CULTIVATING DIVERSITY

A TOOLKIT TO ESTABLISH BME-LED COMMUNITY BUSINESS

JULY 2018

THE UBELE INITIATIVE WORKING IN PARTNERSHIP WITH LOCALITY AND POWER TO CHANGE
ACKNOWLEDGEMENTS

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Lastly, many thanks to Jeff Scales from Locality for producing the MEL toolkit with support from Yvonne Field and Karl Murray.
Foreword

Yvonne Field
Managing Director and Founder, The Ubele Initiative

As a small child I would often attend birthday parties, wedding receptions and christenings in halls and centres in South London. Travelling with family members from our home in Deptford to Battersea, Brixton and Catford I had no idea who ‘owned’ them, only that they felt like safe spaces and that the people present, (adults and children alike), helped me create a deep sense of self and interconnectedness. I now know that many of these spaces were under the stewardship of members of African Caribbean communities and that they were not only places for socialising but also for community development and social activism. Many of our foundational community campaigns were sparked from as well as housed in them.

Several decades later, many of these Black ‘owned’ spaces have been lost to make way for new housing developments and in some cases, more recently arrived communities and the ones that are left often struggle to survive. What has become clear over the past 7 years is that most are in need of an injection of resources – new people, finances and more sustainable models - a fresh injection to enable them to meet the challenges being faced to keep going. As they are also very much needed to provide local services, youth and community-based activities and of course birthday parties, wedding receptions, christenings and increasingly funerals.

To bridge a gap in culturally appropriate community business support, advisors and resources, The Ubele Initiative, with support from Power to Change, developed Mali Enterprising Leaders (MEL). This unique project which implemented some of the key findings from ‘A Place to Call Home’ (2015) targeted five Black and Minority Ethnic (BME) community organisations with spaces or clear aspirations to secure a space, offering them organisational capacity assessments, tailor made support and advice as well as local, national and international networking opportunities. MEL also offered support to a youth led organisation in Manchester.

We found that all these centres have a system of accountability through their governance structures. However our research, initially through ‘A Place to Call Home’, 2015 and now through MEL, demonstrated that most need more robust business models and younger leadership with whom to share the baton. Intergenerational leadership within BME communities will hopefully go some way to ensuring that we continue to see cultural diversity in future leaders ‘owning and running’ community spaces across the UK.

I am delighted that this much needed practical toolkit will be one of the lasting legacies of this important initiative. I hope it will be used by BME communities themselves as well as by those who seek to support the development of BME led community businesses across the UK.
Locality, as the national network of community organisations is owned and led by our members, and we particularly value how the diversity and creativity of our BME-led members enriches our network. They make a powerful contribution - nationally as an integral part of our movement, and locally within their communities, improving health and wellbeing, supporting people into employment, increasing educational attainment, and addressing the needs of young and older people alike. Their active participation in our network makes us all stronger and we value the rich diversity of our membership organisations.

BME-led Community Businesses often work in the most challenging operating environments but remain passionately locally rooted. Their commitment to being accountable to the community they serve makes them extremely resilient. We see a high level of creativity and innovation in their approach.

We are delighted to have been able to work on the creation of this toolkit. We recognise that in this day and age getting up and running is a challenge for any organisation. But we particularly want to support and assist BME-led organisations as they have faced particular challenges in recent years.

My thanks to The Ubele Initiative and Power to Change who have supported and guided this work - sharing their knowledge and expertise and providing challenge and insight that has contributed to the development of this toolkit. And particular thanks go to Jeff Scales (Head of Services for the North and Central Regions for Locality) for his collaborative and conscientious approach to this work and his commitment to creating a resource sensitive to the needs of such a fantastically vibrant and resilient part of our movement.
We’re delighted to have been able to make a contribution towards the work of The Ubele Initiative. Gaining a deeper understanding of how we can support BME-led community businesses to start up and thrive in often challenging circumstances is important to us at Power to Change because we want to see BME-led community businesses become an integral part of the wider community business sector.

We’re committed to continuously refining and improving our offerings to support the sector – through our funding programmes, our research and our promotion of the model as a meaningful way for communities to take control of tackling challenging local social and financial issues. We couldn’t do this without our partners - Locality is one of our closest partners - with the reach and expertise needed to make our work possible.

This toolkit is vital to us as it means we can really act on making sure our funding and support offers are truly inclusive and accessible. By their nature, community businesses are inclusive - representing, listening to and working to address the needs of everyone in their communities. This community accountability is a key part of being a community business, and the toolkit helpfully offers practical suggestions for how this can be done well. It also identifies the often critical need to secure an asset, and shares some of the enterprising approaches to achieving this.

But this toolkit isn’t just relevant to Power to Change. The learning shared here from the mentoring support provided by Ubele means others can also benefit from this knowledge – whether you’re thinking about setting up your own BME-led community business, or in the business of supporting the people setting out to do this.

No two communities are the same, and the same is true for community businesses. However, all community businesses have one thing in common, whether they’re supporting people with mental health issues, engaging communities in improving their health and wellbeing through art or food – strong, determined, passionate and entrepreneurial leaders. Young BME leaders are ready and willing to take on the baton from older generations – understanding how we can make this easier means we can better support these young entrepreneurs. Again – the learning here will benefit the wider sector. If we don’t properly support emerging young BME leaders, we risk losing their entrepreneurial flair and commitment to tackling social inequalities.

Without organisations like the Ubele Initiative working to develop and support community organisations, BME-led community businesses would not receive the support appropriate to them. Please read this toolkit and, when you’ve finished it, pass it on to make sure others can benefit from Ubele’s learning.
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INTRODUCTION

The Ubele Initiative is a Black and Minority Ethnic (BME) led social enterprise, established in 2014, to support the development and capacity of voluntary and community organisations. Through social leadership development, community enterprise and social action, Ubele incubates and grows projects locally, regionally, nationally and internationally.

With funding from Power to Change (PtC), The Ubele Initiative (TUI) and its national partners, including Locality, amongst others, have been working with BME community-based organisations to support their development and their sustainability through the Mali* Enterprising Leaders (MEL) Programme. Over a period of eighteen months (February 2017 to July 2018), the MEL Programme delivered tailored support to five London and Manchester organisations, which collectively managed a diverse portfolio of community assets including a large sports facility, art gallery and a community centre. The package of support included an assessment of organisational needs, local development support and access to regional, national and international learning and networking opportunities. A unique feature of the programme was a process of identifying and developing the next generation of community leaders, who will, in the coming years, assume responsibility for these assets.

The need for this toolkit emerged as a key recommendation from the 'A Place to Call Home' Report, 2015 and from Ubele’s experiences of supporting community businesses and social enterprises. It highlighted an urgent need for BME communities to be offered targeted support, advice, capacity building and investment to enable them to both establish and strengthen community businesses. This is particularly crucial in the context of the increasing threat to the community assets ‘owned’ and utilised by those communities.

*Mali in Swahili means ‘Asset, Wealth or Value’. It is being used in the context of this programme to denote someone or something that is an asset to our community.
What is Community Business?

Power to Change defines Community Businesses as organisations which are:
- Locally rooted
- Trading for the benefit of the local community
- Accountable to the local community
- Creating broad community impact

Community Business has grown in importance and profile in recent years as communities collectively mobilise to tackle a wide range of local issues – revitalising local shops, pubs and green spaces, providing new affordable housing, tackling local health inequalities and developing local energy projects, to name just a few.

How do they differ from Social Enterprises?

Community Businesses are a form of Social Enterprise. Social Enterprise UK (the national body for social enterprises) identify the characteristics of a social enterprise as:
- Having a clear social and/or environmental mission set out in their governing documents
- Generating the majority of their income through trade
- Reinvesting the majority of their profits
- Being autonomous of state
- Being majority controlled in the interests of the social mission
- Being accountable and transparent

Community Business (including BME led Community Business) share these characteristics but have an additional dimension in that they serve the needs of a specific geographical community (and in the case of BME led Community Business – a community of identity).
How do BME-led Community Businesses compare?

BME-led Community Businesses share all these characteristics and represent a very important adjunct to the wider Community Business sector. Their experience is characterised by some specific challenges:

- Adoption of social enterprise and charity models which are highly reliant upon grant and public-sector funding (linked to the focus of many BME organisations being upon supporting families or individuals to address needs relating to health, welfare, education etc), which by their very nature are time limited and not ‘commercially’ inclined
- That many are working against a backdrop of not being acknowledged as ‘commercially’ viable and credible, especially in geographical areas experiencing significant economic disadvantage
- A national and political environment that often attributes more value upon communities of place rather than communities of identity
- BME-led Community Businesses tend to exist to address inequalities in society and are, at the same time, subject to similar inequalities themselves
- Challenges in accessing finance including barriers to credit and social investment based on perception
- That the majority are small with limited turnover - limiting contract delivery opportunities because of a commissioning environment which favours larger organisations
- A perception of BME organisations as being predominantly volunteer led with limited organisational capacity
- The tendency to restrict their activity to their community rather than tapping into wider markets (which can also create a perception that these organisations are a “closed shop”).

This is not to imply on any level that BME-led Community Businesses are weak or need greater levels of support than any other fledgling Community Business. It is equally wrong to assume that BME organisations all share the same characteristics when BME Community Businesses are in fact characterised by extremely wide cultural and organisational diversity and undertake a wide variety of business activities.

However, the common characteristics described above provide an indication of the type of support which BME Community Businesses would most benefit from; support providers that understand these issues and can provide tailored support.
What does our toolkit aim to do?

In 2018 Ubele, Locality and Power to Change collaborated in the development of this toolkit, which recognises the distinctiveness of BME led and focussed Community Businesses operating across the UK and beyond. The focus of this work was to create a practical document that would act as a guide for BME entrepreneurs and existing BME led organisations with ambitions to create new Community Businesses. It aims to support the creation of strong foundations, upon which successful BME Community Businesses can be built.

Although we have designed this tool kit to be as helpful as possible it does not cover absolutely everything that a BME Community Business would need to know. Community Businesses work across a vast number of industry sectors, in very different circumstances, and have different organisational forms and priorities. To create a tool kit that covers everything in the detail required would result in a document of such size that those wishing to use it could not lift it.

Nor does the toolkit attempt to demonstrate a linear process for the development of a Community Business. The diagram below provides an illustration of a typical journey for a Community Business but the idea that they follow a universal development path does not recognise of the wide range of experiences that different organisations have.

<table>
<thead>
<tr>
<th>Inception</th>
<th>The catalyst for the idea - people coming together to discuss initial ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imagination</td>
<td>Developing a coherent vision for the Community Business or Businesses</td>
</tr>
<tr>
<td>Discovery</td>
<td>Feasibility (detailed activities, financial model, resources, community consultation, property surveys etc)</td>
</tr>
<tr>
<td>Planning</td>
<td>Business Planning</td>
</tr>
<tr>
<td>Forming</td>
<td>Incorporating (if a new organisation) or making any alterations to the existing legal status of the founding organisation</td>
</tr>
<tr>
<td>Investment</td>
<td>Grant, loan, share capital, asset transfer, donations, investment through partnership</td>
</tr>
<tr>
<td>Development</td>
<td>The set up phase, capital development</td>
</tr>
<tr>
<td>Management</td>
<td>Community Business starts trading</td>
</tr>
</tbody>
</table>
How is this toolkit structured?

The design of this toolkit is based upon three fundamental components, which form the basis of a strong, effective Community Businesses:

- **Business Model** – what business activities and the markets for those activities
- **Governance** – legal structures, leadership and community accountability
- **Social Impact** – identifying community need, developing a “Theory of Change” and impact measurement

To support the understanding of how to use this toolkit we will employ the use of a case study that will feature throughout. The aim of this it to illustrate important areas of decision making for any fledgling BME Community Business. Although not a real organisation its experiences will borrow heavily from the experience of a range of BME led Community Businesses, which Ubele, Locality, and Power to Change have supported.

**Case study – The Growing Green Food Collective**

A volunteer led community organisation, the African Caribbean Alliance (ACA) established in the early 1980’s to serve the interests of a disadvantaged West London borough, aspire to bring a derelict children’s playground back into use. The area is close to the local community centre which the Council say they can no longer afford to maintain. The group are exploring with the Council a potential asset transfer of both the playground and community centre and aspire to develop a food growing enterprise to benefit local people.

ACA’s Board is made up of established professionals including teachers, senior health workers, accountants and lawyers. However, one of the key challenges to realising their ambition is a leadership nearing retirement age and the need for new younger adults to be recruited.

To complement the use of the case study above we will also feature several real-life case studies drawn from the MEL Programme and from Ubele’s work across the UK, to illustrate the broad range of BME-led Community Businesses that have shared similar journeys.
SECTION 1
The Business Model

Introduction

The fundamental and underpinning element of any successful Community Business is the business model – understanding what the Community Business will do, who the customers are, and what they are prepared to pay, ensures that the organisation is viable as a “going concern”.

This section aims to demonstrate how a BME Community Business could approach the development of their business ideas, ensuring they translate into the development of a strong and effective organisation.

What are your business activities?

For many start-up organisations one of the most challenging issues they need to address is identifying their individual business activities or ‘business units’. Many organisations assume they do only one thing. Community Businesses exploring asset transfers for example assume that running the building is the business, but the reality is that the asset is simply the premises that a range of businesses are based within. These businesses may include renting out space as offices, charging for room hire for community groups, functions such as christenings, weddings, funeral receptions etc.
It is also important for organisations to be honest with themselves - asking themselves the question “is this a trading Community Business or a community project”. There is absolutely no shame in community organisations delivering community activities using combinations of grant funding and volunteer time. But it is important to understand the distinction between this type of activity and a business activity with a clear and ongoing customer base.
**Business Units**

It is not at all unusual for a Community Business to have multiple business activities, serving different markets and generating income in different ways. They may each have their own staff, logistical requirements, financial models, and may make different levels of surpluses. Some ‘business units’ may make a significant contribution to the organisations “overheads”, whereas others may be loss making but subsidised by the surpluses made by others. However, those loss-making business units may be generating significant social impact, justifying that subsidy. The right combination ensures overall viability. Therefore, a key starting point for any fledgling Community Business is to map out what the individual business units will be.

**Feasibility**

Following this there will be a need to test out the “feasibility” of those individual ideas. Feasibility is the process of understanding whether the business ideas are viable – so can the business cover its costs in the short term and can this situation can be sustained in the long term?

**Partnership**

In addition, new Community Businesses should also realise when support and partnership with others would be beneficial. BME Community Businesses particularly need to avoid working in isolation from other organisations who could become valuable partners. An example of this is BME Community Businesses interested in providing day services for the elderly on a contract with the local authority, which could be as a specialist partner delivering support to BME clients as part of a broader consortia of providers.
The Growing Green Food Collective
The committee members of ACA get together and discuss the type of Community Business activities they wish to undertake. They decide to explore the feasibility of:
- Growing and then selling low-cost fresh fruit and vegetables to the local community (including the sale of organic preserves, pickles and sauces)
- Using the grown produce to supply a café based on site
- Undertaking therapeutic activities for people with mental health issues
- Providing horticultural training qualifications
- Providing allotments for local people

ACA successfully applies for a small grant and commissions some outline feasibility work to be undertaken by a reputable consultant, including developing outline financial models. The group play an active role in this process, including engaging with existing Community Businesses providing similar activities, consulting with the Local Authority about what they would consider as acceptable uses for the site, and engaging with local people and local organisations to understand their views on the activities proposed.

The group also visit other Community Businesses carrying out similar activities - particularly those working in similar urban environments. They take time to understand the business models of those organisations, particularly the finances. The group decides not to pursue providing allotments for local people as the income to be generated is very limited and the benefit derived would be limited to those individuals. Based upon consultation with local groups they also decide to broaden access to the project for the community by making community space available at reasonable costs to a range of local groups. The group, working alongside the consultant, decide to focus upon five distinct business activities.

They also identify three other business activities to be explored once the Community Business is more established:
- Developing a community market day to sell their own produce as well as providing an outlet for range of other traders (including other Community Businesses)
- Providing horticulturally themed team building days targeted at the private sector (as well as the public and voluntary/community sectors)
- Developing glasshouses on the site to enable the growing of produce indigenous to Africa and the Caribbean.
Who are the customers?

Customers are those that pay for the services or buy the products that the Community Business produces. Essentially, they are the market that you are catering for. Therefore, customers could include community members, local business, other community organisations, public sector commissioners (e.g. local government contracts) and even grant funders. Some businesses may have more than one type of customer (e.g. a café that sells to the local community but also does outside catering for businesses).

Customers or Beneficiaries?

A problem that many new Community Businesses have is failing to distinguish between customers and beneficiaries – customers being those that pay, and beneficiaries being those that benefit. It is the distinction between responding to a community need and a commercial demand. That Community Business must achieve both means that they are often having to balance maximising community benefit with ensuring that they continue to operate as a “going concern”.

An illustration of this is a Community Business running youth activities on a contract – where the young people (with no ability to pay) are the beneficiaries, and the Local Authority is the customer by funding this activity via a contract. Similarly, grant funders are customers in that they fund work which results in ‘beneficiaries’, who may be members of a BME or geographical community, young people, older people etc.

However, there are many circumstances when customers and beneficiaries are the same, an example being a community shop selling low cost groceries to local people.
The Growing Green Food Collective
Based upon the business activities identified above ACA undertakes further research in the local area – market research designed to identify the customer base for their activities and what those customers will be willing to pay. They support younger adults in the area to undertake this work as community researchers. This includes:
- Looking at the offers and price ranges of other local shops and cafes (including caterers)
- Engaging with the local Clinical Commissioning Group (health authority) and determining that they are interested in commissioning organisations to provide therapeutic support to people with mental health issues (including anxiety and depression) and exploring the using of Personal Budgets to enable individuals to purchase that support directly
- Exploring partnership opportunities with a local college to provide City & Guilds NVQ Level 1 and 2 Certificate in Work-based Horticulture (courses to be affiliated with the college but provided by the organisation). The offer to the college would be to significantly boost BME involvement in a sector where they currently lack representation
-Engaging with a wide range of local groups to explore their interest in hiring rooms within the community centre for meetings and activities with local people and mapping other community premises in proximity and identifying what they currently charge.
What does our financial model look like?

Financing for Community Businesses can often be portrayed as being complicated. To an extent it is, as there is certainly a wide range of potential sources of finance available to them.

Developing the Financial Model

Determining the financial model for a Community Business is a crucial part of the business development process. Despite how people may feel about finance, it is unfortunately unavoidable. It is also important that those running the community business understand it – at least the basic detail. It cannot be delegated to one or two people and should not be outsourced. It is useful to bring in specialists with expertise, but again, their role should be to facilitate a process, not simply develop figures and projections in isolation and present it back, as generally people then struggle to understand it.

Cash Flow Forecasting

The best way for any fledgling Community Business to understand how their financial model works is to develop a cash flow forecast (projected over three to five years). A cash flow forecast is an estimation of the money that you expect your Community Business to bring in and pay out over a period time. It particularly helps you to forecast when you may have a cash flow problem – a period where expenditure exceeds income and there is not enough money in the bank to cover the shortfall. A cash flow looks at monthly costs rather than annual costs, and in doing so this creates a much better understanding of how the Community Business works.

Finance does not have to be that scary! A basic knowledge of Microsoft’s Excel is pretty much essential, but a series of easy steps can be used to develop a cash flow which helps everyone to understand the basic financial model of the Community Business:
1. Typical monthly expenditure
   - Imagine your community business is created and has been up and running for 12 months
   - Think about all the types of costs (or expenditure) that your organisation would incur and write these as a list (e.g. staffing costs, utility costs, premises costs, cost of supplies)
   - Based on the research that you have done, identify what the typical costs of your organisation are for a typical month - so putting a monthly cost against that list of costs
   - Do not include any one-off start-up costs (e.g. building refurbishment).

2. Typical annual expenditure
   - Take those monthly costs and then project them over a full year (so month by month over a twelve month period)
   - Make sure that you take account of any seasonal variations (e.g. reduced hours for the cafe meaning that staff hours will be shorter and ingredients costs lower, that heating costs are likely to be higher in the winter months)
   - Recognise when money will be paid out (e.g. some bills are quarterly rather than monthly) and update the figures
   - Include totals rows and columns - the total expenditure for each month and the total for each expenditure category over a twelve month period.

3. Typical monthly income
   - Next think about all the types of income that your community business will generate in a typical 12 months and write these as a list
   - Based on the research you have done identify what the typical income of your organisation will be for a typical month - so putting a monthly income amount against that list of income
   - Do not include any start up 'capital' that you may be aiming to obtain (e.g. large capital grant or loan).

4. Typical annual income
   - Take the monthly income and then project this over a full year (so month by month over a twelve month period)
   - As with costs/expenditure ensure that you take account of any seasonal variations and think about practically when money will be practically be received (e.g. recognising that there are often delays in people paying invoices
   - Include totals rows and columns - the total income for each month and the total for each income category over a twelve month period.

5. Typical annual cash flow
   - On the same excel spread sheet detail both the income and expenditure information
   - Insert a new row that gives the balance between income and expenditure within each month
   - Insert a further row that enables the balance between income and expenditure to carry forward on a monthly basis
   - Recheck all your figures and make sure they make sense (e.g. cafe income should always be substantially more than expenditure linked to supplying the cafe)
   - A cash flow forecast has been created, which is representative of a typical trading year for the Community Business.
The committee of ACA meets, bringing with them the research that they have undertaken on the range of activities they wish to provide, alongside other research (including findings from visits to other similar organisations and an exploration of their business models). They begin with a basic cash flow template and use a screen and projector so that the whole committee can work on it all together, have chance to influence its creation, and develop a detailed understanding of it.

Members of the committee who are not that familiar or comfortable with finance are paired with those who are more confident. Ayo, who has some experience with managing finance in her job as a manager of a local pre-school sits with and supports Paul, a retired construction worker who has lived in the area all his life and is keen on the food growing aspect of the project.

The committee work together, following the process outlined above. They identify different types of costs and income and forecast amounts for each. They then make adjustments based upon developing an understanding of when money needs to be spent (e.g. seasonal variations when seeds/plants need to be bought and planted) and when income will be received (e.g. contract income often quarterly in arrears).

This results in the cash flow below which represents a typical trading year for The Growing Green Food Collective Community Business:

<table>
<thead>
<tr>
<th>INCOME</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafe sales</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
<td>84,000</td>
</tr>
<tr>
<td>Catering</td>
<td>400</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>460</td>
<td>4,600</td>
</tr>
<tr>
<td>Shop sales</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
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<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>12,000</td>
</tr>
<tr>
<td>CCG contract - horticultural therapies</td>
<td>2,760</td>
<td>2,760</td>
<td>2,760</td>
<td>2,760</td>
<td>2,760</td>
<td>2,760</td>
<td>2,760</td>
<td>2,760</td>
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<td>2,760</td>
<td>2,760</td>
<td>2,760</td>
<td>27,600</td>
</tr>
<tr>
<td>Personal budgets income - horticultural therapies</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
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<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
<td>20,400</td>
</tr>
<tr>
<td>Contract income (BSFA via College)</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
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<td>90,000</td>
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<td>Room hire</td>
<td>240</td>
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<td>240</td>
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<td>240</td>
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<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
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<th>Jan</th>
<th>Feb</th>
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<td>8,000</td>
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<td>Costs of plants, seeds, fertilisers, etc.</td>
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<td>850</td>
<td>850</td>
<td>850</td>
<td>850</td>
<td>11,000</td>
</tr>
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<td>1,000</td>
<td>1,000</td>
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<td>250</td>
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</tr>
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<td>Licensing, registration, accountancy and bank charges</td>
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<td>500</td>
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| Monthly balance | 5,625 | 4,975 | 6,135 | 3,685 | 8,435 | 8,138 | -5,065 | -6,265 | -13,125 | -5,325 | -6,475 | 3,125 | 9,610 |
| Cumulative balance (brought forward from previous year) | 5,625 | 1,500 | 6,685 | 3,020 | 5,455 | 14,595 | 9,525 | -4,260 | -17,385 | -12,960 | 6,485 | 9,610 | 9,610 |
What money do we need to start?

Start-up funding in the form of "capital" is essential for any Community Business. There are three main types:

- **Development Capital** – Money that enables the organisation to fund specialist advice and support to explore the nature of the Community Business view wish to establish prior to it being created. Development Capital would typically fund expenditure such as feasibility studies, business planning, building surveys, market research, community engagement and architects fees.

- **Investment Capital** – This is the money that enables the Community Business to become established, including the purchase or development of property

- **Working Capital** - This is the money that enables the Community Business to manage its revenue cash flow over the period where costs are being incurred, which cannot be met by the expenditure that the organisation is generating. Particular "pinch points" tend to occur in the first year of trading where expenditure is substantially greater than income for protracted periods of time.

Capital can come from a wide variety of sources including grant, donations, loans and shares (equity finance):
Start Up and Working Capital

Once a Community Business has established the financial model for its typical trading year and capital funding sources that will support its establishment, it can then establish what its start-up year look like (and often the start-up period is longer than one year). This is the period where there may be a capital phase linked to the development of land and buildings, but also its initial period of trading. At the beginning there is often a long period when the Community Business is incurring costs that are not matched by the level of income - particularly as the Community Business will need time to establish a customer base and build “market share”. Developing a detailed cash flow forecast for this start-up period will help you to understand and ensure that you have the right levels of “working capital” in place. This can be in the form of grant or loan or any other money that cannot be generated by the trading activities of the community business during the start-up phase, but crucially it is money that can cover the revenue deficit. It is essential for a start-up Community Business to not be over optimistic about income projections, and evidence shows that the first year of trading is the time when financial difficulty is most likely to occur.

The Growing Green Food Collective

Following the agreement of the financial model for The Growing Green Food Collective, ACA was then able to take a copy of the cash flow they had developed and adapt it to represent the set-up year. Their revenue forecasts reflect the need to grow their customer base in the first year at pace. They include two new sections, one for Capital Income (investment sources including grant and donations) and one for Capital Expenditure (building refurbishment, site development and equipment purchase). When they have completed the initial cash-flow forecast they identify that they will experience a shortfall in money at an early stage following the capital development stage. From this they identify their working capital requirements. They therefore begin negotiations with a social investor who (based on their income projections) offer a £17,000 five-year loan at 5% interest rate (a cost of £4,000 annually). They also manage to negotiate a three-month repayment holiday before they need to start repaying it. Repaying this loan will mean that it will be challenging to create significant surpluses above costs in the early years, but it is affordable based upon their projections. Based upon these details The Growing Green Food Collective develop the following cash flow projection for their first year of operation:
<table>
<thead>
<tr>
<th></th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
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<td></td>
<td></td>
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<td></td>
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<td></td>
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<td>Rent payment of community centre (shop and cafe)</td>
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<td></td>
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</tr>
<tr>
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<td>7,930</td>
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<td>8,234</td>
<td>2,067</td>
<td>4,885</td>
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</table>
Established as a charitable company in 1988, against the backdrop of the Brixton Riots in 1985, 198 CAL initially focused on the need to provide a platform for Afro-Caribbean artists as part of the Black Arts Movement. It has managed to achieve national impact through its innovative work with artists whose work explores emerging cultural identities.

As with most Community Businesses, funding is an issue, and being able juggle various programmes requires a strong level of unrestricted core funding to underpin the organisation. Based on Ubele’s capacity assessment and support, CAL198 demonstrated that they had the foresight, opportunity and capability to pursue a two tailed approach; income generation through trading alongside multiple grant funding applications.

Over the last two years 198 CAL has secured contributions from over seventeen funders as well as generating an average of £38k per annum through trading. The majority of their trading income comes from their HustleBucks Café as well as through the delivery of training workshops and the hiring of space for exhibitions.

They are currently exploring the possibility of establishing the Hustlebuck (a youth enterprise offering print and design services) as a trading arm using the Community Interest Company model, which would generate significant unrestricted income for 198 CAL.
How do we develop a Business Plan?

At some point during the development stage for any Community Business the organisation will be asked for a business plan. This request may come from funders, investors, potential shareholders, potential donators, Local Authority etc. It is a useful document for any organisation seeking to let others know what their plans are. But fundamentally a business plan is for the organisation who owns it, and therefore it needs to be developed in a way which results in them having a thorough understanding of it – a document that they own. It should give the fledgling Community Business the confidence that their ambitions can be successfully realised. It is therefore the journey (the process of business planning) rather than the destination (the document) which people should place most value upon.

A business plan captures everything about the Community Business. Essentially it is an instruction book detailing how to realise the Community Business and should contain (at a minimum) the following sections:

<table>
<thead>
<tr>
<th>Contents</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>A two to three side summary of the contents of business plan. There should be nothing in the Executive Summary that does not feature in the business plan.</td>
</tr>
<tr>
<td>About the Organisation</td>
<td>Background about the organisation, its history, the catalyst for its formation</td>
</tr>
<tr>
<td>Mission</td>
<td>A short statement indicating what the organisation’s purpose is. E.g. The Growing Green Food Collective’s mission is to improve the lives of the local African Caribbean community, and the wider community, through horticulture - providing the space, education, and inspiration that supports the community to grow. Some organisations also have a “Vision Statement”, which is a high-level summary describing how they want the community to be because of their activities and realising their mission</td>
</tr>
</tbody>
</table>
Strategic Objectives

Also known as Strategic Aims. These are an expression of what the Community Business will do to achieve its Mission. These will still be reasonably broad. Most Community Businesses will have four to five Strategic Objectives. E.g.:  
1. To support the community to be healthier (including mental health and wellbeing), more active, and better connected  
2. To address local food poverty  
3. To support environmental and horticultural education, particularly for those from an African-Caribbean background  
4. To be a strong and sustainable organisation

Description of Business Activities

As described in the section above, many Community Businesses provide a range of business activities. This section would be divided into subsections based on those individual activities. These summaries would include a description of the nature of the activity, a brief description of the market they serve, and an indication of turnover (i.e. the annual income they bring in)

Social Impact

This section is an opportunity to articulate the type of benefits that your Community Business provides and to who. A way of representing this is as a process that describes how your individual business activities lead to outputs, outcomes and eventually wider impact. Further detail on how to understand and describe your social impact is included in the section below.

Market Analysis

This section can be made up of several subsections:  
- Policy context – how your Community Business aligns with a range of local and national policy initiatives and local strategies  
- Need – how your Community Business addresses the needs of the community that you are aiming to serve (e.g. poor health, unemployment, poor social cohesion)  
- Demand – essentially the market for your activities – who is the customer and what will they pay?  
- Competitor Analysis – who else is undertaking similar activities or serving similar markets. How is your offer stronger than theirs?

Governance

Information on your legal structure, charitable status, the makeup and role of the board.  
Further detail on Governance is included in the section below.
<table>
<thead>
<tr>
<th>Contents</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing</strong></td>
<td>Who your organisation employs and their role. This section could also</td>
</tr>
<tr>
<td></td>
<td>include how the Community Business will use and support volunteers.</td>
</tr>
<tr>
<td></td>
<td>A staffing structure in the form of a diagram is a useful way to</td>
</tr>
<tr>
<td></td>
<td>demonstrate this.</td>
</tr>
<tr>
<td><strong>Property</strong></td>
<td>Information on the land and property your own, lease or use. Site plans</td>
</tr>
<tr>
<td></td>
<td>can be a useful inclusion and provide a visual representation on how</td>
</tr>
<tr>
<td></td>
<td>different uses will be accommodated on the same site.</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td>This section will detail how you will promote your business activities.</td>
</tr>
<tr>
<td></td>
<td>Fundamentally this is about engaging customers, beneficiaries, the wider</td>
</tr>
<tr>
<td></td>
<td>community, as well as other local stakeholders. Marketing can take many</td>
</tr>
<tr>
<td></td>
<td>forms from hard copy advertising, web presence, and increasingly the use</td>
</tr>
<tr>
<td></td>
<td>of social media.</td>
</tr>
<tr>
<td><strong>Revenue Finance</strong></td>
<td>This section would include an overview of income and expenditure in the</td>
</tr>
<tr>
<td></td>
<td>form of an annual budget and usually an appended cash flow forecast (as</td>
</tr>
<tr>
<td></td>
<td>detailed in the section above). It could also detail how the Community</td>
</tr>
<tr>
<td></td>
<td>Business approaches pricing, VAT and tax implications.</td>
</tr>
<tr>
<td><strong>Capital Development</strong></td>
<td>If your Community Business is dependent upon a substantial capital</td>
</tr>
<tr>
<td><strong>Plan</strong></td>
<td>development phase this section will be required. This would include</td>
</tr>
<tr>
<td></td>
<td>summaries of work to be undertaken and the cost, a time-scaled plan for</td>
</tr>
<tr>
<td></td>
<td>implementation, outcomes of any property surveys, capital project</td>
</tr>
<tr>
<td></td>
<td>management arrangements (who will oversee it).</td>
</tr>
<tr>
<td><strong>Funding &amp; Investment</strong></td>
<td>A summary of the different funding sources that the Community Business</td>
</tr>
<tr>
<td></td>
<td>will require to support its establishment (investment capital and working</td>
</tr>
<tr>
<td></td>
<td>capital), the amount required, whether these sources are secured or not.</td>
</tr>
<tr>
<td><strong>Risk Analysis</strong></td>
<td>The Risk Analysis is usually presented in the form of a table. Risk items</td>
</tr>
<tr>
<td></td>
<td>are usually rated (high, medium or low) based on identifying the</td>
</tr>
<tr>
<td></td>
<td>likelihood of the risk occurring and then the severity of impact it would</td>
</tr>
<tr>
<td></td>
<td>have on the Community Business if it did occur. Finally, a strategy will</td>
</tr>
<tr>
<td></td>
<td>need to be developed for each risk item, to either prevent that risk from</td>
</tr>
<tr>
<td></td>
<td>occurring or limiting its impact if it does. Risk analysis is crucial and</td>
</tr>
<tr>
<td></td>
<td>is often not taken seriously enough. It is often included as an after-thought</td>
</tr>
<tr>
<td></td>
<td>in a business plan. If you have identified risks and strategies for</td>
</tr>
<tr>
<td></td>
<td>managing them then you should be altering your business plan to reflect</td>
</tr>
<tr>
<td></td>
<td>that (e.g. increasing the level of working capital required because of the</td>
</tr>
<tr>
<td></td>
<td>risk that sales targets will not be met).</td>
</tr>
</tbody>
</table>
SECTION 2
Governance

Introduction

Governance is a tricky concept as the term incorporates different elements. It includes consideration of the legal structure of the organisation, the structure of the board of governance and how it operates, defines the different responsibilities of board and staff members, governs how decisions are made, includes a consideration of policies and procedures, as well as how the organisation involves and is accountable to the local community. It is everything that contributes to the ability of the individuals responsible to run the Community Business effectively.

What is the Board?

All Community Businesses should have a “board”, a group of people governing the organisation. Their roles can be characterised as:

- Stewardship – they protect values and ethos of the organisation, ensuring that the organisation does not deviate from its mission
- Representational – being accountable to, and representing the interests of, the community
- Managerial – based upon skills, expertise and experience - essentially their technical ability to manage the organisation

This section explores key aspects of governance for a BME Community Business including the role of the board, the importance of community accountability in the context of Community Business, and the legal status of the organisation.
The form of the board

The form of the board is usually informed by the governing document of the organisation, which is the rules by which it operates. Depending on the legal structure of the Community Business these can take the form of a constitution, articles or rules. The governing document will also identify the roles of “officers”, who are board members with extra responsibilities:

- Chairperson (chairing meetings and providing a key none-executive leadership role)
- Secretary (ensuring that the Community Business keeps effective records and meets its legal obligations)
- Treasurer (stewardship of the finances of the organisation)

The size of the board varies but too many people often results in protracted meetings and a lack of in-depth understanding of the workings of the Community Business. Too few and there is potential for it to become a clique, lacking any real community accountability. Effective boards usually have between eight and twelve people on them.

How often does it meet?

On a practical level boards tend to meet on a regular basis from once every month to quarterly (but during a start-up phase it would not be unusual to have weekly meetings). Meetings tend to last between one and three hours and typical agendas involve a review of actions from the last meeting, a review of the organisations finances, items for decisions connected to the organisations business activities and an explorations of new business opportunities. The most senior staff member would normally be in attendance providing a range of reports connected to different aspects of the organisation (e.g. human resources, social impact, policies etc).

Membership

An important decision when establishing a Community Business is whether to be an organisation with a wider membership which democratically elects the board (e.g. at an Annual General Meeting). A decision will also be required on whether there needs to be a separation between those who work for the organisation and those which form the board. Some Community Businesses may also wish to offer the opportunity for other organisations to make nominations to the board as a way of cementing the relationship between potential partners.
What constitutes good governance?

“Good governance” is a prerequisite for every successful Community Business. Indications of a strong and effective board include:
- Understanding their role and their responsibilities
- Ensuring the delivery of organisational purpose (the mission)
- Commitment to working effectively as individuals and as a team, and fostering a culture of collaboration and mutual support
- Exercising effective control (operational and financial)
- Behaving with integrity
- Being open and accountable (to the community served)
- Outward and forward looking – being entrepreneurial and opportunistic, thinking months and years ahead
- Understanding and managing organisational risk – but not being too “risk averse”.

GOVERNANCE CASE STUDY: Manchester Congolese Organisation (MaCO)

MaCO is a registered charity and Company Limited by Guarantee with a strong volunteer base that supports the delivery of activities including:
- Youth Programme: homework club, youth club, ICT and sports activities
- Information, Advice and Guidance: health advice and advocacy services, early prevention mental health, healthy lifestyles and nutrition, financial and employability advice, facilitating access to education and skills, translation and interpretation services

Based on Ubele’s capacity assessment of the organisation, MaCO was supported to establish a governance structure and business plan that enabled them to secure a ten-year lease from Manchester City Council (MCC).

The process to get to this stage was challenging, requiring the development of new policies, systems and staff roles in preparation to take on the building.

The board of MaCO had to meet more regularly to focus on their business plan, and particularly to determine the most effective income generating options. MaCO were able to recruit new trustees with skills in managing buildings, as well as financial and legal skills. MaCO has particularly had to think carefully about balancing community access with the commercial imperative of generating sufficient income to sustain the management of the building for the future.
**How are we accountable to our community?**

In November 2017, Power to Change published “Community accountability in community businesses”, which identifies that accountability to the community was at the heart of who Community Businesses are, and how they work. Community accountability helps Community Businesses to operate with dual drivers - to serve their community and to be viable businesses. Community accountability is a crucial element of a Community Business because it is:

- An expression of core values which guides business decisions
- A way to help make the business sustainable by harnessing volunteers
- A means by which to build credibility of the Community Business within the local community
- Central to fulfilling a mission to empower local people
- Aligned with a vision of achieving financial independence and therefore autonomy to pursue a direction which maximises benefits to the community.

In practice, the ways in which community accountability is achieved includes:

- Formal structures such as meetings (Annual General Meetings, consultation events); directly involving local people (as members/shareholders, volunteers or board members); aligning with and/or adhering to regulatory frameworks (public benefit) or local plans (e.g. parish plans)
- Relationships between the organisation and the community to ensure a two-way flow of insights, learning and opinion
- Communications tools used flexibly to create a visible local presence, openness and transparency by using social media and digital technology as well as leaflet drops and public meetings

As above, one of the most powerful ways that a BME Community Business can achieve accountability is by being a membership organisation, which means that the organisation’s board is directly elected by the wider membership, usually via an Annual General Meeting. To be effective, membership needs to be managed in a way that consistently encourages the active participation of the members all year round, otherwise Annual General Meetings end up being poorly attended.

Many existing Community Businesses with a legal form enshrined in membership fail to actively recruit or communicate with members or even keep a membership register. Membership for many Community Businesses is therefore often limited to the members of the board who vote each other onto the board every year.
The Growing Green Food Collective

The group decide that they want to be a membership organisation, feeling that this will provide a strong foundation from which to develop a broader strategy to achieve real community involvement and accountability.

A member of the group is tasked with designing a simple membership register and membership form - recording name, address, contact details and contact preferences (i.e. how they are willing to be contacted). A high level of importance is placed upon obtaining mobile phone numbers and email addresses to enable the issuing of regular news bulletins (members news), to encourage followers of the organisation’s Facebook Page, Twitter, Instagram, as well as receiving text message updates. The group feels that this will provide an opportunity to promote community events and training opportunities, alongside other practical ways of encouraging their involvement. They will also use these details to undertake regular consultation exercises such as snapshot e-surveys to gauge member opinion on different issues to inform board decisions.

Having this strategy at the very beginning will allow them to embed true community ownership of the Community Business as well as building a strong base of volunteers (e.g. involving them in the physical design of the growing site and the building refurbishment).

They feel that this approach will lead to far greater attendance at the Annual General Meeting and that ongoing engagement will enable them to work intensively with individuals to build confidence to become future board members as part of a wider succession strategy.

Everyone involved with the organisation is encouraged to actively grow the membership within the community, which is agreed to be:

- Individuals that live or work within the geographical area which are supportive of the mission and values (even though they anticipate having a majority BME membership they do not wish to exclude anyone)
- Organisations which are supportive of the mission and values (using this as an opportunity to cement partnerships with others)

Following a suggestion by Dwayne, one of the younger committee members, they also agree to support activities to support “Growing Green Emerging Leaders” - young adults over 18 years who can take on a lead role in communications via social media and host specific events. They want to call this intergenerational element of their work: “Sharing the Baton”.

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**Sharing the Baton**

Helping established and newer leaders to work together

The Sharing the Baton coaching program aims to assist organisations to take advantage of the layers of skills within it. It also provides a space where multi-generational strengths, insights, awareness and skills can lock together to extend the capacity of each for all.

Michael Hamilton will be the project coach - he will contact each organisation to arrange dates and about 3 months prior to when he will come to you.

www.standing.org
michael.hamilton@standing.org
There is no right or wrong way of realising community involvement and accountability, and Community Businesses employ a range of mechanisms to connect with their beneficiaries. However, the “Community Accountability in Community Business” report identifies four “critical success factors for community accountability” alongside several questions which Community Businesses can use to test their performance in this important area:

<table>
<thead>
<tr>
<th>Critical success factors for community accountability</th>
<th>Questions to explore or ask</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connected to the community</td>
<td>- How and why was the business started?</td>
</tr>
<tr>
<td></td>
<td>- What kinds of connections do you have and what do you think they need?</td>
</tr>
<tr>
<td></td>
<td>- Who are the communities you serve or are you responsible to?</td>
</tr>
<tr>
<td></td>
<td>- How do local people and the communities you are involved in the business recognise structures, relationships, and communications?</td>
</tr>
<tr>
<td>Engaged and knowledgeable leadership and governance</td>
<td>- What governance structure do you have?</td>
</tr>
<tr>
<td></td>
<td>- What are the principles underpinning your governance in terms of who is involved in board or management committee composition?</td>
</tr>
<tr>
<td></td>
<td>- How do you go about balancing what the community needs with what the business needs?</td>
</tr>
<tr>
<td>Aligned with local structures and partners</td>
<td>- How does your work align with other local priorities in the public, business and voluntary sectors?</td>
</tr>
<tr>
<td></td>
<td>- How relevant is this to the work you do?</td>
</tr>
<tr>
<td></td>
<td>- Who do you work with locally in terms of other organisations and agencies?</td>
</tr>
<tr>
<td>Critical events/difficult times</td>
<td>- Have there been difficult things you’ve been through on a business in terms of working with the community?</td>
</tr>
<tr>
<td></td>
<td>- This might include: differences of opinion between shareholders; complaints from local residents; negotiations with local authorities (e.g. about lease renewal)</td>
</tr>
<tr>
<td></td>
<td>- When the chips were down, who did you turn to, what did you do and what did you see as a successful outcome?</td>
</tr>
</tbody>
</table>

**Which legal structure should we choose?**

The decision about which legal structure to choose is an important one. Key is that “form follows function”, which means that the legal structure should be determined once there is awareness of how the Community Business will operate. This means that the legal model is best selected further into the business development process than is often assumed – after the business activities and the associated financial model has been planned in detail.

However, any Community Business undertaking activities such as employing staff, signing a lease or entering into a contract, will need to be “incorporated”. This means the individuals have created a new legal identity which limits their personal liability (often to a maximum of £1). Therefore, a Community Business that has begun to trade should not be an “unincorporated association”.

The best way to determine the best legal model for the Community Business is by asking a few key questions:

- Where will the money come from to start it up – grant, loan, donations or equity linked to shareholdings (involving paying out dividends/share interest to individuals)?
- Do those involved want to be board members and work for the Community Business (i.e. draw a salary)?
- Do they want to become a charity and are they undertaking charitable activities?
- Do they want to be a membership organisation and for board members to be democratically elected by the community?
What are the common legal structures for Community Business?

**Company Limited by Guarantee**

is the most popular form of legal structure for Community Business because this form of company can also register as a charity. This is because most Community Businesses are “not for private profit”, which means they do not distribute profits in the form of dividends or share interest to individuals. Charitable status has advantages, particularly an 80% reduction on business rates, not having to pay Corporation Tax on profits as well as maximising the opportunity for grant funding (a significant proportion of which can only be accessed by charities). Being a charity does not mean that the Community Business cannot undertake trading activity, only that it needs to undertake trading activities in line with its charitable objectives.

A Company Limited by Guarantee is also a legal form which is underpinned by membership. It is therefore a suitable form for any organisation which wishes to embrace democracy and be accountable to the community it serves.

**Charitable Incorporated Organisation**

is very similar a Company Limited by Guarantee with charitable status. The key difference however is that the organisation only registers with the Charities Commission (unlike a Company Limited by Guarantee which registers with both the Commission and Companies House). It is model generally more suited for smaller charities as it is not possible to convert a CIO to another legal form and it does not benefit from use of the Register of Charges manged by Companies House, which enables a charge to be levied on a property which provides the necessary security for lenders.
is increasingly being used by start-up Community Businesses because it also allows them to raise capital via a Community Share Issue – a mechanism which allows community members to invest their money in the organisation as shareholders. This legal model also benefits from an “exempt charitable status”, which means that it enjoys most of the benefits of being a charity, but is exempt from registration with, and oversight by, the Charities Commission. The highly democratic principles underpinning this legal model are also very attractive to those wanting to maximise accountability to the local community. It is registered with and regulated by the Financial Conduct Authority.

Co-operative Society can take various forms but is underpinned by the concept of “co-operation” between its members and is highly democratic. A Workers Co-operative for example is an employee owned organisation where the workers are both members and owners, are democratically elected as Directors by the wider membership, and share in the profits generated. As with Community Benefit Societies it is registered with, and regulated by, the Financial Conduct Authority.

Community Interest Company was primarily established as a legal form to enable social entrepreneurs to both control the organisation as a Director and draw a salary as an employee. They benefit reputationally from having the status of a “social enterprise” established primarily for public benefit. Community Interest Companies can have a large or a small membership and can be limited by guarantee or by shares. Is they choose to adopt the model based on shares it is possible for individuals to receive a proportion of the profits generated by the organisation. They are registered and regulated by the CIC Regulator.

A table detailing important attributes of the main legal forms for Community Business is included on the following page:
Legal Structures for Community Businesses

<table>
<thead>
<tr>
<th>Incorporation</th>
<th>Unincorporated association or Trust</th>
<th>Company Limited by Shares</th>
<th>Company Limited by Guarantee</th>
<th>Charitable Incorporated Organisation</th>
<th>Community Benefit Society</th>
<th>Cooperative Society</th>
<th>Community Interest Company - Company Limited by Guarantee</th>
<th>Community Interest Company - Company Limited by Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorporated</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Limited liability for members</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Constitutional document</td>
<td>Rules or constitution</td>
<td>Memorandum and Articles of Association</td>
<td>Memorandum and Articles of Association</td>
<td>Rules</td>
<td>Rules</td>
<td>Memorandum and Articles of Association</td>
<td>Memorandum and Articles of Association</td>
<td></td>
</tr>
<tr>
<td>Objects</td>
<td>Any</td>
<td>Any</td>
<td>Any (unless charity - then must be charitable)</td>
<td>Must by charitable</td>
<td>Must by for community benefit</td>
<td>Must follow cooperative ideals</td>
<td>Community interest</td>
<td>Community interest</td>
</tr>
<tr>
<td>Charitable status</td>
<td>Can be</td>
<td>No</td>
<td>Can be</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Regulator</td>
<td>None (unless also charity – then Charities Commission)</td>
<td>Companies House</td>
<td>Companies House (unless also charity – then also Charities Commission)</td>
<td>Charity Commission</td>
<td>Financial Conduct Authority</td>
<td>Financial Conduct Authority</td>
<td>CIC Regulator and Companies House</td>
<td>CIC Regulator and Companies House</td>
</tr>
<tr>
<td>Fees</td>
<td>N/A</td>
<td>£20</td>
<td>£20</td>
<td>None</td>
<td>£100-£1,000</td>
<td>£100-£1,000</td>
<td>£35</td>
<td>£35</td>
</tr>
<tr>
<td>Eligibility for grant funding</td>
<td>Medium</td>
<td>Low</td>
<td>Medium (high if charity)</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Debt finance available</td>
<td>Yes (but limited based on view of lenders)</td>
<td>Yes</td>
<td>Yes (but more limited because no legal 'charge' on)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Equity finance available</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Community Share Issue</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Permanent asset lock</td>
<td>No (unless charity)</td>
<td>No</td>
<td>No (unless also charity)</td>
<td>Yes</td>
<td>No (unless having exempt charitable status)</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Profit distributing?</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No (if share issue – in form of share interest)</td>
<td>Yes (in the form of a dividend)</td>
<td>Yes (capped - regulated by CIC regulator)</td>
<td>Yes (capped - regulated by CIC regulator)</td>
<td></td>
</tr>
</tbody>
</table>

**The Growing Green Food Collective**

The group meets to discuss the range of legal models for the new Community Business. Most of the volunteers decide that they want to be board members of the organisation, rather than work for it and therefore do not see any advantages in becoming a Community Interest Company. One member of the group states that they may want to be considered for a manager post when the Community Business begins to recruit staff and agrees to volunteer for the organisation for the time being but not become a board member.

Because they have taken the decision to be a "not for private profit" organisation, are delivering charitable activities and want to maximise their ability to attract capital grant funding, they decide that having charitable status would be desirable. However, they are intrigued by the idea of doing a Community Share Issue, particularly as they have already had encouraging conversations with individuals who may be willing to donate significant amounts of money to set up the Community Business. The group also wonders whether they may get more interest in a crowdfunding campaign by offering shares rather than asking for donations. The group decide that they do not want to pursue this option currently because of the expenses and potential complexity of registering as a Community Benefit Society.

The group therefore decides to register "Growing Green Food Collective Limited" as a Company Limited by Guarantee, which would then register with the Charities Commission (a process which can take up to twelve months!). Because they want to keep the option open to convert to a Community Benefit Society (should they decide to undertake a Community Share issue in the future) they choose this legal structure over the Charitable Incorporated Organisation (CIO) model. This is because the former allows for a conversion to a Community Benefit Society, whereas the CIO model does not.
SECTION 3
Social Impact

Introduction

Community Businesses unlock the power in their community. They aim to create a fairer society and transform lives. Social impact is the difference made to the individuals and communities because of their activities. Understanding the difference that they make enables them to demonstrate impact to stakeholders – funders, commissioners and fundamentally the community served.

BME-led and focussed Community Businesses are no different in this regard apart from their beneficiaries can be more geographically spread, often have greater levels of need and often feel excluded from mainstream services. BME Community Businesses are therefore more likely to be providing an advocacy and brokerage role in this regard (e.g. accompanied visits to housing advice services, mentoring for job seekers, providing a resource for members of a dispersed BME community to come together and socialise etc).

Social Impact is often used as an abbreviation for the wide range of impact, which Community Businesses deliver. On a basic level, impact can be characterised in three ways:

- Social (social cohesion; civic participation; health and wellbeing; needs of youth, older people, BME communities and other groups)
- Economic (jobs, education and skills; strengthening the local economy; addressing fuel and food poverty)
- Environmental (quality of the local environment; housing standards; biodiversity; environmental sustainability).

This section aims to demonstrate how Community Businesses can identify the needs of their community, develop a Theory of Change (a theoretical model identifying how to address those needs and deliver social impact) and then develop a systematic process of social impact measurement.
How do we identify community need?

It is important for Community Businesses to identify the needs that they are seeking to address. An initial identification of need can be useful in providing a baseline of information, which can be revisited on a regular basis to demonstrate the impact that the organisation is having upon levels of need. It is crucial information in building the evidence base for funders, social investors and other stakeholders who can support you to realise the ambitions of your Community Business.

Community need is not the same as what communities want. If asked about issues in their local community people are almost universally likely to mention litter, dog fouling and anti-social behaviour, way above issues such as health and employment. Therefore, broad brush community consultation needs to sit alongside other more objective methods used to identify need.

Responses also depends upon who the consultees are. BME Communities may be more likely to identify culturally specific needs such as mental health issues, youth crime, high levels of unemployment, and the lack of culturally appropriate services (e.g. meals on wheels, day centre care etc).
Community Businesses can identify the needs of their target communities in a variety of different ways and from a range of sources:

**Statistics**

Local Authorities and Health Authorities often produce, or have access to, a range of local statistics. Other useful on-line sources include Office of National Statistics and government departments such as the Department of Work and Pensions. However, a challenging area for BME-led Community Businesses is isolating the BME contingent within those broader local statistics, which can be very challenging if the data is not structured in that way. National think tank organisation including the Runnymede Trust, BTEG, ROTA, the Government’s recent Race Disparity Audit and the Lammy Review, are good sources of national data for BME communities.

**Strategies**

Exploring how your Community Business connects with the local policy and strategy environment can also support the identification of need. Again, a lot of these strategies are owned by Local Authorities and Health Authorities and will be publicly available via their websites. Many also contain useful local statistics.

**Consultation**

Direct contact with your target beneficiaries can be an extremely effective way of identifying their needs providing they are balanced with other methods. Household questionnaires and on-street snapshot surveys can be extremely useful ways of targeting high numbers of people, but the information gathered is always limited in depth. More in-depth information can be produced through the undertaking of interviews (telephone or face to face) by sampling from the target group or even by running workshops or focus groups and then recording the discussions of specific topics. For Community Businesses considering the physical generation of assets holding a drop-in day for the community either within or close to the site is an ideal way to identify views on community need as a well as ensuring the project can be influenced by your community.
If the origins of the Community Business are with a grant funded project or stem from volunteer led activity then there may be evidence from the experience of working with individual beneficiaries that provides evidence of need. This could be in the form of outcomes (e.g. numbers of people in work), case studies (detailing the experience and benefits to an individual) or project evaluations undertaken. It may even be possible to obtain and use information of this type produced by other organisations including other Community Businesses.

Photographic evidence

Identifying areas of degradation and neglect if your project is focussed upon developing land or building. And sometimes a picture can tell a thousand words!

When seeking to communicate need, Community Businesses should be cautious about communicating an entirely negative representation of their community. For years the seeking of grant funding particularly often felt like a race to the bottom – ‘we are the most deprived and disengaged!’”. It is therefore worthwhile considering balancing your representation of need with a narrative about the “assets” within the community.

This could be in the form of the willingness of people to volunteer, the enthusiasm to engage in training and development opportunities, existing volunteer groups who could be key partners.
IDENTIFYING COMMUNITY NEED
CASE STUDY: Wolves Lane Horticultural Centre (WLHC), Haringey

Wolves Lane Horticultural Centre (WLHC) is presently managed by an informal consortium led by Organiclea which consists of three acres of plant nursery glasshouses, a rare palm house with tropical plants, cactus garden, rainforest area, professional standard kitchen, classroom space, barn and woodland area. The buildings and glasshouses require refurbishment and investment, including the installation of a sustainable energy systems to heat the palm house.

Central government cuts had led to the Local Authority withdrawing funding which had previously supported the centre. Organiclea and other consortium members accepted the challenge of developing a community food hub which led to the handover of management beginning in April 2017.

Power to Change Bright Ideas funding was secured and as part of a package of support, Ubele undertook a series of visioning sessions, which took the form of “community conversations”, a process co-designed with the organisations involved in the consortium and local organisations involved or interested in food growing, healthy eating, community programmes and food education.

The success of the conversations led to the piloting of a vibrant Festive market, followed by a series of Sunday community markets. Some of the other ideas that were generated included:
• Setting up a small business place
• Regular markets - including a Sunday Market
• Scope for business support for food growing/ cooking/ preserving
• Increasing the use and development of volunteers as key element of the business model.

As a result of identifying local community need a series of new activities are now in the development phase and the governance of the consortium has been substantially strengthened and will be formalised over the coming months.
What is a Theory of Change?

A “Theory of Change” is a way of explaining how your Community Business delivers social impact. It is your theoretical model of social impact and is often the starting point for any organisation wanting to develop a coherent and organised approach to social impact measurement.

A Theory of Change often takes for the form of a flow chart. It demonstrates how your business activities result in outputs, outcomes and then broader impact, which then connects back to the community needs you are seeking to address and your organisations Mission. It helps you to identify and understand your unique approach to the work you are doing and demonstrates your impact to your stakeholders, including funders, investors, commissioners, partners, and most importantly the community you serve.

The Growing Green Food Collective
The board meet for a Saturday morning planning session to map out their own Theory of Change. They use flipchart paper to do this using a Theory of Change diagram template. They begin by thinking about their organisations mission and strategic objectives. They then list their business activities and map out what outputs, outcomes and impacts that these activities will result in. They then compare this to their mission and objectives to ensure that the impact which they deliver will align with their overall ambitions.

They also discuss how they could record and measure the outputs and initial outcomes and include this detail on their Theory of Change. They decide that they would lack the staff time and resources to track beneficiaries overtime to be able to evidence their longer-term outcomes and impacts. The Growing Green Food Collective’s final Theory of Change is presented in the diagram below.

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**Diagram: Theory of Change for the Growing Green Food Collective**

**Activities**
1. Establishment of street food kitchens and bars
2. Development of food products
3. Growing young leaders

**Outputs/KPIs**
1. Community kitchen model
2. 100 families engaged
3. 1000 individuals involved
4. 1000 meals prepared

**Initial outcomes**
1. 100 individuals have improved physical health
2. 100 individuals have improved mental health
3. 100 individuals have increased income

**Long term outcomes**
1. Community is more healthy
2. More sustainable and managed data and measurement practices
3. 50 individuals gain employment

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What is a social impact measurement system?

There has been recent evolution in the way that Community Businesses consider social impact. Drivers include the changing views of grant funders and investors as well as several externally funded capacity building programmes supporting the development of social impact methodology. The focus has shifted away from considering social impact as an annual undertaking as part of an annual review, towards developing a systematic, ongoing processes of data gathering where at any point an organisation can produce impact information. This would enable Community Businesses to treat impact information in a similar way to financial information – to inform the decision making of the board on a continuous basis. A gold standard for Community Businesses is to embed the use of social impact data in support of a process of continuous organisational improvement.

Key stages in developing a simple social impact measurement system include:

1. Developing Theory of Change (identifying what information to gather)
2. Designing methods to capture this information (sign in books, customer feedback forms, Individual learning plans, case study pro-forma) and determine when and how to gather it
3. Developing the electronic database and hard copy filing system that will store this information. This is the Management Information System
4. Designing reports and reporting schedule (which will summarise impact information for the audience)
5. Training staff/volunteers in the implementation of the system
An often-neglected area for consideration is the capacity of the staff or volunteers to maintain their social impact measurement system once they have established it. Many are designed without due consideration of the resources that the Community Business has at its disposal. At the stage when the organisation is designing its Theory of Change, the organisation should consider in detail what system it has the capacity to maintain. Therefore, a Theory of Change may identify longer term social impacts such as reduced levels of unemployment, increased economic activity or better health for the community, but the organisation may not have the capacity to objectively measure this.

**SOCIAL IMPACT**

**CASE STUDY: Highfields Community Centre (HCC), Leicester**

Highfields Community Centre (HCC) first opened in 1974, located in the heart of a vibrant and diverse community in Leicester. Highfields Community Association (HCA) is a charitable company which provides an extensive range of services, including pre-school, youth clubs, adult learning, advice services, sports activities including gym, arts activities including digital arts, their “H-Café” and a wide range of community development activities.

Funding pressure, including the cutting of their grant from the Leicester City Council (LCC) mean that HCA had to develop a new approach. This included increasing its ability to attract funding by demonstrating more clearly the impact it was having in the local community.

This included undertaking a Cost Benefit Analysis, which involved exploring the financial value of the outcomes they were delivering. They were able to demonstrate for every £1 that the Council spent, £4 of benefit was created. As a result, further Council grant was provided to HCA and they were able to use the funding as leverage for other funding.

Another aspect of HCAs approach to measuring and demonstrating their impact is their constant engagement with service users. They record the views of services users and track their experience of using the variety of services and activities that HCA offers. In 2015/16, for example, they were able to identify 45 young people who would otherwise have been classified as being hidden ‘NEETS’ (Not in Education, Employment or Training) who were supported to access training/and or employment.
GLOSSARY OF TERMS

**Annual General Meeting** - a yearly meeting of the members or shareholders of a club, company, or other organisation, especially for holding elections and reporting on the year’s events.

**Asset Lock** - a constitutional device that prevents the distribution of residual assets to members. The purpose of an asset lock is to ensure that the public benefit or community benefit of any retained surplus or residual value is not appropriated for private benefit of members. Residual assets can be in the form of property, equipment or cash.

**Asset Transfer (Community Asset Transfer)** - The transfer of land or buildings from a public body (usually a local authority) to a community-based organisation at less than market value.

**Beneficiaries** – The individuals, organisations or communities that directly gain from the activities provided by the Community Business in the form of social, economic or environmental impact.

**Board** – the group of people who control, direct and are legally responsible for the activities of the Community Business (see also Governance).

**Budget** - an estimate of income and expenditure for a set period and the balance between the two. For Community Business budgets are almost always set out annually and are reviewed by the organisation at the end of each year. Budgets are used to forecast the financial situation for a Community Business, which it then monitors its actual performance against.

**Business Model** - a plan for the successful operation of a business, identifying sources of revenue, the intended customer base, products, and details of financing.

**Business Units** – specific business activities of the Community Business with a distinct trading model, customer base, and beneficiary base.

**Capital** - wealth in the form of money or other assets owned by a person or organisation or available for a purpose such as starting a company or investing.

**Capital Development** – or capital project relates to the development of land or property in form of new construction, expansion, renovation, or replacement for an existing facility or new facility.
**Cash Flow Forecast** - A cash flow forecast is a plan that shows how much money a business expects to receive in, and pay out, over a given period. Community Businesses often use this process to understand at what stages that levels of cash in the bank may not be adequate to cover shortfalls of income against expenditure (and therefore what ‘working capital’ they may require)

**Charity** - An organisation which provides support and/or raises money for those in need. Whether the Community Business is a charity or not is indicated by its governing document. Charities with an income over £5,000 (excluding income classified as capital) must register with the Charities Commission and registered charities are provided with Charity Number

**Civic Participation** - Civic engagement or civic participation is any individual or group activity done with the intent to advocate on behalf of the public. Citizens acting alone or together to protect public values or make a change or difference in the community are common types of civic engagement

**Community Shares** - refers to withdrawable share capital; a form of share capital unique to co-operative and community benefit society legislation. This type of share capital can only be issued by co-operative societies, community benefit societies and charitable community benefit societies. Community shares can save local shops and pubs, finance renewable energy schemes, transform community facilities, support local food growing, fund new football clubs, restore heritage buildings, and above all, build stronger, more vibrant, and independent communities. Since 2009, almost a 120,000 people have invested over £100m to support 350 Community Businesses throughout the UK

**Crowdfunding** - the practice of funding a project or venture by raising money from large numbers of people who each contribute a relatively small amount, typically via the Internet

**Customers** – The individuals or organisations that pay money to the Community Business for a product or service

**Debt Capital** – Capital which needs to be repaid often with interest. Usually this is in the form of a loan

**Development Capital** – Capital which enables a Community Business to explore or develop a new business idea or an expansion of an existing Community Business. Sources of development capital can include donation, grant, loan or equity
**Equity** - The values of the shares held by an individual or organisation in the Community Business

**Expenditure** - The amount of money spent by the Community Business over a specified business

**Feasibility** - Developing an understanding, prior to its establishment, of whether a Community Business is likely to be successful or not

**Financial model** - A representation and understanding of how the Community Business works in purely financial terms. The financial model is normally derived by developing an understanding of what a typical trading year for the Community Business would be (excluding the start up year). Developing the financial model is also a key element of feasibility, particularly whether the Community Business is profitable (i.e. income is consistently greater than expenditure)

**Going Concern** - This is term used to describe the situation where a business is operating and consistently making a profit and/or refers to a company's ability to make enough money to stay afloat or avoid bankruptcy including being able to continue to manage any debt it has

**Governance** - Systems and processes that ensure the overall direction, effectiveness, supervision and accountability of an organisation. Governance mechanisms for Community Businesses can include boards, policies and procedures, monitoring systems, reporting or codes of conduct

**Grant** - Contribution, gift, or subsidy in the form in cash, bestowed by another organisation (the grantor), for specified purposes to an eligible recipient (called the grantee). Unlike a contract (for the delivery of a product or services), It is not possible to make a profit on a restricted grant as a condition of most grant agreements is that any surpluses (unspent grant) must be returned to the grantor

**Income** - The amount of money earned by the Community Business over a specified period

**Investment Capital** - The money used to help pay for the acquisition of property, plant, equipment, and other items needed to create products or offer services

**Legal Structure** - This is legal form of the Community Business. The legal structure determines things like the amount of tax that the Community Business pays, treatment of profits made, and the type of investment that it may receive. There are lots of different structures that a Community Business can adopt with specific rules for each
**Market Share** - This relates to the proportion of the potential customer base that the Community Business is serving with their products and/or services. As Community Businesses mature or expand they aim to capture a higher market share of the potential customer base than their competitors.

**Overheads** - The costs required to run a Community Business, which cannot be directly attributed to any specific business activity. Overheads are necessary as they provide critical support for the generation of profit-making activities. Examples of overheads are accounting and legal expenses, salaries of administrators, insurance, rent, utilities etc.

**Outcomes** - The level of performance or achievement that occurred because of the activity or services of the Community Business. Outcomes follow the delivery of outputs. Examples of outcomes include improved confidence, numbers of individuals gaining employment etc.

**Outputs** - In relation to the measurement of social impact, outputs are quantifications of the activities that the Community Business delivers. Examples include number of people trained, m2 of green space improved, number of people receiving support or advice. In relation to a broader social impact measurement system, outputs are the first thing that is measured.

**Revenue** - The income generated from sale of goods or services associated with the main operations of the Community Business. In a broader sense “revenue finance” relates to ongoing income and expenditure relating to the trading activities (excluding capital expenditure and investment).

**Share Capital** - Share capital refers to funds raised by issuing shares in return for cash or other considerations.

**Social Cohesion** - The willingness of members of a society to cooperate with each other to survive and prosper. Social cohesion contributes to a wide variety of social outcomes such as health and economic prosperity.

**Social Impact** - Also often referred to just as “impact”. This relates to effect that the activities of the Community Business have upon individuals, families, communities, wider society as well as other services providers (Local Authorities, Police, NHS etc). Although often called “social impact” this is often used as a catch all term to describe combinations of social, economic and environmental impact.
**Theory of Change** - A theory of change is a way of explaining how your Community Business works and the impact it has. It is often the starting point for any organisation wanting to develop a coherent and organised approach to social impact measurement. It demonstrates how your activities result in levels of outputs, outcomes and broader impact, which then connects back to the community needs you are seeking to address. It helps you to identify and understand your unique approach to the work you are doing and to demonstrate your impact to your stakeholders, including funders and commissioners.

**Unique Value Proposition** - This is a clear statement that describes the distinct benefit that your Community Business creates. This could be how you address your customer’s needs and what distinguishes you from the competition. Some UVPs involve an element of “word play”. An example for a horticulture enterprise could be “Helping the Community to Grow”.

**Working Capital** - The capital of a business which is used in its day-to-day trading operations, calculated as the current assets minus the current liabilities. It essential that Community Businesses have the working capital required to ensure that they can continue to operate and have sufficient funds to satisfy both debt repayments and operational expenditure.