



Community businesses in England and Wales 2022:

New findings from Third
Sector Trends



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business in
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hands

About the author

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The contents of the report express the views of the author and do not necessarily reflect the views or policies of the commissioning partners.

Third Sector Trends Study

Data in this report are drawn from the Third Sector Trends study which was conceived and originally commissioned by Northern Rock Foundation with research conducted by the universities of Southampton, Teesside and Durham. The Community Foundation Tyne & Wear and Northumberland was a co-founder of the research and is now responsible for its legacy.

The Community Foundation and St Chad's College are currently collaborating with partners including: Power to Change, Barrow Cadbury Trust and Millfield House Foundation to undertake the Third Sector Trends Study survey and analysis in 2022-23

All publications from the Third Sector Trends study are available free to download at this address:

<https://www.communityfoundation.org.uk/knowledge-and-leadership/third-sector-trends-research/>



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Acknowledgement

Third Sector Trends is a joint effort involving thousands of people and organisations. The study could not continue without the enormous amount of support it receives.

We would like to thank all the participants in the study who took the time to do the survey and to write about their experiences. Many of the people who responded will have been involved in the study for several years now. So our thanks go to them for sticking with it this far and hopefully continuing to take part in 2025.

Help to get people to respond to the survey has come from many local infrastructure organisations, community foundations and grant-making trusts across the country by sending invitations to their lists of members or grantees, putting stories in their newsletters or promoting the study via social media. Our thanks go to them for helping build the sample.

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1 Introduction

The last time this study reported on the situation of community businesses in 2019, there was a good deal of optimism about future prospects. Community businesses were amongst the most confident third sector organisations (TSOs) about increasing their earnings, growing their businesses and working collaboratively with private firms, the public sector and other social enterprises and community businesses.

There were some uncertainties ahead because the survey closed in December 2019, just a week before a general election. A landslide majority was won by Conservative prime minister, Boris Johnson, who promised to ‘get Brexit done’ and turn on the taps of public spending and invest in the nation’s social and economic future through an ambitious ‘levelling up’ programme.

The following spring, the Coronavirus pandemic took hold, which led to a series of lockdowns and social distancing measures which profoundly altered public behaviour and dramatically eroded market conditions. Leaders of TSOs were desperately worried about the future, optimism about income levels over the next two years collapsed. By June 2020, 56% of TSOs expected that income will fall over the next two years compared with 16% in 2019.¹

By June 2022, when Third Sector Trends began surveying again, the dangers and disruption of the previous two years had receded and the third sector was taking tentative steps forward to get things back to some kind of normality. This report looks at the consequences of Covid-19 on the resources community businesses have to hand, the way that they now work and what they achieve – and scans the horizon by examining expectations on what will happen in the next two years

Structure of the report and resume of key findings

This report is divided into six substantive sections. **Section 2** provides a brief overview of research methodology and approach taken to identify community businesses. Comparative analysis with other types of third sector organisations (TSOs) is then presented to aid interpretation of data in subsequent analysis.

Section 3 compares the resources of community businesses with other types of TSOs. The indications are that the proportion of income from trading has fallen since 2019, especially for community businesses which rely very heavily upon trading. The propensity of community businesses to deliver public service contracts has also fallen slightly.

It is shown that difficult trading conditions during the pandemic have led to increased dependence on grant funding amongst community businesses. Grant-making organisations have been very supportive and especially so by increasing the availability of unrestricted grant awards. This explains why, despite difficult trading circumstances, many community businesses have been able to increase income significantly over the last two years.

The focus and social purpose of community businesses differ from other TSOs. **Section 4** shows that there is a stronger focus on discrete beneficiary groups, especially in the fields of health, supporting disadvantaged urban areas and supporting beneficiaries on related issues such as poverty, unemployment, housing and homelessness. When compared with general TSOs, for example, about twice as many community businesses say they achieve ‘very strong’ social impact by increasing employability, tackling the consequences of poverty, improving people’s access to basic services or empower people in the community. Community businesses are also the most likely to support minoritised ethnic communities.

Section 5 explores organisational wellbeing, investment in training and future operational developments. The report shows that many community businesses are currently struggling with staff retention issues (22%) and have staff recruitment difficulties (56%). Volunteer support is also creating challenges: half of community businesses are losing older volunteers and about a third are losing volunteers who joined them during the pandemic. But community businesses are much more likely to be investing in their staff and volunteers through training, digital skills, staff development and flexible working than other types of TSOs. Organisational leadership in the community businesses sector is more diverse than amongst other TSOs.

Most community businesses are committed to developing and sustaining sector inter-relationships. **Section 6** shows that they are more likely to have informal, complementary or collaborative relationships than other types of TSOs. The percentage of organisations committed to work in formal partnership arrangements has risen from 47% in 2019 to 53% in 2022.

Community businesses are also the most likely to have formed relationships with private businesses (70%), and the majority of this work is with local firms. Benefits include *financial contributions*, *in-kind support* (such as the free use of facilities or goods for sale), *pro bono advice* and assistance from *employee supported volunteers* (ESVs). Financial support from private firms for community businesses has held up well since 2016: the percentage of organisations receiving money has risen slightly from 39% to 41% - other types of TSOs have seen a decline in support.

Engagement with and commitment to local social and public policy development is stronger amongst community businesses compared with other TSOs. 88% of community businesses try to get to relevant meetings relating to their field of work and 67% work behind the scenes to influence policy. While 63% of community businesses steer clear of political issues, 62% campaign to further the interests of their beneficiaries. When working in the poorest areas community businesses are the most likely to get involved in campaigning (73%), joining policy meetings (94%) and lobbying (63%) – and fewer (55%) steer clear of political issues.

Community businesses have faced many challenges as they emerged from the extraordinary circumstances created by the pandemic, nevertheless, **Section 7** shows that many organisations are optimistic about the future – more so than other types of TSOs. Business confidence, it is argued, is a vital ingredient in building successful strategies to tackle future opportunities and challenges.

2 Methodology

Third Sector Trends surveys have been running since 2010 in the North of England, collecting a sample of 3,500 TSOs in 2016. In 2019, the principal focus remained in the North, but the range of the work was extended experimentally to the whole of England and Wales, and produced a sample of over 4,000 respondents.

In 2022, the study became fully national and received on average 600 responses from each English region and over 400 from Wales. The sample of 6,070 responses provides scope for reliable comparative analysis on many dimensions. But to bolster reliability of findings and scale survey evidence up to produce national estimates, a new baseline study was undertaken of sector and business registers. Evidence was collated on 187,270 organisations encompassing all legal forms.²

Third Sector Trends works at a national level but its purpose is to understand the structure and dynamics of the local third sector in comparative context. Four reports have been published on national findings which explored regional variations in: sector *structure, energy and impact; people in the sector, finance and assets; and sector relationships*.³

This report is the third in a series of triennial reports from Third Sector Trends on community business for Power to Change.⁴ It has been designed to complement findings from Power to Change's annual *Community Business Market Report*⁵ by providing comparative evidence on the activities of community businesses in comparison with other TSOs.

Third Sector Trends uses a broadly-based survey questionnaire which can be completed by organisations or groups of any size, purpose or legal form. This means that data can be categorised to align with Power to Change's definition of community businesses:⁶

- **Local roots:** a business run by local people for the benefit of the local community.
- **Accountability to the local community:** the local community have a genuine say in how the business is run.
- **Trade for the benefit of the local community:** community businesses sell services and products in and around their local area.
- **Broad community impact:** community businesses engage with a variety of different groups in their community and address different community needs. They may have a specific focus on a disadvantaged group, or support the local community more widely.

For this report, Third Sector Trends data were divided into three categories of TSOs which work at the local level:⁷

- **Community businesses working locally and earning income:** include Community Interest Companies, Companies Limited by Guarantee/Shares, Cooperatives and Community Benefit Societies and Credit Unions which operate as or in a similar way to community businesses (n=612 in 2016, n=658 in 2019 and n=737 in 2022).⁸
- **General TSOs working locally and earning income:** include general charities, Charitable Incorporated Organisations, Community Amateur Sport Clubs, and other Registered Societies which earn a proportion of their income from trading (n=1,044 in 2016, n=1,138 in 2019, n=2,191 in 2022).
- **General TSOs which do not earn income:** include general charities, Charitable Incorporated Organisations, Community Amateur Sport Clubs, and

other Registered Societies which do not earn income from trading (n=900 in 2016, n=962 in 2019 and n=1,401 in 2022).

In this report, structural variations must be taken into account when interpreting comparative data on community businesses and other types of third sector organisations which work locally. Community businesses tend to be larger than general TSOs (Figure 2.1). For example, 36% of community businesses have income above £250,000 compared with 15% of general TSOs which earn income and just 5% of general TSOs which do not earn income.

Location by area affluence also varies: 35% of community businesses are based in the least affluent areas (IMD 1-2) compared with 18% of general TSOs working locally and earning income and 16% general TSOs working locally that do not earn income (Figure 2.2).⁹

Figure 2.1 Comparison of sector structure by organisational size

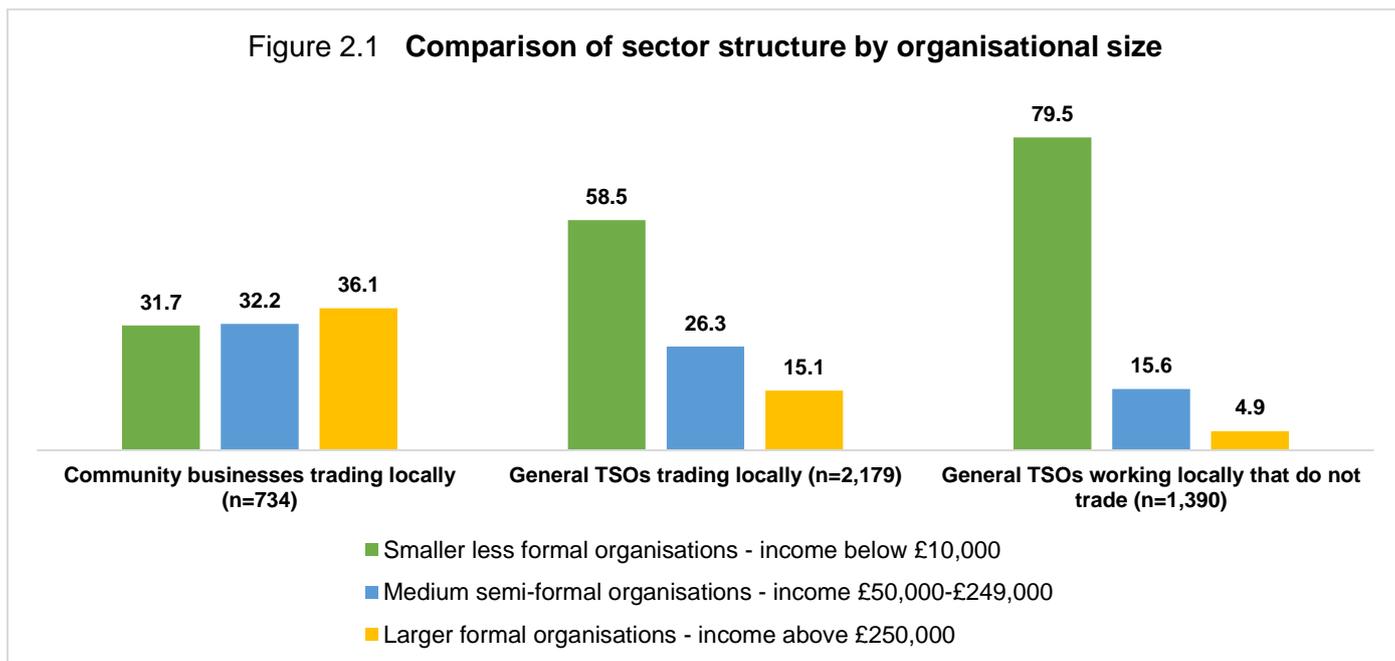
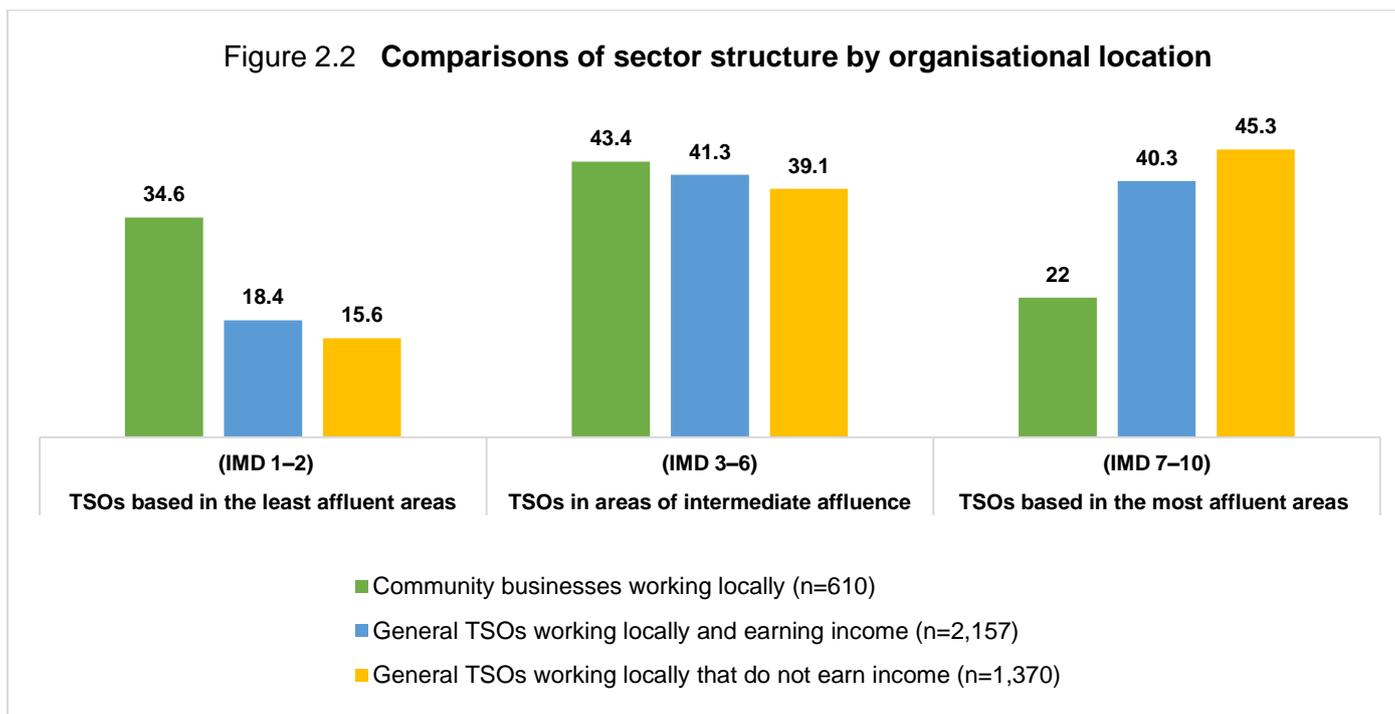


Figure 2.2 Comparisons of sector structure by organisational location



3. Structure and resources

This section compares the resources of community businesses with other types of TSOs so that subsequent analysis of sector purpose, perceptions of impact, approach to partnership and influencing can be assessed fairly.

Income resources

Figure 3.1 shows that community businesses are much more likely to rely heavily on grant income (82%) than general TSOs working locally and earning income (66%) and general TSOs working locally that do not earn income (53%). And while community businesses are more likely to rely on income from contracts (49%) than general TSOs working locally and earning incomes (26%), both types of organisation are equally likely to engage in self-generated trading activities (~50-51%).

Community businesses are more reliant on contributions in kind (such as free use of facilities, equipment or donations of products for use or sale) than other types of organisations, but they are less dependent on gifts and financial donations, investments and subscriptions. Very few organisations borrow money, although community businesses are the most likely to do so (7%).

The balance of reliance on income sources has changed since 2016 amongst community businesses (Figure 3.2). Since the pandemic, grant income has risen in importance while reliance on self-generated trading income and contracts has declined. Reliance on gifts and donations and subscriptions has risen slightly, while dependence on borrowing, investments and in-kind support has remained much the same.

Figure 3.1 Percentage of organisations stating that sources of income are 'important' or 'most important' to them in 2022

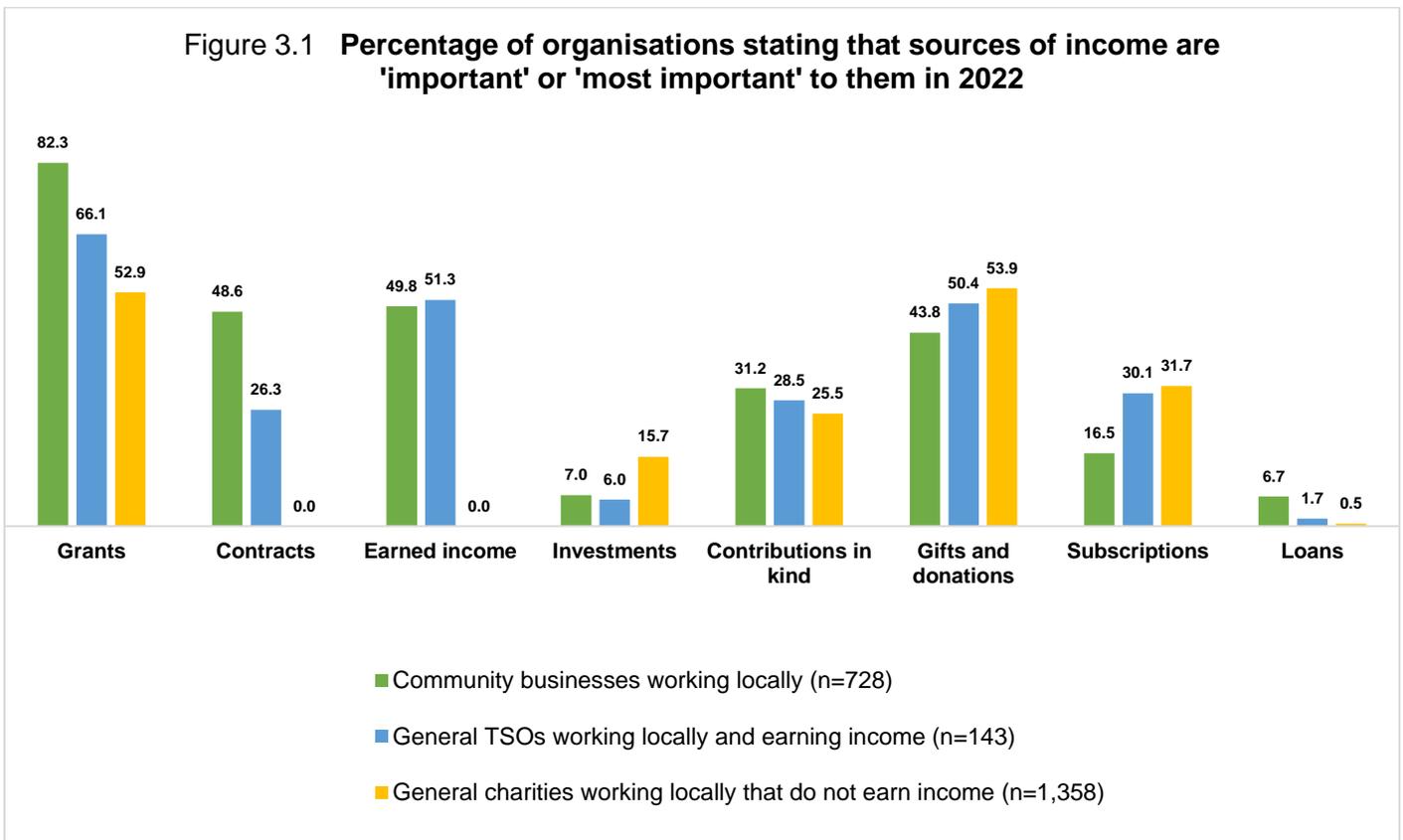
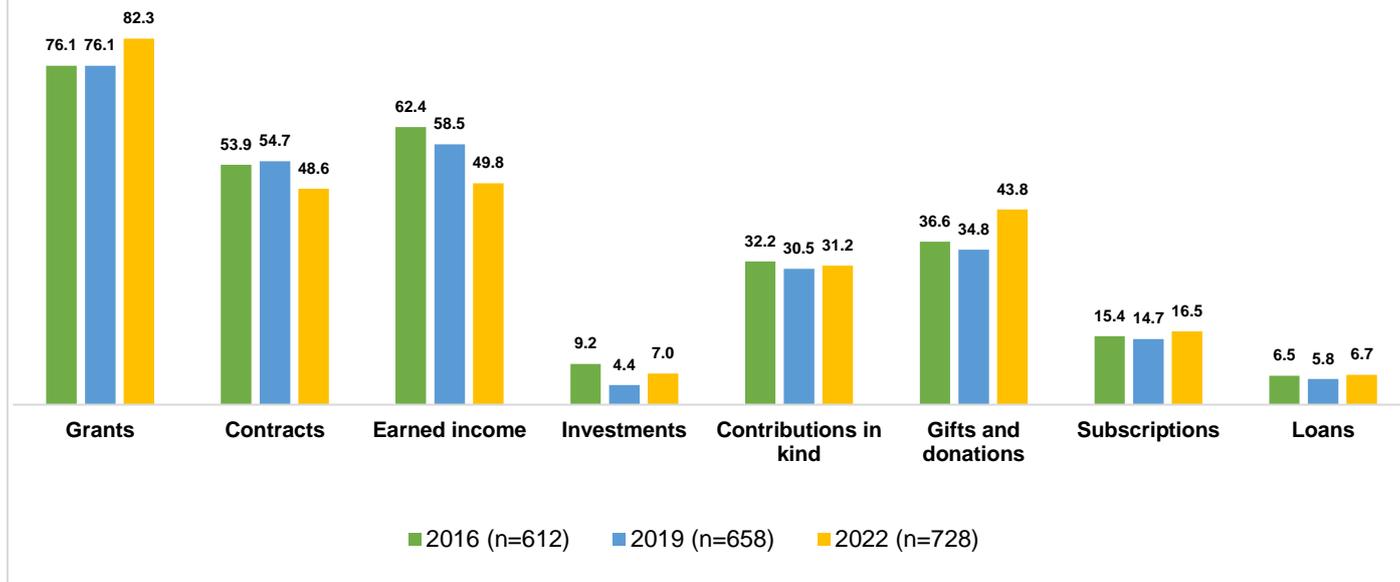


Figure 3.2 Percentage of community businesses stating that sources of income are 'important' or 'most important' 2016-2022



A reduced level of reliance on contracts and self-generated trading income is explicable in the difficult trading circumstances community businesses faced in the depths of the pandemic. While the *proportion* of community businesses income from trading has been declining since 2016 (Figure 3.3) this is not to argue that the *volume* of revenue from trading has declined significantly. But the indications are that community businesses which rely most heavily on trading (60% or more) have experienced overall revenue decline while those with middling levels of reliance on trading (40-60% of overall income) enjoyed greater income stability (Figure 3.4).

Market conditions have been challenging during the pandemic, but there is no evidence to suggest that community businesses in the poorest areas suffered higher levels of income decline than in more wealthy areas. Comparative data on the percentage of organisations which increased income significantly is reassuring, as it shows that community businesses were much more likely to increase income than general TSOs which earn a proportion of their income.

Figure 3.3 Proportion of community business income from contracts and self-generated trading 2016 - 2022.

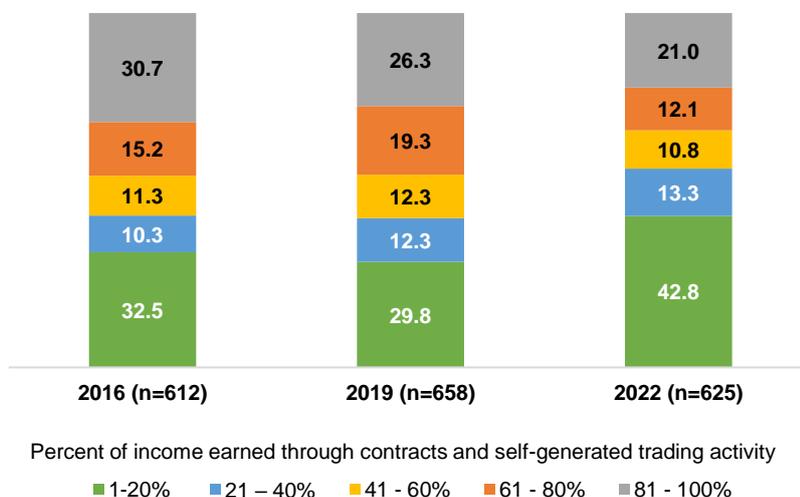
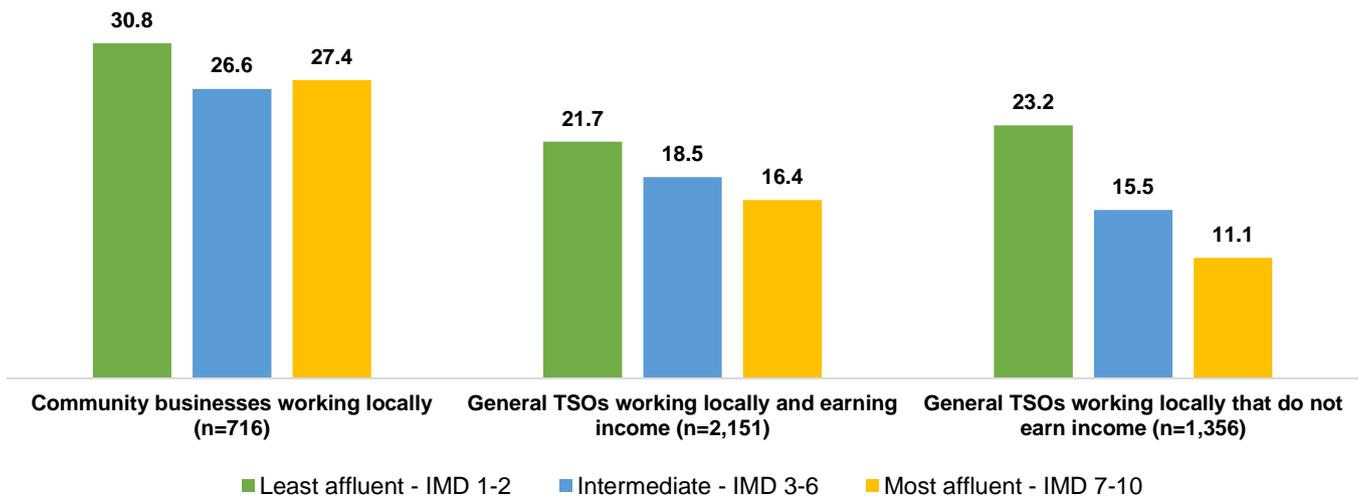


Figure 3.4 Percentage of organisations with significantly rising income in the last two years (2020-2022) by area affluence



There has been a decline in the percentage of community businesses bidding for or delivering public service delivery contracts since 2019 (Figure 3.5). This is likely to continue for as long as contract values remain low due to increased pressure to raise wages.

Figure 3.5 Percentage of community businesses engaged in bidding for or delivering public service delivery contracts (excludes organisations which are unaware of such opportunities)

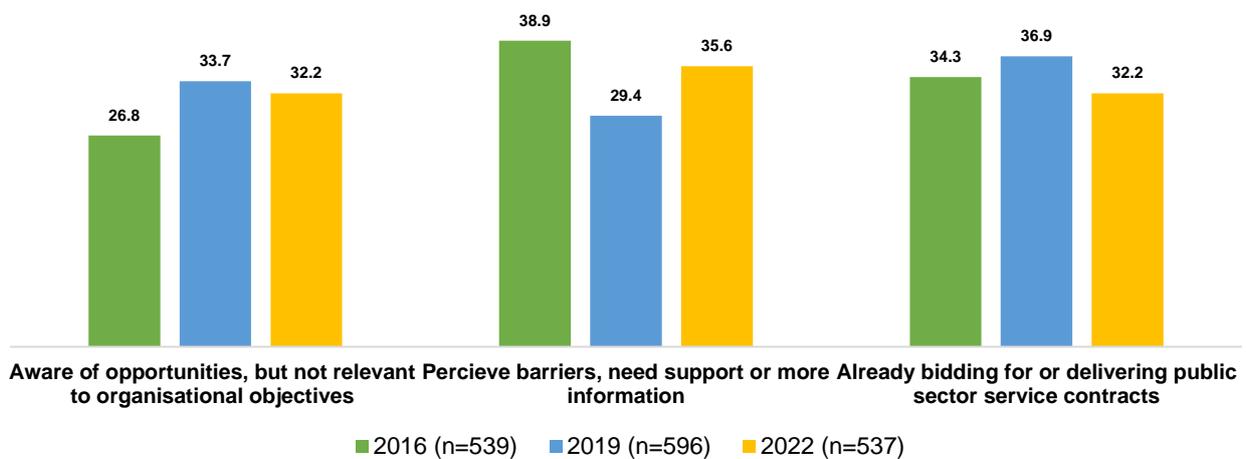


Figure 3.6(a) shows that community businesses were more successful in garnering unrestricted funding (66%) than general TSOs working locally and earning income (59%) and general TSOs working locally that do not earn income (58%).¹⁰ Amongst community businesses, there was a substantial rise in the receipt of unrestricted funding during the pandemic (rising from 44% in 2019 to 66% in 2022).

This had the knock-on effect of reducing demands from funders to assess impact or to produce evidence of innovative practice (Figure 3.6(b)). Furthermore, many community businesses were approached by funders to see if they could lend support. There is a strong likelihood, however, that many trusts and foundations may tighten up on the disbursement of unrestricted funding post pandemic.¹¹

Figure 3.6(a) Relationships with grant-making trusts and foundations during the pandemic (percentage 'agree' or 'strongly agree')

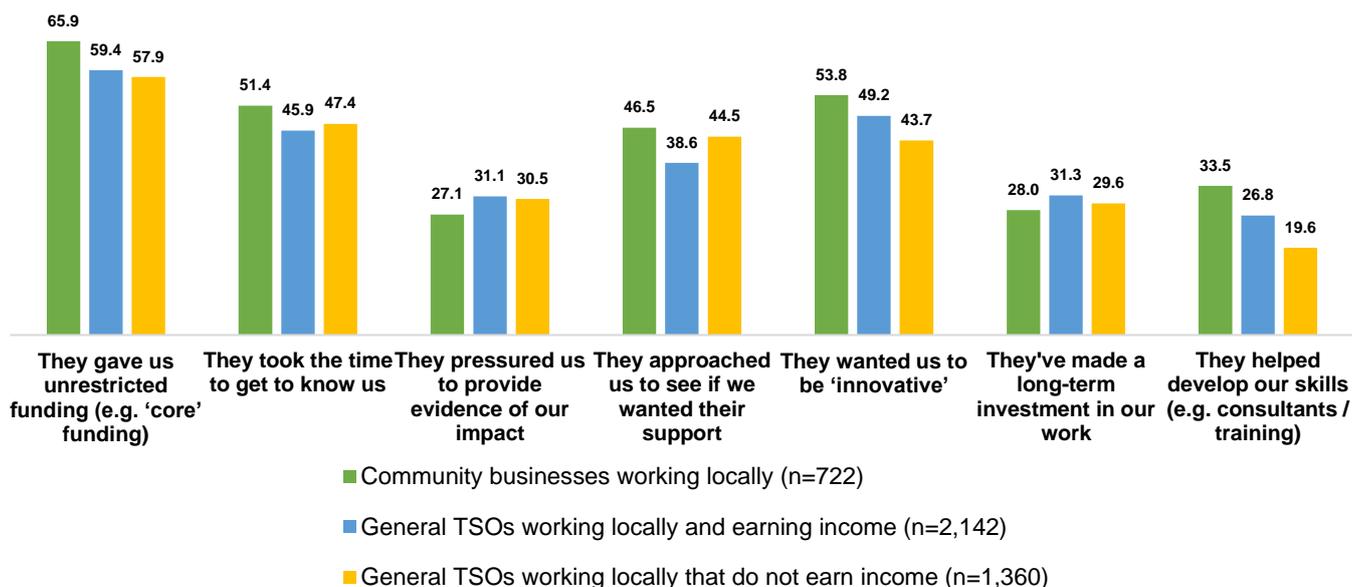


Figure 3.6(b) Changing relationships between community businesses and grant-making trusts and foundations 2019 - 2022

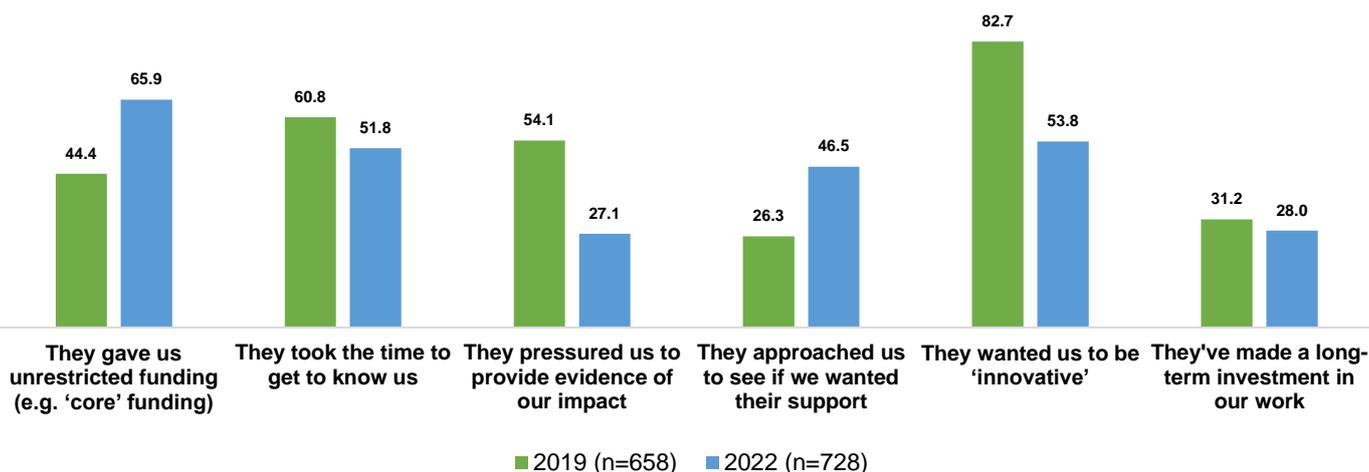
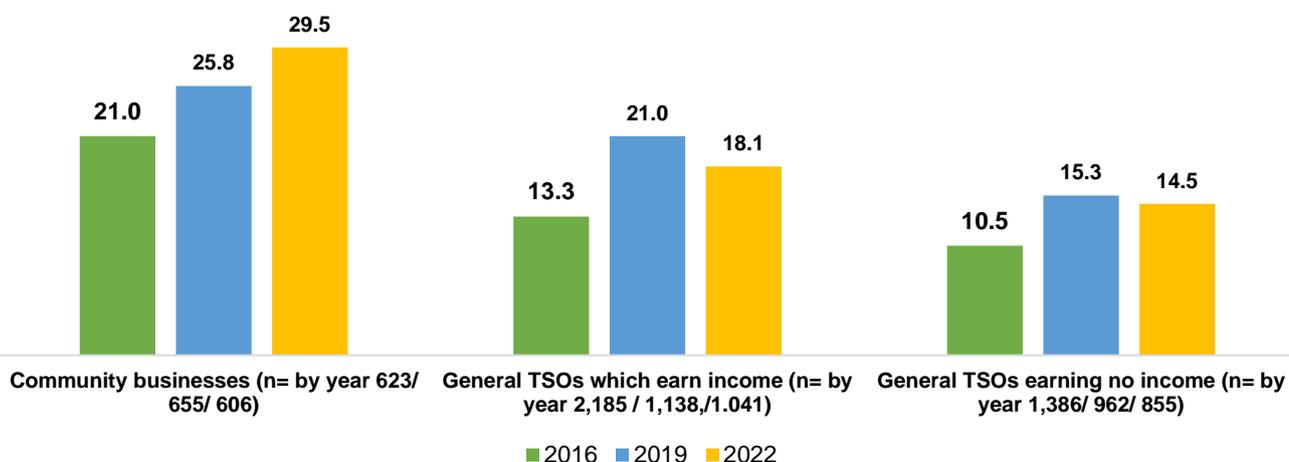


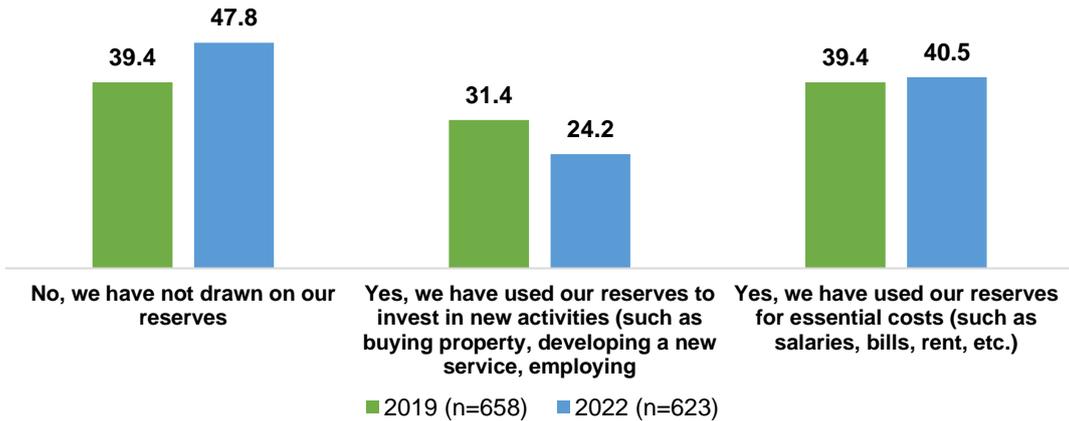
Figure 3.7 Percentage of organisations reporting significantly increased income in the previous two years (2016, 2019, 2022)



If rising income is used as an indicator of financial wellbeing, community businesses have been more successful than other types of organisations since 2016 (Figure 3.7).

Community businesses are also holding on to their reserves to a greater extent than in 2019 and fewer are investing in new activities (Figure 3.8).¹² Financial prudence is explicable in a period when energy costs, wages and general inflation has been rising – but this may have longer-term consequences (see Section 5 for further analysis). Many organisations have, however, had to dip into reserves to meet essential costs – but this has not risen significantly for community businesses since 2019.

Figure 3.8 Use of reserves by community businesses: 2019 and 2022

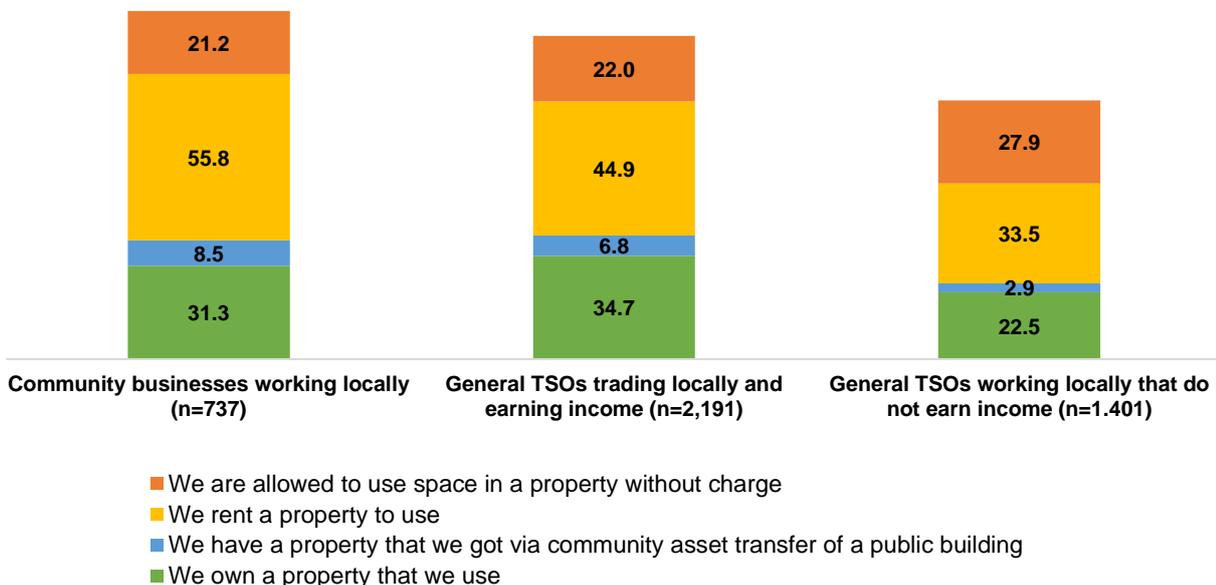


Property ownership and management

Third Sector Trends collate data on free use of property, renting and ownership. Additionally, data on community asset transfer (CAT) were collected in 2022 and it is estimated that there have been about 9,600 CATs in England and Wales since 2011.¹³ Figure 3.9 shows that almost 9% of community businesses have taken control of CATs in England and Wales: of which, 29% were based in the least affluent areas (defined as the poorest quintile of the Indices of Multiple Deprivation).

Figure 3.9 Percentage of organisations which own, rent or have free use of space in a property

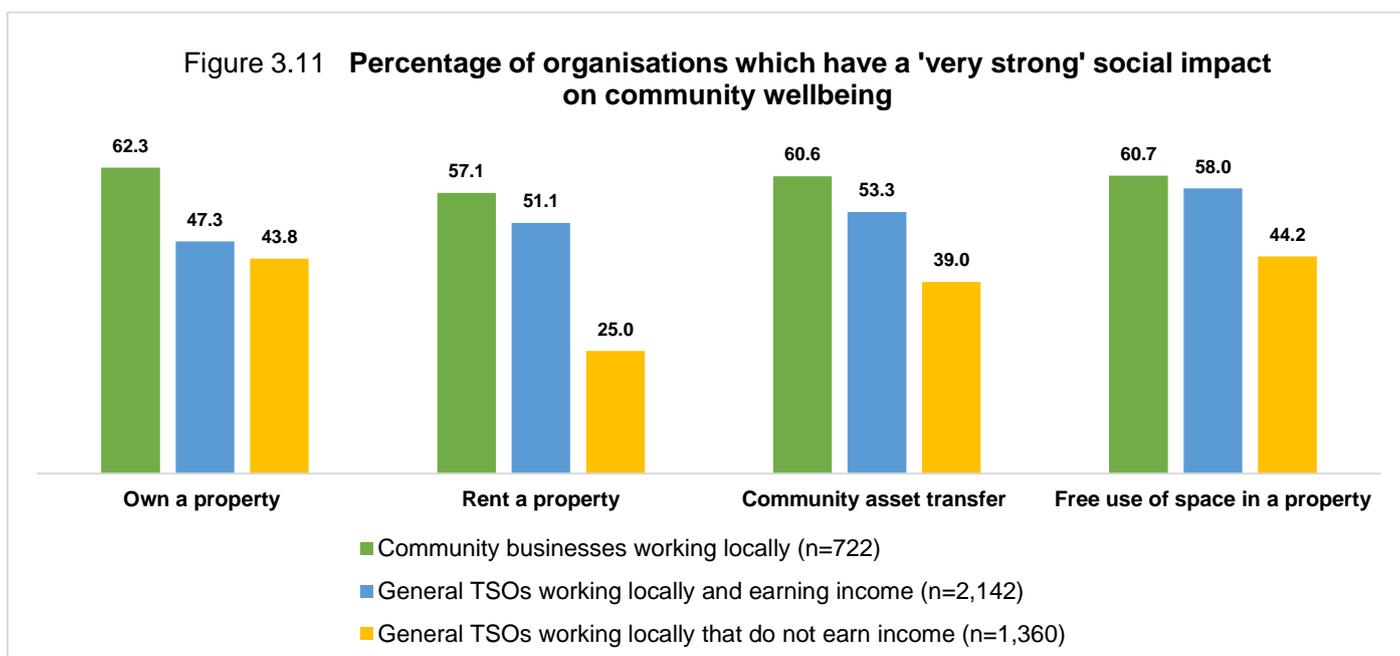
(percentages include multiple forms of property tenure and do not round to 100%)



The indications are that property ownership has an inconsistent influence over organisational wellbeing (Figure 3.10). There is, for example, little evidence to suggest that property ownership correlates with rising income in the last two years compared with rental tenure. The proportion of organisations which hold reserves is similar, irrespective of property tenure, as is the case amongst organisations making use of reserves for essential costs.

While the scope of the analysis is limited at this stage, Figure 3.11 indicates that a link between property tenure and perceptions of social impact is more limited amongst community businesses than other TSOs.

Figure 3.10 Contribution of property ownership to organisational wellbeing				
	Owners of community asset transfer properties	Owners of property for operational usage	Renters of property for operational usage	Free access to space in property for operational usage
Percentage of organisations with significantly rising income in the last two years	23.6	17.4	22.3	19.2
Percentage of organisations which hold financial reserves	85.5	90.9	86.9	79.1
Percentage of organisations which have needed to use reserves to meet essential costs	24.8	25.9	25.9	19.9
Business confidence: percentage of organisations expecting income to rise in the next two years	36.7	34.5	34.3	34.6
Number of respondents: all types of organisation (percentage of whole sample in parentheses).	293 (4.8)	1,595 (26.3)	2,470 (40.7)	1,489 (24.5)



4 Purpose and impact

This section shows that community businesses use their energy to achieve social objectives which benefit the local community in a wide variety of ways.

Disaggregating how such energy is distributed is complex because there are many crossovers in beneficiary focus and organisational purpose. Furthermore, individual organisations can rarely claim to achieve all the impact, other organisations also make a contribution to social issues (as is discussed in Section 6).

Community businesses are more likely to concentrate their energy on specific beneficiary groups or types of places than general TSOs. For example, twice as many community businesses attend to social issues such as homelessness, unemployment, poverty, and disadvantage in urban areas than general TSOs (Figure 4.1). But it is relatively rare for community businesses to devote all of their energies solely to one purpose. Instead, they serve a range of beneficiary groupings.

For example, amongst organisations which support people with mental health issues, 60% of them also help people with physical disabilities or learning difficulties. Support is not restricted to health beneficiaries; other groups are also supported. For example, amongst organisations which focus attention on mental health, 30% also help homeless people, 32% support carers and 40% look after the interests of people or households living in poverty.¹⁴

Figure 4.1 Percentage of organisations serving beneficiary groups

	Community businesses working locally (n=737)	General TSOs working locally and earning income locally (n=2,191)	General TSOs working locally that do not earn income (n=1,401)
General issues			
People in general	54.7	62.2	51.3
Children and young people in general	48.7	41.9	37.9
Older people in general	37.2	34.4	35.7
Health issues			
People with physical disabilities	26.6	18.2	20.1
People with physical health conditions	27.4	18.0	18.9
People with mental health conditions	41.8	22.5	20.4
People with learning disabilities	28.8	17.1	15.0
Carers	15.1	9.9	9.4
Specific beneficiary groups			
People of a particular ethnic or racial origin	12.1	5.6	6.4
People with homelessness and housing issues	16.4	8.2	11.8
Unemployed/workless people	26.2	11.0	12.0
People with concerns about gender and sexuality	7.5	3.9	3.7
People or households living in poverty	32.4	14.5	19.8
Other third sector organisations	14.8	5.5	4.2
Area context			
People in rural areas	19.8	17.2	14.4
People in disadvantaged urban areas	32.7	13.6	11.8

Community businesses tend to be bigger organisations than general TSOs and are more likely to be based in and concentrate energy on disadvantaged communities.

Consequently, there are variations in the extent to which organisations claim to achieve social impact (Figure 4.2).

When compared with general TSOs, for example, about twice as many community businesses state that they achieve ‘very strong’ social impact by increasing employability, tackling the consequences of poverty, improving people’s access to basic services or empower people in the community. In other fields of social impact (such as encouraging physical activity to improve people’s lives or enhancing the cultural and artistic life of the community), perceptions of very strong impact are more similar.

Figure 4.2 Percentage of TSOs reporting that they have a ‘very strong’ impact			
	Community businesses working locally (n=726)	General TSOs working locally which earn income (n=2,117)	General TSOs working locally that do not earn income (n=1,313)
Personal health cluster			
We improve health and wellbeing	40.8	25.9	19.2
We encourage physical activity and improve people's fitness	18.2	15.0	10.6
Personal and social wellbeing cluster			
We reduce social isolation	39.5	27.3	19.9
We give people confidence to manage their lives	37.9	21.6	17.3
Financial security for individuals and households cluster			
We increase employability	13.0	6.2	3.9
We tackle the consequences of poverty	18.1	8.3	10.4
We improve people’s access to basic services	23.4	11.3	9.9
community wellbeing cluster			
We enhance the cultural and artistic life of the community	18.7	19.9	10.6
We improve the local environment	12.7	10.2	9.6
We promote community cohesion	28.4	20.8	15.9
We empower people in the community	33.3	18.3	13.9
We increase people’s pride in their community	23.5	17.1	12.3

The work of community businesses is characterised by overlaps in clusters of social purpose. This demonstrates that aspects of social purpose are interwoven and warns policy makers, researchers or funders from attempting to attribute very specific aspects of impact to their work. Figure 4.3 shows, for example, that amongst community businesses which contribute to community wellbeing – 70% also make a contribution to personal and social wellbeing, 58% to personal health and 43% to financial security.

Figure 4.3 Interactions in clusters of community business impact

Core areas of sector impact ¹⁵	
33% of community businesses feel that they make a contribution to financial security (n=245)	46% of community businesses feel that they make a contribution to personal health (n=335)
51% of community businesses feel that they make a contribution to personal and social wellbeing (n=376)	47% of community businesses feel that they make a contribution to community wellbeing (n=344)
Two way interactions	
Of those community businesses which make a contribution to community wellbeing 43% also feel that they have an impact on financial security (n=148)	Of those community businesses which make a contribution to personal and social wellbeing 52% also feel that they have an impact on financial security (n=196)
Of those community businesses which make a contribution to community wellbeing 58% also feel that they have an impact on personal health (n=198)	Of those community businesses which make a contribution to personal and social wellbeing 73% also feel that they have an impact on personal health (n=275)
Of those community businesses which make a contribution to community wellbeing 70% also feel that they have an impact on personal and social wellbeing (n=241)	Of those community businesses which make a contribution to personal health 44% also feel that they have an impact on financial security (n=147)

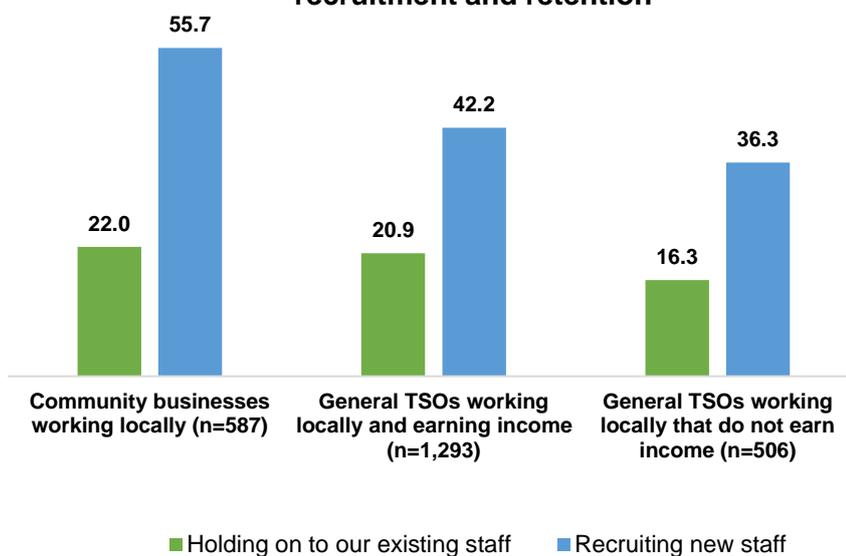
With so many interactions it is virtually impossible to pin-point, at a sector level, how individual community businesses (or TSOs in general) have an impact on society. Instead, they work alongside other third sector organisations (plus public sector bodies and businesses in the area). Consequently, no organisation could confidently claim that it achieves *all* the impact required by individuals or communities. The impact which is achieved is *shared* – not *owned* by individual organisations.¹⁶ This is not to say that overall sector impact is watered down; but rather, that it accumulates through the collective (albeit largely informal) endeavour to make a difference for people and places.

5 Resilience and development

The achievements and potential of community businesses cannot be fully understood just by looking at the resources they have to hand – organisational capability and resilience must also be considered. This section shows that the financial resilience of organisations was quite strong as community businesses emerged from the pandemic. But that may be under threat due to rising energy costs and inflation which has also led to widespread demand for higher wages in the labour market and an unprecedented level of strikes in the public and private sectors.

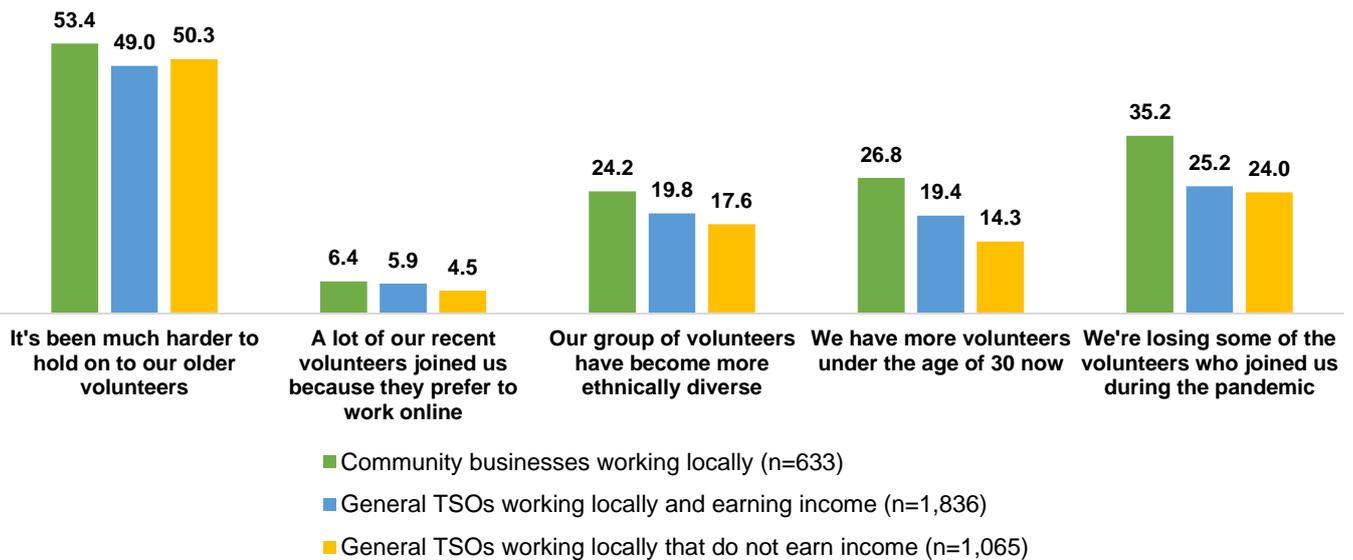
This combination of factors has resulted in employee retention problems across the third sector (Figure 5.1) and has affected employee recruitment much more seriously amongst community businesses (56%). Amongst community businesses, recruitment problems are most severe when engaged with the delivery public sector services under contract (66% compared with 51% of community businesses which do not deliver contracts).¹⁷

Figure 5.1 Percentage of organisations experiencing difficulties with recruitment and retention



Problems with recruitment and retention of employees has been compounded by difficulties in maintaining commitment from regular volunteers. Nearly three quarters of community businesses (73%) state that they could not keep going without the support of regular volunteers (compared with 87% of general TSOs working locally and earning income and 93% of general TSOs working locally that do not earn income). It is worrying, therefore, that 53% of community businesses report that they are finding it much harder to hold onto regular volunteers and that 35% of organisations are losing some of the volunteers who joined them during the pandemic (Figure 5.2).

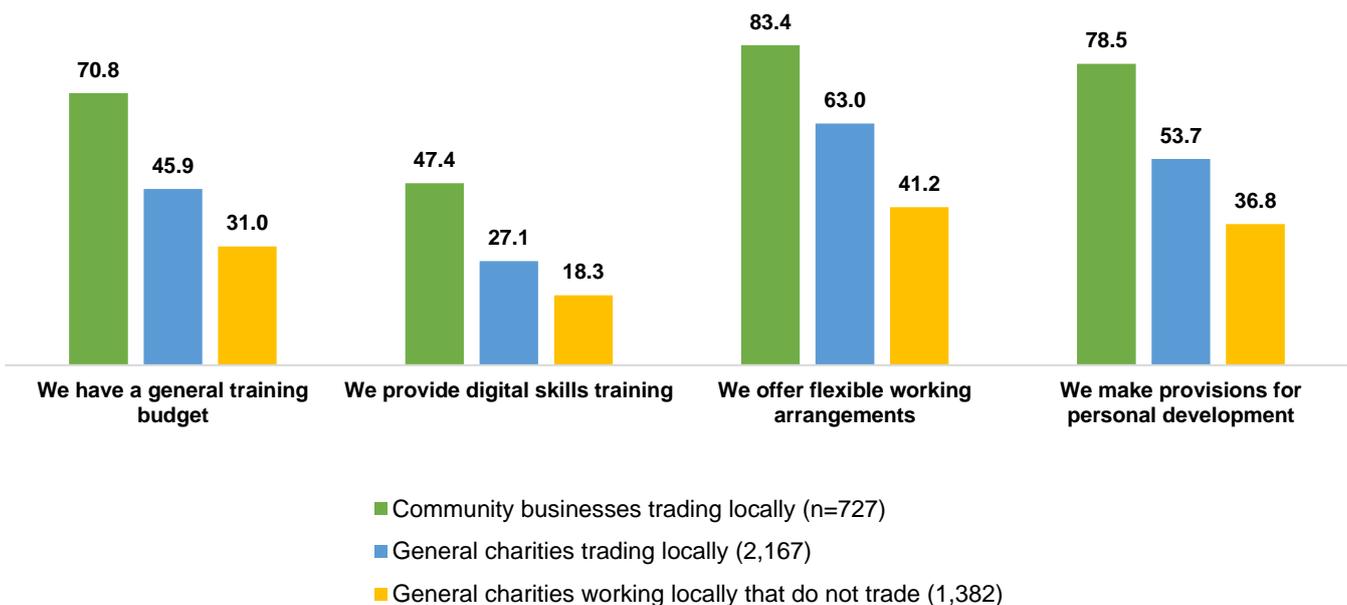
Figure 5.2 Changes in the size and composition of the regular volunteer workforce

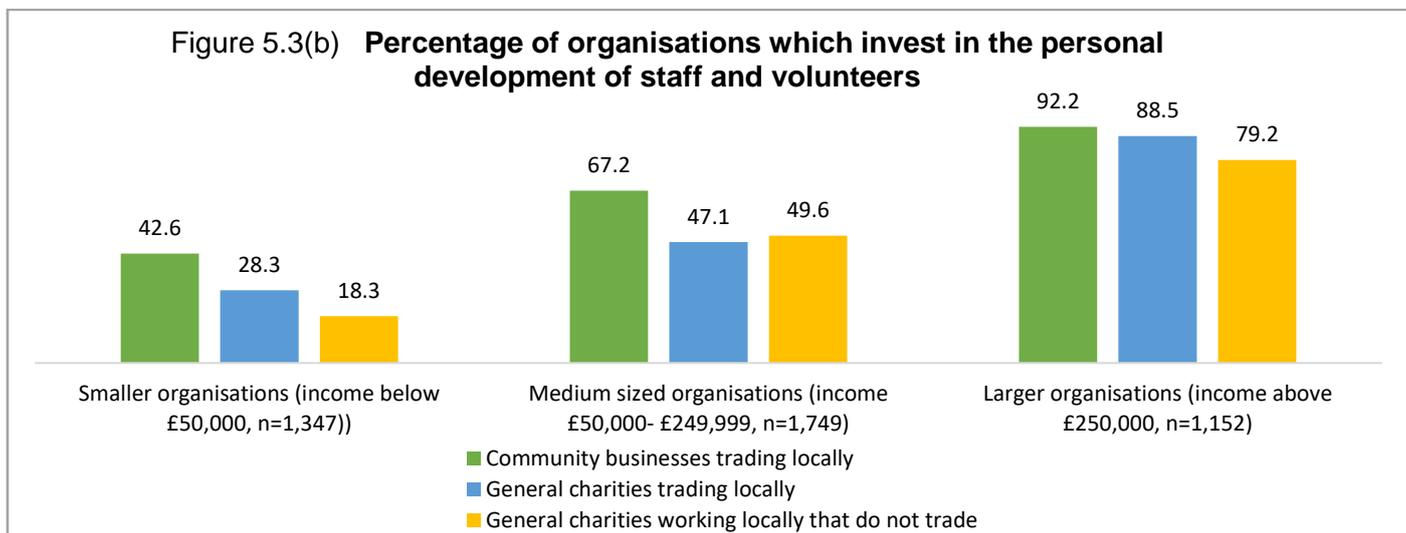


The challenging labour market environment has produced difficulties which are beyond their control, but the extent to which community businesses invest in staff and volunteers also needs to be considered. Levels of investment in people varies considerably by organisational type.

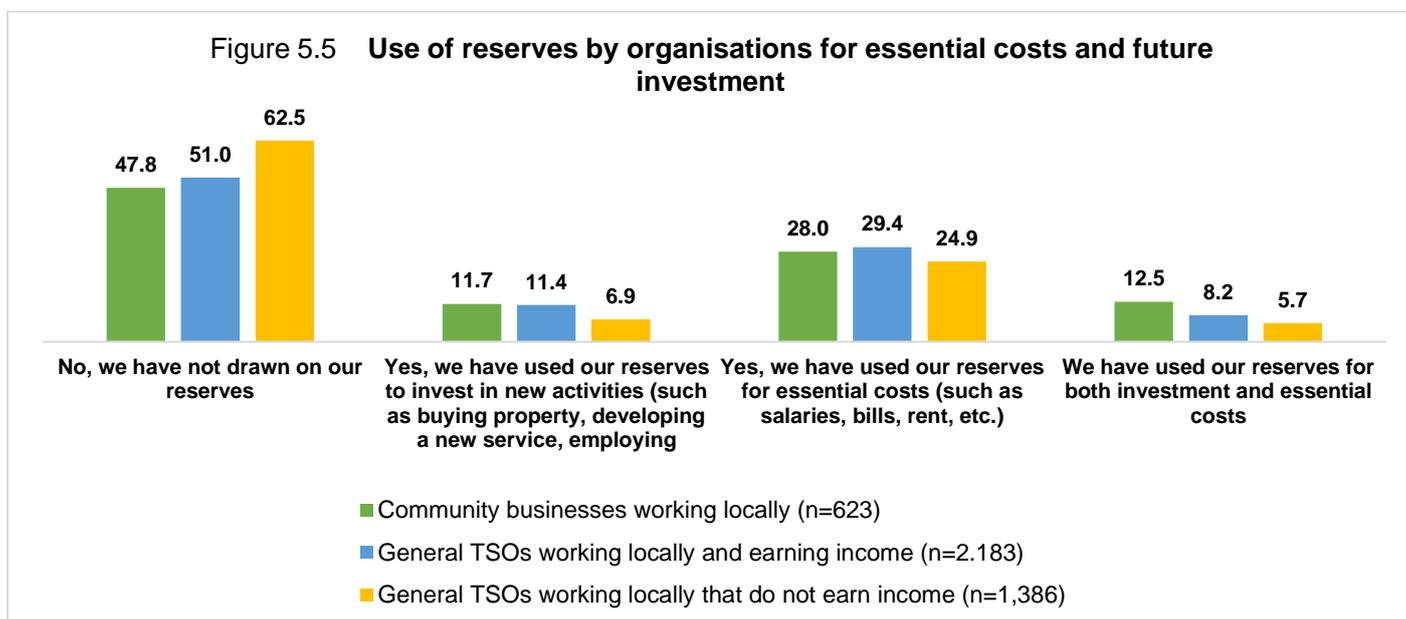
Community businesses are much more likely to invest in general training (71%), digital training (47%) offer flexible working arrangements (83%) and make provisions for personal development (79%) than other types of TSOs (Figure 5.3(a)). This is partly because they tend to be bigger entities than other types of TSOs. But as Figure 5.3(b) indicates, community businesses are more likely to invest in the personal development of staff and volunteers *irrespective* of organisations size. Community businesses are also more likely to employ people from diverse backgrounds to leadership positions (Figure 5.4).

Figure 5.3(a) Provision of training and support to staff and volunteers





While investment in people is a high priority for many community businesses, the extent to which they invest in new developments is limited (Figure 5.5). As shown previously in Figure 3.8, community business investment in 2022 has been more limited when compared with 2019.¹⁸



There is growing recognition that there is value in investing, specifically, in digital skills in the third sector to increase reach, impact and enhance organisational capacity and capability. Opportunities to develop digital skills has been facilitated by the establishment of a number of infrastructure organisations which provide training and support in digital development.¹⁹

Third Sector Trends data show that community businesses are more likely to use digital applications or tools than other types of TSOs. In some respects, the pandemic seems to have diminished levels of usage amongst community businesses (Figure 5.7). Regular usage of social media and a dedicated website have reduced slightly. Online fundraising (using, for example, crowdfunding) has fallen substantially from 30% to 11%.

This is probably due to relatively easy access to funding during the pandemic or, in some cases, hibernation while the operating environment was most difficult. Certainly, the percentage of community businesses looking for funding opportunities online increased (from 34% to 53%). There has been a slight increase in the use of online financial management tools (such as cloud accounting programmes) which indicates growing commitment to digital financial tools.

Figure 5.6(a) Percentage of organisations which make regular use of digital tools or applications 2022

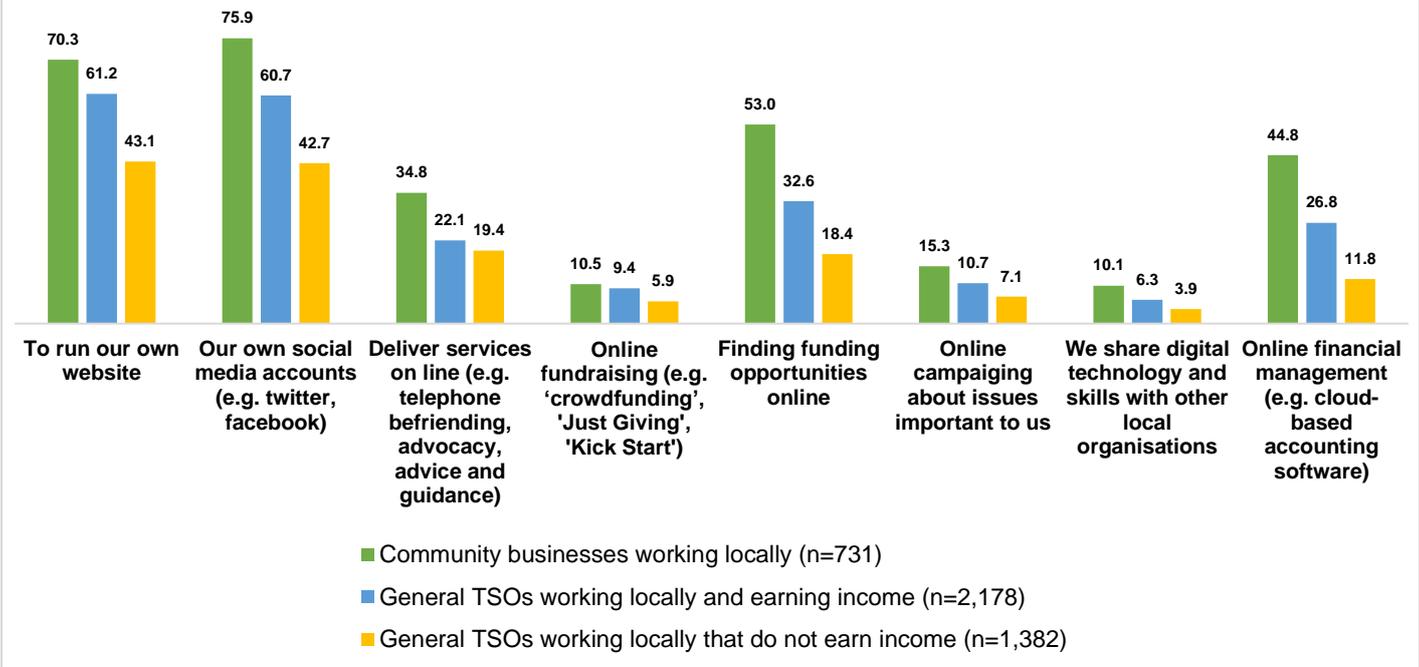
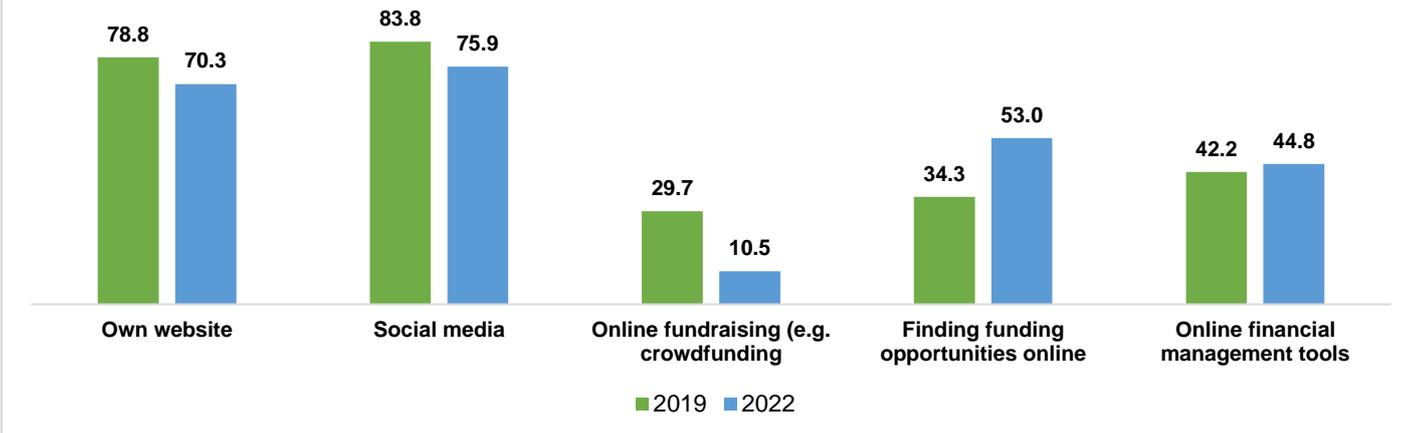


Figure 5.6(b) Change in the regular usage of digital tools and applications by community businesses to bolster business capacity and capability



6 Relationships and policy engagement

This study has demonstrated that the local impact of community businesses is shared and that social value is likely to accumulate as a result of informal, complementary or collaborative working within and across sectors. This section looks at the scale and importance of partnership working for community businesses in a comparative context.

It will show that forming good working relationships with other TSOs, trusts and foundations, private sector businesses and public sector bodies can be of great importance to the success of community business sustainability and achieving their social and business objectives.

Relationships within the third sector

Community businesses are more likely to work in informal, semi-formal and formal working relationships than other types of TSOs working locally (Figure 6.1). The pandemic has not dented community businesses' commitment to work with other TSOs. Indeed, the percentage of organisations committed to work in formal partnership arrangements rose from 47% in 2019 to 53% in 2022 (Figure 6.2).

Figure 6.1 Percentage of organisations which work in informal, complementary or collaborative partnership arrangements

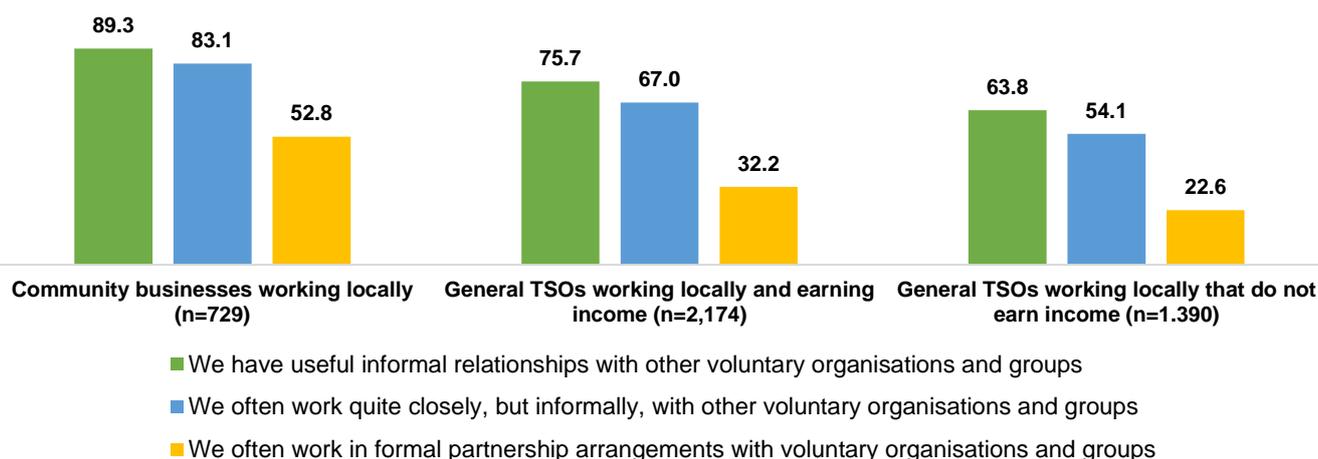
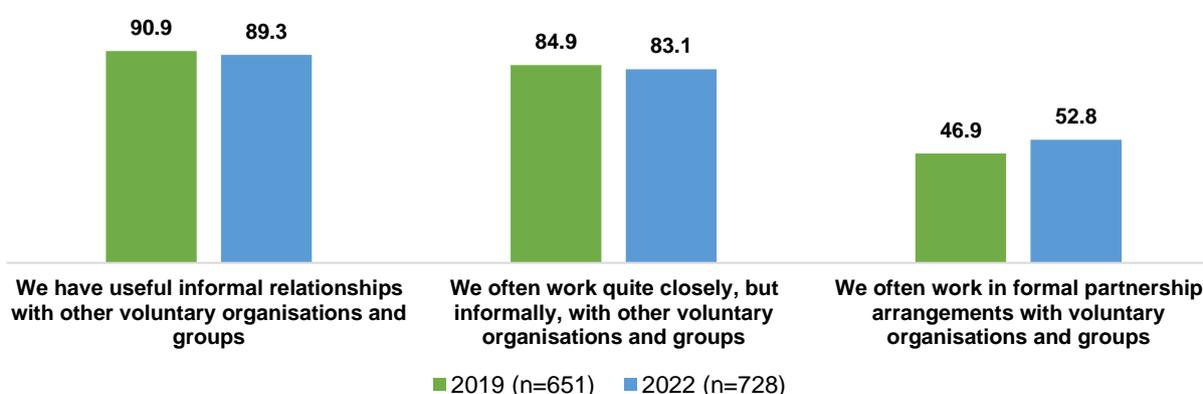


Figure 6.2 Partnership orientation of community businesses 2019-2022



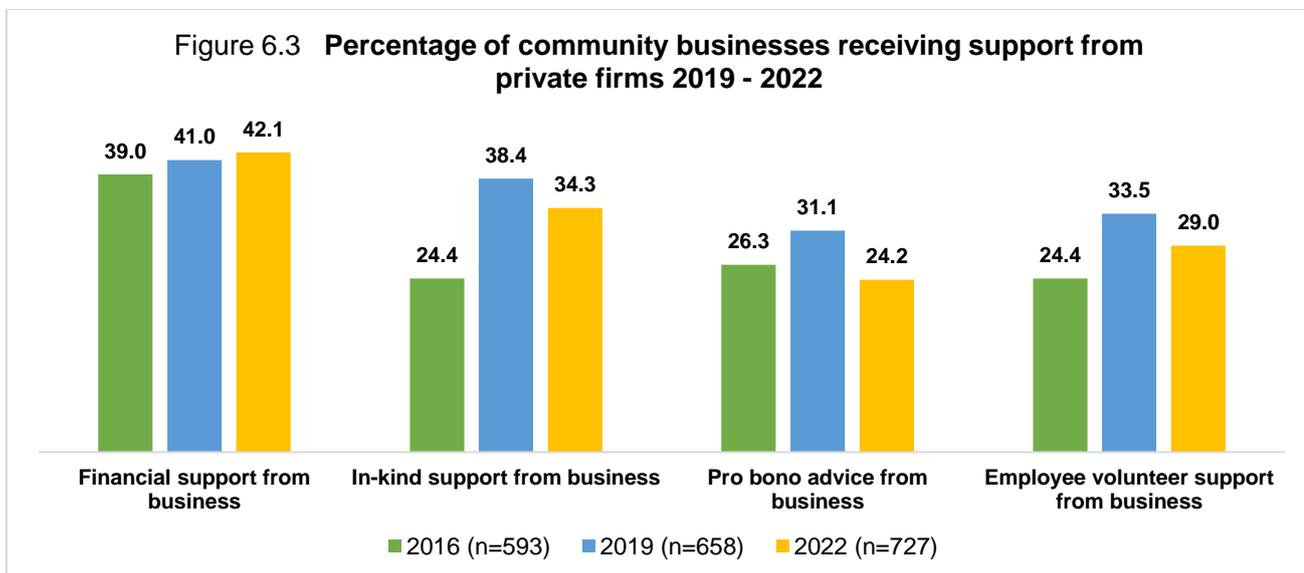
Relationships with businesses

Community businesses are more likely to have formed relationships with businesses (70%) than general TSOs working locally and earning income (58%) or general TSOs

working locally that do not earn income (42%). Of those organisations which do work with businesses, the majority work with local firms (96-97%). Community businesses are more likely also to have relationships with national businesses (24%) than general TSOs working locally and earning income (21%) or non-trading charities (19%).

Working with private sector firms can be beneficial for community businesses in several ways, including the receipt of money (such as event sponsorship), in-kind support (such as the free use of facilities or goods for sale), pro bono advice (such as legal advice or architects' services) and from employee supported volunteers (ESVs). Often these relationships are *ad hoc* or ephemeral events – which means that business support cannot be factored into longer-term planning. But others are well established – such as links between local supermarkets which provide free goods for community businesses.²⁰

Financial support from private firms for community businesses has held up well since 2016: the percentage of organisations receiving money has risen slightly from 39% to 41%. The pandemic has, though, set back progress with in-kind support, pro bono advice and ESV assistance to some degree – but there may be a bounce back by 2025 when the survey is repeated.

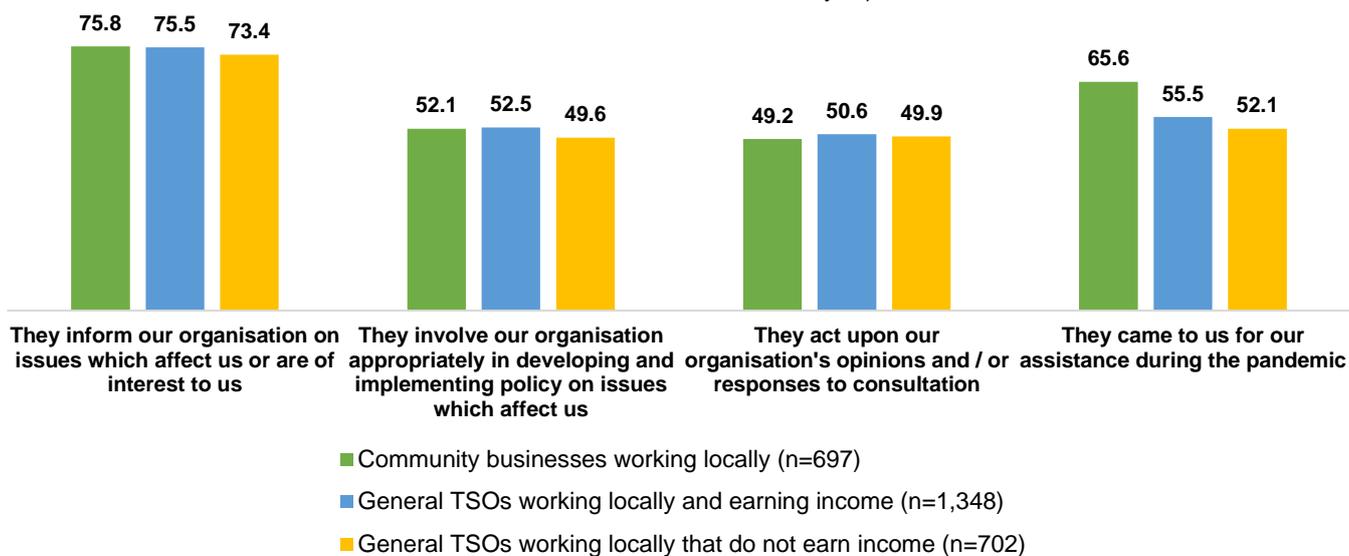


Relationships with the public sector and influence on local social policy

Relationships with local public and health sector bodies tend to be strong amongst TSOs and opinions are not differentiated by organisational types (Figure 6.4). About 75% of organisations, which have a relationship with public or health bodies, feel that they are well informed on issues which affect or interest them; just over half feel that they are involved appropriately in developing and implementing policy which affects them; and, almost half of organisations believe that public and health authorities act upon their opinions and responses to consultation.

One aspect of interactions where responses vary relates to public and health authorities propensity to approach TSOs for support during the pandemic: 66% of community businesses stated that they were approached compared with 56% of general TSOs working locally and earning income and 52% of general TSOs working locally that do not earn income.

Figure 6.4 Quality of relationships with local public and health authorities
 (percentage of TSOs which 'agree', organisations which do not have relationships with the public sector are excluded from the analysis)

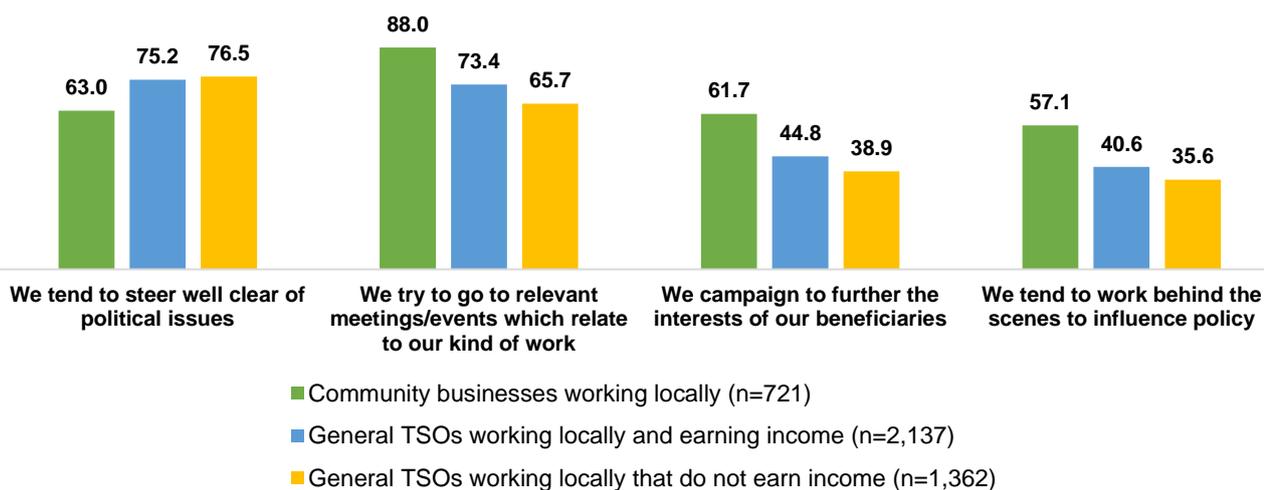


Influencing local social and public policy

Engagement with public bodies is not just a 'responsive' process on the part of TSOs. Many organisations are keen to take an 'active' role in instigating or shaping change to local public and social policy. That stated, many organisations are clear that this falls short of 'political' involvement (Figure 6.5): community businesses are the least likely to take the view that they 'steer well clear of political issues' (63%).

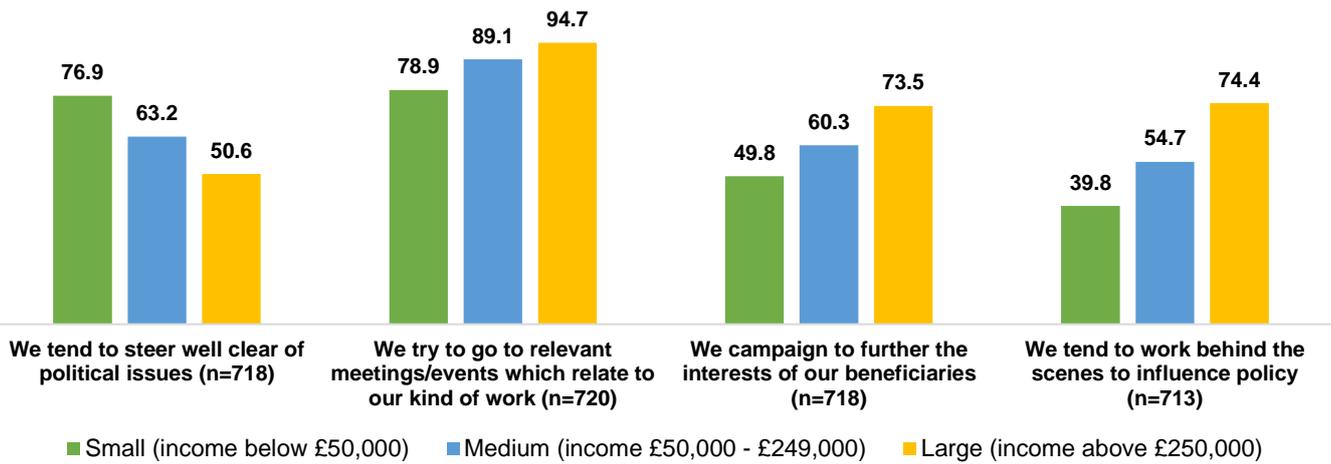
Community businesses are by far the most likely to engage in relevant meetings and events which relate to their kind of work (88%); campaign to further the interests of beneficiaries (62%) or lobby behind the scenes to influence policy (57%).

Figure 6.5 Percentage of organisations which engage with aspects of influencing social and public policy



The size of community businesses has a bearing upon their inclination to influence local social and public policy. Given that larger community businesses have more capacity to get involved in influencing it is not surprising that their levels of engagement are much higher – especially when working behind the scenes to influence stakeholders.

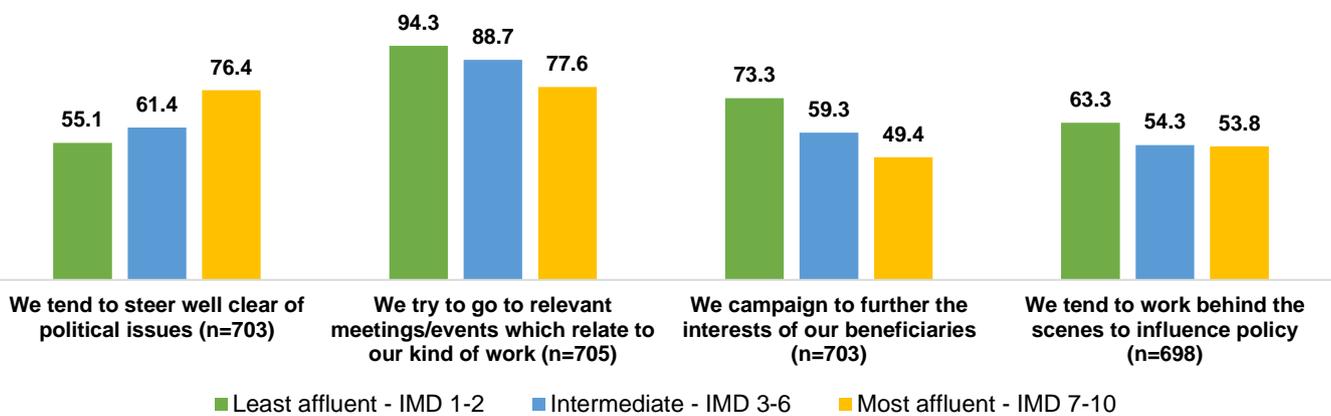
Figure 6.6 Percentage of community businesses which actively engage in influencing local social and public policy by size of organisations



Active engagement in influencing local social and public policy is strongly affected by the characteristics of the locality within which community businesses work. Organisations working in the least affluent areas are much more likely to engage directly or indirectly in aspects of influencing.

For example, 62% of community businesses in the poorest areas campaign to further the issues of their beneficiaries compared with 40% of community businesses in the richest areas. Similarly, 88% of community businesses in the least affluent areas try to attend relevant meetings about local policy issues which affect their work compared with 66% in the most affluent areas.

Figure 6.7 Percentage of community businesses which actively engage in influencing local social and public policy by affluence of the area where they are based



It is clear that community businesses are more engaged in local influencing of social and public policy than other TSOs, and especially so if they are larger in size and work in the most disadvantaged areas where social needs are more prevalent. But these findings need careful interpretation because they do not necessarily imply that community businesses will continue to get involved in formal partnership arrangements to agree local policy priorities or to work collaboratively to deliver policy objectives – especially if such constraints make such opportunities less attractive operationally or financially.

7 Outlook and implications

Business confidence

Community businesses are currently navigating a difficult trading environment, created by the pandemic and more recently by high levels of inflation and the cost-of-living crisis. And yet, business confidence is buoyant. As Table 7.1 shows, almost four-fifths of community businesses expect that their income will either rise or remain stable over the next two years.

A similar level of confidence is shown about underlying factors which could enable them to sustain or increase current levels of income. 82% of community businesses expect that private sector business support will be maintained or increased. Three quarters of community businesses think that grant funding will increase or hold up at the same levels in the next two years.

Perhaps most surprisingly, over 70% of community businesses think that statutory funding will be maintained or increase. Expectations about volunteer support are also optimistic. 40% of community businesses think that support from volunteers will increase, and almost half believe it will remain stable. The indications are that partnership working will also be sustained by community businesses in the next two years – only 3% expect this aspect of their operations to decline.

Figure 7.1 Community businesses expectations about the next two years

	Expect to rise			Expect to stay the same			Expect to fall		
	Community businesses	General TSOs earning income	General TSOs do not earn income	Community businesses	General TSOs earning income	General TSOs do not earn income	Community businesses	General TSOs earning income	General TSOs do not earn income
Income	37.4	34.1	22.0	39.8	48.1	59.2	22.7	17.7	19.8
Support from private business	26.6	21.3	17.8	55.7	61.9	62.4	17.7	16.8	19.8
Grants from charitable foundations	31.9	29.4	29.0	43.2	48.0	52.2	24.9	22.6	18.8
Funding from statutory agencies	28.3	18.7	18.4	43.5	53.1	53.2	28.2	28.2	28.4
Support from volunteers	39.7	32.3	26.2	47.2	54.7	58.0	13.1	13.0	15.9
Working in partnership will	61.1	42.8	35.0	35.7	54.2	59.9	3.2	2.9	5.1

Implications

From their perspective, the future outlook for community businesses is very positive. Being optimistic is a good thing, as it helps to drive ambition. However, Third Sector Trends research has consistently shown that, over the last twelve years, expectations are not always realised. This can lead to frustration and disappointment for many organisations as they face up to the hard reality that unanticipated changes to their working environment can redirect, undermine or sink their plans.

In 2019, many community businesses were also upbeat about their prospects: 20% expected that income would rise (compared with 14% in 2016). Memories of the difficult trading environment during a long period of government austerity programmes were, however, fresh in the minds of many community businesses. So

they remained cautious: in 2019, 43% thought that income would fall (compared with 60% in 2016). Only 23% of community businesses now think that their income will decline in future.

It seems unlikely that grant funding will continue to flow as freely as it has done in the last two years. Many trusts and grant-making foundations were working on their strategies during the pandemic – thinking through what they wanted to prioritise. Some will stick with the principal of giving unrestricted funding (as some always have), but others may return to more focused investment and make demands on community businesses to demonstrate the social worth of their practice.

Private business is facing difficulties too because of high inflation and recruitment problems due to tight labour supply and complex trading challenges created by Brexit and the Ukraine war. This is not to say that their support for community businesses will stop – but it will be harder to prioritise.

Similarly, government funding is likely to tighten. The immense costs of furlough schemes, energy subsidies for households, enormous challenges faced by the NHS and fiscal loss due to more limited economic activity has hit the Treasury hard. Borrowing at the current levels are unlikely to be sustained.

Even if community businesses do maintain or increase current levels of income through trading, grants, support from business or contracts from local authorities or government departments – this will not be the end of their difficulties. Current labour market conditions are challenging. Labour shortages are growing and demand for higher wages is widespread across all industries – including the third sector where there have been strikes over pay in some national organisations.²¹ And while industrial action may remain rare in a largely un-unionised sector - many employees, out of necessity, are voting with their feet when wages are too low and there are better-paid opportunities elsewhere.

Community businesses tend to be prudent with their finances. This has traditionally worked to their benefit as it has, for example, dissuaded organisations from over-stretching themselves by taking the risks associated with borrowing money (only 7% of community businesses do this). It has also meant that wages have remained relatively low compared with the public sector and parts of the private sector.

While, as this report shows, community businesses are generally more willing to invest in staff and know that this must be prioritised, it may still not be enough to protect them from losing employees or finding that staff commitment is compromised. This means, especially in the context of accepting contracts to deliver public services, that harder bargains will need to be driven with commissioners to ensure that wages are improved. And if commissioners make a plea that this is all the money they can put on the table, then community businesses will have to retort that the extent of service provision they offer will be reduced.

In self-generated trading activity, this is harder to do. If the local marketplace cannot bear rising prices, community businesses will need to look at other ways of subsidising their work. This does not signal failure on their part – but instead reflects the stark realities of maintaining a local presence in communities. In spatially remote rural or hard-pressed urban areas, for example, community businesses often do rely, and *should* rely, on grant funding to keep things going. Otherwise, local problems surrounding access to services and financial inclusion will intensify in areas where private businesses and banks have withdrawn.

Failing to invest in the future is risky as it can mean that organisations are ill-equipped, financially and psychologically to tackle new opportunities or upsets. This report shows that investment in strategic developments by community businesses have, at best, been put on hold in the last two years.

For example, maintaining, improving or expanding the community businesses property portfolio can be a central ingredient in shaping and preparing for new developments. But this report indicates that owning property is less advantageous to community businesses than may be expected.²² These findings are not conclusive.

The difficulties posed by the pandemic and cost-of-living crises, may have undermined the potential of community businesses to use their property to bolster or boost trading activity. Taking a longer-term view, it is likely that property ownership will be shown to be more beneficial for organisational and community wellbeing in future reports.

One of the most positive aspects of this report's findings is the tendency of community businesses to work with other organisations from within their own sector or with business and public bodies. Much of this work is neighbourly and complementary rather than being formalised and, to some extent, constraining. Autonomy is important to community businesses, and they are right to be careful not to commit to partnership working that may work against their interests in the long term if, for example, the resources to do the work are too limited and this results in stressed working arrangements and damages good relationships.

The desire to sustain organisational autonomy amongst community businesses does not, however, signal a lack of commitment to working towards community objectives. This report shows that community businesses invest heavily in local policy and practice initiatives. Most join in with stakeholder events or respond to stakeholder consultations and enter strategic debates which are orchestrated by local public and health sector agencies.

Many community businesses do not just react to local initiatives, they also commit to initiating debate or action to tackle local issues. Some of this work happens behind closed doors – 57% of community businesses use their local know-how to influence key stakeholders in positions of influence – compared with just 41% of other TSOs that earn some of their income through trading.

Campaigning is also a key element adopted by community businesses to effect influence on local public opinion, third sector activity or upon stakeholders in the public sector: 62% of organisations do this. Community businesses are the least likely to steer clear of local politics (only 63% avoid political issues compared with 75% of other TSOs). This makes sense. Interacting with local councillors can be a vital element in shaping the direction of local public policy.

The findings from this study show that commitment of community businesses to their local area is not in doubt. But the fact remains that too little is currently known about the mechanisms that community businesses employ to engage in campaigning and influencing, nor how successful they are in practice. And so, when Third Sector Trends returns in 2025, this will become a core element of the enquiry.

Endnotes

- ¹ Chapman, T. (2020) [Third Sector Trends Covid Impact Study](#), Newcastle, Community Foundation serving Tyne & Wear and Newcastle.
- ² Full details on research methodology, sample size and structure can be found here: Chapman, T. (2022) [Third Sector Trends in England and Wales 2022 research methodology](#), Durham: Policy&Practice, St Chad's College, Durham University. Additional material on analytical techniques adopted by Third Sector Trends has been published and is updated periodically: Chapman, T. (2020) [The structure and dynamics of the third sector in England and Wales: technical paper on working definitions and baseline data analysis](#). Durham:
- ³ *Third Sector Trends in England and Wales 2022: relationships, influencing and collaboration; Third Sector Trends in England and Wales 2022: finances, assets and organisational wellbeing; Third Sector Trends in England and Wales 2022: employees, volunteers, diversity and investment in people; and Third Sector Trends in England and Wales 2022: structure, purpose, energy and impact*, Newcastle upon Tyne: Community Foundation Tyne & Wear and Northumberland. All reports available [here](#).
- ⁴ Chapman, T. (2020) [Community businesses in the North of England 2020: new comparative analysis from the Third Sector Trends Study](#), London: Power to Change.; The findings from the first report can be found here: Chapman, T. and Gray, T. (2018) [How do community businesses differ from other voluntary and community organisations? New comparative analysis from the Third Sector Trends study in the North of England](#), Durham, Policy&Practice.
- ⁵ [Community Business Market Report 2022](#), London: Power to Change.
- ⁶ Power to Change website page: [What is community business?](#) (accessed 15th February 2023) .
- ⁷ Power to Change's *Community business market report 2022* estimates that there are about 11,000 community businesses. The Third Sector Trends analysis uses a slightly more general definition which puts less emphasis on community accountability. Across England and Wales, it is estimated that there would nearer to 20,000 organisations which align to the Third Sector Trends definition (to include all Community Interest Companies, Cooperatives, Community Benefit Societies and Companies Limited by Guarantee which work solely at the local level).
- ⁸ In the sample, 1,031 organisations have legal forms associated with community businesses and social enterprises. 294 organisations were excluded from the community business category because they worked at or beyond regional boundaries (i.e. their focus was not focused exclusively on the locality). Of the 737 identified as community businesses, 112 earned no income in the previous year but are not excluded due to the extraordinary circumstances associated with the Coronavirus pandemic. 1,447 other organisations were excluded from the analysis because they worked at or beyond regional boundaries.
- ⁹ Power to Change's *Community business market report* uses the first three deciles of the Indices of Multiple Deprivation to define less advantaged areas, whereas Third Sector Trends focuses more specifically on the first two deciles. The Third Sector Trends definition is used here so that data align with previously published national reports from the study and earlier editions of community business reports for Power to Change.
- ¹⁰ For more detailed analysis on change in the use or provision of grants and contracts see *Third Sector Trends in England and Wales: finances, assets and organisational wellbeing, op. cit.*
- ¹¹ See Chapman, T. (2023) [People, places and policy: Third Sector Trends 2023](#), Newcastle upon Tyne: Community Foundation.
- ¹² Data do not round to 100% because 10% of TSOs used reserves both for essential costs and investment in 2019 and 13% did so in 2022.
- ¹³ See: Section 4, Table 4.1, Chapman, T. (2023) *Third Sector Trends in England and Wales 2022: finances, assets and organisational wellbeing*, Newcastle upon Tyne: Community Foundation Tyne & Wear and Northumberland, *op. cit.* The legislation for Community Asset Transfer was included in the Localism Act (2011), for further detail see House of Commons Library (2022) Research Briefing: Assets of community value, (11th March) <https://commonslibrary.parliament.uk/research-briefings/sn06366/>
- ¹⁴ Interactions in beneficiaries served and types of impact achieved are analysed in detail in Chapman, T. (2020) *Community businesses in the north of England 2020*, London: Power to Change, *op. cit.*
- ¹⁵ These data on clusters of impact were generated from the discrete categories of organisational impact. For full details see Chapman (2022) *Third Sector Trends in England and Wales: sector structure, purpose, energy and impact*. Section 7. Available [here](#).
- ¹⁶ For a much more detailed analysis of how social impact can be assessed, see: Chapman, T. (2021) [The structure, dynamics and impact of the voluntary, community and social enterprise sector: a study of West Yorkshire Combined Authority, West Yorkshire & Harrogate Health and Care Partnership and Humber Coast and Vale Health and Care Partnership areas](#), Durham: Policy&Practice.
- ¹⁷ These statistics are from background analysis in the preparation of this report. Full data tables are available from the author on request: tony.chapman@durham.ac.uk.
- ¹⁸ Qualitative evidence from a fifteen year study of 50 TSOs by Third Sector Trends demonstrates a clear link between investment in people and organisational development with business success. See Chapman, T. (2022) [Going the distance: how third sector organisations work through turbulent times](#), Newcastle upon Tyne: Community Foundation Tyne & Wear and Northumberland.
- ¹⁹ For an introduction to the topic, see NCVO ['What digital skills do charities need?'](#) On the prevalence of digital usage see: [Charity Digital Skills Report 2023](#) (to be published July 2023), <https://charitydigitalskills.co.uk/> the 2022 report is available [here](#).

²⁰ For a much more detailed Third Sector Trends analysis of business relationships see: Chapman, T. (2020) *Going the extra mile*, op. See, for example, Sam Wait (2022) 'Over 500 Shelter workers to strike for two weeks over pay dispute', *Civil Society Media* (10th November) <https://www.civilsociety.co.uk/news/Over-500-shelter-workers-to-strike-for-two-weeks-over-pay-dispute.html> and Harriet Whitehead (2022) 'Support service charity faces first strike in 50-year history', *Civil Society Media* (7th December) <https://www.civilsociety.co.uk/news/support-service-charity-faces-first-strike-in-50-year-history-over-pay-dispute.html>. cit.

²¹ Sam Wait (2022) 'Over 500 Shelter workers to strike for two weeks over pay dispute', *Civil Society Media* (10th November), Harriet Whitehead (2023) 'St Mungo's strike action back on after staff reject pay offer', *Civil Society Media* (10th May).

²² Chapman, T and Gray, T. (2019) *Striking a balance: a study of how community businesses in Bradford, Hartlepool and Middlesbrough build working relationships with the public, private and third sectors*. London: Power to Change.

