

Learning from the Power to Change Research Institute 2016-17

This ‘compendium’ report brings together the key findings relating to community business from 23 research studies, published during the first two years of the Power to Change Research Institute’s lifetime.

The community business model

- The community business model is typified by diversity; many are ‘hybrid organisations’, experiencing a constant tension between their social mission and their need to trade for financial sustainability.
- Community businesses operate across a wide range of economic sectors, and many operate in multiple sectors. Community hubs, the largest grouping, offer a diverse range of services and are likely to work across two or more economic sectors.
- There is no single legal form used by, or most suited to, community business. Many different legal structures are in use in the sector, but no dominant legal form emerges from the research to date.
- The scope of what community businesses deliver depends on their context; where they are, how long they have been running, the community’s needs and their own resources.
- The impact community businesses claim to have is varied: improving health and wellbeing, increasing community cohesion, reducing social isolation, increasing community pride and empowerment and increasing employability. However, impact is often not measured in a methodical way.
- Commonalities exist despite the diversity in the community business market. It is estimated that the majority of community businesses are located in urban areas, and many are in highly deprived areas. Many still rely on grant funding whilst also aiming to become financially sustainable.

Assets

- Many community businesses in a range of sectors rely on and seek to acquire tangible assets such as land, buildings, vehicles or equipment.
- Assets seem to be a central and growing aspect of community businesses with 61% of Power to Change grantees reporting an increase in their asset base in 2017.
- The evidence shows that this is not without its challenges; there are maintenance costs to consider as well as patchy support around asset transfer from local authorities.
- The research shows that having tangible assets is beneficial to community business resilience and sustainability, as well as being a contributing factor to the growth of the community business sector as a whole.

6,600

community-run businesses operating in England, approximately

70% £1.2bn

situated in urban areas

total income

Workforce

- The research finds that quality staff and volunteers are crucial for community business success.
- There are an estimated 35,000 paid employees and 119,000 volunteers in community business, many of them offering services that would have traditionally been filled by public services.
- Community business leadership teams require specific experience and skill sets to support the business.
- There is a mutually beneficial relationship between community businesses and their workforce; community businesses need the engagement of their local community for their workforce and in turn people in local community are developing skills and experience by working within the community business.

35,000
paid staff

119,000
volunteers

Growth

- Although there is currently insufficient evidence to show year-on-year increases, there is evidence of growth in key community business sectors (such as pubs and shops).
- Confidence levels are high amongst community businesses when surveyed in 2017, 63% of community businesses were confident about their financial prospects for the year ahead compared to the current year.
- Community businesses report increases and innovations in trading activity.
- It remains the case that community businesses need support (from peers, sector bodies and local authorities), past the point of start-up, to further develop the business.

Finance

- In the early years, community businesses depend heavily on a variety of subsidies and public sector grants and loans.
- Reliance on grant funding remains very common across all sectors with four out of five (79%) community businesses surveyed in 2017, in particular newer ones, benefiting from some grant funding and many expecting this to increase in 2018.
- Yet 70% of community businesses surveyed in 2017 stated that their income comes mainly from trading.
- The research finds that community businesses obtain finance from a range of sources, from community share offers to borrowing from traditional lenders, or from friends and family.

Relationships

- Relationships with key individuals in local authorities are important for community businesses, as these can support asset transfers or grant or contract income.
- In addition, community businesses must also maintain crucial relationships with their local community and establish their place within a dynamic, connected, complex and evolving local network of organisations.

About this report

This report was compiled and written by the team at the Power to Change Research Institute. The full report can be found at www.powertochange.org.uk/research

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