

The Community Business Market in 2021

December 2021

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About this report

This is the seventh in a series of annual reports published by Power to Change on the state of the community business market. This report differs from earlier iterations as it solely reports on evidence collected via a survey and follow-up telephone interviews and does not estimate the size of the community business market this year.

Power to Change provided considerable input and support to the CFE Research team. However, the findings and views expressed remain entirely those of the authors. The main focus of this report is how community businesses are recovering from the Covid-19 pandemic.

You can find details of the survey and interview methodology in the appendix.

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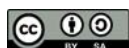
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Locality

**The Community Managed Libraries
National Peer Network**

Co-operatives UK

Social Enterprise UK

**ACRE (Action with Communities
in Rural England)**

Plunkett Foundation

Real Farming Trust

Semble

Community Energy England

NCVO

Community land trusts

The Ubele Initiative

School for Social Entrepreneurs

Architectural Heritage Fund

Key Fund

Social and Sustainable Capital

Social Investment Business

**The Confederation of Co-operative
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Executive summary

Run by local people, trading for the benefit of a community to which they are accountable and on which they make a broad positive impact, community businesses exist to help make places better. They are adaptable, resilient and optimistic and are ideally placed to make a sustainable contribution to the wellbeing of communities across England. But they continue to need support to make change happen.

The Covid-19 pandemic has exacerbated the economic, social and health disparities across the country. This has highlighted not only the challenge but also the considerable opportunity for community businesses, as the country emerges into a landscape shaped by a renewed appreciation of community and an appetite for more community-led responses to local needs traditionally met by public bodies.

This seventh iteration of Power to Change's Community Business Market report draws insight from survey findings and interviews to explore how effectively community businesses supported local people and their communities during the pandemic, and the contribution they are making to social and economic recovery. The cautious optimism evident in the market report for 2020 appears well-placed.

Recovery from the pandemic

Trading is a defining characteristic of community businesses. Seven in 10 (69%) lost trading income during the pandemic – this was especially felt by venues such as community hubs (80% lost trading income). However – median total annual income increased by £20,000 to £130,000 this year. This was largely driven by businesses that rely heavily on volunteers, highlighting once again how important they are to the community business model.



£20k→£130k
median total annual income
increased by £20,000

The pandemic led to greater grant dependency compared to previous years. Nine in 10 (88%) accessed grant funding, and the proportion drawing most of their income from grants rose by 20 percentage points to 53 per cent. Four in five (79%) also expect to seek grant funding from new sources in the coming year. However, 63 per cent also expect their income from contracts and trading to increase.



The pandemic caused a marked increase in demand, particularly for wellbeing services – financial, physical and, most notably, mental. Most offering the following saw demand rise:



88%
mental health
support



78%
health and
social care



75%
food provision



80%
financial advice

The pandemic also drove the main adaptations made by community businesses. Three in five said they began offering services or products remotely (59%) or developed new services or products (58%). Activity included delivering food to vulnerable local people, offering space and facilities for vaccination programmes and providing alternative remote access to existing services. These services and support strengthened important relationships between businesses, the community and local public bodies, and two-thirds (66%) of community business expect to develop new partnerships or collaborations in the coming year.

Businesses have begun to bounce back. Two-thirds (63%) are now fully operational compared with one in seven (15%) last year. Two-thirds (62%) also reported an increase in activity since lockdown was eased in April 2021. Average numbers of staff (10) and volunteers per business (30) also returned to pre-pandemic levels. Eighty two per cent of these staff live in the local community.

Business confidence is also returning. Three in five (59%) said they are more confident about their financial prospects over the next year compared with 11 per cent during worst

of the pandemic. Retail businesses such as shops, cafés and pubs were especially upbeat (72% were more confident of their financial prospects).

Community businesses are evolving their services to meet their community's needs and three-quarters (76%) now offer more than one service to their community – a rise of 13 percentage points compared with pre-pandemic figures. The number of public-facing support businesses offering more than one service grew by 31 per cent. More businesses were also offering employability support, information, advice and guidance (30%) and youth services (23%) compared with pre-pandemic levels.

Community business impact

Community businesses are focal points for communities with 61 per cent operating as a hub. Nearly all say they positively impact the lives of local people which helps explain why local people valued them during the pandemic and why they were resilient to economic shocks. Community businesses said they made a positive impact in:



95%
reducing
social isolation



95%
improving health
and wellbeing



97%
community
cohesion



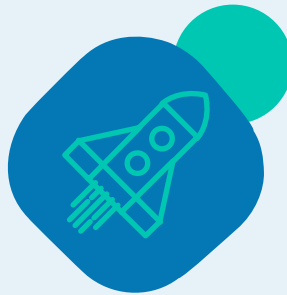
95%
community pride and
empowerment.

Community businesses in 2021



66%

expect to develop new partnerships or collaborations in the coming year.



63%

are now fully operational compared with 15 per cent in 2020.



59%

said they are more confident about their financial prospects over the next year compared with 11 per cent in 2020.



76%

now offer more than one service to their community, an increase of 13 percentage points on pre-pandemic figures.



31%

The 79% of businesses now offering multiple public-facing support services grew by 31% since 2020.



53%

draw most of their income from grants, a rise of 20 percentage points since 2020.

Priorities and opportunities - climate change, high street regeneration, local job creation and diverse leadership

Community businesses are actively responding to the changing climate.



72%

said they had some impact on improving their local environment in four main areas:



40%

growing, providing, or educating people about, food



37%

improving buildings



37%

improving or protecting the natural environment



32%

managing waste or resource consumption

One in five (22%) expected to use vacant buildings in future. Relocating to a high street offers the chance to benefit from increased footfall for businesses trading with the public. However, a few participants experienced challenges navigating local authority bureaucracy.

Community businesses also offer important routes into employment.



58%

said they had employed at least one person who had never been in paid employment before.



4x

Community businesses were nearly four times more likely to be led by people from minoritised ethnicities (19%) compared with the UK's small and medium enterprises (5%).

More than two in five community businesses have people from minoritised ethnicities and/or aged 35 or younger in senior positions.

1.

Introduction

This seventh iteration of Power to Change's Community Business Market report explores how community businesses have been supporting local people during the Covid-19 pandemic, and their subsequent path to economic recovery.^{1,2}

The report continues to collect data on trends including:

- composition and structure of the community business market
- outlook for the community business market in the immediate future
- opportunities and challenges for market growth.

As well as reporting on how community businesses view recovery from the pandemic and the support that might aid that recovery, other themes covered this year include the action communities are taking to combat climate change, the potential for community businesses to take over vacant buildings to reinvigorate the high street and similar places, and the role of young people in community business leadership positions.

As Power to Change plans to publish estimates on the size of the community business market on a bi-annual basis in future in order to better capture the changes in the sector through updated external datasets, this year's study focuses on evidence from a survey of 548 operational community businesses and 15 in-depth follow-up interviews rather than overall market estimates.

All fieldwork was conducted between May and August 2021. You can find more detail about our methods in the Appendix.

1.1 Report structure

We present the main findings of the research in the following chapters:

- **Chapter 2** discusses how community businesses were affected by the pandemic, their subsequent recovery and how the services they offered diversified
- **Chapter 3** considers businesses' confidence and financial outlook for the coming year
- **Chapter 4** covers the development opportunities that community businesses perceive
- **Chapter 5** provides a more detailed look at the composition of community businesses

The report closes with our conclusions.

1 For introductory information about community businesses, see the Power to Change website: <https://www.powertochange.org.uk/>

2 You can find previous years' reports at the Institute for Community Studies repository: <https://icstudies.org.uk/repository>

2. The Covid-19 pandemic – challenges and recovery

Key insights

Trading income is a defining characteristic of the community business market and its loss was a major challenge for seven in ten (69%) community businesses during the pandemic. Venues like community hubs were especially affected and four in five (80%) suffered.

Nearly half (46%) faced operational challenges implementing Covid-19 guidelines and a range of staffing issues that limited operational capacity.

Business operations have bounced back and two-thirds (63%) report they are now fully operational compared with one in seven (15%) during the height of the pandemic. Nearly two-thirds (62%) reported increased activity since lockdown eased in April 2021, and average staff (10) and volunteer (30) numbers per business returned to pre-pandemic levels.

The pandemic markedly increased demand for services – four in five businesses offering financial advice (80%) saw demand grow, along with three-

quarters of businesses providing health and social care services (78%) or food (75%). The greatest change was amongst businesses supporting mental health, where demand increased for nine in ten (88%).

The pandemic drove some major adaptations in the market – three in five community businesses began offering services or products remotely (59%) or developed new community services or products (58%). The 79 per cent now offering multiple public-facing services represents a 19 percentage point rise compared with the 2020 survey.

Many of the services and support – delivering food to vulnerable local people, providing space and facilities for vaccination programmes and alternative remote access to existing services – evolved because of the direct link between businesses and the communities they serve, and strengthened the relationships between businesses, the community and local public bodies.

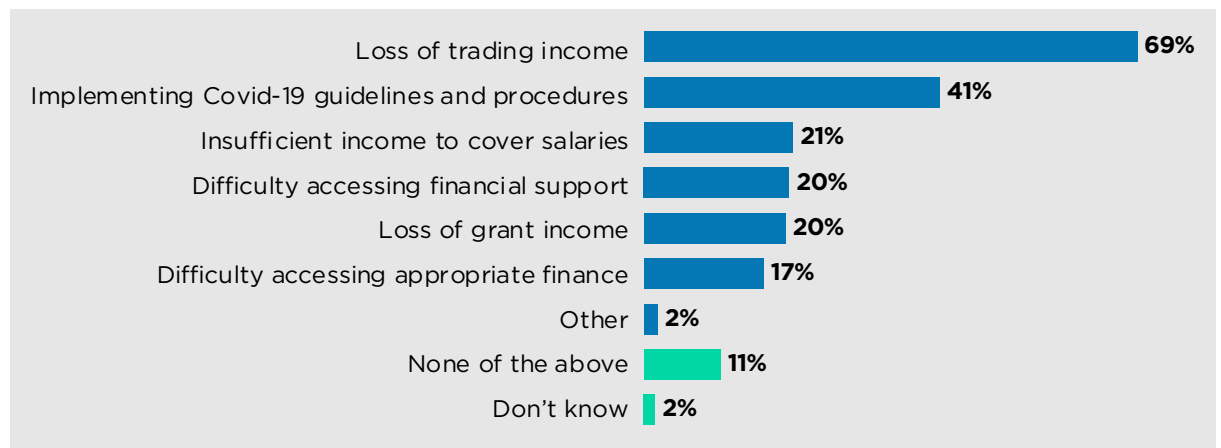
2.1 The challenges faced by community businesses in the previous year

Loss of trading income

Trading is central to the community business model. Seven in 10 (69%) of community businesses lost trading income during the pandemic (Figure 1).³ This was of particular concern for venues (community hubs and village halls), and four in five (80%) said it was a financial challenge. Two in five (41%) of businesses also faced similar challenges from implementing Covid-19 guidelines and procedures.

Although one in five (20%) of all participants experienced a loss of grant income, businesses who were pessimistic about their future financial prospects were twice as likely to cite this challenge (30%) as more confident businesses (15%). More pessimistic businesses reported more difficulties accessing financial support (29%) than confident businesses (17%). Business confidence is covered in more detail in Chapter 3.

Figure 1: Financial challenges faced in the previous year



Base: Operational community businesses = 536

³ The survey used the term 'past 12 months' which broadly covered the period from June 2020 to May 2021. The question was 'Which of the following financial challenges has your community business experienced in the past 12 months?'

The Community Business Market in 2021

2. The Covid-19 pandemic – challenges and recovery

Staff capacity and skills gaps

Nearly half (46%) of community businesses faced insufficient operational capacity between the 2020 and 2021 surveys. Two in five (42%) faced limited access to staff or volunteers with the right skills, and a third (33%) said the same for the board and senior managers.

One in six (16%) did not experience any of the challenges listed. A quarter (27%) of retail businesses said they did not experience any people-focused issues compared with one in nine (11%) of all businesses.⁴

Implementing Covid-19 guidelines

Nearly three in five (57%) businesses faced challenges implementing Covid-19 guidelines and procedures. Unsurprisingly, this was particularly the case for customer- and public-facing venues, arts and cultural facilities and retail businesses who directly serve the public in person. More than half (55%) said that everything took longer than they expected during the pandemic period, although this was a concern for a smaller proportion (32%) of retail businesses.

Difficulty accessing customers or service users was especially challenging for businesses that lack confidence in their future finances (45%) compared with confident businesses (31%).

Figure 2: People-focused challenges faced in the previous year

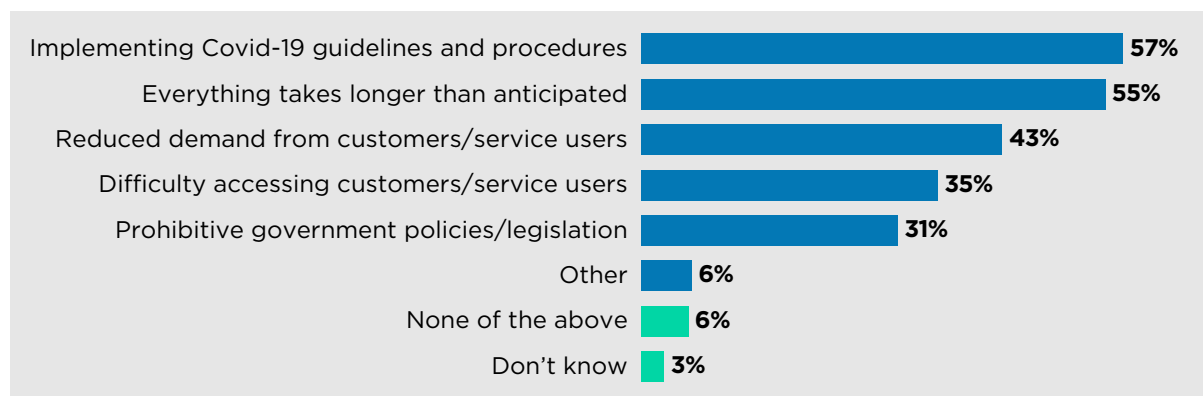


Base: Operational community businesses = 535

The Community Business Market in 2021

2. The Covid-19 pandemic – challenges and recovery

Figure 3: Operational challenges faced in the previous year



Base: Operational community businesses = 534

2.2 Business recovery from the pandemic

Returning to normal operations

The previous [survey](#) (Higton et al., 2021) found that by May and June 2020, the business operations of most community businesses were negatively affected by the pandemic. For example, only 15 per cent of survey participants reported that their community business was still fully operational. However, this year's data shows that nearly two-thirds (63%) of businesses were fully operational at the end of lockdown in April 2021. A further third (33%) were partially operating, while only 3 per cent had ceased operations but anticipated reopening. Only three participants (<1%) said they did not anticipate reopening although it is likely that there will be a high level of non-response from businesses that have ceased trading.

Staffing numbers have also returned to pre-pandemic levels. The average number of employees was 10, which is the same as reported for February 2020.

During in-depth qualitative interviews, most said that their workforce numbers had remained stable or increased since the start of the pandemic. Some attribute the increase directly to the pandemic. Several interviewees mentioned the Kickstart Scheme for 16 to 24 year olds on Universal Credit as responsible for increasing their staff numbers.⁵ Another interviewee noted that the pandemic had led to a surge in young volunteer numbers.

“**So yes, we've emerged with more members of staff than when we went in and more projects underway and just a clear sense of who we are and what we're doing and why we are doing it, which I don't think we'd have had if it hadn't been for [the pandemic].**

Arts centre

Volunteer participation

The number of volunteers that engaged with community businesses this year (an average of 30) was back up to pre-pandemic levels (an average of 29 in February 2020) after dipping down to an average of 14 at the height of the pandemic in 2020 ([Higton et al., 2021](#)). Volunteers continue to be critical to the running of the organisations, with the ratio of volunteers to paid staff reported across all surveyed businesses remaining at the pre-pandemic level of 2.9 to 1.⁶ The lack of paid staff for businesses with no employees means volunteers are especially important because they perform most functions within the business.

No interviewees said they had permanently reduced staff or volunteer numbers but, in some cases, businesses did reduce working hours, generally for volunteers. One interviewee, for example, mentioned that some of their volunteers are older and therefore vulnerable, and had to stop volunteering so they could shield against Covid-19. These issues were explored in detail in the [2020 Community Business Market report](#) (Higton et al., 2021).



We were struggling quite a bit because our workforce is mostly volunteers and they weren't allowed to come in.

Community hub

More commonly, changes in workforce numbers were temporary and have now eased (as reflected in the statistical analysis of staff numbers). These include staff who were furloughed or had to isolate. Interviewees noted that, for small community businesses, even one member of staff having to isolate can have a significant impact on the business.

The importance of community businesses to services associated with the pandemic response came out in several interviews. Businesses' ability to mobilise local people and volunteers sometimes proved vital. For example, one business' volunteers supported the swift rollout of vaccines in their area despite harsh weather conditions.

Table 1: Number of volunteers engaged by size of community business (n=535)

Number of volunteers	Base	All businesses	Small and medium	Micro	No employees
Mean	534	30	44	22	26
Median	534	15	22	15	12

The Community Business Market in 2021

2. The Covid-19 pandemic – challenges and recovery



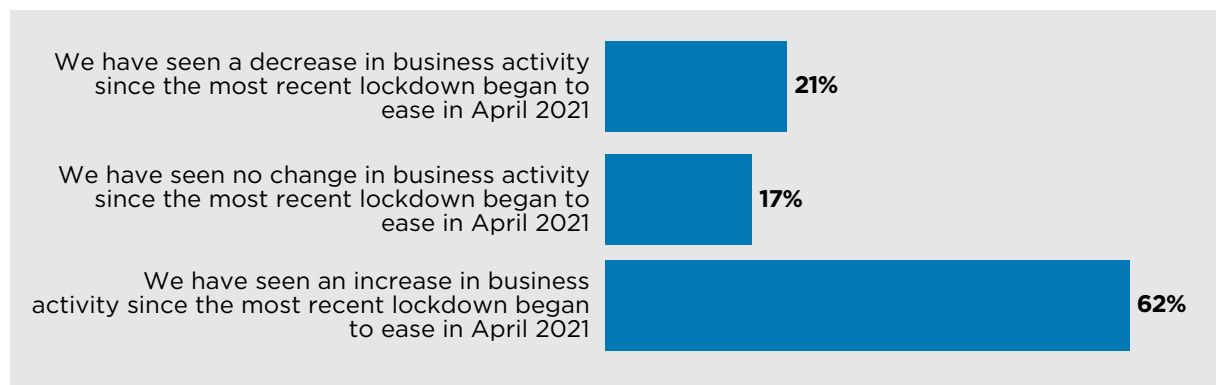
We recruited 297 volunteers to support the vaccine rollout and it was such a large number simply because of facilities, we were in the middle of January, it was freezing cold ... so we took the decision to have a team of volunteers rotating every hour so we have eight new volunteers every hour, 12 hours a day for however long it took to get the vaccines out. ... Everywhere was in lockdown apart from us and the surgery. [Their effort] was amazing.

Community hub

Business activity levels

Most community business representatives reported an increase in business activity following the easing of Covid-19 restrictions. Two-thirds (62%) saw an increase in business activity since April 2021. There were different experiences across the services that community businesses provided and, unsurprisingly, given that pubs were particularly heavily affected by the Covid-19 restrictions, 25 out of 31 community pubs surveyed reported more business activity since April 2021.⁷

Figure 4: Change in community business activity levels since April 2021



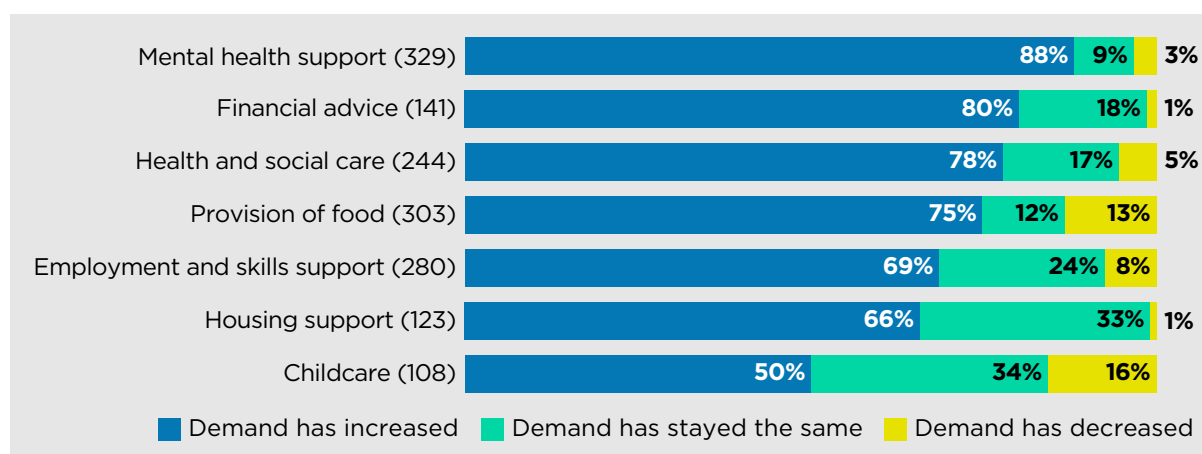
Base: Participating operational businesses (n=537)

2.3 Changing demand and operational adaptations

Figure 5 shows most community businesses said the pandemic caused an increase in demand for services that they offered, especially mental health support and financial advice.⁸ These findings are really telling of how community's needs changed during the pandemic and how community businesses responded.

Community businesses adapted operations in response to Covid-19. Three in five (59%) reported a shift to offering remote services or products because of the pandemic. A similar proportion (58%) offered a new service or product for the community (58%), and more than half (53%) allowed staff to work remotely. Although not strictly comparable, data from the Office for National Statistics (ONS, 2021) shows a third of UK businesses said their workforce was working remotely in April and May 2021. Instances of remote working varied markedly by sector.

Figure 5: Demand for community business' services in response to the Covid-19 pandemic



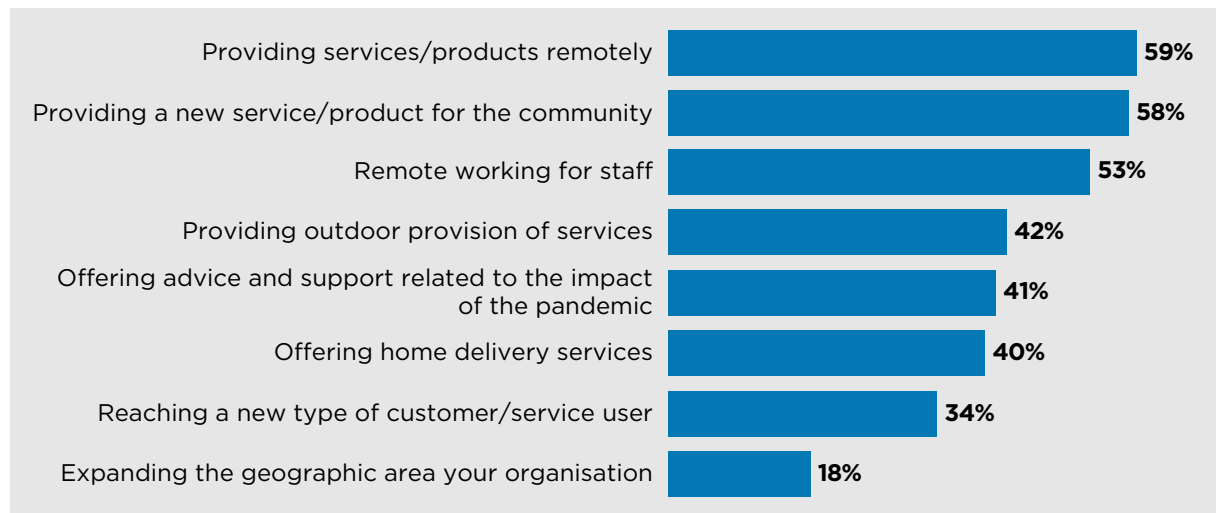
Base: All operating businesses = 548

Interviewees corroborated these findings. Community businesses faced challenges providing services under lockdown restrictions so had to adapt in a variety of ways. Many community businesses made practical changes to make their spaces more 'Covid-safe'. These included measures that will be familiar to many such as limits on the number of people who could enter at once, one-way systems, social distancing, mandatory wearing of masks and putting up screens or partitions.

Where possible, businesses also moved some of their operations outside; 42 per cent said they moved outside and nearly all of these (89%) said they would continue to operate outdoors. Interviewees whose businesses already operated outside noted how this presented a distinct advantage as it meant services could continue with less interruption.

8 In response to the question 'How, if at all, has demand for the following services at your community business changed because of the Covid-19 pandemic?'

Figure 6: Changes or adaptations community businesses have made in response to Covid-19



Base: All operating businesses = 548



We're working outdoors and people seem to have a greater appreciation of nature. And, you know, people feel safer outside. So that's been an opportunity for us. We've seen a greater interest in our services ... some things like our holiday forest schools which came back last summer. The interest has just leapt, we're selling places [really] quickly.

Training and education

Several interviewees described the new services they introduced as a response to the pandemic. Some offered direct community support, such as food delivery or acting as a vaccine site, while in other cases it was creating services that would comply with Covid-19 regulations such as an outdoor café. A small number of interviewees said the operation of their business was unaffected by the pandemic.

Fewer than a fifth (18%) of community businesses expanded their geographical area of operations during the pandemic. Most of these businesses (83%) said they would continue serving this wider area.

Digital adaptations

Most interviewees mentioned their adoption of online and digital technology. Some of this was for service provision such as hosting online sessions, but many interviewees also mentioned adopting WhatsApp, Zoom and other applications for online communication and organisation throughout the pandemic. Some of the solutions were novel and creative, testing the limits of technology.

The success of the online adaptations was mixed. Some community businesses found moving existing services online and creating new online services were successful and allowed their businesses to grow – in terms of the number of customers and the variety of ways by which customers could access services or products – despite the pandemic. Some felt that these changes, while catalysed by the pandemic, were nevertheless positive changes to the business. However, some interviewees had difficulty with online adaptations. One interviewee noted that their online storefront was not successful and would require effort and investment that they were unable to provide to help it succeed.

“

Twice a week we did some checklist sessions, one was a mental health yoga wellbeing one and the other was an accessible sports [activity]. It was just doing silly things like playing football with balloons in your living room ... Then we also moved on to Zoom in the Zoom boom, we did some fitness sessions and personalised fitness ones on there, that was one-to-one sessions where thanks to funding we were able to get a fitness kit for I believe 12 people. We delivered that to them and then we could do Zoom sessions with them once a week.

Sport and leisure

Some interviewees noted that online communication was a barrier that led to less communication and collaboration. Technical issues were also mentioned as a problem for both staff and customers. Related to this, some interviewees mentioned that access was an issue for their customers, as some lack access to the Internet or find using digital services challenging. Gardner et al. (2021) similarly found that low levels of digital literacy in some communities limited the rollout of digital services for them.

“

We were able to get funded to diversify in that direction [to deliver services online] for six months, which was fabulous and really helped us. But it hasn't quite matured. I know we've got colleagues who are doing really well with it, so I don't know what we're not doing, but, for us personally, our online sales are a trouble.

Environmental/nature conservation

There was a variety of responses about the continuation of tools and services online. For several interviewees, both online delivery and using online communication were a positive step that they will maintain to some degree. However, some interviewees felt the delivery of their services online diminished the value that customers, staff and volunteers got from them. Most interviewees said that they will opt for a blended approach in the future. The new services, or adaptations of existing ones, were worth maintaining but most wished to return to old ways of working where possible.

“

We are actually keeping the tutoring online, but we are reopening the learning hubs with drop-in sessions for children to come after school, and not having the one-to-one tutoring, but a place to come after school, take part in a club, maybe do their homework, access a laptop, that kind of thing. So, the learning hub will function as drop-in centres now, but the actual tutoring, the one-to-one tutoring is going to remain online, so this is a blended model that we are taking forward.

Youth services

Maintaining physical adaptations

Most interviewees said that they will maintain at least some of the adaptations that they made to their businesses during the pandemic. Several found that the physical adaptations to make spaces more 'Covid-safe' were not that disruptive to business operations, so have decided to keep them in place. These interviewees said that, for customers, requirements for masks, social distancing and using hand sanitiser would no longer be mandatory but still encouraged. Feedback from customers for keeping these interventions was positive, particularly among vulnerable groups.

“

So no and, in fact, we're not going to go back to pre-COVID behaviour, we're going to maintain what we're doing.

Environmental/nature conservation

Other ways in which interviewees said that new ways of working will be maintained include how they interact with the community and create services for them. They emphasised their transition to working more closely with the community will be maintained, rather than continuing to offer specific adaptations or services.

“

During COVID we became much more responsive to the whole community, so the parents, the older people, people who were having to isolate at home and were feeling very vulnerable. So, that's where our relationships changed, and we've just continued with that. We haven't gone back to the way we were. We've continued to be more of a whole community focused organisation.

Training and education

2.4 The impact of the pandemic on relationships

Strengthening relationships with local communities

The ongoing impact of Covid-19 on existing relationships emerged as a theme from the qualitative interviews. Interviewees found that Covid-19 deepened their relationship with their local community. The pandemic revealed and created new community needs. Some businesses were responsive to such needs, tailoring their service to the community rather than trying to engage people in existing projects. The closure or restrictions imposed on other

services meant that some people engaged more with community businesses. The delivery of pandemic-specific support also improved relationships between community businesses and their local communities through the types of support that were difficult to receive through other means.

“

When we started delivering the laptops and the learning resources [to children home-schooling], we started engaging a lot more regularly with doorstep talks. We got to know the families a lot better that way, and they appreciated us coming to their door as well.

Youth services

Several interviewees noted that their business had engaged with new customers since the start of the pandemic. One noted that people working from home were able to frequent their community business, which they could not have done prior to the pandemic. The pandemic also meant there were more isolated and vulnerable people, who could in turn be served by local community businesses.

For some the increased customer reach has been a surprise, while in other cases it was due to a conscious diversifying of services and being responsive to community needs. Many community businesses were ideally placed to respond to the impact of the pandemic, or could specifically adapt their services to address community needs as they emerged. The increase in community businesses conducting more than one activity reflects these findings (see Chapter 4).

An important conduit for delivering public services

Several interviewees said that during and since the height of the pandemic their community business had been recruited by the local authority to deliver services. The needs of individual local residents and key workers created opportunities and some community businesses secured contracts to deliver services on behalf of the council, running services for high-risk individuals.



Our organisation in the city has grown and we also, at the same time, secured contracts with the council to do cycle training and these things called Bike Doctors which is where we go to other community settings and [the council] basically pay us to fix bikes in the community.

Community hub

One community business secured a contract to help support key workers. In several cases, the support that community businesses provided before and during the pandemic led to securing further contracts later. The survey recorded a 19 percentage point rise in businesses offering multiple public-facing support services.



We've added services, we're looking to add ... a new building to us. We're looking at an asset transfer from the local authority which will go through quite quick. We got a £30,000 grant from the local authority ... they wanted us to expand some of the befriending stuff we'd done.

Community hub**Relationships with funders**

The pandemic had a largely positive impact on the relationship between some community businesses and funders. Covid-19 created instability and ambiguity about the short- and long-term consequences for businesses and funders. Mindful of this, and other restrictions placed on people and businesses, some interviewees reported more flexibility from funders. These businesses found that funders were more open and less prescriptive, and some found that funders relaxed their repayment rates. One community business noted that while some funds were still ring-fenced and could not be used to address the impact of Covid-19, they were able to hold on to money until the situation was more stable. Several interviewees reported that there was more funding available because of the pandemic, which included additional funding from existing streams as well as new sources of income.

The Community Business Market in 2021

2. The Covid-19 pandemic – challenges and recovery



We recognise the asset of our funding, and because we're used to living in this unfunded, challenging commercial environment, we were actually fine, and because of COVID and Black Lives Matter there was a wave of funding that was very appropriate for us that was very easy for us to access.

Community hub

A small number of interviewees noted no change in their funding experience or that it was more challenging. One noted that they had less time to pursue funding opportunities because they were so busy due to the pandemic. Overall, interviewees reported that funders had treated them with a flexibility similar to that they had needed towards serving their own customers and local community.

While overall interviewees remarked positively about the impact of Covid-19 on their relationship with funders, several underscored that funding for small community businesses was still a challenge.



But even being so diverse on our income stream, it just hit us. But we knew then, if it hit us who are very stable, how did it hit the locals? So that's going to mould our decisions going forward.

Youth services



3. Outlook for the year ahead

Key Insights

Business confidence is returning. Fifty-nine per cent said they are more confident about their financial prospects over the next year compared with one in nine (11%) during the height of the pandemic.

Retail businesses such as shops, cafés and pubs were especially upbeat; seven in ten (72%) were more confident of their financial prospects. These types of business are sensitive to trading prospects and customer demand, which were the key factors influencing confidence.

Grant funding is important to community businesses: four in five (79%) planned to seek new sources in the coming year. The smaller number of businesses with a pessimistic outlook for the next 12 months were particularly concerned about access to grant income.

Partnership working is also important to many community businesses with two-thirds (66%) expecting to develop new partnerships or collaborations in the coming year.

The support businesses require for the current year remains similar to previous surveys. Half of businesses (52%) want help measuring the impact of their business on the community. Organisational support to develop business strategy (32%) and support leadership teams (24%) are also a relatively high priority compared with other possible areas of support.

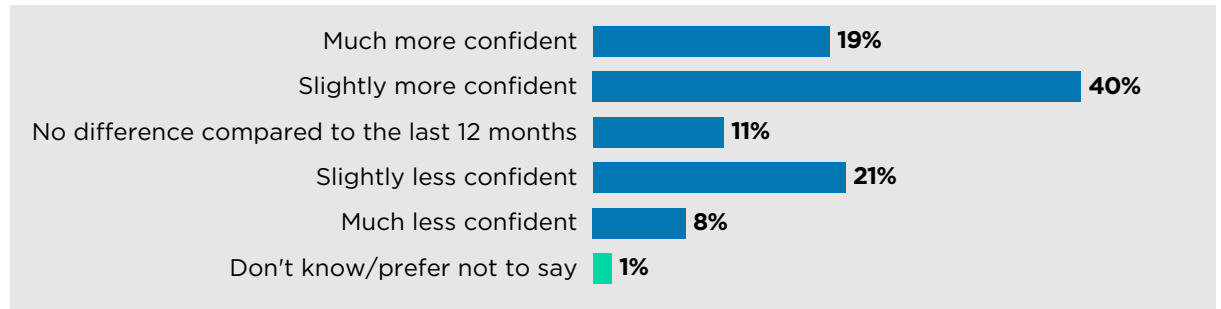
3.1 Financial outlook for community businesses

Financial confidence is returning

Confidence amongst community businesses is bouncing back as the economy reopens. Confidence has markedly improved since 2020. During the height of the pandemic, three-quarters (73%) of businesses were slightly or much less confident about their financial prospects. This year, one in three (29%) businesses display this level of pessimism and three in five (59%) are slightly or much more confident about their future financial prospects (see Figure 7).

In the [2020 Community Business Market report](#) (Higton et al., 2021), only one in nine (11%) expressed such confidence. Retail businesses (shops, cafés and pubs) were more upbeat than venues (community hubs and village halls). Seven in 10 (72%) retail businesses were at least slightly more confident about their financial prospects compared with three in five (59%) of venues. Half (51%) of public-facing support services were confident.⁹ These differences help explain the drivers of confidence we discuss next.

Figure 7: Community business confidence in future financial prospects in the next 12 months



Base: Operational community businesses = 540

Improving outlook

When asked what factors influenced their level of confidence in their financial prospects, most businesses who were confident about their financial prospects cited:



67%

customer demand



64%

trading prospects



56%

financial sustainability of their business



54%

access to grants.

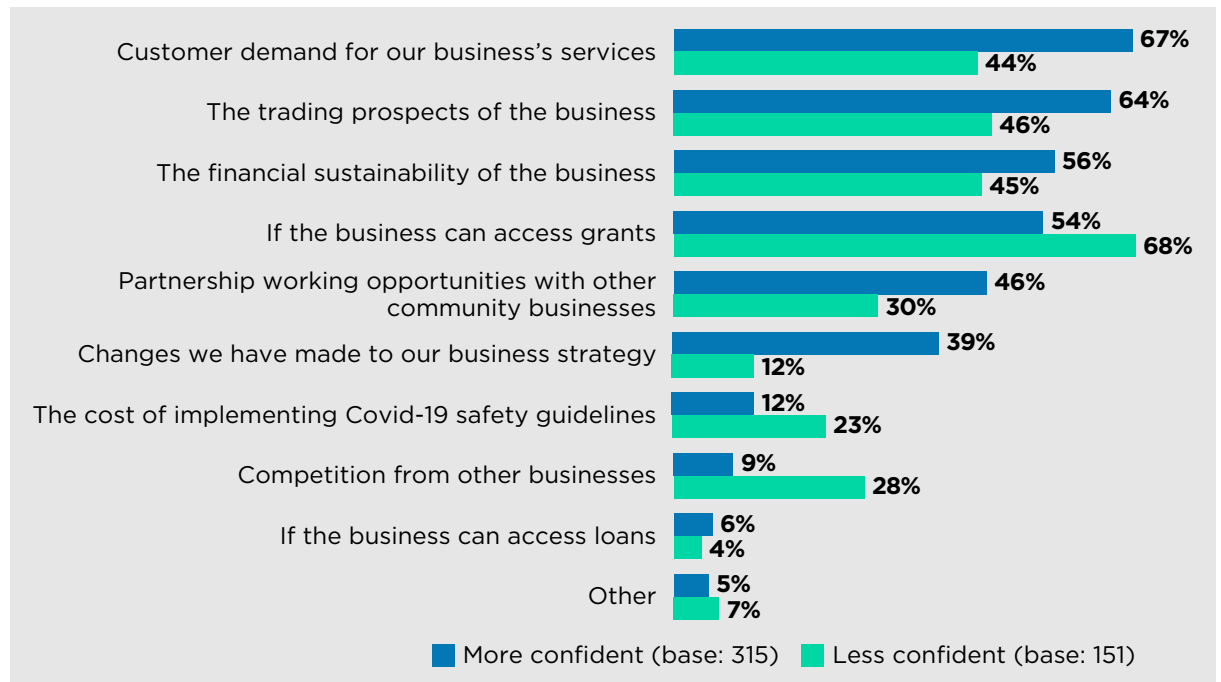
These factors were also the greatest concerns for pessimistic businesses, although access to grants was cited most (68%) by the pessimistic. Customer demand, trading prospects and financial sustainability were concerns for under half of businesses lacking confidence.

Confident businesses displayed some level of proactivity. Nearly half (46%) cited partnership opportunities as a reason for their confidence, and two in five (39%) related their confidence to changes in their business strategy.

Compared with confident businesses, more pessimistic businesses had concerns about competition from other businesses (28%) and implementing Covid-19 guidelines (23%).

(See Figure 8 for more detail.)

Figure 8: Factors influencing confidence in future financial prospects in the next 12 months



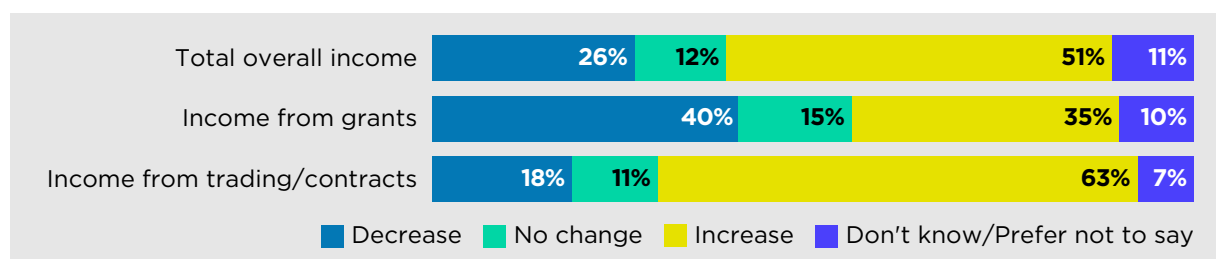
Base: Operational community businesses = 466

Future income growth

Half (51%) of participating community businesses anticipated their overall income would increase in the next year. Increases from trading and contracts were expected by nearly two-thirds (63%) and a third (35%) expect to see an increase in grant income. Figure 20 shows that businesses increased their reliance on grant funding as a result of the pandemic. The expectation of increased income from trading and grants from most businesses may result in a return to a trading-led income model over the next year.

Two in five (40%) survey participants anticipated that income from grants would decrease. This is greater than the third (33%) who projected a decrease in grants in the [2020 survey](#) (Higton et al., 2021). It is more than likely that more businesses expect lower income from grants as the end of lockdown and the rollout of vaccinations makes it safer for them to operate as usual.

Figure 9: Community businesses' expectations for their future income in the next 12 months



Base: Operational community businesses = 538

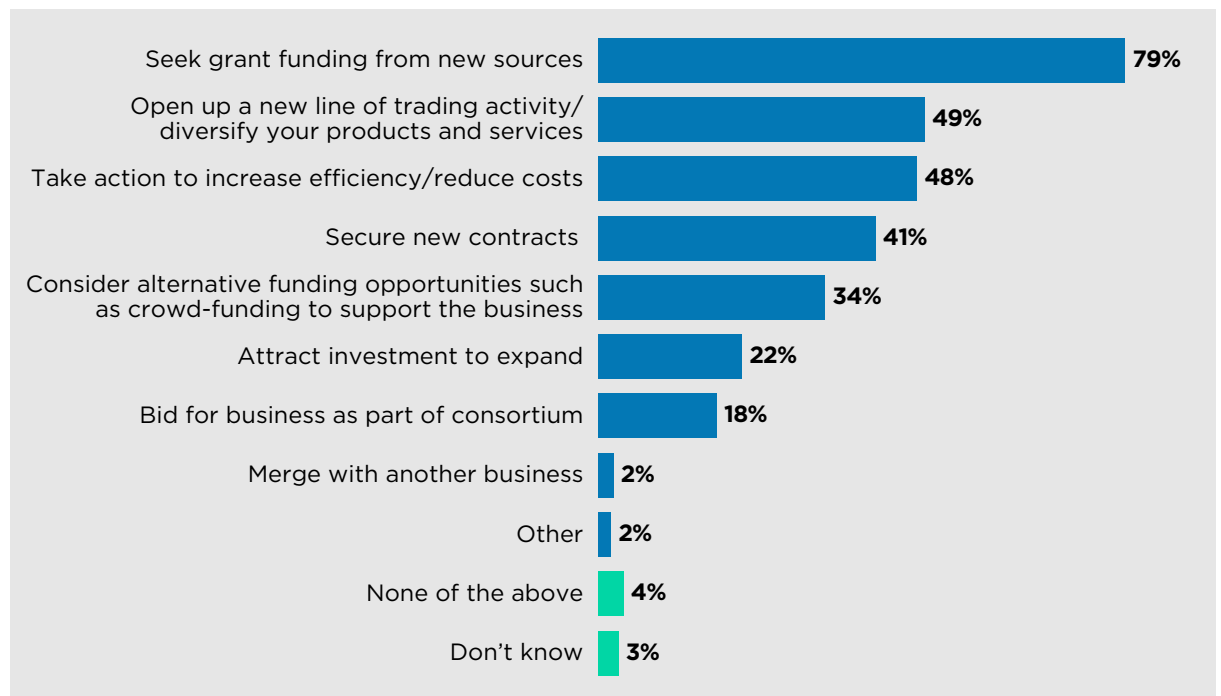
Future financial plans

Over three-quarters (79%) expected to seek grant funding from new sources (Figure 10) although fewer than half (47%) of retail community businesses (shops, pubs and cafés) said this. A third (34%) of businesses will likely consider alternative funding opportunities such as crowdfunding, which retail is again less likely to consider (19%).

Half of those surveyed planned to open a new line of trading or diversify their product or service offer (49%), or take action to increase efficiency or reduce costs (48%).

Business confidence influences some of these actions. Businesses confident in the coming year's financial prospects, for example, were more likely to anticipate opening a new line of trading or diversify their product or service than businesses lacking confidence (52% compared with 42%). Conversely, more pessimistic businesses were considering actions to increase efficiency or reduce costs (56%) compared with confident businesses (45%). A quarter (25%) of confident businesses were looking to attract investment to expand compared with one in seven (14%) pessimistic businesses.

Figure 10: Financial actions community businesses planned to take in the next 12 months



Base: Operational community businesses = 536

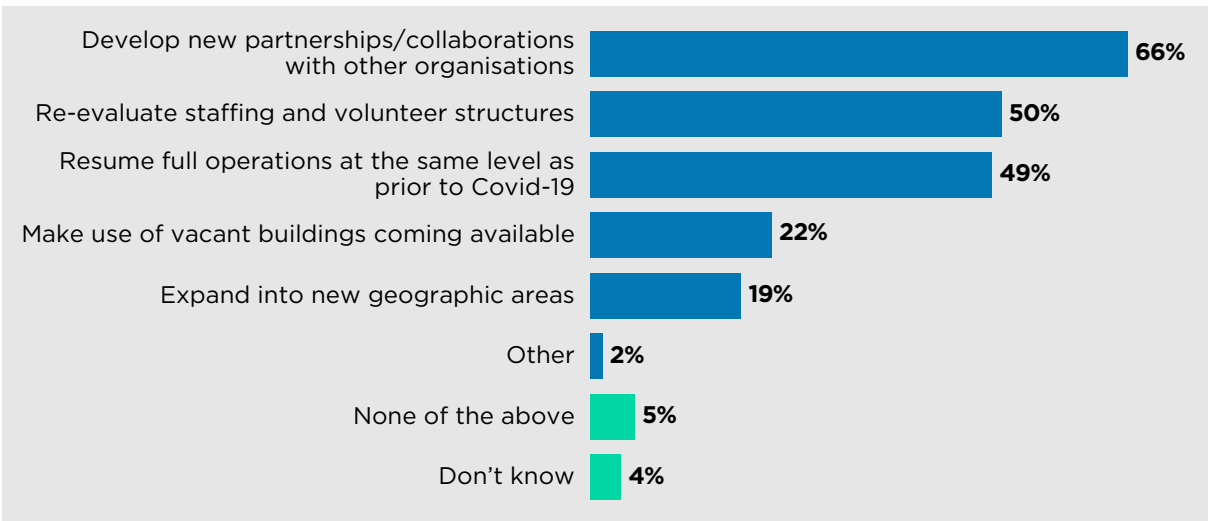
The Community Business Market in 2021
3. Outlook for the year ahead

Other expectations

Two-thirds (66%) of businesses expected to develop new partnerships or collaborations in the coming year (Figure 11). Half expected to re-evaluate staffing and volunteer structures (50%) or resume full operations

at the same level as prior to Covid-19 (49%). More than half (54%) of businesses confident in the next year’s financial outlook expected to resume full operations compared with 44 per cent of businesses lacking confidence.

Figure 11: Other actions community businesses planned to take in the next 12 months



Base: Operational community businesses = 535

3.2 Supporting businesses in the coming year

Community businesses were asked to select up to five support activities their business would find most beneficial over the next year.¹⁰ Figure 12 plots the proportion of community businesses selecting each activity (y-axis) and the rank assigned when selected (x axis).¹¹ The quadrants present the median proportion of businesses selecting each option, and the median rank those businesses assigned to it.

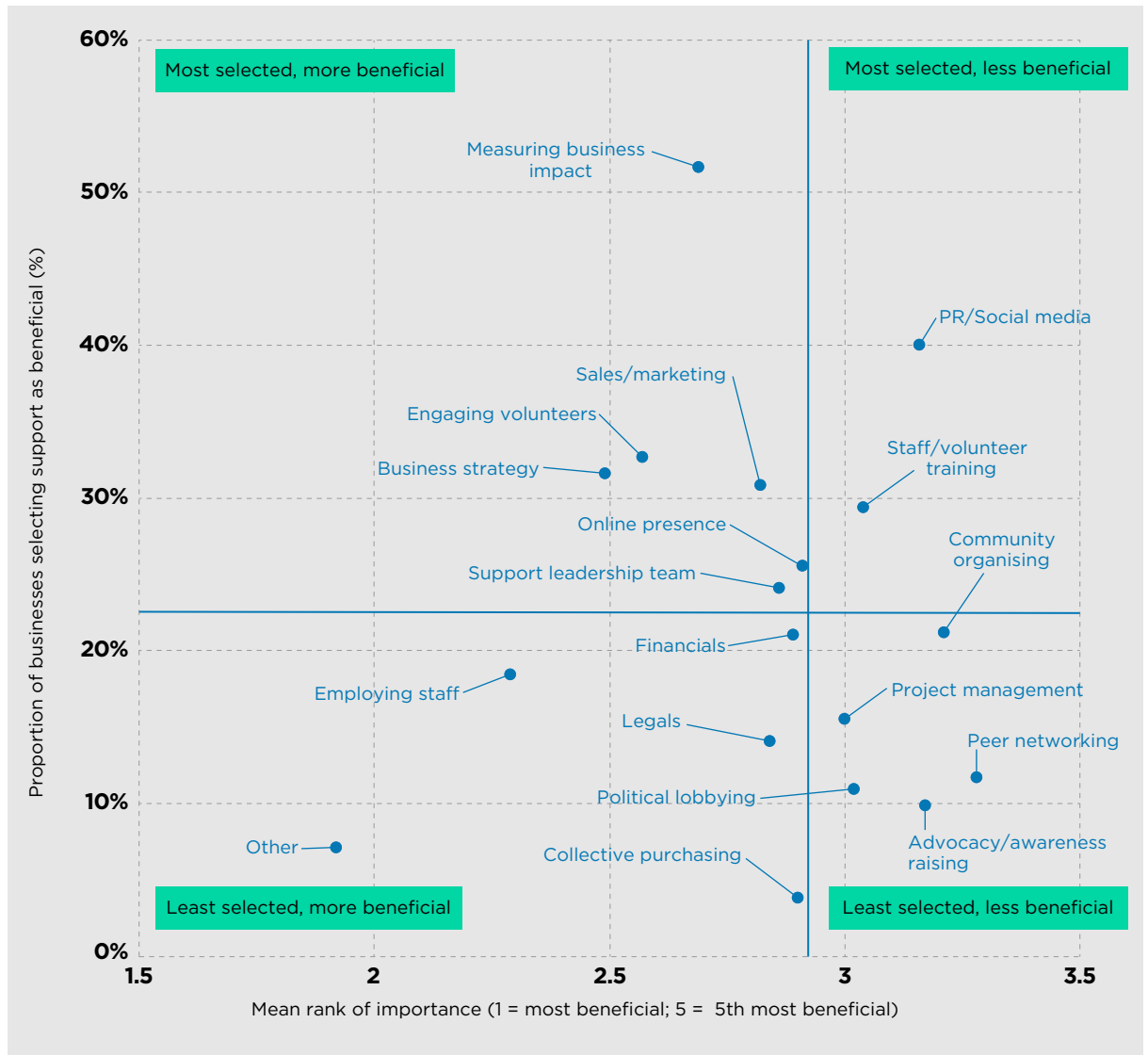
The top left quadrant is of most interest and shows that strategic and leadership activities were selected most and ranked most beneficial.

Measuring the impact your business makes in the community was the most selected activity (52% of businesses) and given a mean rank of 2.7. Prior Community Business Market surveys also ranked measuring impact as the most important support requirement of community businesses. The next most beneficial were developing a business strategy, mentoring or personal support for leadership teams, and support to help engage volunteers. Beneficial activities selected less frequently tended to be specialist, discrete financial and legal activities.

10 'We are interested in what support your business would find most beneficial over the next year. From the following list of activities, please rank the top five where you would find support to be the most beneficial.'

11 Rank scores range from 1 (the most beneficial) to 5 (the fifth most beneficial activity)

Figure 12: The need for and relative benefit of different business support activities



Base: All operating businesses = 548

4. Priorities and opportunities

Key insights

Community businesses exist to help make places better. Run by local people, they trade for the benefit of a community to which they are accountable and on which they make a broad positive impact. Power to Change sees opportunities for businesses to help communities in several areas, two of which were considered in the survey and in-depth follow-up interviews.

The first is the environmental impact of community businesses in response to the changing climate. The research focussed on the local environmental improvements businesses could make to benefit communities. Power to Change recognises that community businesses already play a major role through improving local green spaces, generating renewable energy and promoting community commitment to climate action.¹² The survey found over a third of businesses improved their environment through growing or providing food, education (40%), improving buildings (37%) and protecting the natural environment (37%).

The second area is the potential renewal of declining high streets in town and village centres. The pandemic exacerbated ongoing problems for local centres challenged by falling footfall and a shift towards online retail sales.¹³ Town centres have recovered more quickly than city centres in this regard and the [2020 Community Business Market report](#) (Higton et al., 2021) noted that some retail community businesses in towns and villages benefited from increased usage during the pandemic because lockdowns curtailed commuting and other opportunities to travel.

4.1 Community business climate action

Improving the environment

One in eight (12%) community businesses said they offered environmental or nature conservation services, consultancy or products as one of their business activities. Very few (3%) said such services were their main activity.

However, seven in 10 (72%) said their community business had at least some impact on improving the environment. These businesses were asked about their environmental activities and whether they could demonstrate any impact they made.

¹² This blog post summarises the important contribution many community business make towards climate action: <https://www.powertochange.org.uk/news/getting-to-grips-with-community-climateaction/>

¹³ Power to Change's blog post on high streets summarises many of the main issues: <https://www.powertochange.org.uk/news/what-next-for-the-uks-high-streets/>

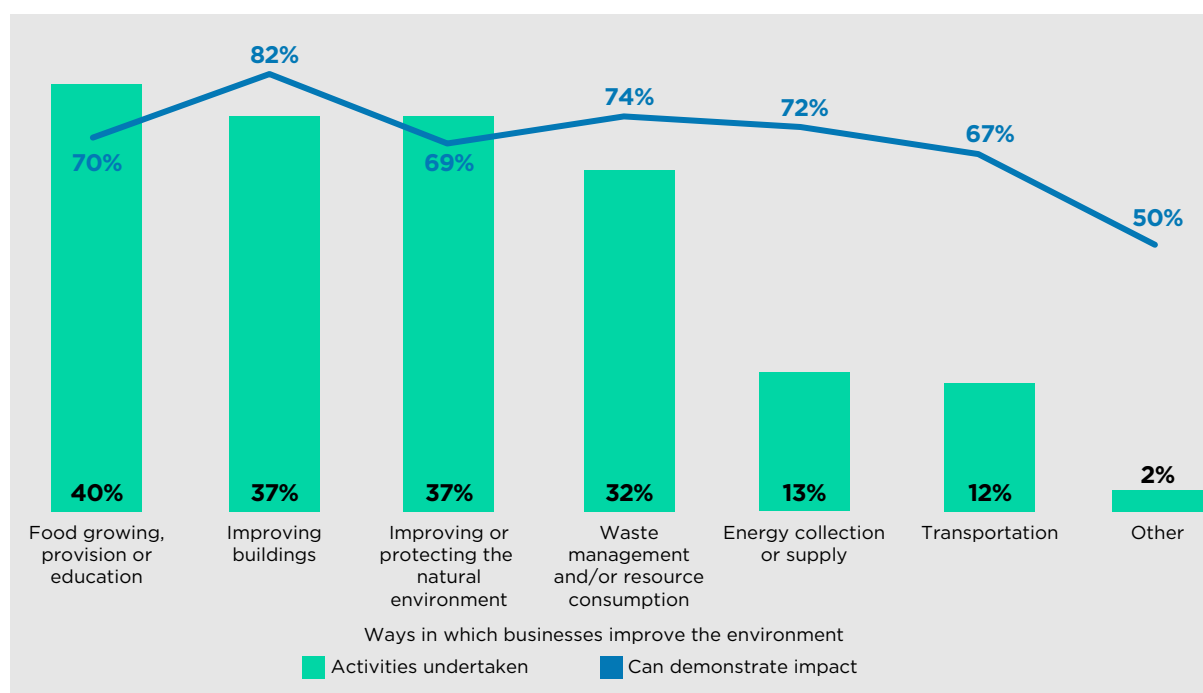
The Community Business Market in 2021

4. Priorities and opportunities

Figure 13 shows businesses reported improving the environment in four main ways, for which there is evidence of impact:

- food growing, provision or education, also covering diet and farming
- improving buildings, including renovation and energy efficiency activities
- businesses that protect the natural environment undertook activities such as biodiversity conservation, land use and management, and connecting with the natural world
- waste management and resource consumption, which covers recycling, composting, food waste, repair and reuse, retail and consumerism.

Figure 13: Environmental impacts reported by community businesses



Base: All businesses stating they conduct activities to improve the environment = 394

Main actions and impacts

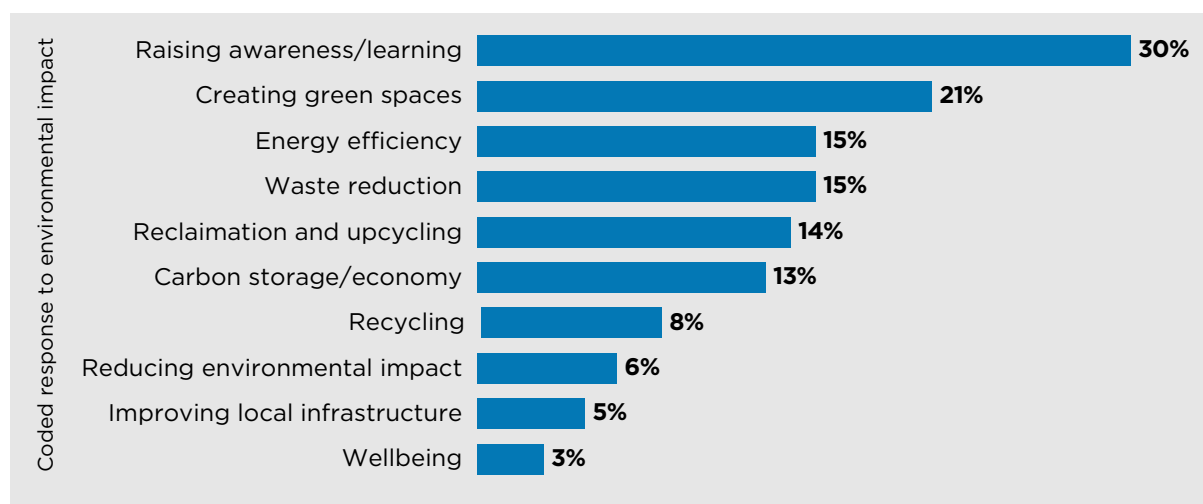
Community businesses were invited to describe the impact of their environmental actions and Figure 14 lists their coded responses. A third of those answering said their business helped raise awareness or helped others learn about environmental and climate issues. Examples include delivering training or courses on environmental issues and monitoring and collecting data to report back to local people or public bodies.



We do have a constant mindset of how to improve the environment. ... My own personal ethos and morals are aligned with ways I can improve the environment and the carbon footprint. We encourage the community to adapt to electric vehicles and electric scooters, for example ... we do have STEM initiatives that also encourage [awareness of] climate change.

Digital services

Figure 14: Type of environmental impact of community businesses



Base: All businesses offering an open response describing their environmental impact = 265

Creating green spaces

Creating green spaces includes building new spaces or reclaiming old parks and gardens from disuse. This was also one of four themes to emerge from two-thirds of the in-depth interviews undertaken with business leaders.

Many interviewees equate community climate action to creating green spaces in their local area. The term 'green spaces' encompasses parks, gardens, growing produce and rewilding activities, amongst others. These interviewees noted how issues with disused land, litter and pollution affect local people's quality of life. Converting or reclaiming land and converting it to green space is viewed as one way to improve the wellbeing of local people while also addressing climate issues at a local level. Similarly, some interviewees say litter-picking and waste reclamation activities simultaneously improve the local environment and result in recycling which is beneficial to the climate.

Several interviewees also think converting green spaces and cleaning up the environment leads to a safer environment for local people. One example was clearing waste and creating a BMX track in an area adjacent to a school. This made the space safer for children and introduced a new venue for them to use. Overall, interviewees think these activities increase local people's investment in their area and improve quality of life while also addressing climate change.



We've got some wasted space that was just used to dump litter and stuff outside. So that's been greened and will become a herb garden to supply the canteen and that will be run by local residents and volunteers.

Business centre

Reclamation and waste

Closely linked to reducing environmental impact and creating green space, there is a movement amongst community businesses towards using existing sites and assets. Businesses are aiming to tackle excess waste and ensure their actions are largely sustainable. As part of this, one enterprise has reclaimed an area of ancient farmland by planting trees and a variety of crops and foodstuff to be sold locally. A subsidy helped them reclaim the farmland and there is hope that unused farm and other land can be similarly used for allotments or related ventures.



... farming sustainably and ... selling and distributing locally reduces the carbon footprint and provides healthier families and children. This has a knock-on effect on other key services.

Training and education services

Similarly, one micro business has opened repair cafés to provide services for those with faulty items, including clothes and electrical goods. Power to Change is “putting the climate crisis at the forefront of every single decision”.¹⁴ Part of this resolve is to encourage businesses to reuse and make the most of existing resources – what is missing for businesses is easy access to funding, and direct support for asset-based community development activities.

Improving local infrastructure

Several interviewees believe that improving infrastructure is a key issue to be addressed in their local area, and refer to local public and private transport and ways of travelling safely within and through the area. Interviewees refer to safety for pedestrians and road users, linked directly with road traffic incidents and air pollution. One organisation trialled the closure of roads in the vicinity of schools during

drop-off and pick-up times to address safety issues and another community hub helped set up walking trains for schoolchildren. These activities also aim to address the air pollution caused by traffic, which a few others believe could be resolved through installing more charging points to encourage electric vehicle use. As a whole, interviewees are keen to see the infrastructure of local environments improve, especially those used by younger people, to ensure their safety now and in future.



For us, it's about improvements about greening up and the benefits that that brings. When they drop things ... [in the docks] ... it sounds like the grounds shaking [and] we're very aware of things like air pollution coming from that trade. There is the need for more green spaces [around] the terraced houses [...and] the park in which we're based used to be known for it's antisocial behaviour ... it wasn't known to be particularly safe [at night]. We want to create green space that is accessible to everyone all the time. People feel better when there's greenery.

Environmental/nature conservation**Reducing environmental impact**

Experiences during the Covid-19 pandemic have shifted how some people look at the environment, especially with the reduced number of cars on the road and the appreciation of nature some people nurtured during the lockdowns. During the pandemic, recycling has not been prioritised as it might otherwise have been, and the disposal of non-recyclable masks and lateral flow tests has compounded the issue. Local businesses are looking at ways to reduce their carbon footprint, for example by joining the TerraCycle scheme and

limiting single-use plastics.¹⁵ Although some organisations are installing solar panels to generate clean energy, the extent is limited due to many businesses renting rather than owning their premises.

A few organisations have used capital funding they received to make their buildings more energy-efficient. There are also opportunities for businesses to receive an environmental audit and learn how to improve their footprint. Businesses are keen to improve their energy efficiency and reduce their overall waste through additional funding, learning and partnership opportunities, for both financial and environmental benefit.



We've had some grant funding by environmental projects. We are commissioned by various organisations in different parts of Bradford who also have a mission to improve the environment, so we bring our expertise along with their expertise. We might work with organisations that clean up rivers or that do landscaping and we kind of bring the engagement to it and they bring their skills to do their part of the project. So yes, it's that kind of joining forces with other organisations often.

Training and education

4.2 Revitalising the high street

There is huge potential for community businesses to contribute to reimagining the civic centres which are often at the heart of the communities they serve. The long-term decline in these areas has been accelerated by the Covid-19 pandemic, which has also seen a resurgence of community spirit and a renewed connection with local areas. The rise in localism accelerated by lockdown means there is a rare opportunity for change.

Our research provides timely insight on community business experiences of some of the key challenges and opportunities that will characterise the ambition, co-design and local vision for civic centres in coming years.

Taking up vacant buildings

For many organisations, the high street provides the optimal location for commercial and community activities. One in five (22%) businesses expected to make use of vacant buildings within the next 12 months (see Figure 11) and some of these participants' ideas around relocation were during interviews.

For most of the organisations interviewed, footfall was a deciding factor in the decision to move to the high street. The proximity to shops, cafés and restaurants means that passing trade is more common than for premises out of town. A high street location also means proximity to the community they serve and, in some cases, a specific target audience or market. For example, one organisation aimed to provide services highly relevant to a nearby university student community. City- or town-centre locations also help with accessibility via public transport or, because of available parking, by car. Accessibility is a key factor informing the decisions of all those organisations choosing a high street location.

15

Recycling company TerraCycle offers businesses the opportunity to act as a drop-off location for waste which cannot be recycled through local authorities. For more details, see: https://www.terracycle.com/en-GB/about-terracycle/drop_off_locations

“

So it's a single-storey building so it's all ground floor, it's fully accessible, we've got our own parking, we've got overflow parking because it backs onto a local authority owned car park which is also free so it's fully accessible. It is just outside the town centre but certainly not much, we've got a park less than 100 metres away.

Community hub

Taking up financial incentives

For some community businesses, the offer of funding and incentives has guided their decision to relocate to high street premises. One micro business used their investment loan from Nesta to regenerate a derelict space in which they are now housed. This funding was part of a drive by the local authority to recruit organisations to use existing premises on the high street. The cost of overheads is a widespread concern – one organisation hopes that by showcasing their sustainability and social impact the local authority will not increase the rent for their premises; another is receiving a rates mitigation from the landlord. While being located on the high street has its benefits, businesses are ultimately dependent on revenue and available schemes to assist businesses, especially in their infancy, are particularly important for their long-term sustainability. There is mutual benefit for community businesses and local authorities when relationships are nurtured.

“

[This city] has a massive property inflation and boom. There's absolutely no way we could afford to take on private rentals. So, what we are looking for is peppercorn rents. The council... are moving away from peppercorn rents, and looking to try and get partial rents for [their] massive liability of buildings. There are a few community buildings that are underused within the area which would make suitable extensions for our current staff. Particularly, if it's offices, or community spaces that are leased on a longer-term, it doesn't require a huge amount of staff, but would generate a lot of social impact and income if they're managed well. That's what we're looking for.

Community hub

Challenges with local regulations

Local council rules, regulations and vision dictate whether businesses can move to some premises. Factors such as business rates, strategies for local planning and documentary evidence to show a business is a going concern led to a few community businesses describing issues of perceived red tape and inflexible policy. For example, one business said they cannot lease directly from their council but instead do so through a separate organisation, which incurs a higher business rate. Another found that even working directly with a local authority didn't prevent several council postponements hindering their plans to start trading. A few interviewees felt council processes misunderstood the community business model and applied only commercial business thinking in decision-making.

They felt councils were ill-equipped to make complex planning decisions that took into account the wider community benefits which could arise, for example, through bringing derelict premises back into use.



We're worried that the delay of using investment money would potentially stop the further development of the empty spaces next to us. That's an issue. It's about bringing people together, getting the local authority, local residents and [others] to work together and get projects done rather than focus on the problems.

Business centre

Financial factors as a barrier

Relying on funding for initial outgoings could be a risk as the business could become dependent on financial assistance moving forward. There are questions around how long funding can or should be the main form of revenue for businesses moving to, or starting their life, on the high street. One business had funds to cover costs for six months, after which they hope that trading will be in full flow. Furthermore, many high streets have been in decline for years and it is no guarantee that businesses moving there will be able to attract trade. One organisation has moved to a high street in a new area, but because it is not yet established it does not know how successfully it can rely on footfall. Even with local council support and funding, it is neither straightforward nor guaranteed that a community business will be successful or sustainable in its endeavours on the high street.



[The county] council who owned the building wouldn't lease it to me. I was still in the process of setting up the CIC [and] they didn't want to issue a lease. So I needed to find a sponsor organisation. I spoke to the town council who weren't interested [... but another] CIC took on the head lease and then sublet the building directly to us on the same terms. We didn't automatically get it. We had to put in to tender. There were 3 commercial bids as well for the building, but [the county] council did lease it to us. It took 18 months to negotiate that lease. They wanted a very commercial lease, we haggled them down ... but it still was a scaling rent. We're now on the top level of that rent, so we're currently in the process of trying to purchase the building, or renegotiate what we've got to see if we can get a better deal.

Arts Centre

5. Composition of the sector

Key insights

Community businesses are focal points for communities. Nearly all say they positively impact on the lives of local people, especially through greater community cohesion (97%) and community pride and empowerment (95%). They nearly all provide crucial services by improving health and wellbeing (95%) and reducing social isolation (95%). These aspects of community businesses help explain their value to local people during the pandemic and their resilience to economic shocks.

Three-quarters (75%) of community businesses now offer more than one service to their community. The proportion of businesses offering employability support, information, advice and guidance (30%) and youth services (23%) also increased compared with pre-pandemic levels. The number of public-facing support service businesses offering more than one service grew by 19 percentage points (31%).

Community businesses offer important routes into employment. Three in five (58%) said they had employed at least one person who had not been in paid employment before. Community businesses employ an average of 10 staff, which shows a return to pre-pandemic levels. Four in five (82%) of these staff live in the local community.

Community businesses are four times more likely to be led by people from minoritised ethnicities (19%) compared with the UK's small and medium-sized enterprises (5%). More than two in five (43%) community businesses have representation of minoritised ethnicities and/or people aged 35 or younger in senior positions.

Median annual income increased by £20,000 to £130,000 this year. Median income for businesses with employees fell because of the pandemic.

The pandemic led businesses to increase dependency on grant over trading income compared with prior years. Nine in ten (88%) businesses accessed grant funding.

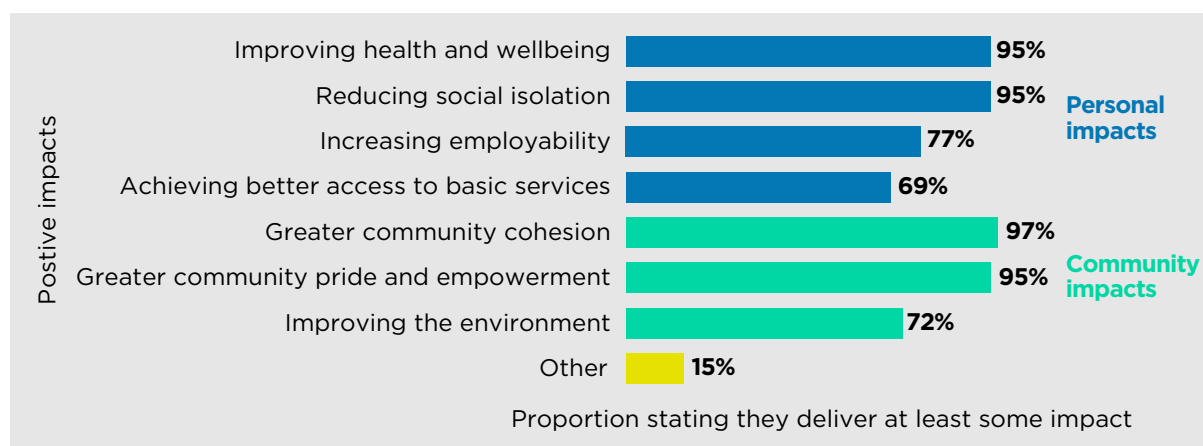
5.1 What community businesses do

The impact of community businesses

Community businesses share trading characteristics with traditional businesses but operate under local control. Power to Change considers businesses that are locally rooted, accountable to their community, and trade for community benefit as community businesses. The survey asks businesses about the community impact they deliver. Figure 15 shows the proportion of operating community businesses that said they had made 'some' or 'a lot' of impact in each area.¹⁶

Reducing social isolation was the area in which the strongest impact was registered amongst community businesses – seven in 10 (70%) of operating businesses said their business had 'a lot of impact' in reducing social isolation. Two-thirds (66%) said they had a lot of impact on improving health and wellbeing, and three in five reported a strong impact on delivering greater community cohesion (61%) and community pride and empowerment (59%). Although this year's question differs from the [2020 Community Business Market report](#) (Higton et al., 2021), the overall ranking of impacts shown in Figure 15 remains unchanged.

Figure 15: Self-reported impacts delivered by community businesses



Base: All operational businesses (n=548)

16

Q11: What positive impact, if any, does your community business have on the following? Prior to February 2020, what did you see as the social impacts that result from the activities of your community business?

The impacts arising from community businesses are sometimes consequential rather than intentional. For example, locally available facilities can provide a space for local people to congregate which develops social cohesion.



It's reducing social isolation, yes, it's reducing the number of vehicles travelling outside the village for small purchases, so, therefore, it's reducing impact on the environment, etc. but also mental health, for it's quite a social hub. When there are a number of people in the store, it is an active, noisy place, with everybody chattering and laughing, and it's achieving its objective of being a village hub.

Community shop

Helping people access employment

Half (51%) of community businesses offering a response said they had employed at least one person in the past 12 months who had never been in paid employment.¹⁷ One in 11 (9%) of this group had employed four or more such people in the prior year. This represents a significant pathway into paid work for unemployed people in the context of the pandemic.

A larger proportion (58%) of participants said they had employed at least one person who was not previously in paid employment at some point in the past.¹⁸ Nearly one in five (18%) had previously employed at least four people not previously in paid employment.

A focal point for communities

One facet of operating to support a community is providing a place or space for people to use or visit. Community hubs and facilities remain the largest main business activity reported by community businesses. Figure 16 shows three in 10 (31%) survey participants classed this as their primary activity. A further 30 per cent said a community hub or facility was a secondary activity for their business: three in five (61%) community businesses therefore operated a community hub or facility and this represents an increase compared with data from pre-pandemic surveys.

Overall, providing focal spaces for communities is the main activity offered by community businesses. In addition to community hubs, retail and hospitality spaces account for one in eight (13%) of primary business activities. A further one in 10 (10%) provide an arts or cultural centre or facility as their main function. Village halls and business support facilities or centres also account for 6 per cent of main business activities.

The distribution of community businesses across other sectors remained broadly consistent with the [2020 Community Business Market report](#) (Higton et al., 2021) and varied by ± 2 percentage points at most.

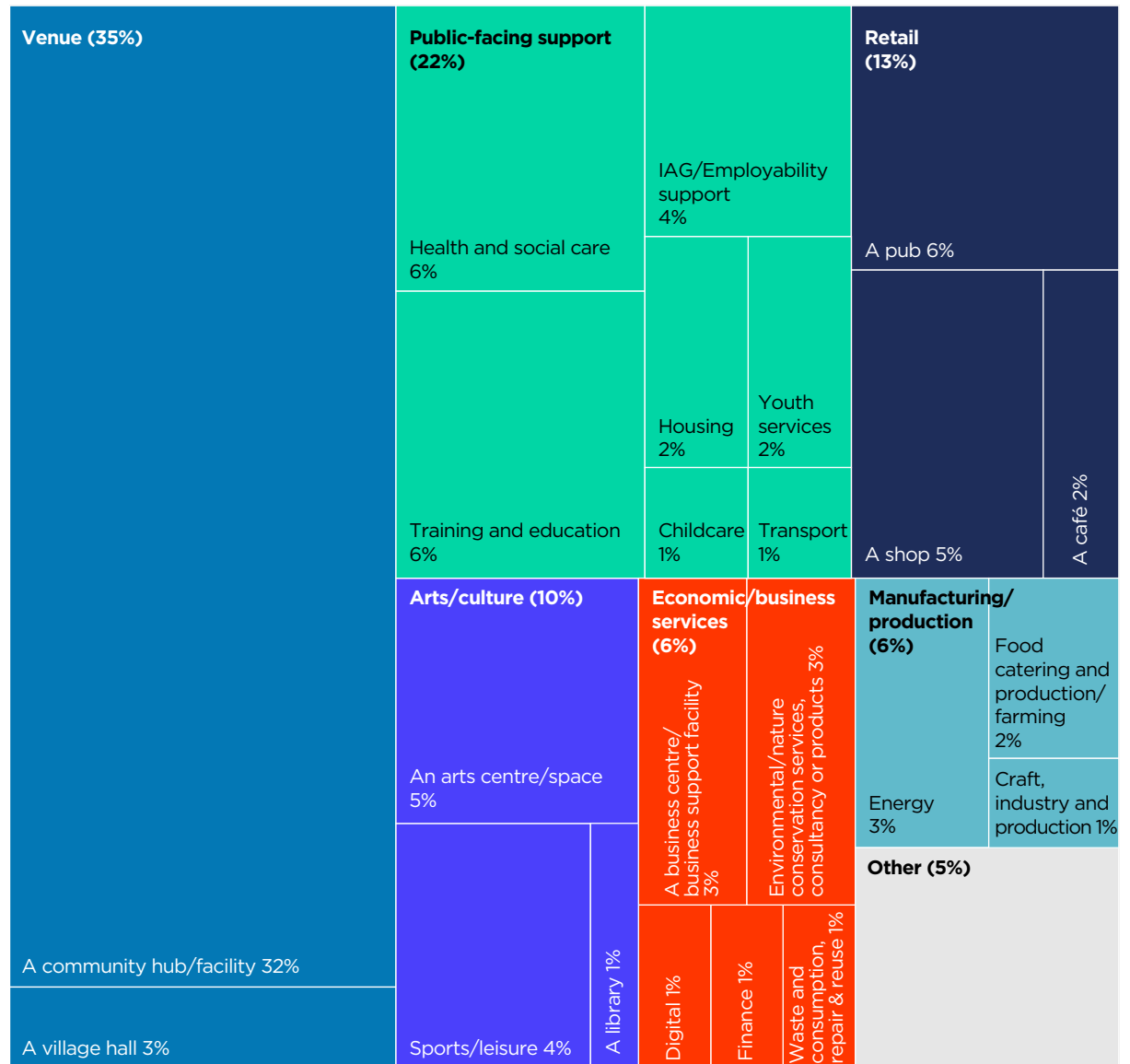
17

N=451

18

A slightly smaller response: n = 433

Figure 16: Main business activity of community businesses, July 2021



Base: All survey participants (n=569)

Delivering one or multiple activities

The proportion of businesses delivering a single activity fell for the first time in several years. A quarter (24%) delivered a single service compared with (34%) in February 2020 and 37 per cent in 2019. Earlier evidence shows that many businesses diversified their service offer and developed new services and products in response to the pandemic.

Three-quarters (76%) of community businesses delivered more than one service or activity. Most of these businesses (75%) operated as community hubs which equates to three in five (59%) of all surveyed community businesses.

These proportions are similar to the [2020 Community Business Market report](#) (Higton et al., 2021), as are the proportions of businesses offering most other activities apart from village halls from whom responses doubled this year; halls are typically multi-purpose facilities (Archer, Parkes and Speake, 2020).

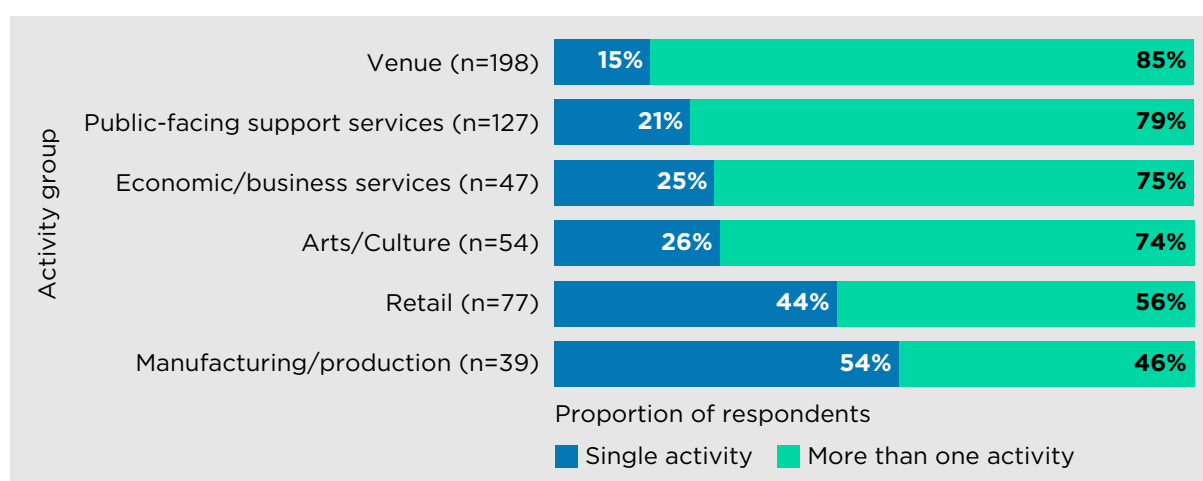
Two services were offered by significantly more community businesses this year: employability support and information, advice and guidance were offered by three in 10 (30%) community businesses this year which is nine percentage points higher than the 2020 [report](#) (Higton et al., 2021). Nearly a quarter (23%) of community businesses now offer youth services, an increase of seven percentage points from February 2020. This diversification may be caused by increasing delivery of public services through community businesses, noted in Chapter 2.

Categorising community businesses

Grouping main business activities together into categories (see grouped colours in Figure 16) enables more comparative analysis. 'Venues' remains the largest group, comprising a third (35%) of all community businesses. More than one in five (22%) community businesses stated some type of 'public-facing support service' as their main activity. This distribution is consistent with that found in prior years.

Figure 17 compares single- and multi-activity businesses by categorical group. This reveals some marked changes within categories. Nearly four in five (79%) businesses whose main activity is 'public-facing support services' now offer more than one activity. This is a 19 percentage point increase from February 2020, which is likely linked to the pandemic. The proportion of businesses offering multiple services also increased by nine percentage points in the 'venue' and 'arts and culture' categories.

Figure 17: Grouped primary activity categories by single vs multiple community business activities (bases variable¹⁹)



Base: All participants excluding other (n=542)

19 Note that aggregating data still results in low base sizes for most categories, which limits comparative analysis.

Area of operation

Based on their postcodes, three-quarters (77%) of community businesses operated in urban areas and a quarter (23%) in rural areas.²⁰ This is a very similar split to the community businesses surveyed in previous years. The 23 per cent figure matches that reported by the Office for National Statistics (ONS) for all rurally based businesses in England (Department for Environment, Food and Rural Affairs [DEFRA], 2020).

5.3 Staffing and roles in community businesses**Staffing numbers**

Most participating community businesses employed fewer than 10 people (53%) or employed nobody (17%). Just under a third (30%) employed 10 or more people, 10 percentage points more than in 2020. The average number of employees was 10. Two-thirds (68%) of employees worked part-time which is also a similar proportion compared with the last survey. More than four in five (82%) paid employees lived in the local community and this proportion did not differ much between micro (84%) and small and medium-sized (79%) businesses.

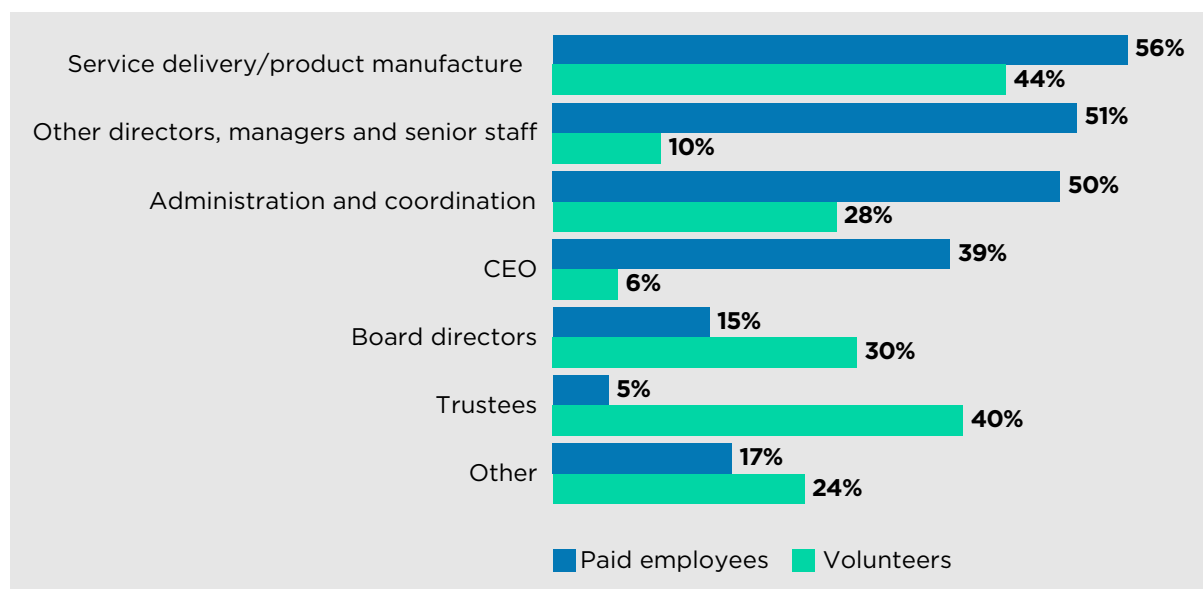
The Department for Business, Energy and Industrial Strategy (BEIS) published its most recent business population estimates in 2021 (BEIS, 2021a). Comparative analysis shows surveyed community businesses were far less likely than the UK average to employ no people (they are, after all, 'community' businesses). However, for those that do, the average number of people employed by micro businesses was broadly comparable. In the small and medium category, community businesses typically employed fewer people on average: 26 compared with 31 for the UK's SMEs.

Structure of roles

The survey asked about the roles that paid employees and volunteers fulfilled within the business after lockdown ended. The data compares the businesses with one or more paid employees to those with one or more volunteers. Figure 18 shows the proportion of each type of business that fulfil roles with paid employees or volunteers.

- Volunteers and paid employees are utilised for different senior roles. Two in five (39%) businesses with employees were led by a paid CEO whereas only 6 per cent of businesses with volunteers had an unpaid CEO. Conversely, trustees and board directors were much more likely to be volunteers than paid staff.
- The largest proportion of the workforce, whether paid or voluntary, were engaged in delivery roles ('service delivery and product manufacture').
- Half (49%) of businesses with paid employees used these staff for administrative functions compared with three in ten (28%) businesses engaging volunteers.

Figure 18: Roles of workforce in community businesses



Bases: Businesses with one or more paid employee = 448; Businesses with one or more volunteer = 527

5.4 Leading community businesses

Diverse representation in leadership teams

All community businesses with employee and/or volunteer CEOs, trustees, senior board members or directors were asked about whether they had representation by people from minoritised ethnicities and/or young people (aged 18–35). More than two in five (43%) of these businesses had such representation in leadership or senior positions (Figure 19).

However, one in five (19%) of businesses with leadership teams were led by someone of a minoritised ethnicity. This is nearly four times higher than found in the UK's small and medium-sized enterprises (Department for Business, Energy & Industrial Strategy, 2020). It is, however, comparatively lower than social enterprises (of which community businesses are, arguably, a subset) for whom 31 per cent had directors from 'Black, Asian and Minority Ethnic' backgrounds (Social Enterprise UK, 2021).

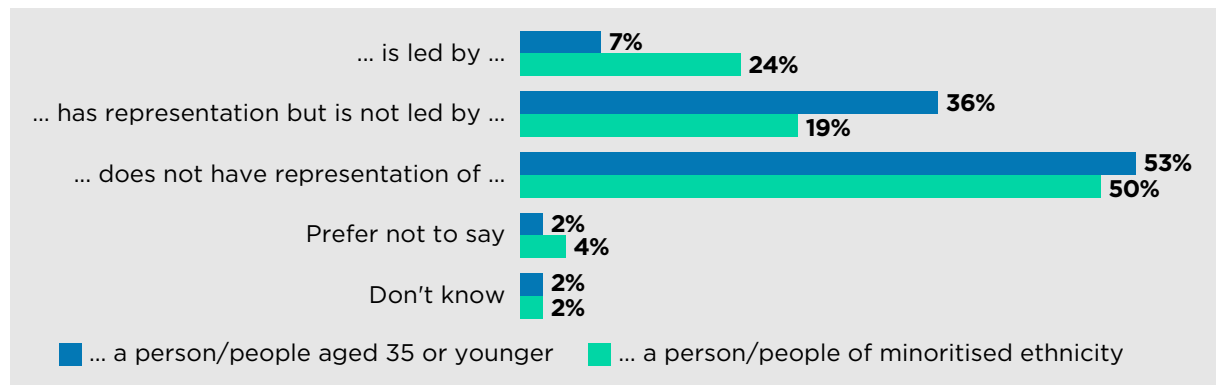
Community businesses solely operated by volunteers with leadership teams were much less likely to be run by someone from a minoritised ethnicity (6%) compared with businesses with paid employees (22%).²¹

One in 14 (7%) community businesses were led by a person aged 35 or younger. Younger people were more likely found in senior, non-leadership positions (26%) compared with people of minoritised ethnicities.

21

Base for businesses solely operated by volunteers with senior staff = 70; businesses with senior staff with at least one employee = 393

Figure 19: Senior representation in community business by ethnicity and age



Base: Businesses with one or more employee or volunteer in a senior position = 470

5.5 Pathways to leadership for younger people

Six interviewees were selected because their businesses had people aged 35 or younger in leadership positions. The interviews covered some detail on surrounding issues.

Entering the workforce through volunteering

The majority of interviewees cited volunteering as a common avenue for young people to enter work within community businesses. Those who volunteered as teenagers can go on into paid roles and get a head start into a leadership role. Volunteering is more easily facilitated through schemes, and one shop had teenagers volunteering with them to fulfil Duke of Edinburgh's Award requirements.²² For children under 16 or those who want to engage with the sector more informally a few interviewees referenced the use of advisory groups. These groups act as a consulting body through which charities and community businesses can engage young people with little expectation.



We build relationships with that local community with a view to setting up a learning hub in that community with people of that community who will run it. So, usually it is a community centre, a school, local residents, then sixth-form students of a school all in that area that we engage with, and then we help them to set up a learning hub to support children and young people with their education.

Youth services

Paid positions and qualifications

Schemes can also be useful for aiding young people's entrance into paid employment, rather than unpaid voluntary positions. A few interviewees reference the 'Kickstart' placement, one of many placements used to guide younger people into community businesses.²³ This placement provides apprentices with funding to pursue training.

²² The Duke of Edinburgh's Award is a voluntary, non-competitive and flexible programme of cultural and adventurous activities for all young people aged between 14 and 25 years old, whatever their background or ability. <https://www.dofe.org>

²³ See <https://www.gov.uk/government/collections/kickstart-scheme>

One micro business recently launched access to the Anglia Ruskin Chartered Manager (Charity) Degree Apprenticeship which offers opportunities for young people to gain skills and experience to help them in leadership roles in the sector.

“

We've linked up with our local agricultural colleges, so we bring them down here to provide them with their work experience, paid. Then, what we do is, when they've finished that qualification, we will then offer them employment in that chosen field on one of our sites.

Training and education

Alternative routes

Some young people created their own enterprises that have a positive social impact. For example, some teenagers used their school's enterprise starter programme to set up their bike hub social enterprise. Interviewees felt that young people benefit from support when challenged by creating their own opportunities or setting up enterprises.

Similarly, interviewees think young people are expected to enter voluntary or paid work in a sector which can be somewhat rigid. Young people are the most aware of what they want and, through speaking and consulting with them, interviewees think it is possible to gather views on how best to engage them. A few interviewees who consulted with young people in this way laud the benefits as it provides a way to include them in decision-making from an early age.

“

[Our] consultants are actually all young people on the estate. They'll form the committees and run the committees and the older guys are just there to give them advice and guidance when they need it. I would say, young people need to be skilled so we've got a school for that.

Business centre

Funding to allow charities to do this would, in the view of one interviewee, be the ideal means to shape opportunities to cater to young people's interests and needs.

Barriers to young leaders

There are few young people in leadership positions in community businesses. Interviewees think young people would benefit from seeing others their age pursuing careers in community businesses and the third sector. Interviewees think charities can get overexcited about hiring those with lots of experience and could be braver, recognising the benefits of taking on younger people that bring enthusiasm, new ideas and a different perspective and drive. They feel more could be done to change the image of the charity sector so it appeals to young people as a viable place to start a career, and that starts by bringing in younger people when they apply for positions.

“

We hired a girl a couple of months back who had no idea about charity, never done fundraising or anything like that. I've been blown away by how good she is, we just gave her a chance. If a Kickstart scheme could carry on, or something moulded better, that would change the game.

Arts centre

A few interviewees also believe that the nature and purpose of the business needs to interest young people. While there are community businesses which appeal to young people's interests and use this well, there is a belief amongst some interviewees that they struggle to engage this demographic because young people's hobbies and interests do not align with their perception of community businesses. For example, one micro business has found it challenging to engage young people in their outdoor activities, as they believe that interest in nature-based activities seems to wane in the teenage years, building back up as people become parents. Although young people can develop the levels of responsibility and expertise required for leadership roles, they also need to have the desire to become leaders.

Interviewees think those in the early years of their careers, for example those aged 25–30, are less likely to engage with volunteering opportunities. Some think voluntary positions are typically more attractive to people with spare time, such as those in retirement, or those looking to develop skills and gain experience, like those entering the workforce for the first time.

Many interviewees would like to employ more young people but feel this requires a financial outlay they cannot afford. Although some community businesses have received funding to help them attract young people, this is often only for engagement and is not always sustainable. Community businesses want to be able to provide their staff with a decent wage, but are only able to do so with a limited staff base. One interviewee explained that although they would love to hire more young people, their turnover is insufficient to keep them for a long period, certainly after funding support runs out. It is important that funding provided to community businesses consider the long-term effect – if businesses are unable to maintain salaries without funding, then sustainability measures need to be more carefully considered, or funding needs to be longer-term.

5.6 Stakeholder involvement in community businesses

Table 2 ranks the proportion of businesses which had each category of stakeholder from customers (74%) to investors (18%) and shows the mean and median number of each type in the business.

Table 2: Type and number of stakeholders involved with community businesses

Type of stakeholder and description	Base	Businesses with stakeholder type (%)	Mean (n)	Median (n)
Customers: those purchasing goods or services	440	74%	2,989	200
Service users: those accessing services, often related to health and social care	436	72%	2,384	200
Members: where formal membership is granted by your community business, e.g. society or charity	449	52%	317	60
Shareholders: those who have paid for and own community shares in your business	439	24%	435	200
Investors: those who have financially invested in your organisation and are not members	404	18%	51	5

In all cases, the mean figure is higher than the median which indicates a few businesses involving markedly more stakeholders of each type than all others. For example, 25 community businesses had six or more investors; 13 of these had more than 100 investors. The largest number of quoted customers for a community business was 250,000. Generally, the average number of customers and service users for community businesses was greater than for shareholders and members.

5.7 Financing community businesses

The key financial characteristics of community businesses, and differences over the past three years, are summarised in Figure 20. The median annual income of surveyed businesses is £130,000, an increase from £110,000 in 2020 ([Higton et al., 2021](#)).

This year's participants reported the same median income from trading and from grants: £50,001.²⁴

The details clearly show the impact of the pandemic. Median income for small- and medium-sized businesses fell by more than £100,000 compared with pre-pandemic levels. Conversely, the median income of businesses with no employees continued to increase, albeit from a low base size.²⁵

The second chart shows the greatest impact of the pandemic was that businesses grew more dependent on grants than trading income compared with prior years. The proportion of businesses drawing most of their income from trading fell by a third to 42 per cent between February 2020 and June 2021. Conversely, the proportion drawing most income from grants rose by 20 percentage points to 53 per cent.

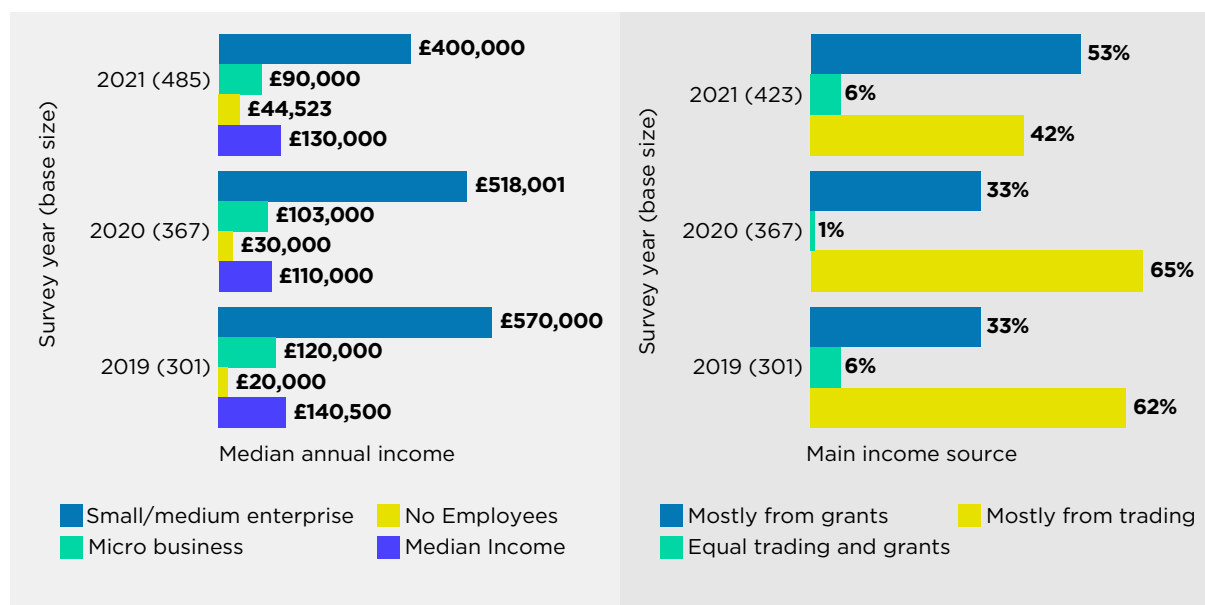
²⁴ 50,001 is a mid-point figure given for all businesses which estimate income from trading and/or grants as 'lower than £100,000' if they do not know the precise figure (Questions 30 and 31 in the survey).

²⁵ N=87.

The Community Business Market in 2021

5. Composition of the sector

Figure 20: Summary financial position of community businesses



The role of grant funding

Nine in ten community businesses (88%) accessed grant funding in the last financial year, seven percentage points higher than 2020. This demonstrates a very different approach to business finance among community businesses compared to other SMEs.

BEIS's longitudinal Small Business Survey in 2020 showed a sixfold increase in UK SMEs accessing grants, largely reflecting businesses accessing government pandemic support schemes. Despite this rise, the 28 per cent of SMEs accessing 'government or local authority grant/schemes' (BEIS, 2021b) is still far smaller a proportion accessing grant funding than in the community business market.



6. Conclusions

The evidence in this report shows that community businesses have a strong, deep and evolving connection with local people. Businesses provided an avenue for support during the Covid-19 pandemic, expanding the services they offered based on their knowledge and existing relationships with local communities. Community businesses reported increased demand for services and adapted their offer to meet this demand. The pandemic restricted opportunities for people to travel, increasing the prominence and importance of localised services. The localised focus of many community businesses saw them well placed to meet changing demand because they already understood the nature and needs of local people. Businesses' ability to meet local needs is a function of their community-focused purpose. While community businesses were in the right place at the right time to support pandemic recovery efforts for local communities, their underlying rationale was why they were available and able to help. The distinctively strong representation of directors and community business leaders from minoritised ethnicities relative to the UK's SMEs underlines businesses' community connections.

Most community businesses use a distinctive hybrid operational model which combines trading and grant income, with nine in ten businesses accessing grant income in the prior year. Four in five businesses say they will seek new grant funding in the coming year. Two-thirds are expecting trading income to increase in the next year. Income is used to provide financial support and a diversifying set of services and products to local people including an emerging focus on their mental and physical health. More businesses than ever are offering multiple services with particular growth in areas such as youth services support for employability. These changes are happening in the context of diminishing state funding (national and local) for many public services. The hybrid operational model of community businesses is partly a consequence of their wider community purpose. The acquisition of grant funding to replace diminishing public services seems likely to continue for the foreseeable future.

Community businesses also deliver wider benefits based on a combination of the purposeful and the consequential. Climate impacts are a good example and seven in ten businesses say they positively impact the environment. Environmental activity is the purpose of many businesses: one in eight (12%) provide environmental and nature conservation services, 4 per cent address waste and consumption and 2 per cent are involved in energy generation or services. However, many more make positive impacts to their local environment through producing food, improving buildings, creating green spaces, decarbonising and reducing waste from their operations. The community business model seeks to improve the quality of life for communities which leads most businesses to take climate action.

The typically flexible and creative ways in which community businesses adapted to prioritise the needs of those they support demonstrates the appetite and potential for the sector to make a significant ongoing contribution to a sustainable economic, social and cultural recovery from the impact of the pandemic. Those able to adjust their operating and business models to maintain or adapt their services are proving the most resilient and optimistic. However, fragile finances across the market mean it continues to need ongoing informed support before it can comfortably realise its full potential to deliver the collective ambitions it shares with government and public services. Community businesses have shown that, with the right kind of coordinated help, they can make a distinctive sustainable contribution to the prosperity and wellbeing of local communities across England, something that is perhaps needed now more than ever.

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Appendix:

Methodology overview

Community Business Market 2021 survey

We continued to use the community business survey first employed in 2016. The key changes we made were to insert additional questions for new topics of interest as well as those previously hosted by the Power to Change grantee survey. The trend survey questions typically returned to the versions used in surveys before the pandemic.

The survey was disseminated online throughout May and June 2021 as England emerged from national lockdown imposed due to the Covid-19 pandemic. In total, we received 548 complete and valid survey responses from operational businesses – 101 more than in 2020. A further 21 responses were received from businesses that were temporarily or permanently closed.

As the composition of the community business sample surveyed differed this year, we cannot determine whether any changes recorded are evidence of changing views or experiences, or reflect differences in the participant profile. The profile by sector is broadly the same described in the [2020 Community Business Market report](#) (Higton et al., 2021). However, this year's participants were more representative of micro businesses (those with 10 or fewer employees) compared with the 2020 report. The median reported income of participating businesses was also lower this year compared with last.

We present comparisons between the survey findings from different years of the study where they indicate a noteworthy change in the structure or behaviour of community businesses. Tests for statistical significance are used to compare data.

However, readers should note differences are illustrative because of the difference in the profile of businesses between this wave of the survey and the last in 2020. In addition, the advent of the Covid-19 pandemic led to a substantive change in many of the financial questions (and some others) posed this year, which limits the ability to analyse change over time. References to findings from prior years include caveats as appropriate.

In-depth interviews with community businesses and sector representatives

We conducted 15 in-depth follow-up interviews with community business leaders who had completed the 2021 survey in late July and August. These interviews were based on a purposive sample to reflect:

- the range of sectors within the community business market
- the range of adaptations made to business service due to Covid-19
- whether the business said it made an environmental impact

Sub samples were selected to gain insight from community businesses who had:

- moved to vacant properties on the high street or similar areas
- representation from young people in their leadership


Potential interviewees were identified via a re-contact question in the survey.

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