021).

Table 37: Areas for support, 2021 and 2024

Areas for support	2021	2024
Collaborating with others to succeed	39%	43%
Measuring social impact	47%	43%
Developing your marketing strategy	40%	42%
Developing leadership capabilities including developing board capacity	29%	38%
Developing your workforce	40%	35%
Attracting new and young talent	36%	35%
Developing new products or services	36%	35%
Developing digital capabilities	34%	33%
Researching new opportunities	36%	31%
Planning for business change and succession	30%	31%
Improving your business practices	25%	28%
Preparing a business plan for growth	32%	28%
Improving environmental sustainability	41%	26%
Tendering for public sector contracts	19%	17%
Learning new business skills	20%	17%
Finding property solutions	17%	14%
Finding a business mentor	18%	13%
Recovering from business difficulties	17%	12%
Managing your intellectual property	10%	12%
Attracting repayable/loan finance	8%	8%
Starting up a new business venture	9%	8%
Other (please specify)	–	8%
Doing business in international markets	7%	8%

Reflections From Interviews

The interviews highlighted several areas where social enterprises seek better support from both the sector and government to improve their effectiveness, address community needs, and ensure sustainability.

Respondents emphasised the need for greater recognition and understanding of the unique structures of cooperatives and smaller social enterprises, which face challenges with traditional verification processes that don't align with conventional company or charity models. There was also a strong desire for clearer guidance on funding, including a better articulation of funders' priorities and expectations, as well as more unrestricted funding opportunities. Unrestricted funding was seen to provide the flexibility to cover core operational costs, adapt to emerging challenges, and invest in long-term strategies.

Smaller social enterprises particularly called for a stronger voice within the sector, proposing platforms for direct engagement with policymakers, funders, and sector leaders to share their experiences and advocate for their needs, as they often lack the resources for large-scale influencing.

From the government, social enterprises called for simplified processes, particularly regarding public contracts and grants associated with Scottish Government funds, which are often costly and time-consuming for smaller organisations. Rural social enterprises, in particular, requested more tailored policies to address the unique challenges they face, such as rural deprivation, isolation, higher living costs, and limited access to services which they felt current means of support did not always adequately recognise and appreciate.

Respondents also emphasised the importance of proactive and transparent communication from the government to ensure that policies align with the real-world needs of social enterprises. Lastly, there was a call for more long-term investments in preventative measures to address systemic issues like rural isolation, poverty, and community sustainability.

Overall, the interviews revealed a strong desire for a more inclusive, flexible, and responsive ecosystem that supports social enterprise.

Summary

This section highlights key concerns regarding cash flow, with many organisations reporting limited financial security, particularly those with fewer than three months of funds. Despite this, a significant proportion of social enterprises remains optimistic, with some seeing income growth and increased demand for services. However, rising operating costs and economic uncertainty continue to be major obstacles to long-term stability.

The outlook for the next 12 months shows mixed projections, with many anticipating increased demands for services but also higher costs. While some expect to expand their workforce, recruitment and retention remain challenges. Financial confidence has declined since 2021, with fewer organisations feeling optimistic about their prospects.

Barriers to growth are primarily linked to increasing costs, reduced grant funding, and financial instability. Social enterprises also face challenges related to market competition, digital infrastructure, and skills shortages. To address these, many organisations are seeking support in collaboration, marketing, impact measurement, and leadership development.

Interviews with social enterprise leaders emphasised the need for more tailored and flexible support, particularly for smaller and rural enterprises, which often feel disconnected from mainstream funding and policy processes. The call for unrestricted funding and simplified public sector processes highlights the need for greater sector understanding and responsive governance to foster long-term sustainability.