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A Desert without Resources

2023 Cost of Living Report





To our service users, building an organisation in the middle of this crisis is like surviving "in the middle of a desert with no resources."

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1. Introduction

Black-led charities and social enterprises (hereafter Black CSEs) operate in an environment of structural inequalities, which lack an ecosystem of support for the issues they seek to solve. The COVID 19 pandemic and subsequent economic downturn presented these CSEs with significant challenges which exacerbated historical problems. In our **report on the lived experience of Black-led organisations** in 2022, highlighted these issues and posited several recommendations to help mitigate the impact of the then crisis, which were:

- Black CSEs building strong relationships with local MPs and councillors to gain greater support, financial and non-financial, in their local communities.
- Black CSEs reviewing their legal structures to determine whether they are best suited to establish trust and credibility among funders and aid the sustainability of their organisations and programmes.
- Black CSEs working in greater partnership with other organisations to build their collaborative advantage and thus increase their access to resources and reduce risk.
- Funders considering the use of Black-led intermediate grantmakers or funders to aid the equitable and rapid distribution of funds to these Black communities.
- Funders placing more value on the lived experience of Black CSEs for the delivery of local programmes.
- Funders providing grant applicants with more detailed feedback when applications are unsuccessful.
- Funders setting up more visibility around their operations.
- Funders using staff with lived experience in the outcome-focused areas they are looking to effect social change.



The current cost of living crisis has become another pressing area of concern for Black CSEs. The rising costs of doing business, combined with stagnant or insufficient funding, has again presented them with an array of severe challenges, jeopardising their ability to provide vital services and support to Black communities.

This research brief delves into the impact of the cost of living crisis, exploring the challenges Black CSEs face and the implications for their sustainability and impact. Through a snap online survey, this research brief aims to shed light on this critical issue and advocate for solutions to mitigate the adverse effects of the cost of living crisis on Black CSEs.

The following areas of exploration formed the basis of the research:

- Impact of the cost of living crisis;
- Measures taken to reduce the impact of the crisis;
- The availability of support;
- Views on funders; and
- Views on the future.

We recognise the limitations of our methodology such as the limited sample size and limited timeframe and have considered these limitations when interpreting the results.



2. Characteristics of respondents

Respondents from across the United Kingdom participated in the poll. Approaching six in ten (58%) operated in London, four in ten (40%) operated in England outside London. At lower levels, they operate in Scotland (10%), Wales (5%), and Northern Ireland (3%) (see Table 1). It is worth stating that this breakdown is representative of the Black population in the UK for all countries and areas with the exception of Wales.

Table 1. Location of Operation

	Count	Percent
England (London)	54	58%
England (not in London)	37	40%
Scotland	9	10%
Northern Ireland	3	3%
Wales	5	5%

Respondents represented several types of organisations such as community interest companies (by guarantee) (26%), charities (23%), charitable incorporated organisations (16%), or community interest companies (by shares) (15%).

Table 2. Legal Status

	Count	Percent
Community interest company (limited by guarantee)	24	26%
Charity	21	23%
Charitable Incorporated Organisation	15	16%
Community interest Company (limited by shares)	14	15%
Company limited by guarantee	7	8%
Company limited by shares	5	5%
Constituted not-for-profit group	3	3%
Sole trader	3	3%
Constituted not-for-profit group	3	3%
Limited Partnership	1	1%

The snap online survey was conducted between 1 April and 14 April 2023. In total, 93 organisations completed the survey.

Respondents also operate in a wide range of sectors, the most mentioned are mental health and wellbeing (58%), employment, education and training (48%), racial justice and equity (34%), and arts, culture, sports and faith (34%). On average, participating organisations provide support 677 individuals.

Table 3. Areas of primary operation

	Count	Percent
Mental Health and wellbeing	54	58%
Employment, education and training	45	48%
Racial Justice and Equality	32	34%
Arts, culture, sport and faith	32	34%
Citizenship and community	29	31%
Family, friends and relationships	23	25%
Financial inclusion	19	20%
Physical health	18	19%
Housing and local facilities	13	14%
Conservation of natural environment	13	14%
Disabilities	10	11%
Other	10	11%
Gender Justice	9	10%

Respondents support projects or operate across a wide range of demographic groups. They are most likely to mention groups such as people of global majority/ethnic minority (63%), children (under 18s) (51%), young people (18 - 24 years old) (51%), and women (48%).

Table 4. Demographic profile of people organisation support

	Count	Percent
People of global majority/ethnic minority background	59	63%
Children (under 18)	47	51%
Young people (age 18-25)	47	51%
Women	45	48%
Refugees, asylum seekers and migrants	37	40%
People with mental health needs	30	32%
People who are unemployed (more than 3 months)	26	28%
Parents	25	27%
People with long-term health conditions	24	26%
Older people (over 65)	24	26%
Students	22	24%
People with an income under £400 per month	20	22%
People who are homeless	17	18%
Professionals	17	18%
Entrepreneurs	6	17%
People who are physically disabled	13	14%
Men	13	14%
Victims of crime	11	12%
People who are neuro-divergent	11	12%
LGBTQ+	11	12%
Ex-offenders	10	11%
People with addiction issues	9	10%

Most respondents (51%) were in organisations that have been operating for more than six years. Around a quarter have been in operation for between 6 and 10 years (26%) or 10 years plus (25%). Approaching half of respondents (47%) have been in operations for between 1 and 5 years.

Table 5. Demographic profile of people organisation support

	Count	Percent
< 1 year	2	2%
1 - 5 years	44	47%
6 - 10 years	24	26%
10+ years	23	25%

Most respondents (70%) represented micro businesses employing fewer than 10 members of staff. They mostly describe their organisations as Lived Experienced organisations (97%). Lived experience organisations refer to organisations that are founded and led by individuals who have personal experience of a particular issue or challenge that their organisation is trying to solve.

Table 6. Size of organisation

	Count	Percent
Sole trader (1 person)	18	19%
Micro business (< 10 people)	65	70%
Small business (11 - 50)	10	11%

In terms of the demographics of the organisations' leadership, 93% have leadership of over 50% of individuals being Black; 45% have leadership of over 50% of individuals being women; and/or 33% have leadership of over 50% individuals being global majority/ethnic minorities.

Table 7. Demographics of the leadership

	Count	Percent
Over 50% Black	86	93%
Over 50% women	42	45%
Over 50% global majority/ethnic minority	31	33%
Over 50% young people (under 25)	14	15%
Over 50% people with a disability	10	11%
Over 50% Asian	4	4%
Over 50% LGBTQ+	3	3%
Over 50% white	2	2%



Respondents use more volunteers than freelancers or contractors during the year. Four in ten (43%) engage more than 10 volunteers a year (see Table 9.) compared with 13% engaging freelancers or contractors (see Table 8). Indeed 64% of respondents indicated that their organisation used fewer than 5 freelancers.

Table 8. Freelancer or contractors engaged in the year

	Count	Percent
Fewer than 5	59	34%
6 - 10	21	23%
More than 10	12	13%

Table 9. Volunteers engaged in the year

	Count	Percent
Fewer than 5	22	24%
6 - 10	30	32%
More than 10	40	43%

All respondents have average annual turnovers of less than £500,000. They were most likely to be in their development stage returning an average annual turnover of £50,000 to £149,000 (39%), or startup stage with a turnover of between £10,000 and £50,000 (34%). One in seven (15%) were micro-business having an average annual turnover of less than £10,000. Over one in ten (12%) were in their growth phase yielding an average annual turnover of between £150k-£500k.

Table 10. Annual average turnovers

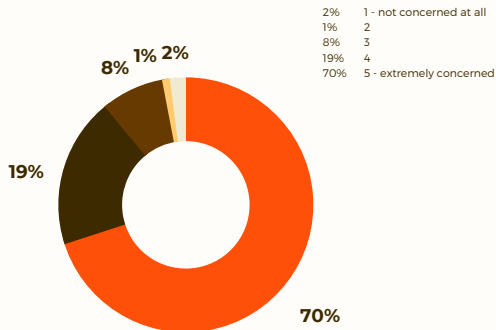
	Count	Percent
Less than £10k	14	15%
£10 - 49k	32	34%
£50 - 149k	36	39%
£150 - 499k	11	12%

3. Key findings

3.1 Impact of the cost of living crisis

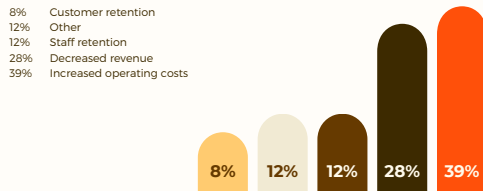
Nine in ten (89%) Black CSEs are concerned about the cost of living crisis, including seven in ten (70%) who are extremely concerned about it (See Figure 1).

Figure 1. How concerned are you about the current cost of living crisis?



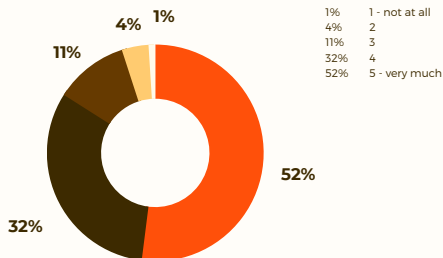
Increased operating costs (39%), decreased revenue (28%), and staff retention and recruitment (12%) are the most mentioned challenges of Black CSEs face.

Figure 2. What has been the biggest challenge your business has faced as a result of the cost of living crisis?



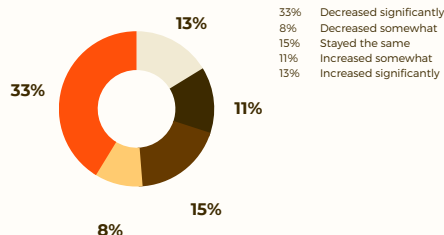
Specifically, nearly nine in ten (88%) Black CSEs indicated that the current crisis is having much impact on their business operations including around half (48%) indicating that the impact is very much so.

Figure 3. How much do you feel the current cost of living crisis is impacting your business operations?



Similarly, six in ten (61%) Black CSEs have indicated that the current crisis has negatively affected their business revenue in the past year. A third (33%) indicated that their business turnover in the period has decreased significantly. While one in seven (15%) indicated that they were not affected by the cost of living crisis, one in four (24%) have seen their revenue over the past year increased.

Figure 4. How has the cost of living crisis affected your business revenue in the past year?



Two thirds of Black CSEs (66%) have indicated that the cost of living crisis has negatively affected their ability to invest in their businesses and expand as they had to divert funds to cover rising costs. Conversely, nearly one in five (18%) indicated that the crisis has had a positive impact on their ability to invest in their businesses and expand as they found innovative ways to cut costs and improve efficiency.

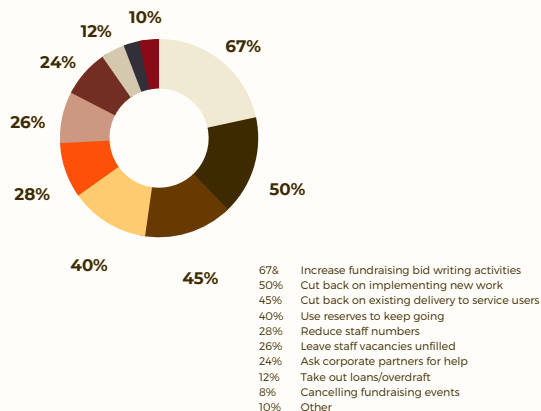
Figure 5. How has the cost of living crisis affected your ability to invest in your business and expand?



3.2 Action to reduce impact of cost of living crisis

Black CSEs are taking several measures to mitigate the impact of the cost of living crisis. They are most likely to increase bid writing activities (67%), cut back on implementing new pieces of work (50%), cut back on existing projects and direct delivery to service users (45%), or use their reserves to keep going (40%). Around a quarter indicated that they are asking corporate partners for help (24%), leaving staff vacancies unfilled (26%) or reducing staff number (28%).

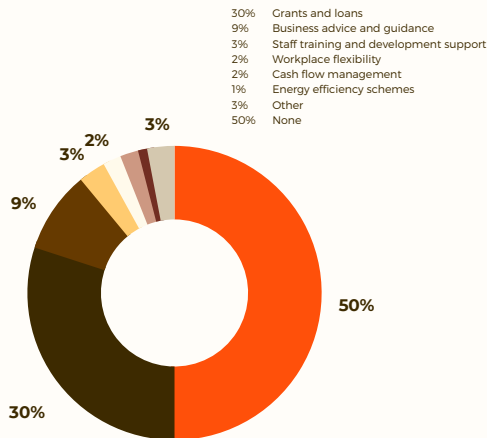
Figure 6. What actions are your organisation putting in place to reduce the impact of the cost of living crisis?



3.3 Availability of support

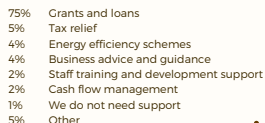
Half of Black CSEs (50%) indicated that they have not received any support to help reduce the impact of the cost of living crisis on their businesses. This notwithstanding, three in ten (30%) have received support in the form of grants and loans, and about one in ten (9%) received business advice and guidance.

Figure 7. What support has your business received to help reduce the impact of the cost of living crisis?



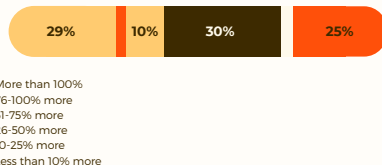
Three in four (75%) of Black CSEs believe the most effective way of supporting their businesses during the cost of living crisis would be through the provision of grants and loans.

Figure 8. what would be the most effective way to support your businesses during the cost of living crisis?



As an average of annual turnover, 84% of Black CSEs indicated that they need between 10% and 75% more money this year because of the cost of living crisis. Indeed, three in ten indicated that they need between 26% and 50% (30%), or between 51% to 75% (29%) more money. One in ten (10%) need between 76% and 100% more money this year.

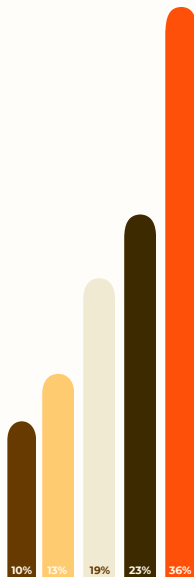
Figure 9. Based on your average annual turnover, how much more money do you need this year because of cost of living?



Given the current economic crisis and pressures on business finances, four in ten (42%) Black CSEs indicated that they could cover the costs of running their businesses for a further six months (23% for 6 - 12 months; and 19% for more than a year). Conversely, about one in four (23%) indicated that they can cover their business running cost for about two months, including one in ten (10%) who can only cover their business' running cost for up to a month. The largest proportion of Black CSEs indicated that they can cover the costs of running their businesses for between 3 to 6 months (36%).

Figure 10. Based on your current financial standing, how much longer can you cover the costs of running your business?

19% 12+ months
23% 6-12 months
36% 3-6 months
13% 1-2 months
10% Up to 1 month

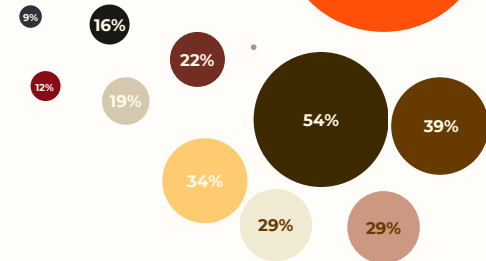


3.4 Views on funders

In the midst of the cost of living crisis, Black CSEs believe that funders should prioritise the availability of unrestricted funding (84%) to the sector. At lower levels, Black CSEs indicated that funders should also prioritise assistance with staffing and overheads (54%), rent and capital costs (39%), and existing project delivery (34%).

Figure 11. For your organisation to thrive in the midst of the cost of living crisis, what would you like funders to prioritise?

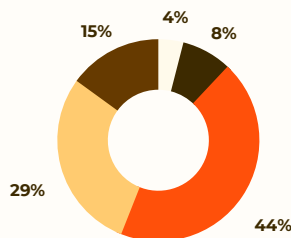
84%	Unrestricted funding
54%	Staff and overheads
39%	Rent and capital costs
34%	Existing project delivery
29%	Partnership development
29%	New project delivery
22%	Enterprise development
19%	Energy costs
16%	Social investment preparation
12%	Research
9%	Match trade funding
2%	Other



On balance, Black CSEs do not feel that funders have their best interest in mind in the current cost of living crisis. Over four in ten (44%) feel that funders do not have their best interests in mind compared to one in eight (12%) who believe that they do. A further four in ten (44%) Black CSEs were ambivalent about the issue.

Figure 12. How much do you feel that funders have your best interest in mind in the current cost of living crisis?

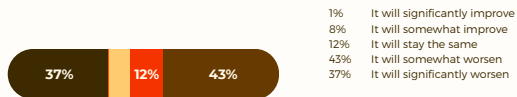
4%	5 - very much
8%	4
44%	3
29%	2
15%	1 - not at all



3.5 Views on the future

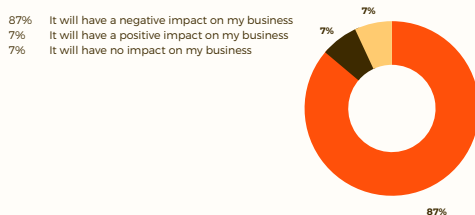
Black CSEs have a largely negative outlook on the course of the cost of living crisis. One in nine (90%) indicated that the cost of living crisis will somewhat or significantly get worse over the next 6-12 months. Less than one in ten (9%) indicated that the situation would somewhat or significantly improve.

Figure 13. How do you see the cost of living crisis evolving over the next 6-12 months?



Furthermore, nearly nine in ten (87%) Black CSEs indicated that the cost of living crisis will have a negative impact on their businesses over the next 6-12 months. Less than one in ten indicated that it will have a positive impact (7%) or no impact (7%) on their businesses.

Figure 14. How will the cost of living crisis impact your business over the next 6-12 months?



4. Conclusions and recommendations

4.1 Conclusions

In conclusion, this research brief has provided a greater understanding of the impact of the cost of living crisis on Black CSEs. It is evident that:

- Leaders of Black led CSEs are extremely concerned about the current impact of the cost of living crisis on their businesses. Business leaders are adopting a more cautious approach to decision-making and risk-taking. They are already cutting back on new projects or expansion plans, delaying hiring decisions, and reducing spending on operational costs. These will affect business performance as it will undoubtedly limit growth opportunities and hinder innovation.
 - Black CSEs have experienced significant increases in their operational costs as well as reduction in revenue, impacting their financial health. Business leaders are taking measures to raise and conserve cash, optimise working capital, and use cash reserves to navigate through the crisis.
- Half of Black CSEs have not received any support to help mitigate the impact of the cost of living crisis. This will exacerbate the challenges Black CSEs face such as cash flow constraints, limited access to capital, and reduced ability to meet financial obligations.
 - The cost of living crisis has had a negative impact on the ability of Black CSEs to invest in their businesses and expand. In other words, the crisis is disrupting their strategic planning process. The uncertainty and volatility associated with the crisis is making it challenging for business leaders to accurately forecast market conditions, revenue streams, and service user demand, and other sector dynamics, which can impact performance.
 - More than four in ten Black CSEs need over 50% of additional annual revenue because of the crisis and one in four are only able to cover the running cost of their businesses for up to two months. Cashflow management concerns will present several operational challenges such as the inability to cover day-to-day expenses. It can also lead to delayed or missed payments to suppliers, employees, and other stakeholders. The quality and timeliness of service delivery could also be adversely impacted, leading to service user dissatisfaction and loss of business.

- In terms of the relationship between Black CSEs and funders in the current crisis, on the whole, they do not feel that funders have their best interest in mind. This can lead to Black business leaders being compelled to make suboptimal decisions, such as accepting funding on unfavourable terms, higher interest rates, or onerous conditions, due to perceived lack of options or negotiating power with funders. It can also lead to heightened stress, frustration, and anxiety, which may impact decision-making, leadership effectiveness, and overall business performance.
- Black CSEs see the cost of living crisis getting worse in the next 6 to 12 months with that having a negative impact on their businesses going forward. This pessimistic outlook may lead to a further decrease in business investment and expansion. Leaders could continue to be cautious and adopt risk-averse approaches such as holding back on investments, taking on new staff, and reducing capital expenditure.

4.2 Recommendations

Based on the concerns expressed by leaders of Black-led CSEs regarding the current cost of living crisis and its impact on their businesses, it is crucial to acknowledge the cautious approach that business leaders are currently adopting. As the cost of living crisis becomes worse, it is understandable that businesses are taking steps to mitigate risks and manage their expenses. However, it is important to also consider the long-term implications of these decisions. Several recommendations are provided below:


- It is crucial for Black business leaders to strike a balance between prudent risk management and strategic growth. While it may be necessary to cut back on new projects or expansion plans, delay hiring decisions, and reduce spending on operational costs in the short term, it is also important to identify opportunities for innovation and growth. Business leaders should actively seek out strategies that can help their businesses navigate the current economic challenges, such as diversifying revenue streams, exploring new business opportunities, leveraging cash reserves, or optimising operational efficiencies.

- Black CSEs should conduct thorough reviews of business operations to identify areas where cost-saving measures can be implemented without compromising the core mission and values of their businesses. This may involve tough decisions such as cost-cutting, downsizing, or restructuring. Business leaders should carefully evaluate various cost reduction strategies, considering both short-term and long-term implications, and prioritise those that are aligned with their overall strategic goals. Collaboration and partnerships with other CSEs or organisations can also provide avenues for shared resources and expertise, leading to mutual benefits.
- Black CSEs should proactively engage with relevant stakeholders, such as policymakers, industry associations, and community organisations, to advocate for policies and initiatives that address the cost of living crisis and support business growth. This can include advocating for affordable rents, access to affordable capital, and supportive regulatory environments. Engaging in industry networks, mentorship programmes, and capacity-building initiatives can also provide valuable support and resources for business leaders to navigate the current challenges and build resilience.





- The senior leadership for Black CSEs should closely monitor and assess the evolving economic situation and its potential impact on their businesses. This includes staying informed about the latest economic indicators, trends, and government policies that may affect the cost of living crisis and its implications for their sector. By staying informed, leaders can make informed decisions and adapt their business strategies accordingly.
- It is crucial for leaders to maintain open communication with their employees, customers, and stakeholders. Transparent communication can help manage expectations, build trust, and maintain positive relationships, which can be instrumental in navigating through these uncertain times.
- Funders should establish dedicated emergency funding programmes or initiatives specifically aimed at supporting Black CSEs. This can include grants, loans, or other forms of unrestricted financial support that are tailored to the unique needs and challenges faced by these businesses. Such funding programmes should be accessible, transparent, and designed to provide timely and adequate support to help Black CSEs address their cash flow constraints, access to capital, and other financial obligations. It would also be important to ensure that any application processes are streamlined and free from unnecessary barriers, and that the eligibility criteria are inclusive and consider the diverse needs and circumstances of Black CSEs.
- Funders, government agencies, community organisations and industry associations can play a vital role in advocating for support on behalf of Black CSEs. They can engage in proactive outreach and collaboration with relevant stakeholders to raise awareness about the challenges faced by Black CSEs, and advocate for policy changes or additional resources to support their sustainability. This can include partnering with government agencies, funders, and other community organisations to develop and implement targeted initiatives that would help address the specific needs of Black CSEs.
- Funders should establish dedicated emergency funding programmes or initiatives specifically aimed at supporting Black CSEs. This can include grants, loans, or other forms of unrestricted financial support that are tailored to the unique needs and challenges faced by these businesses. Such funding programmes should be accessible, transparent, and designed to provide timely and adequate support to help Black CSEs address their cash flow constraints, access to capital, and other financial obligations. It would also be important to ensure that any application processes are streamlined and free from unnecessary barriers, and that the eligibility criteria are inclusive and consider the diverse needs and circumstances of Black CSEs. Furthermore, funders should work through intermediary organisations that already have close relationships with Black CSEs to build trust and ensure that this barrier is quickly reduced.



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