power to change | business in community hands

Research Institute Report No. 18

Better places through community business: A framework for impact evaluation

October 2018

NATIONAL LOTTERY FUNDED

BIG LOTTERY FUND

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Contents

About this report

Power to Change is an endowed charitable trust whose funding is used to strengthen community businesses across England. The Research Institute supports Power to Change by commissioning independent research into the state of the community business marketplace and the challenges facing it.

This report is a summary of the evidence generated by Power to Change's grants programmes and other activities in its first three and a half years. The views expressed are those of the authors alone and do not necessarily represent the views of Power to Change or its trustees. For further information about any of the research or data referenced in this report, please visit powertochange.org.uk/research or contact the Research Institute on institute@powertochange.org.uk.

The use of medians in this report

Wherever possible, this report presents averages as medians as opposed to more familiar arithmetic means. Medians present a much more robust measure of average performance when data are highly skewed and/or contain a small number of outliers, as is often the case with community business datasets. (Means are also presented for comparative purposes.)

Particular care is needed when using medians to compare change over time. For example, when comparing a change in community business trading ratios, the mean difference can be calculated by simply subtracting the mean trading ratio in one year from the mean trading ratio in an earlier year. However, the median difference needs to be calculated by first calculating the individual differences for each community business and then taking the median of these values. As a rule, the median difference will not be the same as the difference between the two medians. It is nevertheless the best measure of change for a 'typical' community business.

Published by The Power to Change Trust (2018)
978-1-911324-19-5

Executive summary

Since its foundation in 2015, Power to Change has articulated a vision of "better places through community business". It argues that the unique combination of locally rooted, socially motivated and commercially oriented behaviours of community businesses enables them to make a positive difference to the world around them. This report reviews the evidence to date and offers an initial assessment of:

- **the impact Power to Change is having on its grantees;**
- **the impact it is having on the wider community business marketplace;**
- **the impact its grantees are having on local people; and**
- **the impact its grantees are having on local places.**

Summaries of the current state of Power to Change's main grants programmes can be found in Appendix 1.

The impact Power to Change is having on grantees

Targeted investment

Between January 2015 and May 2018 Power to Change supported 615 community businesses with grants totalling £36.5 million.

63% of these grants (equivalent to £21 million) were awarded to businesses operating in the 30% most deprived places in England.

Increasing profile

Grantees report a strong, positive impact on their profile because of association with Power to Change.

Increasing confidence

Grantees also report greater confidence about their sustainability as a result of receiving a Power to Change grant.

Stronger grantees

Recipients of Power to Change's main Community Business Fund saw an overall increase in their income and in the value of the assets under their ownership 12 months after receiving their grant.

However...

There is little evidence yet that Power to Change grants have improved the trading ratios of community businesses.

The impact Power to Change is having on the community business marketplace

Scale

There are approximately 6,600 community businesses in England, with an aggregate market income of £1.2 billion and net assets worth £0.7 billion.

Confidence

In 2017, 63% of community businesses reported being more confident about their financial prospects for the following year, up from 47% the previous year, and significantly more optimistic than the general sentiment of small businesses in the private sector.

Growth

More than half of Power to Change grantees in 2017 reported recruiting more staff or volunteers, attracting more customers or clients, or securing investment to expand.

Its More Than A Pub programme has been particularly successful, with the creation of 25 new community pubs, £5.4 million raised through community shares and a pipeline of over 280 community groups aspiring to take over their local pub.

However...

There is no evidence that Power to Change has had a measurable impact on the overall community business marketplace to date.

The impact grantees are having on people

Broad engagement

The typical Power to Change grantee engages with 500 people (customers, members, etc.) but the range is extremely wide, with 25% reporting 100 or fewer people and 28% reporting more than 2,500.

For Community Business Fund grantees there is reasonable evidence of growth in local engagement after 12 months with:

– **710** customers per month, a median increase of 16;

– **292** community shareholders, a median increase of 11; and

– **305** members, a median increase of 28.

Open to all

The majority of grantees identify 'no specific disadvantaged groups' as their main beneficiary group, no doubt reflecting the open nature of trading businesses. Around a third identify children and young people and a similar proportion identify people with health conditions or disabilities.

Growing economies

79% of Annual Grantee Survey respondents believe they have had a 'positive' or 'significantly positive' impact on economic regeneration in their area, with 76% reporting a similar impact on job creation.

Supporting volunteers

There is also good evidence that Power to Change grantees have increased the number of volunteers they work with and/or the number of volunteer hours worked.

However...

The picture on employment is mixed, however, with no apparent growth in full-time employment and only modest growth in part-time employment amongst Community Business Fund grantees.

The impact grantees are having on places

Different priorities

Of the seven long-term outcomes that collectively define how Power to Change judges whether grantees have made places better, 40% chose 'greater community cohesion, 27% chose 'better access to basic services' and 26% chose 'improved health and wellbeing'.

By contrast, fewer than one in five grantees chose 'improved local environment', 'increased employability' or 'greater community pride and empowerment' as long-term outcomes.

Mixed impact

Only 64% of Power to Change grantees report measuring their social impact. Nevertheless, most believe they have had a positive impact.

The proportion of grantees who thought their social impact was 'positive' or 'significantly positive' was over 90% for four of the seven outcome areas. By contrast, for the other three (environment, employability and access to services) between a fifth and a quarter of grantees believe they have made no impact at all.

Next steps

This is the first of three planned impact reports. Two further reports will be published, in 2020 and 2022, building on the framework set out here and including:

– Improved data on grantee activity, by programme, market sector and deprivation level.

– Better measurement of Power to Change's impact on the marketplace as it adopts a more strategic approach to market development.

– Better understanding of the complexities of place-based change, with more evidence about the quality of grantee relationships and the relative performance of other private businesses, charities and social enterprises operating in the same local area.

– New summative data on long-term outcomes, drawing on a 'hyper-local' extension of the government's Community Life Survey that will allow Power to Change to track areas over time as well as against synthetic comparators, and promises a wholly new and rigorous way to determine whether community businesses make places better.

The Research Institute

Power to Change has a vision of better places created through community business. The Research Institute seeks to support this vision by commissioning high-quality research, promoting rigorous analysis and stimulating critical scrutiny and debate. In doing so we aim to shape both policy and practice.

1. A framework for impact measurement

Since its foundation in 2015, Power to Change has articulated a vision of "better places through community business". It argues that the unique combination of locally rooted, socially motivated and commercially oriented behaviours of community businesses enables them to make a positive difference to the world around them.

This is a bold claim with intuitive appeal, yet the evidence to support it is patchy. There is little in the way of theory to underpin any formal assessment of impact.

Moreover, it is not just the impact of community businesses that needs to be evaluated. As the recipient of a £150 million expendable endowment from the Big Lottery Fund, it is equally important for Power to Change to demonstrate the positive impact it is making on community businesses and the wider marketplace. There is a need to establish:

- how community businesses affect the lives of those who encounter them;
- how this in turn affects the local areas where those people live and work; and
- how financial and other support from Power to Change is helping them to achieve this.

1.1 The challenge of impact measurement

Defining and assessing impact is not straightforward. Kazimirski and Pritchard (2014) define impact as "the broad and/or long-term effects of a project's or organisation's activities, outputs and outcomes, after taking into consideration an estimate of what would likely have happened anyway." When assessing change in differing geographies or sectors, such effects can be difficult to disentangle.

For many years, the standard method for resolving this in the social sector was to adopt the 'logical framework' (or log-frame) approach developed in 1969 by the U.S. Agency for International Development. It is now more common for impact assessment to be based on a 'theory of change'. The shift was prompted by a growing concern that the log-frame had degenerated from a tool for evaluation into "a mandatory funding requirement, with standardised templates that allow little flexibility … enshrined into results-based contracts which are then administratively difficult to change." (Vogel, 2012)

The key difference between a log-frame and a theory of change is that the latter is more explicit about the "path from needs to activities to outcomes to impact. It describes the change you want to make, and the steps involved in making that change happen. Theories of change also depict the assumptions that lie behind your reasoning, and where possible, these assumptions are backed up by evidence." (Kail & Lumley, 2012) Advantages of this approach include its co-productive nature which, as Kail and Lumley note, "makes it easy for your staff, beneficiaries, funders and other stakeholders to understand what you do and the impact you intend to have."

Ironically, the criticism of boilerplate log-frame templates, focused on funding applications not critical insight, is now made about theories of change. Other limitations of log-frames remain: assumptions are still rarely made explicit, models adopt an overly-linear approach to cause and effect, with little consideration given to feedback loops or wider systemic influences. As Kail and Lumley observe, theories of change are often presented in the form of simple diagrams and rarely include measurable outcome predictions.

1.2 A different approach

This report presents the framework developed by the Power to Change Research Institute for assessing impact. It starts with an acknowledgement that there is little knowledge about whether community businesses make places better. It places a premium on the collection and analysis of multiple sources of evidence. This includes direct monitoring of Power to Change programmes and indirect research and data collection. It seeks to avoid bland generalisations about how community businesses might improve local areas. It aims to build and test credible hypotheses from the ground up through a long-term, iterative process of data gathering and theory construction.

This approach is consistent with the broader worldview of Power to Change. As a place-based funder committed to localism, its focus is primarily on places not organisations. It looks for change beyond the boundaries of individual grantees. Power to Change believes local people know best what is important for their area and does not seek to hold community businesses accountable for delivering to an agenda imposed from above. It does however expect them to behave in a business-like way and monitors their key financial and asset management ratios.

The usual qualifications apply. Evaluating place-based activity is difficult, particularly when sampling individuals and businesses who move into and out of local neighbourhoods. Community businesses are multi-faceted organisations, many working across multiple sectors. Disentangling their effects can prove particularly challenging. And, of course, attributing impact will always require a degree of judgement: whether it is the impact of individual community businesses operating in their local economies or the impact of Power to Change as part of a complex social economy of funders and support providers.

1.3 The structure of this report

The next two chapters examine Power to Change's vision of better places through community business and seek to define:

– What is meant by 'better'? Are there robust and relevant metrics of social progress?

– What is meant by 'places'? What geographic and demographic scale is appropriate?

– What is meant by 'community business'? How do they differ from traditional businesses, social enterprises and charities?

Chapter 4 presents a general framework based on these definitions and provides detail on data sources and initial hypotheses. Chapters 5 to 8 then assess progress against each of the framework's four dimensions:

– The impact Power to Change is having on its grantees.

– The impact it is having on the wider community business marketplace.

– The impact its grantees are having on local people.

– The impact its grantees are having on local places.

Finally, Chapter 9 summarises what has been learned to date and discusses plans for future development.

2. Better places…

2.1 What do we mean by “better”?

Given its commitment to localism, it is important that Power to Change is not prescriptive about how community businesses deliver social change. Almost by definition, if a local community deems the provision of certain goods or services to be of value it is not for Power to Change to second guess them.[1] Still, as a grant funder it does have a legitimate interest in ensuring that grantees’ objectives align with its own funding priorities.

To that end, Power to Change has identified seven long-term outcomes that together define what it means by a better place. These outcomes were co-produced in 2015 following extensive interviews with Power to Change trustees, staff and sector stakeholders. While not fully aligned with the United Nations Sustainable Development Goals, they appear to resonate reasonably well with social outcomes that many community businesses say are important.

Table 1. Power to Change long-term outcome areas

Outcome area	Closest appropriate United Nations Sustainable Development Goal	
Reduced social isolation	3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote wellbeing for all at all ages
Improved health and wellbeing		
Increased employability	8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Better access to basic services	11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable
Greater community pride and empowerment		
Improved local environment	13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts
	15 LIFE ON LAND	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Greater community cohesion	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

[1] Of course, this presumes that community business is locally rooted and genuinely accountable to the local community. See Chapter 3 for more on this.

2.2 What do we mean by “place”?

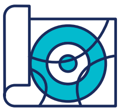
In an unpublished working paper for Power to Change, Berry (2017) proposes three ways that community businesses might describe their local community, listed in decreasing order of formality:

Red line on a map
Often used by those which have been deliberately formed as a place-based organisation rather than emerging organically or via a specific service offering.

Prevalent with organisations growing out of the area-based regeneration programmes of the past. Map likely drawn along political (for example, ward) boundaries which may not reflect natural neighbourhoods.

Natural neighbourhood
Defined by names of neighbourhoods. Taken to be the way local residents would naturally consider the boundaries.

May be unspoken/unwritten. Different actors may have subtly (or even starkly) different views on where boundaries lie.



Radial
Considers an organisations area of benefit from an ego-centric viewpoint (the places within a certain radius around it), rather than any particular boundaries.

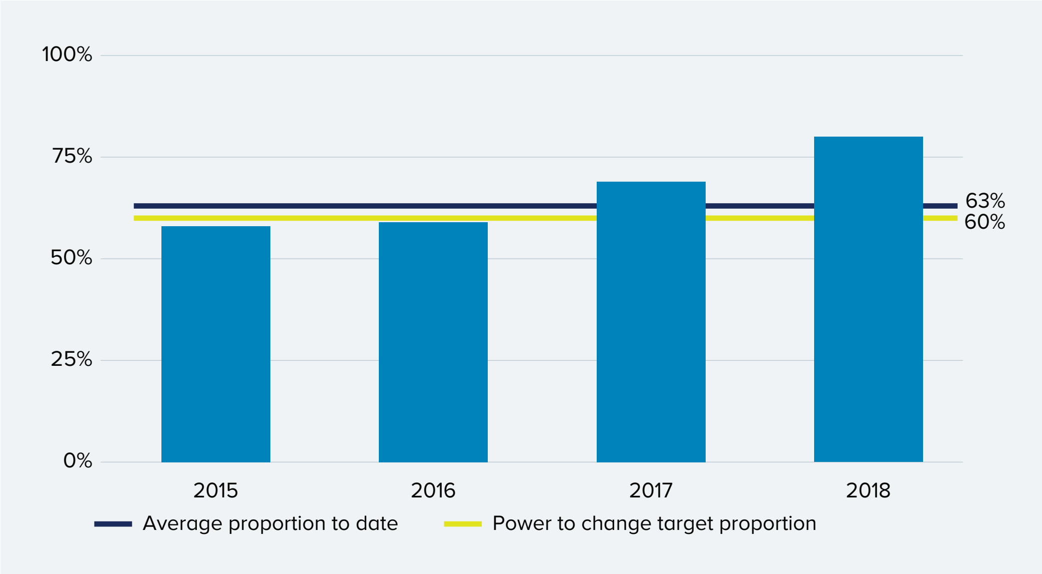
May have a sense that its links and interests gradually decline the further away from the centre one goes, without having any definite cut-off point.

However defined, if the business is to remain locally rooted and accountable the geography cannot be too large. This can pose problems for particular businesses, such as credit unions and renewable energy providers, where commercial imperatives require larger scales of operation.

2.3 From worse to better: measuring change

As a distributor of Lottery funds, Power to Change uses the 2015 Indices of Multiple Deprivation (IMD) to target its funding decisions. It has an ambition of distributing 60 per cent of its grants (by value) to the 30 per cent most deprived places in England. To get an estimate of the level of deprivation, Power to Change asks grant applicants to identify up to three postcode areas where they deliver impact. It then calculates the mean IMD decile across these three postcodes. To date, Power to Change has invested £21 million into areas where the average deprivation score is in the top three deciles.

Figure 1. Proportion of grant distributed to the 30% most deprived places



Source: Application data (January 2015 - May 2018)

This approach to grant distribution faces at least three limitations. First, as various authors have noted, the IMD are an imperfect social measure when applied, for example, to rural areas (Fecht, *et al.*, 2017; Smith, *et al.*, 2018). The indices only fully include two of Power to Change's seven outcome areas (employability, health and wellbeing). Two are partially included (access to services, local environment) and three are not used at all (social isolation, pride and empowerment, cohesion).

The second limitation is that a six-character postcode defines an extremely small geographical area, typically just 15 households. By contrast, the lowest level of granularity for the IMD, the Lower Layer Super Output Area (LSOA), is around 670 households. The average IMD decile therefore depends on how representative the three postcodes are and the methodology does not prevent gaming by applicants.[2]

The final limitation is that the IMD is both a static measure—updated on an *ad hoc* basis every few years—and a relative measure— with each LSOA ranked against the other 32,843 in England. This makes tracking progress through changes in IMD position a futile endeavour.

This latter point is important for a place-based funder like Power to Change. While its grants support individual community businesses, it hopes that this will also improve their surrounding locations. The challenge is finding metrics that capture change at the area level that shows the impact of community business activity. Chapter 8 discusses how the Government's Community Life Survey is being using to do this.

[2] Chapter 3 considers a related issue, the difference between the 'area of benefit' and the 'area of trading'.

3. ...through community business

3.1 The definition of community business

The term 'community business' is not well recognised. Its origins lie in the efforts of a small band of Scottish community development workers in the 1980s determined to meet the "force and coherency of Thatcherism" with an alternative vision of community-based enterprise (Murray, 2018). Glen Buchanan, a Training Officer for Strathclyde Community Business Ltd, offered the following definition at the time:

"A community business is a trading organisation which is set up, owned and controlled by the local community and which aims to create ultimately self-supporting jobs for local people and to be a focus for local development. Any profits made from its business activities go either to create more employment or provide local services or to assist other schemes of community benefit."

Underlining the deeply political nature of the programme, their initially preferred term–community enterprise–was immediately abandoned following the announcement by the Thatcher Government of a new Community Enterprise Programme to tackle youth unemployment. Regardless of the name, the community business sector in Scotland grew and thrived over the 1980s and 1990s before high profile failures tarnished the model (Wyler, 2017).

Drawing on this history, and on more recent research by Swersky and Plunkett (2015), Power to Change chose to adopt a set of four characteristics that it considers fundamental to the definition of community businesses:

1. **They are locally rooted.** They operate in a specific geographical place and respond to its needs. That could be an area of urban deprivation or rural isolation although the area of benefit and area of business operation do not necessarily overlap.
2. **They are businesses, trading for the benefit of the local community.** Most of their income comes from activities like renting out their workspace to other organisations, trading as shops or cafés, or delivering services commissioned by the local authority.
3. **They are accountable to the local community.** It is not enough to 'be' in a particular place; there must be some sort of meaningful accountability to local people. For example, this could be through a community share offer that creates members who have a voice in the business's direction.
4. **They have a broad community impact.** The work they do benefits their whole community. Together with the other criteria, this means that community businesses are unambiguously about 'communities of place', not 'communities of interest'.

The absence of a single legal form for community businesses–combined with a definition based partly on location, business model and intangible concepts such 'meaningful' accountability and 'broad' community impact–can make grant assessment difficult. Analysis of Power to Change's Initial Grants Programme found that, "[f]or the majority (62%) of unsuccessful applicants, the main reason for rejection was that they did not fit Power to Change's definition of a community business, primarily due to insufficient evidence of community control." (Dunn *et al.*, 2016).

The lack of clarity can also lead to:

– spurious applications from non-community businesses that believe they can show they meet the criteria;

– genuine applications from non-community businesses that want to transform their operating models; and

– a lack of applications from genuine community businesses that do not realise they meet the criteria.

The last of these cases might apply, for example, to many of the 10,000 village halls in England. Research conducted across the North Yorkshire and Durham Dales suggests that, while the community business label was not widely recognised or liked, between 50% and 60% of village halls did identify themselves as community businesses once they understood the four criteria (Scott & Probert, 2018).[3]

3.2 Social objectives vs commercial objectives

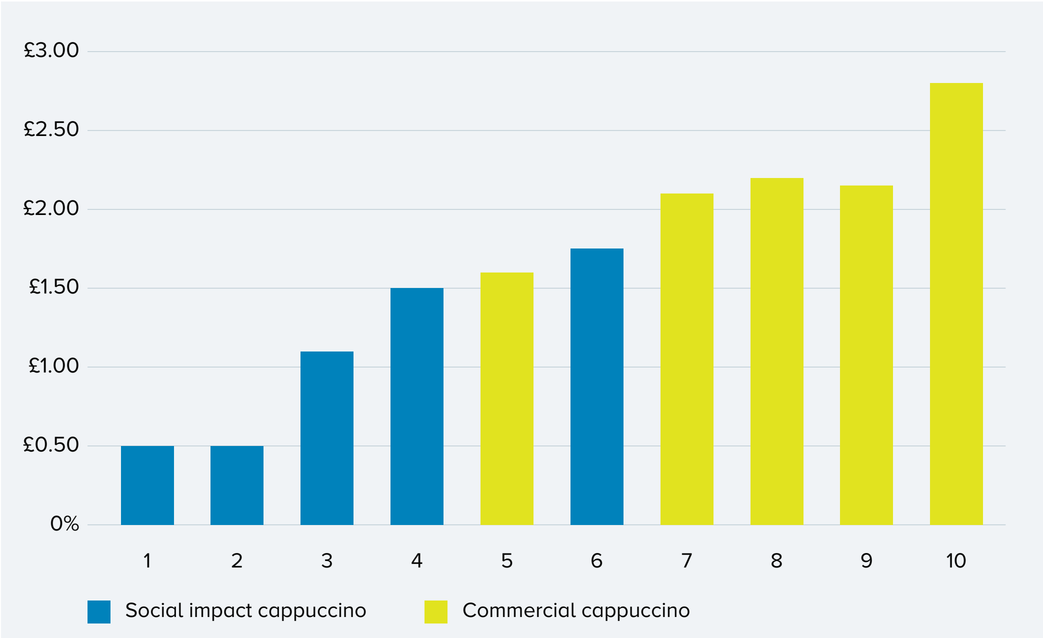
A recent review of health and wellbeing community businesses highlighted the importance of balancing social objectives against the income needed to be financially viable (Stumbitz *et al.*, 2018). Drawing on 30 semi-structured interviews across 10 case studies, the authors identify two main strategies:

1. The 'mission integrated' model involves a combined social and commercial strategy. Trading activity meets the organisation's social objectives.
2. The 'cash cow' model uses commercial activity to generate a surplus that is reinvested to support the social mission.

Clarity about which strategy is being pursued is vital. One survey of community cafés found cappuccinos being sold for as little as 50 pence per cup, up to as much as £2.40. The choice of commercial or social strategy has direct consequences on factors such as workforce composition, with most cafés preferring the use of paid staff over volunteers when competing directly with the private sector (Power to Change, 2018).

[3] The term 'community business' was not thought to be an appropriate label for various reasons, including: fear of alienating the local community; losing volunteers; being perceived to be all about profit and making payments to directors.

Figure 2. The Cappuccino Index



Note: Café names have been anonymised and replaced with numbers
Source: The community business success guide to cafés (Power to Change Research Institute, 2018)

3.3 Area of benefit vs area of trading

While community businesses must be trading for the benefit of the local community, this does not mean they are necessarily restricted to a small economic footprint. The cash cow variant sees businesses sell products and services beyond their own boundaries to bring wealth back into their neighbourhood.

On the other hand, there are examples of community businesses where an expansion of trading turns into a more general expansion of their empire. This often requires governance amendments and can mean they cease to be a community business (although they may still refer to themselves as such). This latter model is common with businesses delivering public service contracts, which can impose non-negotiable geographical expansion.[4]

In practice, many community businesses try to avoid painting their canvas too narrowly (to maximise their social and commercial objectives) or too broadly (to maximise their community engagement and accountability objectives). Their own definition of 'local' is often a deliberate trade-off between these factors. As a rule of thumb, Berry (2017) proposes a classification of typical population ranges for

[4] The objects of community businesses with charitable status are often deliberately framed broadly (typically "across the UK") to avoid situations where occasional activity might be considered ultra vires even though the general intention is to operate locally.

community businesses, ranging from 'micro' to 'district' (with allowance made for differences between rural and urban areas). They suggest that the 'hyper-local' level might represent the optimal balance of scale and vicinity.

Table 2. A proposed typology of geographical scales for community business

Label	Typical population		Description
	Rural	Urban	
Micro	<200	<5,000	May prove too small a footprint to be sustainable
Neighbourhood	200-500	5,000-10,000	Small and may struggle for sustainability unless in a more affluent area, but ideal for engagement
Hyper-local	500-5,000	10,000-25,000	Typical population size, may represent optimal balance of scale and vicinity
Local	5,000-25,000	25,000-100,000	Not untypical, but starting to stretch the definition of community business at the top end
District	25,000+	100,000+	Possibly too large a footprint to be a community business

Source: Community business definition: Deepening our understanding, improving our consistency (Berry, 2017)

3.4 Other typologies of community businesses

There are various ways that community businesses can be classified. In its first annual report, Power to Change (2016) located community businesses as *place-based* organisations delivering *social benefit* through *trading* and sought to differentiate them from other organisational forms: local charities, businesses and social enterprises.

This has proved contentious. Some point out that most Power to Change grantees have charitable status and may see themselves as local charities, whereas others prefer the blanket term 'social enterprise'. Arguably, what separates community businesses from these other organisation forms is *community accountability*. As Buckley *et al.* (2017) observe, community businesses are not "businesses that decide to involve the community, but rather community members who decided to set up a business."

Figure 3. Community business in comparison to other organisational forms

Source: Annual Report 2015 (Power to Change, 2016)

By life stage
In their seminal analysis of community businesses in England, Swersky and Plunkett (2015) propose four phases in the development of a community business: *pre-venture*, *inception*, *growth* and *scaling*. Echoing the concerns above about the validity of community businesses that outgrow their original neighbourhoods, some suggest a better fourth stage would be *sustainability* or *resilience*: the ability to maintain operations at the local level in perpetuity.

Figure 4. Community business by life stage

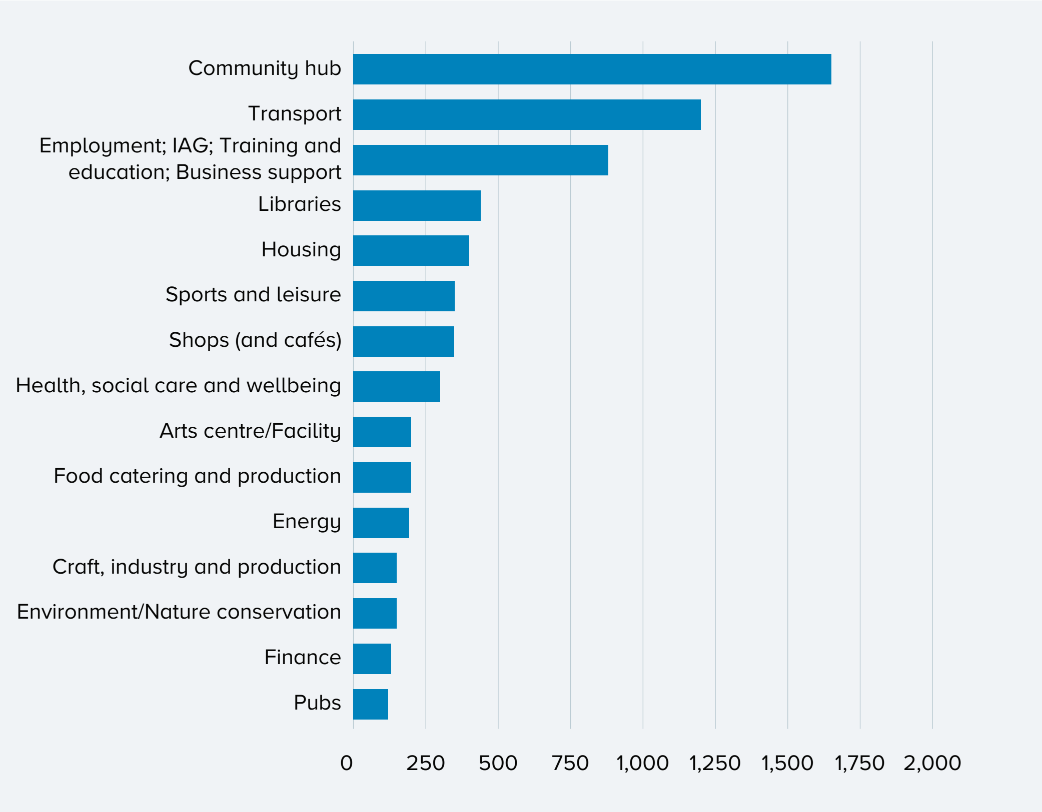
Pre-venture	Distinguished by the personal interest of a committed core of people.
Inception	Takes on a legal form, secures seed funding, formalises volunteering arrangements, and/or negotiates asset transfer.
Growth	Generates a proportion of its income from trading letting the community business move beyond a team of committed founders to appointing paid staff.
Scaling	Given their locally embedded nature, only a few community businesses seek to operate at scale (in terms of staff size, turnover and reach). Instead they may expand into new activities to create ‘community clusters’ within their local area or use social franchise to help other communities apply the same idea in their local area.

Source: “What if we ran it ourselves?” Getting the measure of Britain’s emerging community business sector (Swersky and Plunkett, 2015)

By industry sector

In their review of the marketplace Diamond *et al.* (2017) estimate there are around 6,600 community businesses in England covering a broad spectrum of activity from community shops and pubs in rural villages to community-led housing in urban areas. However, classification is not straightforward as businesses often engage in multiple activities. The largest category, community hubs, represents 25% of the overall marketplace and is composed of typically multi-purpose facilities fulfilling a variety of community roles and delivering integrated services to local people.

Figure 5. Estimated number of community businesses, 2017



Source: The Community Business Market in 2017 (Diamond *et al.*, 2017)

By route into the marketplace

In its forthcoming evaluation of Power to Change's main grants programme, the Community Business Fund, Renaisi Ltd categorises successful applicants against a number of factors including levels of income, staff size, organisational maturity and trading activities. On this basis, it has identified a significant proportion of grantees, 35%, that are 'transitioning' into community businesses from a different operating model. Given the very large number of existing local charities and small businesses, this could represent an important opportunity for future market growth.

Table 3. Typology of Community Business Fund grantees (2017-18)

Type	Description	Median						Mean IMD decile	Base
		Grant awarded	Total income	Trading ratio[5]	FTE staff	Age	Trading age		
Expanding business	Established business looking to invest and grow. Generates >50% of its income from trading. Typically a Company Limited by Guarantee or Community Benefit Society.	£185,938	£327,910	82%	9.0	13.0	11.0	2	29
Expanding business with a new venture	Established business launching something different to its existing offer.	£180,420	£158,480	76%	2.0	19.0	19.0	4	5
Transitioning business	Established organisation that is becoming more like a business. <50% income from trading. Typically a Company Limited by Guarantee.	£191,722	£281,255	42%	5.9	15.0	10.0	2	16
Transitioning business with a new venture	Transitioning business launching something different to its existing offer.	£178,184	£201,600	18%	5.3	19.5	7.0	1	12
New venture	Distinguished by being small, young and independent from any other organisation. Typically structured as a Community Interest Company or Company Limited by Guarantee.	£215,694	£86,867	9%	3.0	7.0	6.0	1	17

Source: Community Business Fund monitoring data

[5] The percentage of income from trading. The denominator includes the grant from Power to Change, reducing the overall ratio.

4. A framework for impact evaluation

Having defined what is meant by 'community business' and 'better places', this chapter outlines the broad framework developed by the Power to Change Research Institute to assess performance and sets out the rationale for moving from an over-arching theory of change to a more granular, hypothesis-led approach. Chapters 5 to 8 then review the evidence to date against this new framework.

Power to Change published its initial theory of change in March 2016, drawing on insights gathered the previous year from trustees, staff and sector stakeholders. This model sought to make a connection between Power to Change's vision of better places through community business and its three strategic objectives. However, many of the limitations of log-frames and theories of change outlined in Chapter 1 apply, in particular:

– A lack of explanation of the link between specific activities, outputs and outcomes with no account taken of feedback loops and external systemic factors.
– An implicit assumption that community businesses are generic and inter-changeable, and that their impact is not moderated by the specific circumstances of local communities.

Still, the basic model is sound. Seven of the ten long-term outcomes identified are still used by Power to Change to determine the impact community businesses have on local places (see Chapter 2).[6]

One consideration has been the recognition that community businesses— like small businesses everywhere— often lack the capacity to do much beyond keeping the show on the road. Initial plans for a tightly-prescribed outcomes reporting framework were therefore set aside, with much greater emphasis placed on data collection and analysis to build a rich picture of local economies and the challenges they face.

[6] It was judged unreasonable to expect individual businesses to lead to wholesale economic regeneration, deliver public sector savings or make the case for a recognition of community businesses as a new model for local change.

Figure 6. Initial theory of change, 2015

Strategic objectives

- **Grow the sector**
- **Transform places**
- **Make the case for community business**

PtC Activities

Funding Programmes
- Grant funding
- Blended funding
- Sector funding
- Grantee support

Infrastructure support
- Place based funding
- Peer support
- Market / infrastructure development
- CB Leadership

Research and learning
- Market tracking
- Impact measurement
- Evidence building for the sector

Communications and stakeholder engagement
- Case studies and other content generation
- Policy influencing
- Campaigns

Outputs

- Increased finance available for CBs
- Increase in viable assets under community ownership
- Increase in number of CBs
- Local strategies to support CBs
- Increased local, regional and national support for CBs
- Innovation from new and existing support providers to improve support for CBs
- Increased connectivity between CBs
- Greater body of reliable evidence for CB
- Raised stakeholder awareness & understanding of benefit of CBs
- Raised public awareness & understanding of benefit of CBs

Medium-term outcomes

- Increase in jobs & volunteering created by CBs
- Number of new people drawn into CBs
- Increased trading income for CBs
- Greater accountability to communities among CBs
- CBs demonstrating greater social impact
- More money reinvested to the local economy
- Increased skills, capacity and connections
- New funding drawn into the CB market
- Policy change in favour of CBs
- New corporate partnerships to support CBs
- More enabling environment & fewer barriers for CBs

Long-term outcomes

- Reduced social isolation
- Improved health and well-being for local people
- Increase in employability
- Economic regeneration
- Greater community cohesion
- Greater community empowerment
- The recognition of CBs as a new economic model
- Public sector savings

Overall vision

Better places through community business

Source: Better places through community business – Our strategy 2016-2018 (Power to Change, 2016)

4.1 Data sources

Despite Power to Change being in operation for more than three years, evidence from formal evaluations of its grants programmes is only now beginning to come together. The Initial Grants Programme was evaluated two years ago (Dunn *et al.*, 2016), with evaluations of the main Community Business Fund and More Than A Pub programme due to be published shortly.

In the meantime, the Research Institute has been developing a number of alternative data sources. Alongside open datasets such as the Indices of Multiple Deprivation and proprietary products such as Grant Thornton's Place Analytics platform, the institute commissioned MyCake Ltd in 2016 to develop a multi-year 'Financial Accounts Dataset'. This holds up to four years of balance sheet and profit and loss data for over 350 grantees that can be compared with over 1,000 similar small and medium-sized enterprises (Thelwall, 2017). The Research Institute has also collaborated with other partners to add community business-specific components to existing national surveys, including:

– Social Enterprise UK's 'State of Social Enterprise' survey

– Aston University's 'Global Entrepreneurship Monitor'

– The Government's 'Community Life Survey'

Alongside commercially procured datasets (such as Reward Insight's credit and debit card transactions dataset), the Research Institute has also sponsored work with Co-operatives UK, Key Fund and the Social Investment Business to enter, clean and make machine-readable previously inaccessible data on their loan and community share transactions. The hope is that these and other secondary data sources will provide important contextual information to benchmark community business performance.

The main source of grantee data comes from Power to Change's grant applications datasets, together with the regular monitoring reports and the Grant Closedown Reports supplied by grantees. Summaries of the current state of Power to Change's grants programmes can be found in Appendix 1.

4.2 Testable hypotheses

To date Power to Change has used these data in various ways: to support 'deep dives' for its Board Grants Committee, to publish benchmarked 'success guides' for community businesses, and to inform policy development and advocacy material. The longer-term ambition is to use the data to understand whether and how community businesses make places better. This is a key missing link in the existing theory of change.

As a first step toward this, the Research Institute published a register of nine hypotheses earlier this year (Harries, 2018). The first six are statements about how community businesses might make a difference on their own or in collaboration with others; the remaining three are statements about how the community business market could grow with the right infrastructure and support.

Figure 7. Initial register of hypotheses, 2018

1.	**Knowledge:** Community businesses deliver the products and services best suited to their area because they are locally rooted and closely connected to the communities they serve.
2.	**Employment:** Community businesses increase net employment by hiring people who would otherwise struggle to access the labour market, in jobs that allow them to develop the skills they need to progress.
3.	**Agency:** Community businesses increase involvement in local decision-making and levels of social capital because meaningful membership develops skills, voice and access to information.
4.	**Sustainability:** Community businesses are less likely to close because local people have a strong sense of ownership and a stake in their success.
5.	**Collaboration:** Community businesses that collaborate with others in the local area are more successful because they can drive down costs through collective bargaining, mutual support and the ability to negotiate up and down their supply chains.
6.	**Resilience:** Community businesses that share a common vision with others in the local area are less reliant on local and central government support because assets and surpluses can be used to cross-subsidise otherwise non-viable activities.
7.	**Infrastructure:** Second-tier support stimulates community business growth because it increases capacity, promotes higher standards and provides a voice to influence others.
8.	**Assets:** The transfer of local assets stimulates community business growth because they increase financial resilience, provide a physical base for operations and generate goodwill.
9.	**Public services:** The opportunity to deliver local public services stimulates community business growth because they can do so at lower cost and with greater levels of community engagement than traditional public and private sector providers.

By casting these statements as hypotheses, there is an explicit presumption that they are falsifiable and that the purpose of evidence gathering and data analysis should be to test and refine them. The process has already started with a review of the 23 research reports published by the Research Institute in its first two years of operation (Perry *et al.*, 2018) as well as two more recent working papers by Hitchin (2018) and Wyler and Adjaye (2018).

Appendix 2 summarises the evidence gathered to date. The intention is to update and re-publish the register annually to ensure transparency and rigor. There is an expectation that new hypotheses will emerge as the Research Institute adds new statements and refines existing ones.

4.3 The four dimensions of impact

By trying to capture everything it wanted to achieve in a single theory of change Power to Change risked failing to account for its own performance, as opposed to the performance of community businesses. This is a common criticism of charitable trusts and foundations: that their impact reports seek to assert as their own the impact delivered by others.

To minimise the risk of this, the Research Institute has developed a different, segmented approach. This new framework separates the impact that grantees are having on people and places from Power to Change's impact on those grantees and the wider marketplace. The next four chapters cover each of these four dimensions of impact in turn.

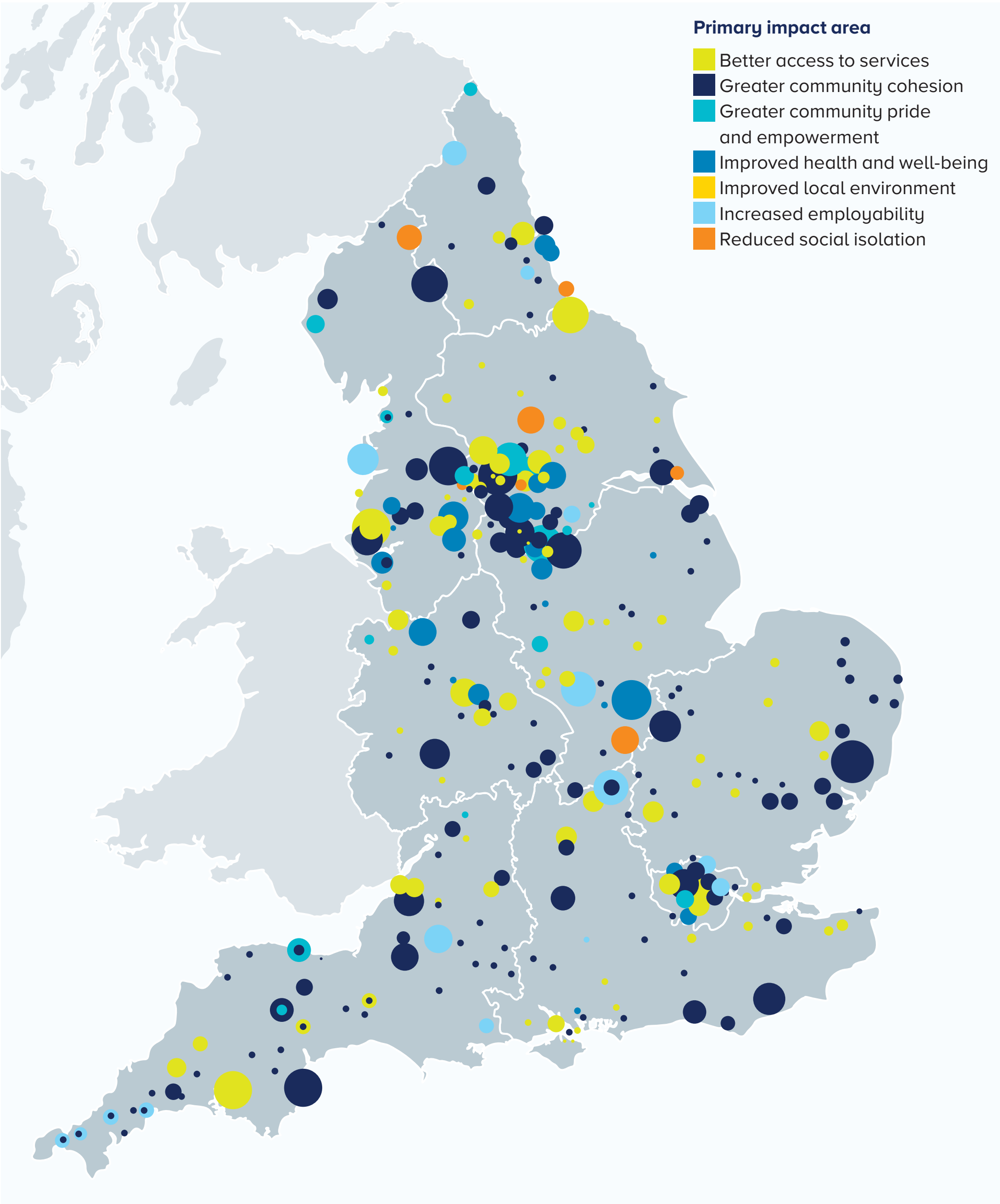
Figure 8. Four dimensions of impact

The impact Power to Change is having…	
…on grantees	**…on the marketplace**
How much money has been given to do whom? *To do what, where and with whom?* *Have they become more successful businesses?*	*Is the right infrastructure and support in place?* *Is it making a difference to the marketplace?*
The impact grantees are having…	
…on people	**…on places**
What impact are they having: *…on their staff?* *…on their customers?* *…on their volunteers?* *…on their members and beneficiaries?*	*Are they reducing social isolation?* *Are they improving health and wellbeing?* *Are they increasing employability?* *Are they improving access to basic services?* *Are they improving the local environment?* *Are they increasing community cohesion?* *Are they increasing pride and empowerment?*

5. The impact Power to Change is having on grantees

From the outset Power to Change has presented itself as 'more than a funder'. It has an ambition not only to provide financial support to individual community businesses, but actively to influence the marketplaces where they operate. Still, its grant programmes are the most immediate and visible sign of activity. Power to Change supported 615 individual community businesses between 2015-2018, awarding grants totalling £36.5 million.

Figure 9. Power to Change, grants by primary outcome area (n=615; 2015-2018)



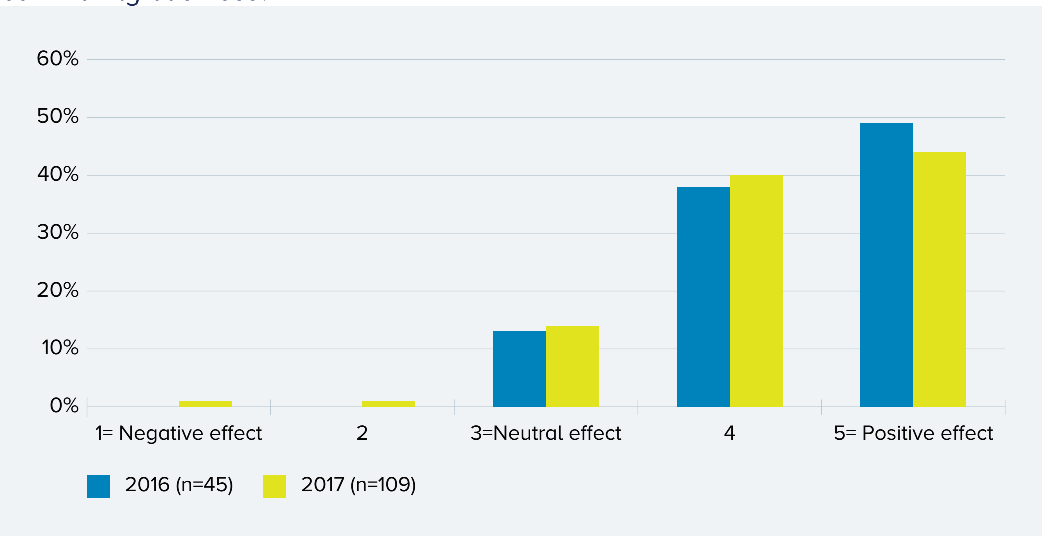
Source: Power to Change grant-making data, 2015-2018

Two core propositions shape Power to Change's grant programmes: that community businesses are fundamentally trading organisations, and that support and grants from Power to Change will help them to become more resilient, sustainable and successful. This chapter explores the existing evidence for both propositions and how the two intersect.

5.1 Measures of perception

The degree to which Power to Change has had an impact on the profile and sustainability of grantees is a key measure of success. Respondents to the organisation's first two Annual Grantee Surveys report a strong, positive impact on their profile because of their association with Power to Change, with a net positive score over 80 per cent in both years.[7]

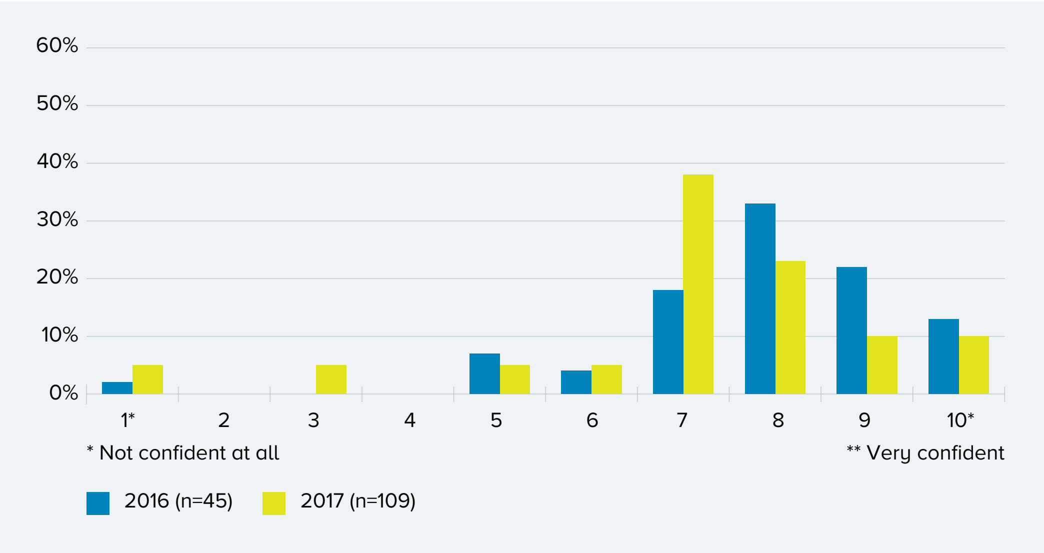
Figure 10. What effect has Power to Change had on the profile of your community business?



Source: Annual Grantee Survey 2016 and 2017

[7] On a five-point Likert scale, the 'net positive' score subtracts the sum of the two positive scores from the sum of the two negative scores, ignoring any neutral scores. This provides a robust summary of overall sentiment.

Figure 11. How confident do you feel in the sustainability of your business over the next three years as a result of your Power to Change grant?



Source: Annual Grantee Survey 2016 and 2017

Similarly, most respondents report greater confidence about their sustainability as a result of receiving a Power to Change grant, with more than 80% giving a score between 6 and 10 out of 10.[8]

These two results on their own suggest that Power to Change has had a broadly positive impact on its grantees. However, it is worth noting that:

– The survey response rate fell considerably between 2016 and 2017.

– Responses may be positively skewed because of social desirability bias.

– The responses of a high volume of small grant recipients might have dominated the responses of a low volume of larger grant recipients.

– There is no benchmark data from other grant makers against which to compare.

Even so, it is reasonable to infer that support from Power to Change has contributed to increased confidence amongst grantees about their chances of success and sustainability.

[8] Note, however, a significant increase in the proportion who scored ‘7’ in 2017. Seven is often thought to be the ‘neutral’ mode on ten-point scales, which suggests a potentially large reduction in sustainability that year.

5.2 Measures of financial resilience

Whilst trading is a distinguishing characteristic of community business, most secure a proportion of their income through grants and donations. Understanding how its support has affected trading ratios is an important measure of the impact Power to Change is having on its grantees. The assumption is that, while a grant will reduce the trading ratio in the short term, if it supports a sound business plan it will increase the ratio in the medium to long term.

Figure 12. Key community business ratios

Trading ratio:

$$\frac{\textit{Total income} - (\textit{Grants} + \textit{Donations} + \textit{Sponsorship} + \textit{Investment gains})}{\textit{Total income}} \times 100$$

Resilience ratio:

$$\frac{\textit{Net assets} - (\textit{Permanent endowment funds} + \textit{Restricted income funds})}{\textit{Total income}} \times 100$$

$$\approx \frac{\textit{Reserves}}{\textit{Total income}} \times 100$$

The other key community business metric is the resilience ratio. This is the level of ‘free’ funds available to a community business as a proportion of its total income. This is a critical measure of sustainability and gives an indication of how well a business’ assets are being leveraged into income.

As asset ownership is central to many community businesses, this measure should include the value of fixed assets such as land and property. However, community businesses with charitable status are required to follow the Charity Commission’s Statement of Recommended Practice (SORP) and will typically exclude these factors when calculating their unrestricted reserves.

Analysis of the Financial Accounts Dataset suggests that the median trading ratio of Power to Change grantees between 2013 and 2016 (i.e. largely before they received their grant) was 55, fluctuating from as high as 58 in 2014 to as low as 50 in 2016. The median resilience ratio was broadly steady at 56. The ratio also varies depending on which market sector a business operates in. Community shops have a trading ratio of 96 and a resilience ratio of 17; for community hubs it is 46 and 71 respectively.

There are many other performance metrics that can be constructed from the Financial Accounts Dataset. Thelwall identifies several that community businesses might want to consider when assessing their own performance (see Table 4).

Table 4. Indicative community business financial ratios, 2013-16

Ratio	Definition	2013	2014	2015	2016
Trading ratio	Trading income as a proportion of total revenue income	54	58	57	50
Resilience ratio	Reserves as a proportion of total revenue income	58	53	57	57
Income concentration	Percentage of income from one source *(lower is generally better)*	54	60	58	61
Administrative cost ratio	Overheads as a proportion of total revenue income	86	80	80	80
Grant dependence	Grant income as a proportion of total revenue income *(lower is generally better)*	43	50	42	44
Profit margin	Profit as a proportion of total revenue income	1	4	3	3.5
Asset utilisation	Fixed assets as a proportion of total revenue income	33	29	31	34
	n =	189	234	269	265

Source: Financial Accounts Dataset

Data from Power to Change's main grants programme, the Community Business Fund, suggests that despite positive growth in income overall, the proportion of income from trading activity does not appear to have increased much after 12 months for the typical grantee. This can partly be explained by the impact of the Power to Change grant itself, particularly where this grant is large relative to the turnover of the organisation (e.g. to pay for major capital works). However, other factors may also be at play (e.g. receipt of other grants as a direct consequence of the Power to Change grant). Future analysis will explore the issue further and, if appropriate, seek to control for this effect.

Table 5. Trading ratios for Community Business Fund participants (n=27)

	Average trading ratio		Average percentage point change in trading ratio
	Baseline	After 12 months	
Median	43.0%	36.0%	**+0.3%**
Mean	48.6%	43.6%	**-5.1%**

Source: Community Business Fund monitoring data

Unlike the Community Business Fund, Power to Change's Trade Up programme (delivered by the School of Social Entrepreneurs as part of its Match Trading™ initiative) is explicitly designed to increase the trading ratio of early stage community businesses. In its development year, 20 businesses received a grant worth up to £10,000 to increase their trading income, allocated pound for pound. Another 10 businesses received the full grant regardless of trading performance. Despite these small control and cohort sizes, the initial results look encouraging. There was an average nine percentage point increase in the latter group over the course of the year. With 99 businesses participating in the 2018 roll out year, more robust analysis should be possible in future.

Table 6. Trading ratios for Trade Up participants, 2017

	Average trading ratio		Average percentage point increase in trading ratio
	Baseline year (2016)	Development year (2017)	
Control cohort (n=10)			
Median	46.7%	59.2%	**-1.9%**
Mean	54.7%	56.8%	**+2.1%**
Match Trading cohort (n=19)			
Median	78.8%	82.0%	**+9.0%**
Mean	67.6%	77.2%	**+9.6%**

Source: Trade Up Development Year dataset

5.3 Measures of asset ownership

Asset ownership can often make a critical different to the resilience of community businesses. It not only allows them to generate an independent revenue stream but provides community space and facilities to deliver important services and support. Early monitoring data from the Community Business Fund suggests significant increases in asset value within 12 months of receipt of grant.

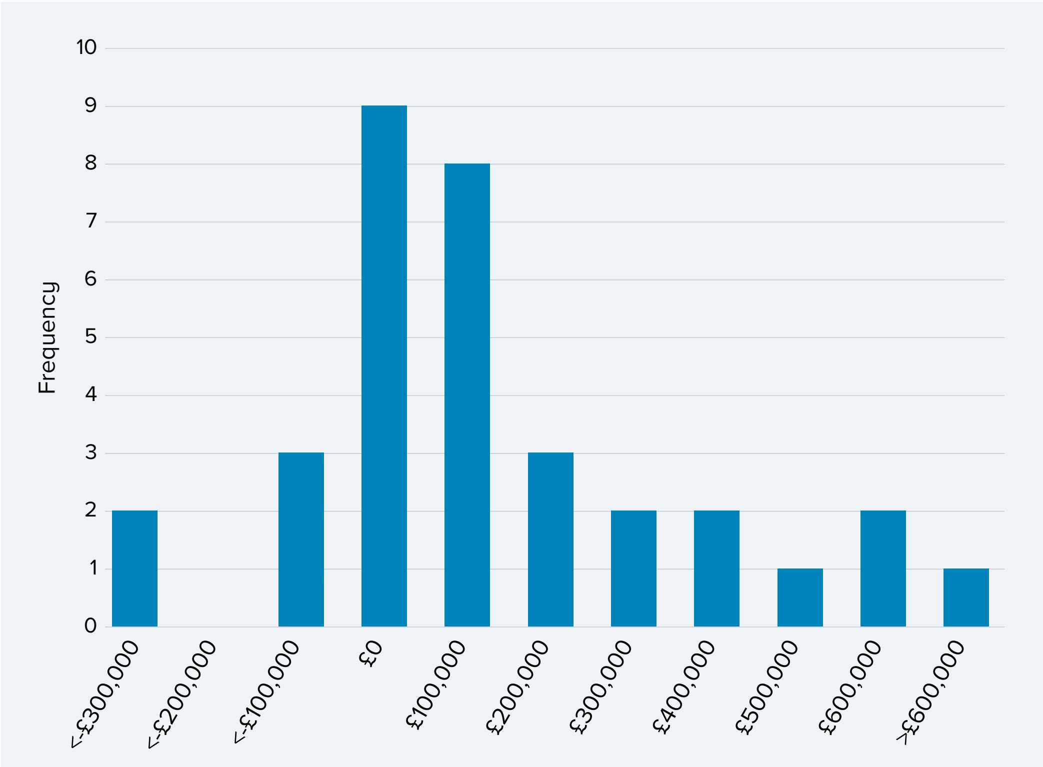
Table 7. The value of assets owned by Community Business Fund grantees (n=32)

	Average asset value		Average change in asset value
	Baseline	After 12 months	
Median	£124,868	£197,451	**+£24,675**
Mean	£355,943	£458,527	**+£102,584**

Source: Community Business Fund monitoring data

The difference between the median and mean asset values reflects an underlying distribution that is highly skewed, with a long tail of large increases (and a maximum increase of £991,414) and a much smaller tail of losses (five in total, with a maximum loss of -£650,037). The overall picture is consistent with Power to Change's 2017 Annual Grantee Survey, where 61% of respondents reported their assets had increased over the past year with only 4% reporting a decrease.

Figure 13. The change in asset values over 12 months (n=32)



Source: Community Business Fund monitoring data

6. The impact Power to Change is having on the community business marketplace

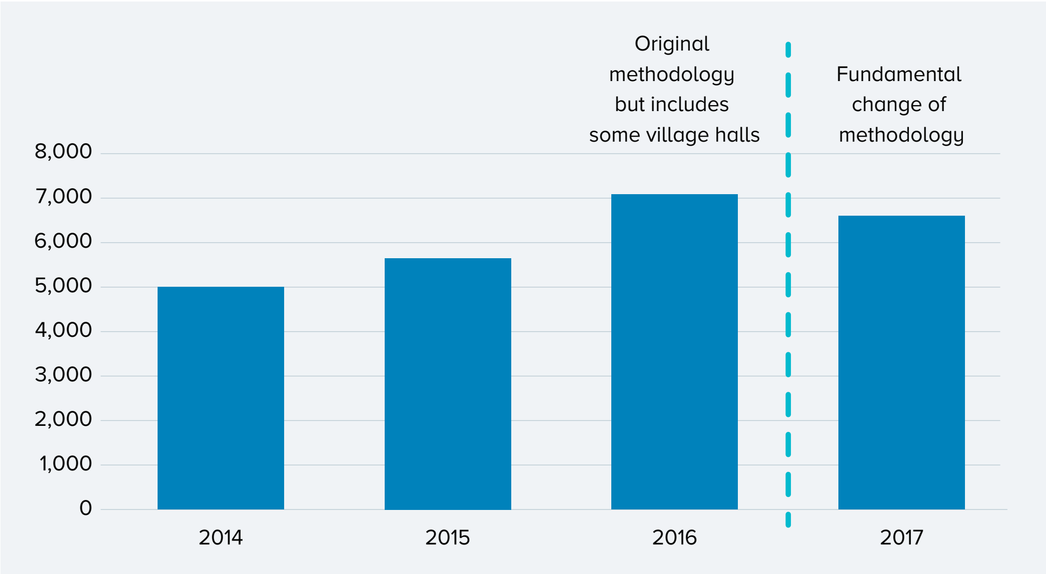
With an expendable endowment forecast to be fully disbursed by 2022, Power to Change places a significant premium on its legacy. Beyond the immediate financial support it provides, the Trust aims to pursue activities that will establish a thriving and sustainable community business marketplace. These activities include:

- **Research:** Building a rigorous evidence base that not only helps community businesses improve practice but also demonstrates the value of high quality analysis in a sector previously overlooked by commissioners and policy makers.
- **Market development:** Supporting existing infrastructure bodies, promoting collaboration for the benefit of community businesses, investing in new technology, encouraging a holistic approach to financial management and asset ownership, and promoting opportunities in markets traditionally served by the private and public sector.
- **Communications and partnerships:** Building a movement and telling the story of community business. This includes campaigning on behalf of the sector and developing new relationships with corporate partners.

6.1 Measures of market scale and confidence

The long-term nature of these activities makes it difficult to measure impact now, let alone attribute it to Power to Change. One potential headline measure is growth in market size, on the assumption that both direct financial support and indirect market development activities should lead to an improvement in the establishment, survival and size of community businesses.

Figure 14. Recent estimates of the size of the community business marketplace in England



Source: Community business in England – Learning from the Power to Change Research Institute 2016-17 (Perry *et al.*, 2018)

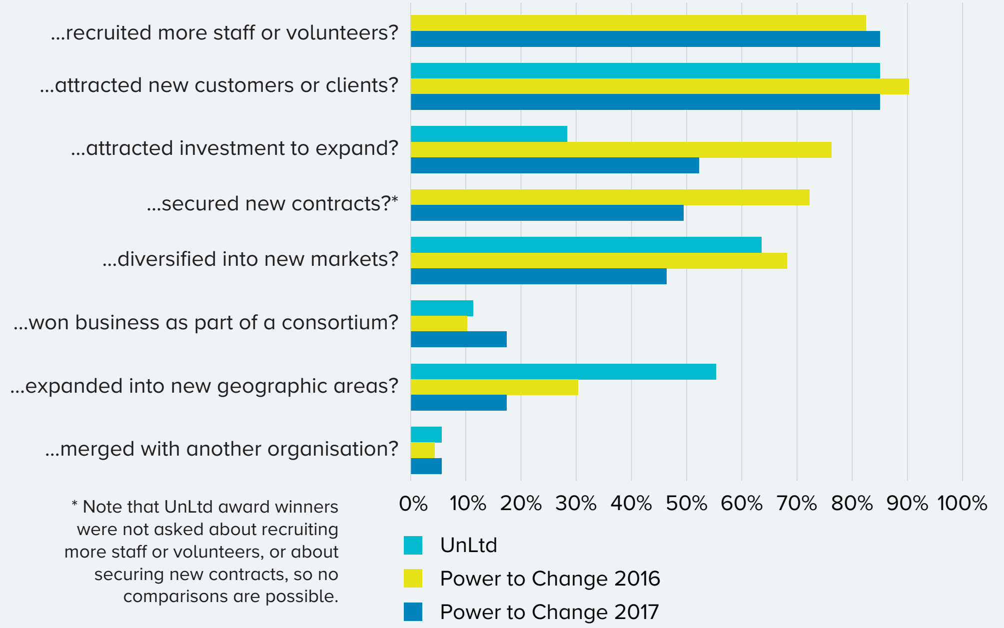
To date, there have been four annual assessments of the size of the community business marketplace. A fifth survey covering 2018 is underway. The original methodology had some limitations, including a lack of reliable data sources for particular sub-sectors and difficulty identifying community businesses within datasets constructed for other purposes. The methodology was improved in 2017 at the expense of a break in the time series, however the revised figure of 6,600 is broadly consistent with previous estimates.[9]

Other measures collected as part of these annual surveys include estimates of aggregate market income and net asset value, £1.2 billion and £0.7 billion respectively in 2017. While these figures provide useful alternative measures of the size of the market, they are largely based on self-reported financial results and are unlikely to be accurate enough to measure growth with any reliability.

Since 2016, the annual assessments have also included a report of community business confidence levels. The figures are cause to be optimistic. In 2017, 63% of community businesses reported being more confident about their financial prospects for the year ahead and only 20% were less confident. These figures were 47% and 28% respectively in 2016. Both years are in marked contrast with the general sentiment of small businesses in the private sector, where confidence levels are much lower (Federation of Small Businesses, 2018).

6.2 Measures of market activity

Figure 15. 'In the last 12 months have you [undertaken any of the following activities]' (n=109)



* Note that UnLtd award winners were not asked about recruiting more staff or volunteers, or about securing new contracts, so no comparisons are possible.

Source: Annual Grantee Survey 2017

[9] Perry *et al.* (2018) suggest this figure is most likely an under-estimate.

This general confidence at market level about future growth is consistent with the positive experiences of individual Power to Change grantees. In the 2017 Annual Grantee Survey more than half reported recruiting more staff or volunteers, attracting more customers or clients, or securing investment to expand (Power to Change Research Institute, 2017a).

The previous Annual Grantee Survey in 2016 included data from UnLtd, the Foundation for Social Entrepreneurs. It is interesting to compare community businesses with more general social enterprises. A key difference is community businesses' greater ability to attract investment for business expansion alongside a much lower likelihood of geographical expansion (no doubt reflecting their local rootedness).

6.3 Support for priority market sectors

At the end of 2017 Power to Change announced investments in specific sub-sectors of the community business marketplace. These include:

– **Housing:** Priority action by the government to tackle the national housing crisis offers opportunities to demonstrate how communities can work together to deliver affordable homes for local people.

– **Energy:** A sub-sector with significant potential for revenue generation. Ownership of assets such as solar farms can form the linchpin of more inclusive local economies and spur the development of innovative business models.

Learning about community-led housing

Power to Change has been working with the Community-Led Homes Partnership and others in the housing sector to understand the support needs of community-led housing organisations. Learning to date includes:

– Using standard building industry terms when talking about the process of developing community-led housing. This can simplify engagement with all partners involved, including planning authorities, architects, grant makers and lenders.

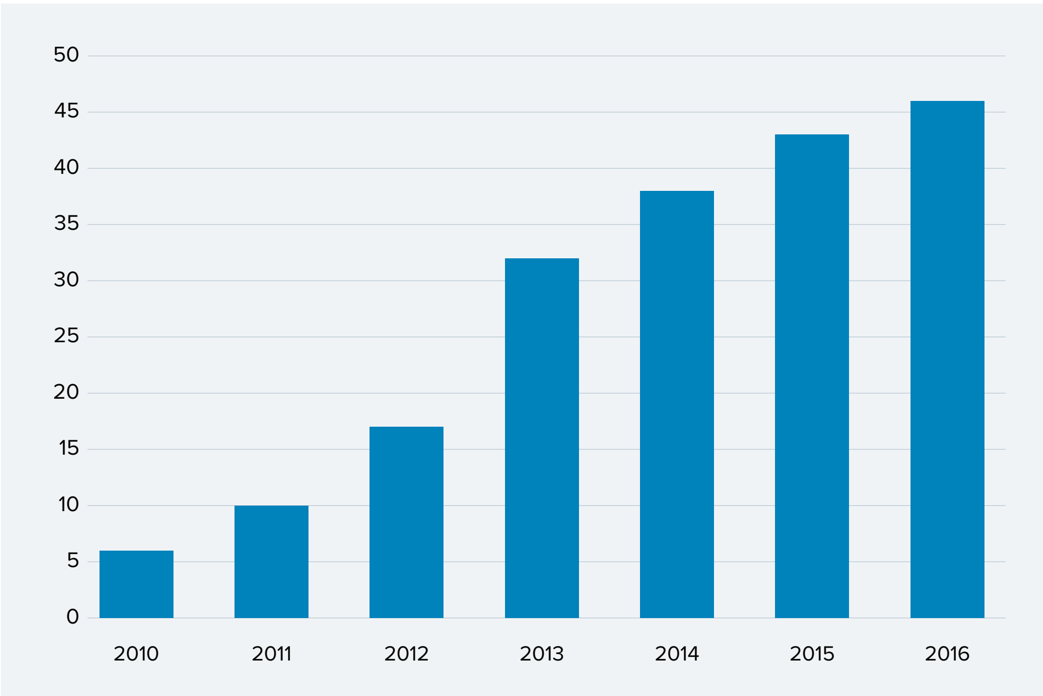
– Recognising that community groups seldom have immediate access to all the skills and resources needed to deliver a housing project from scratch. This is especially true in the early stages. They would benefit from locally-based technical support to explore and deliver a range of community-led housing that meet their needs.

– Opportunities to access the right type of finance at different stages can be uneven. There is a lack of grant funding and flexible development finance products available at the early stages of housing projects.

Building on this insight, Power to Change has been working with partners to design a programme of capacity building, peer mentoring and ongoing learning, as well as support for pre-development costs, in five geographic areas across England (Bristol City Region/West of England Combined Authority; Greater Birmingham, Solihull and the Black Country; Leeds City Region; Liverpool City Region and Teesside/Tees Valley Combined Authority).

Despite the scale of these investments (£9 million in housing, £40 million in energy), individual community businesses will likely take many years to get from inception to completion, with only limited impact before then. By contrast, the £3.6 million More Than A Pub programme, launched in March 2016, has already led to the creation of 25 new community pubs across England, raised a further £5.4 million through community shares and created a pipeline of over 280 community groups aspiring to take over their local pub. This represents significant market growth, albeit in one of the smallest current community business sub-sectors.

Figure 16. Total number of co-operative pubs incorporated by year



Source: Co-operative Pubs: A better form of business (Plunkett Foundation, 2017b)

The contribution of digital infrastructure

Lack of access to accurate information can reduce trading opportunities and hinder market growth. Power to Change has been working with sector partners to support and develop digital platforms, with the aim of improving access for community groups and businesses.

- **Keep It In The Community:** Developed by mySociety and based on the same technology as their award-winning Fix My Street platform, this open source platform aims to:
  - Collate a single, synchronised and complete record of all listed and nominated Assets of Community Value (ACV) held by 300+ English councils.
  - Provide a route for community groups to nominate new ACVs in their community.
  - Allow community members to provide details, photographs, and anecdotes about each registered asset, beyond that required by the legal listing process.

  The platform responds directly to a major flaw in the Localism Act 2011, which assumes community groups will exercise their right to nominate and bid for ACVs but makes no provision for a standardised central register of such assets.
- **MyCommunity:** A digital portal for community rights information and grant programmes. It provides access to information on topics such as community rights, neighbourhood planning, asset transfer and sources of finance. It is managed by Locality and was previously funded by the Ministry of Housing, Communities and Local Government.
- **Twine:** A business intelligence platform developed by the Power to Change Research Institute. It helps community businesses (and other charities and social enterprises) to collect financial, community, visitor and volunteering data. They can monitor how these data change over time and benchmark their performance against similar organisations. A key feature is the use of automated, pre-validated surveys, delivered by text message, combining robust impact measurement with high response rates.

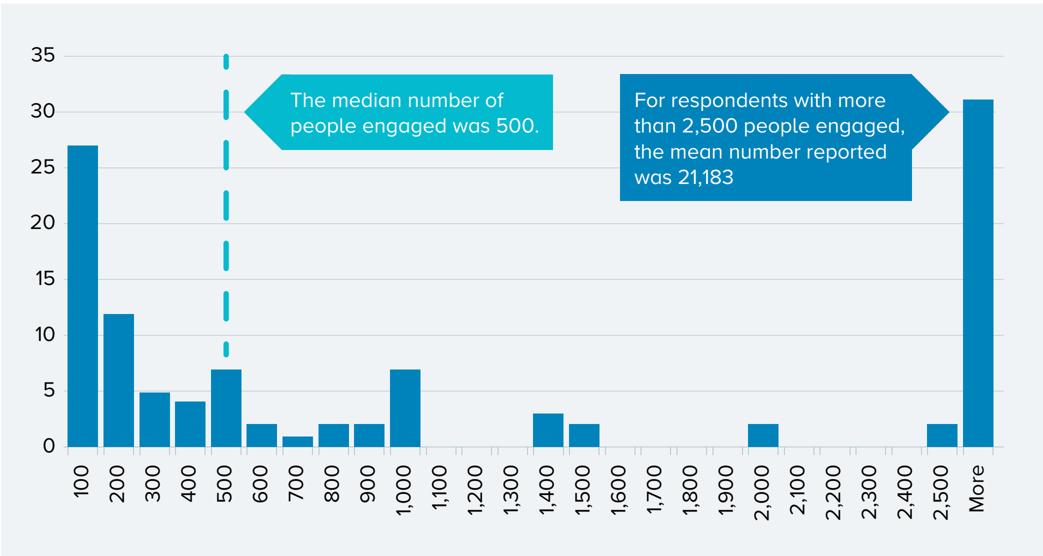
The adoption of new technology is notoriously variable. The success of these digital platforms will depend on their relevance and ease of use for end users. Twine in particular provides a novel approach to management information normally unavailable to small businesses. Standard web analytics will measure the impact of these platforms.

7. The impact grantees are having on people

Community businesses are by definition locally rooted organisations. Yet, despite their highly localised nature, they will typically interact with, and have an impact on, a large number of people: the customers for their goods and services, the often wider group of beneficiaries that the business was created to support, the staff they employ and the volunteers they engage, their members and supporters and, for some, their shareholders.

Amongst Power to Change grantees overall, the number of people engaged varies significantly, with 25% reporting 100 or fewer and 28% reporting more than 2,500. The sheer range of these responses reinforces Berry's typology of geographical scales discussed in Chapter 3. Many businesses reach wide across their towns and cities, while others engage intensively within a smaller neighbourhood or village. As more detailed data becomes available on engagement levels— particularly on customer levels— it may be possible to test Berry's hypothesis of the minimum threshold needed for sustainability.

Figure 17. What is the total number of people engaged in the community business (e.g. through community shares, membership or customers)? (n=109)



Source: Annual Grantee Survey 2017

7.1 Customers and beneficiaries

Data from the Community Business Fund confirms that most customers (between 75% and 80%) are local.[10] For the 32 community businesses where complete monitoring data is available (out of a total of 91), the absolute and median number of customers increased in the first 12 months after receiving the grant.

[10] 'Local' refers to the local area each community business serves (area of benefit). Grantees are asked to estimate a population size for this area in their application forms, and this is referenced when reporting in subsequent forms.

Table 8. Customers engaged by Community Business Fund grantees (n=32)

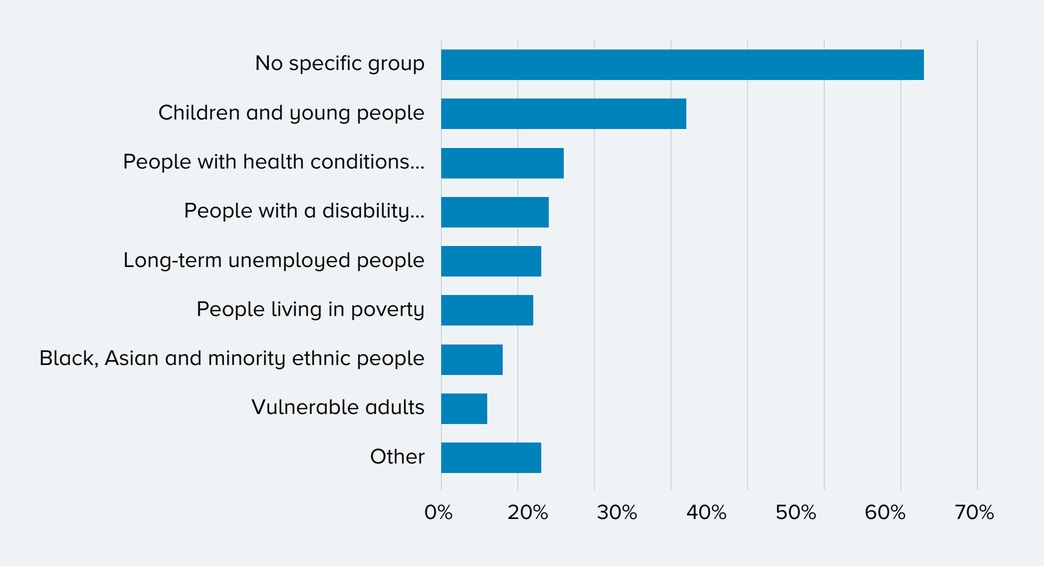
	Local customers per month			Total customers per month		
	Baseline	After 12 months	Change	Baseline	After 12 months	Change
Median	600	710	+16	750	895	+13
Mean	2,393	2,644	+251	3,201	3,303	+102

Source: Community Business Fund monitoring data

Note that this comparison takes no account of local trading conditions and the relative performance of other local businesses. It will be interesting to see if the pattern is repeated in other programmes as more monitoring data becomes available. Of particular interest will be whether a sense of 'community goodwill' prompts local customers to spend more.

During the application process, grantees for all Power to Change programmes are asked to identify the two beneficiary groups with whom they primarily work. To date the majority have selected 'No specific disadvantaged groups', no doubt reflecting the open nature of trading businesses. Around a third also identified 'Children and young people' or 'People with health conditions or disabilities'.

Figure 18. Community business beneficiaries (n=547)[11]



Source: Application data (2015 - 2018)

[11] For presentation purposes some categories have been merged. 'Vulnerable adults' refers to the categories 'Ex-offenders', 'Homeless', and 'People with addiction issues'. 'Other' refers to 'Older People', 'LGBT+', 'Refugees and migrants', 'Victims of crime' and 'Parents'.

7.2 Employees and volunteers

The creation of employment and volunteering opportunities are presented as key features of how community businesses can make local places better. This is particularly true in areas of high deprivation, where opportunities to engage in the formal economy and local community may be constrained. This view is partly supported in responses to the 2017 Annual Grantee Survey:

79%

of respondents believed they had had a 'positive' or 'significantly positive' impact on economic regeneration in their area, with 76% reporting that they had had a similar impact on job creation.

61%

reported employing full time staff, of which 64% reported an increase in the number of employees over the past year.

However, these perceptions are challenged by data from the Community Business Fund, which suggests that grantees are creating part-time not full-time jobs.

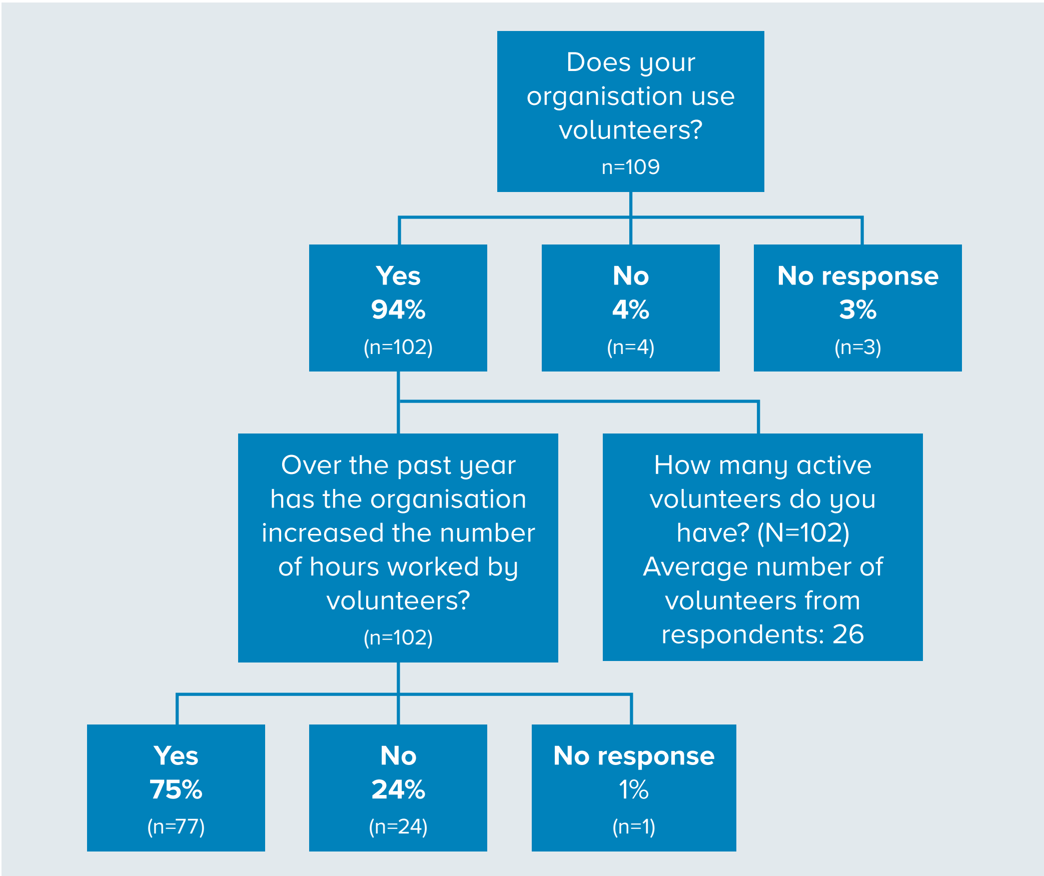
Table 9. Employment opportunities created by Community Business Fund grantees (n=32)

	Full time staff employed						Part-time staff employed					
	Local			Total			Local			Total		
	Baseline	After 12 months	Change	Baseline	After 12 months	Change	Baseline	After 12 months	Change	Baseline	After 12 months	Change
Median	2.0	1.0	**0.0**	2.0	2.0	**0.0**	3.0	5.0	**+1.0**	4.0	6.0	**+1.0**
Mean	4.9	4.8	**0.0**	6.6	6.5	**-0.1**	6.3	6.7	**+0.4**	8.9	9.1	**+0.2**

Source: Community Business Fund monitoring data

By contrast, the use of volunteers appears consistent between the Annual Grantee Survey and Community Business Fund. The former found that nearly all grantees used volunteers, typically 26 per grantee, with 75% reporting an increase in the number of hours worked. The latter found that the median number of voluntary opportunities per grantee was 25 and had increased to 29 after 12 months.

Figure 19. Use of volunteers by Power to Change grantees



Source: Annual Grantee Survey 2017

7.3 Members and community shareholders

Accountability to local people is one of the four defining features of community business, but it is also one of the most difficult to pin down. Buckley *et al.* (2017) identify three general ways that community businesses seek to be accountable:

- Through formal structures such as meetings (AGMs, consultations); directly involving local people (as members/shareholders, volunteers or board members); aligning with and/or adhering to regulatory frameworks (public benefit) or local plans (parish plans).
- Through relationships between the organisation and the community. This ensures a two-way flow of insights, learning and opinion.
- Using communications tools, such as social media, to create transparency, openness and a local presence.

Given such a variety of options, it can prove difficult to devise a suite of indicators to capture progress. Additionally, accountability options can vary with legal form, reducing the size of the samples available to measure. For example, community shares are only available to businesses constituted as Community Benefit Societies.[12]

Table 10. Community shareholders engaged by Community Business Fund grantees (n=6)

	Local shareholders			Total shareholders		
	Baseline	**After 12 months**	**Change**	**Baseline**	**After 12 months**	**Change**
Median	252.5	291.5	**+10.5**	259.0	311.0	**+10.5**
Mean	294	337.2	**+43.2**	332.5	355.7	**+23.2**

Source: Community Business Fund monitoring data

Table 11. Non-trustee members engaged by Community Business Fund grantees (n=19)

	Local members			Total members		
	Baseline	**After 12 months**	**Change**	**Baseline**	**After 12 months**	**Change**
Median	160.0	305.0	**+28.0**	200.0	305.0	**+27.0**
Mean	271.9	312.6	**+40.6**	355.8	400.1	**+44.3**

Source: Community Business Fund monitoring data

Amongst Community Business Fund grantees, only six (out of 32) reported engaging community shareholders, equivalent to 2,134 people over 12 months. Of these, 2,023 (95%) were from the local area. A similar pattern is observable for non-trustee members (i.e. society or charity members who aren't trustees, directors or shareholders), with 19 community businesses engaging 7,602 non-trustee members over 12 months, of which 5,939 (78%) were local.

Whilst care is needed because of the small sample sizes, it is reassuring to note that the number of members and shareholders increased in both groups 12 months after receiving their Power to Change grants.

[12] Co-operatives can also issue community shares. However, they are unlikely to be community businesses as defined in this report since they are essentially communities of interest formed for the benefit of their own members, not the wider community (Financial Conduct Authority, 2017).

8. The impact grantees are having on places

Chapter 2 introduced the seven long-term outcomes that collectively define how Power to Change will judge whether community businesses have made places better. However, not all seven are of equal importance to community businesses themselves. For example, fewer than one in five Power to Change grantees selected the environment, employability, or pride and empowerment as one of the two outcome areas that best align with their mission.[13]

Table 12. Power to Change grantee long-term outcome areas

Outcome area (in order of preference)	Grantee preference at application (n=570)	Grantee self-assessment of impact (n=109)			
		Significantly positive	Positive	No impact	No comment
Greater community cohesion	40.2%	45%	51%	3%	1%
Better access to basic services	26.7%	22%	54%	24%	0%
Improved health and wellbeing	26.1%	31%	60%	9%	0%
Reduced social isolation	22.1%	39%	53%	6%	1%
Greater community pride and empowerment	18.9%	43%	51%	5%	1%
Increased employability	16.8%	22%	59%	18%	1%
Improved local environment	14.6%	17%	61%	21%	1%

Sources: Annual Grantee Survey 2017; Application data (2015-2018)

In addition, not all grantees measure their social impact. Only 64% reported doing so in the 2017 Annual Grantee Survey.

8.1 Measures of long-term outcomes

Chapter 2 also noted Power to Change's commitment to localism and its reluctance to impose a specific outcomes measurement framework on grantees.[14] There is a pragmatic reality to this. Many community businesses, like small businesses in general, have little spare time to reflect on the long-term consequences of their activities. Moreover, the measurement of these sorts of multi-dimensional social phenomena is not straightforward.

[13] Power to Change asks programme applicants which two of these seven outcomes best aligns with their mission. Experience indicates that grant applicants often seek to tick as many boxes as they can in the belief that it will increase their chance of success.

[14] It does, however, often provide additional grant for community businesses that want to improve the way they measure their social impact. The Twine platform also provides a simple, low-cost way to gather relevant data.

Nevertheless, as a place-based funder, Power to Change is not only interested in the *direct* impact its grantees are having on the people with whom they engage, it is also interested in assessing the *indirect* impact they are having on their local place.

Measuring impact: Homebaked Co-operative Bakery

Located a few minutes from Liverpool Football Club in an area of significant social and economic deprivation, Homebaked Co-operative Bakery provides employment, training, mentoring and a place where people can chat over a cuppa. In January 2016 it received a grant of £146,200 from Power to Change's Initial Grants Programme. It was used to help grow its trading income by increasing its pie production capacity.

This investment has made Homebaked more financially sustainable. It has been able to take on bigger catering contracts such as providing match day pies at the nearby Anfield stadium. It invests its profits into training local people to cook and eat healthily. Its Grant Closedown Report to Power to Change in January 2018 is a model of good practice. Using a balanced scorecard approach, Homebaked reported impressive delivery record against its business KPIs, including:

117%
Growth in sales

106%
Increase in salaries paid

88%
Increase in number of people employed

31
Active volunteers recruited contributing 98 hours per week to the business

24
Course sessions delivered impacting 80 beneficiaries

92%
Income derived from trading

135%
Growth in spend in the local enconomy

What was missing was an assessment of whether the neighbourhood itself had improved. There are good reasons to think it should have. Homebaked has a supply chain model based on building local partnerships. The majority of its direct spend is within three miles of the bakery, including its butcher, fruit and vegetable supplier, and paper and pie case supplier. Nevertheless, the report is silent on how its activities may have, for example, reduced social isolation in the area or satisfaction with the local environment.

The standard national survey of the health of communities is the Community Life Survey, commissioned by the Department for Digital, Culture, Media and Sport and carried out by Kantar Public since 2012. Based on the Government's previous Citizenship Survey, that ran from 2001 to 2011, it is explicitly designed to be comparable so that trends can be tracked over time. It is designated as an Official Statistic by the UK Statistics Authority.

The Power to Change Research Institute commissioned Kantar Public in 2016 to run the survey in six 'hyper-local booster sample' areas, alongside the main 2016-17 Community Life Survey fieldwork (Willis *et al.*, 2017). The six locations were centred on six high-performing community businesses (not all of them Power to Change grantees) and constructed on surrounding postcode areas with an objective of achieving at least 315 completed questionnaires in each area.

Table 13. Pilot areas for the hyper-local Community Life Survey

Community business	Location	Number of addresses in sample zone	Number of completed questionnaires	Response rate
Homebaked	Liverpool	1,182	289	14.1%
b-inspired	Leicester	992	327	19.1%
Bramley Bath	Leeds	980	396	23.4%
Burton Street Foundation	Sheffield	920	326	20.4%
Youth Enquiry Service	Brixham	966	332	19.9%
The Ivy House	London	1,091	398	21.1%

Source: Willis *et al.* (2017)

Willis *et al.* used propensity score matching to construct six comparator samples from the national dataset (n=10,256). This allowed comparisons to be made between each area and a notional 'control group'. From this it was possible to determine whether its outcomes were better or worse than expected. Whilst this approach is less robust than a randomised controlled trial or a difference-in-difference model, it is nevertheless a reasonable way to estimate relative impact.

For example, in the case of Homebaked in Liverpool, the comparison found:

– Higher levels of civic activism.

– Higher levels of satisfaction that the area had got better in the past two years.

– A greater sense that "if I wanted to socialise there are people I could call on".

– A greater sense that "the things you do in your life are worthwhile".

– Lower levels of satisfaction with local services and amenities.

– Lower levels of satisfaction with the local area as a place to live.

These results go straight to the heart of the question: do community businesses make places better? However, there are several obvious limitations of this approach:

– **Cost:** Hyper-local booster samples are expensive, limiting the number of areas that can be sampled and making it hard to generalise results.

– **Dosage:** Community businesses are largely non-prescriptive. They tend to evolve in response to changing local conditions. An assumption of consistency in their outputs and/or interventions is likely to become less realistic over time.

– **Exposure:** The reach of some community businesses may not be evenly distributed throughout the target community, varying across residents, neighbourhoods and organisations.

– **Attribution:** Community businesses are only one part of often complex local economies. Changes in long-term outcomes may be the result of other local socio-economic drivers.

Table 14. Potential outcome measures from the Community Life Survey

Findings highlighted in green/red identify differences where the average response of the relevant community business sample was significantly higher/lower than the average response of the matched comparison sample at the 5 per cent level or below.

Outcome area	Community Life Survey question	Homebaked	B Inspired	Bramley Baths	Burton Street	YES Brixham	Ivy House
Reduced social isolation	How often do you feel lonely?						
	If I wanted company or to socialise, there are people I can call on						
	How often do you chat to your neighbours, more than to just say hello?						
Improved health and wellbeing	Overall, how anxious did you feel yesterday?						
	Overall, to what extent do you feel the things you do in your life are worthwhile?						
Better access to basic services	Generally, how satisfied are you with the local services and amenities in your local area?						
Greater community pride and empowerment	To what extent do you agree or disagree that you personally can influence decisions affecting your local area?						
	[Do you think] that people in your neighbourhood pull together to improve the neighbourhood?						
	When people in this area get involved in their local community, they really can change the way that their area is run.						
Improved local environment	Overall, how satisfied or dissatisfied are you with your local area as a place to live?						
	Do you think that over the past two years your area has [got better/worse/ not changed much]						
Greater community cohesion	[Do you think] your local area is a place where people from different backgrounds get on well together?						
	How strongly do you feel you belong to your immediate neighbourhood?						

Source: Community Life Survey 2017

Resolving these issues will call for prudent and thoughtful analysis. In practice this means linking Community Life Survey data with monitoring data about the individual community businesses, then combining this with other local contextual datasets to construct sound theoretical models for change.

8.2 Support for priority areas

In its first three years, Power to Change's grant programmes were open to applications from any community business in England. Alongside an increasing focus on priority market sectors (see Chapter 6) Power to Change has, since the beginning of 2018, also started to allocate resources in specific priority places. Its two place-based programmes, 'Empowering Places' and 'City Regions and Counties', operate at different geographical scales. The former works with hyper-local 'catalyst organisations' in seven urban neighbourhoods. The latter focuses on developing long-term strategic relationships to advocate for the difference that community businesses can make.

Table 15. Investment to date in Power to Change's 10 priority places

	2015	2016	2017	2018
Empowering Places				
Bradford	£0	£946,171	£729,607	£30,050
Grimsby	£0	£160,000	£123,525	-£1,150
Hartlepool	£0	£10,000	£98,400	£0
Leicester	£0	£315,777	£134,340	£0
Luton	£0	£12,475	£98,618	£0
Plymouth	£0	£160,807	£546,780	£539,375
Wigan	£103,000	£10,000	£159,836	£10,000
City Regions and Counties				
Liverpool City Region	£907,654	£637,614	£1,088,410	£95,710
West of England Combined Authority	£0	£1,400,070	£617,846	£99,320
Suffolk	£571,348	£15,000	£589,227	£158,835

Source: Application data (2015 - 2018)

Together, these ten locations have received over £10 million grant funding from Power to Change to date. The aim of the two programmes is to build on this investment and stimulate further growth in the local community business marketplace. The Empowering Places programme in particular seeks to test how multiple community businesses collaborating in a small area can have a transformative impact. Future Community Life Survey hyper-local boosters will focus on these seven neighbourhoods to build up a comprehensive picture of change.

9. Summary and next steps

Between January 2015 and May 2018 Power to Change supported 615 community businesses with grants totalling £36.5 million. Most recipients report that these grants positively affected their profile and improved their sustainability. However, whilst overall income and asset values have increased, there is little evidence so far of a positive impact on grantee trading ratios (outside specific programmes such as Trade Up).

Similarly, there is little evidence that Power to Change has had a measurable impact on the wider community business marketplace. That is not unexpected at this stage and the Power to Change Research Institute has collected data on various market characteristics which will help to contextualise future assessments of impact.

Like all businesses, community businesses are fundamentally social organisations. Their success depends on the relationships they build. Unlike businesses in the private sector however, the explicit social mission of community businesses–and the importance of community accountability–places a premium on the breadth and quality of these relationships. That breadth is reflected in the fact that most Power to Change grantees do not identify any specific disadvantaged group as their main beneficiary (although a significant minority work with children and young people).

Drawing on data from the main Community Business Fund, there is reasonable evidence of growth in local customers, volunteers, community shareholders and non-trustee members. The picture on employment is more mixed, with no growth in full-time employment and only some growth in part-time employment.

The transformative power of community businesses is axiomatic to Power to Change's mission and the seven long-term outcomes are its preferred way of tracking progress. The most common outcomes that grantees seek to achieve are greater community cohesion, better access to basic services and improved health and wellbeing.

The least popular outcomes are increased employability and an improved local environment. They are also, along with better access to basic services, the three outcomes where a significant minority of grantees (18% to 24%) believe they have made no impact. It will be interesting to see whether these self-assessments are borne out in their Grant Closedown Reports.

This report summarises the evidence to date of Power to Change's impact and the impact of its grantees. Two further reports will be published, in 2020 and 2022, building on the framework set out in this report. Future areas for development include:

1. Improved data on grantee activity

- Replacing the Annual Grantee Survey with a rolling 'before and after' survey more closely tied with existing programme monitoring processes, to reduce the data burden on grantees.
- Paying greater attention to grantee performance by programme, market sector and deprivation level, as more data becomes available.
- Expanding the Financial Accounts Dataset and continuing to use it to monitor grantees' financial performance.
- Excluding the short-term impact of Power to Change grants on community businesses' total annual income and corresponding trading ratios.
- Making greater use of:
  - control groups where appropriate, matching grantees to other similar community businesses on observable characteristics, such as turnover, staff size and volunteer workforce;
  - secondary data to benchmark and triangulate analysis, particularly in relation to community business performance over time; and
  - qualitative data to explore the nuances of how grantees evolve over time, and the depth and quality of their impact on local communities—augmenting the quantitative data already collected.

2. Better measurement of Power to Change's impact on the marketplace

In line with its aspirations to be more than a funder, Power to Change intends to adopt a more strategic approach to market development between 2019 and 2022, including:

- Making greater use of strategic grants (i.e. core funding) for key infrastructure bodies. This will help them develop their capacity to support the community business marketplace in the medium to long term.
- Working with partners to promote the transfer of land and buildings into community ownership. Also, ensuring that community businesses have access to appropriate debt and equity finance to support their trading model.
- Working with commissioners and public-sector bodies to maximise the opportunities for community businesses to contribute to the delivery of public services.

The benefits of these activities are unlikely to be apparent through quantitative assessments of the marketplace. They will rely on more qualitative judgements of impact.

3. Better understanding of the complexities of place-based change

To date, there is little evidence about the quality of grantee relationships, or the relative performance of other private businesses, charities and social enterprises operating in the same local area. As with the initial evaluation of Power to Change's impact on grantees in Chapter 5, the intention is to develop more nuanced analysis as more grantee data becomes available.

4. New summative data on long-term outcomes

The Community Life Survey hyper-local booster methodology developed by Kantar Public will be used between 2018 and 2022 to monitor the seven Empowering Places neighbourhoods and other selected locations (Appendix 3 details the main variables to be analysed from these surveys).[15] It will track these areas over time as well as against synthetic comparators. This will support the building and testing statistical models that can be used alongside qualitative assessments. It promises a wholly new and rigorous way to determine whether community businesses make places better.

[15] The methodology in future will use Census-based Lower Layer Super Output Areas, rather than postcode areas, to improve the accuracy of the matching process.

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Appendix 1: Power to Change programmes – evidence to date

Note about the data in Appendix 1

Appendix 1 presents summary information for a sample of Power to Change programmes for which sufficient data was available at the time of publication. Figures on the number of grants made and their value refer to offers that have been made to community businesses. As such these figures are accurate as at time of publication but may change in future due to grant variations (i.e. grantees requiring more or less funding than originally awarded) or claw-backs.

Grantees were able to select more than one impact outcome area and beneficiary group in their application. Percentages therefore represent the proportion of grantees selecting each option, and as such do not add up to 100%. Likewise, several tables represent the amount of funding awarded against each impact outcome area or beneficiary group, and should not be added together.

Initial Grants Programme

Barton Hill Settlement, Bristol

As its name suggests, the Initial Grants Programme was a grants programme that operated in the first year of Power to Change, with 756 applications received between May and October 2015. In total, 5% of programme applicants were successful in achieving funding.

Around 81% of applicants requested some form of capital funding, with around two-thirds of those requesting funds for both capital and revenue investments. A much larger proportion (98%) of successful grantees requested some capital spend. The most common purpose for grant funding was to purchase, expand, develop or refurbish premises or land. Many applicants also requested funding to develop their services/activities.

Grants were awarded from May 2015 with applications closing in October 2015 and final decisions being taken by the Power to Change Grants Committee in March 2016.

Table A1. Total cash value, number of grants made and number of community businesses supported (May 2015 - March 2016)[16]

Total value awarded	**£8,432,799**
Median grant awarded	**£150,000**
Total number of grants made	**39**

[16] Figures differ from those previously published Dunn *et al.* (2016) because of grant variations and claw-backs.

Who are the community businesses supported through this programme?

The Initial Grants Programme was open to all types of community business. At application community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. The most commonly targeted outcome areas amongst Initial Grants Programme grantees are greater community cohesion, improved local environment and improved health and wellbeing.

Table A2. Total and average cash value, and number of community businesses aligned with each of Power to Change's seven outcome areas (n=39; May 2015 - March 2016)

Outcome area	Grant awarded		Number of grantees
	Median	Total	
Better access to basic services	£210,000	£210,000	1
Greater community cohesion	£200,000	£7,145,872	29
Greater community pride and empowerment	£215,000	£430,000	2
Improved health and wellbeing	£258,838	£1,117,800	4
Improved local environment	£145,100	£796,672	6
Increased employability	£148,728	£297,455	2
Reduced social isolation	£210,000	£210,000	1

Power to Change analysed applicants by sector according to a framework for classifying community business functions and activities. On this classification, nearly half of all applicants to the Initial Grants Programme came from three sectors:

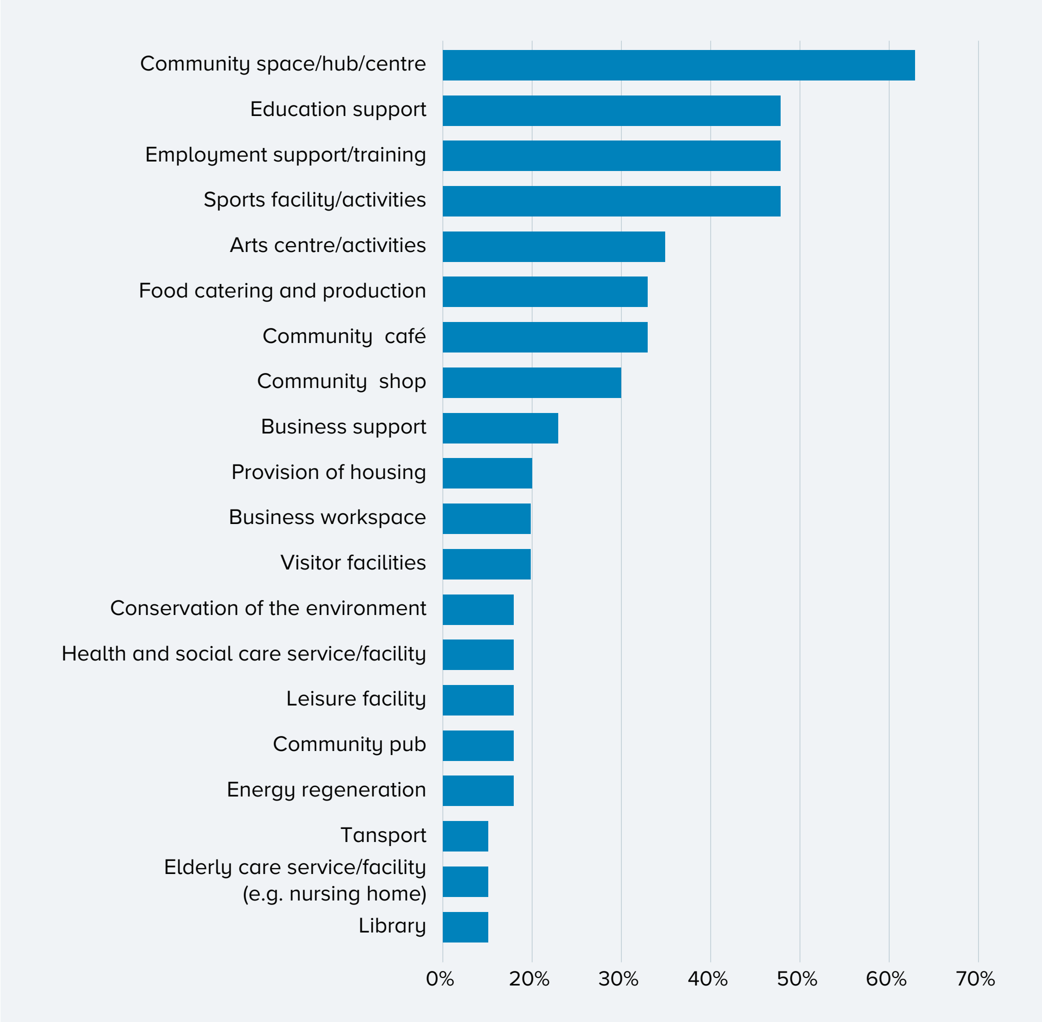
– employment, training, business support;

– community hub/facility; and

– health and social care.

Successful grantees operate across a similar range of sectors. Around 33% (13) work primarily within the multi-use community facility sector, with most (around 85%) delivering services across more than one sub-sector. Amongst the most significant is the delivery of services around employment, business and/or education support (50% of grantees).

Figure A1. Key sectors represented by Initial Grants Programme grantees (n=40; May 2015 - March 2016)



Source: Dunn *et al.*, 2016

Community businesses are also asked at application which two beneficiary groups they primarily work with. Many select more than one. Across all programmes, most grantees selected that they had 'No specific disadvantaged groups'. Other key beneficiaries included young people, children and those with learning disabilities.

Table A3. Target beneficiaries – percentage of all responses and all grantees (n=38; May 2015 - March 2016)

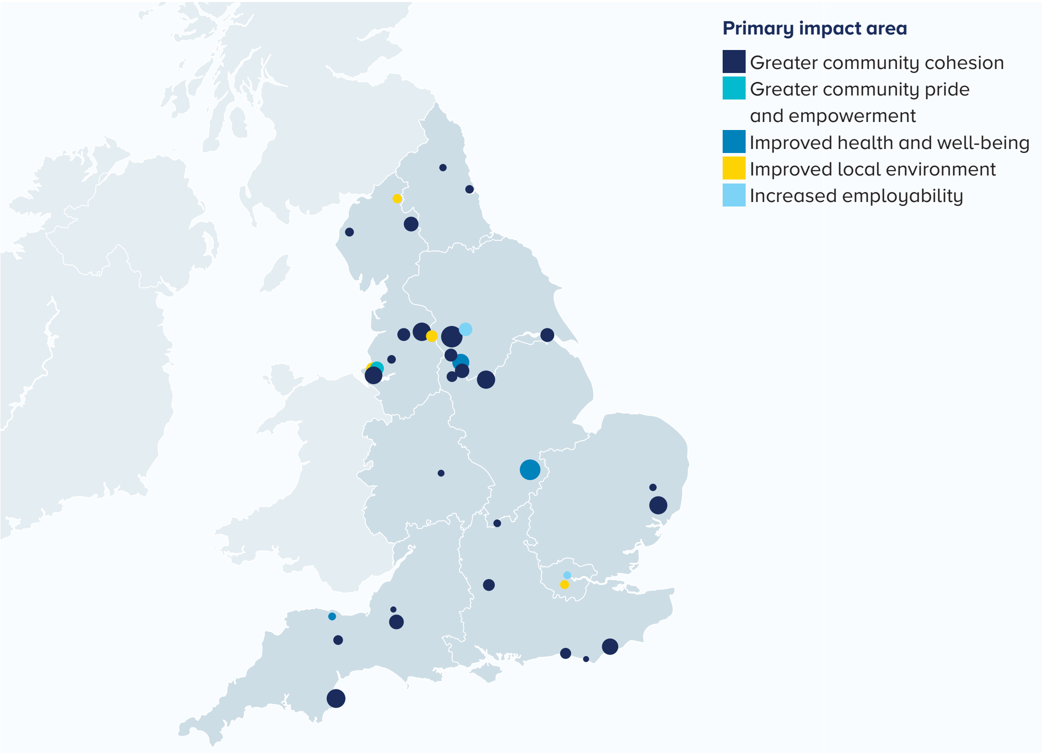
Beneficiary type	Percentage of all responses	Percentage of all grantees
No specific disadvantaged groups	62.7%	84.2%
Young people	7.8%	10.5%
Disability (learning)	3.9%	5.3%
Disability (physical)	2.0%	2.6%
People with long-term health conditions	2.0%	2.6%
People with mental health needs	2.0%	2.6%
Black, Asian and Minority Ethnic	2.0%	2.6%
Children	3.9%	5.3%
Ex-offenders	2.0%	2.6%
Homeless	2.0%	2.6%
Living in poverty	2.0%	2.6%
Long-term unemployed	2.0%	2.6%
Older people	2.0%	2.6%
Refugees and migrants	2.0%	2.6%
Victims of crime	2.0%	2.6%

The programme reached across England, with clusters around Liverpool, Leeds, Manchester and Sheffield (Dunn, *et al.*, 2016). Successful grantees were:

– more likely to come from rural areas and less likely to come from urban areas;

– more likely to come from the 10% most deprived neighbourhoods but also more likely to come from the middle ranking areas of deprivation (perhaps reflecting some of the rural areas).

Figure A2. Location of community businesses supported by the Initial Grants Programme (n=39; May 2015 - March 2016)



What lessons have been learnt from this programme?

For the majority (62%) of unsuccessful applicants, the main reason for rejection was that they did not fit Power to Change's definition of a community business, primarily due to insufficient evidence of community control. The second most common reason was because evidence of financial leverage was not confirmed or unclear (49%). There was very little relationship between the reason for decline and the relative deprivation level in the local communities they serve, as measured by the English Index of Multiple Deprivation.

The most popular legal status of applicants was the Company Limited by Guarantee (of which around three-quarters were also charities). The second most popular legal form was the Community Interest Company limited by guarantee. The great majority (88%) employed at least one full-time or part-time staff member. Just one applicant had 250+ employees. In addition, the clear majority (95%) reported that volunteers were involved in the community business.

Trading and grant funding were consistently the largest sources of income for applicants. Around a quarter of those that reported trading as their biggest source of income reported that it was from public sector contracts. In the 2014-15 financial year around 36% of applicants received at least three-quarters of their income through trading.

Blended Finance

Gawcott Fields Community Solar, Buckingham

About the programmes

Like any business, community businesses have varying requirements for capital, dependent on what they need to achieve, their ambitions and where they are in their lifecycle. Community businesses are distinguished by their trading activities, yet grant funding remains a central component of the financial mix for most. Nearly four in five (79%) derive income from such sources, with use of secured debt (10%) or unsecured debt (9%) remaining comparatively limited (Diamond, *et al.*, 2017).

Yet grant funding can often come with conditions which prevent community businesses from investing in infrastructure, staff training, hiring and progression, and forward planning (Goggins-Gregory and Howard, 2009). Given that grant funding is also limited but in high demand, Power to Change has explored blended finance as a mechanism for potentially reducing grant dependency, as well as reducing demand on oversubscribed funds and accelerating some community businesses appetite for repayable finance.

Blended finance – which has an element of repayable investment alongside a grant – is longer term and can come with fewer restrictions than grant funding. It is typically used in situations where either an organisation needs some grant funding to reach the point where they are then able to take on investment and repay it, or when they are seeking to expand their activities but may not generate enough profit to repay an investment in its entirety (Good Finance, 2018).

Power to Change operates two blended finance programmes:

1. The Blended Finance programme with Key Fund, which uses Power to Change grant funding to make affordable social finance loans available to community businesses who would not be able to access appropriate capital without support. This programme makes the higher volume of deals but typically at lower value.

2. The Blended Finance programme with Social and Sustainable Capital (SASC), which operates on the same approach but is targeted at fewer, large-scale projects. This programme makes a lower volume of deals but typically at higher value.

The Blended Finance programme with SASC supported six community businesses with a mix of loan and grant (and in one case, raising investment via a bond issue). As such the average deal value is higher on this programme (£117,500 compared to £30,000 through Key Fund). In total, 31 grants worth £1,915,000 were made by Power to Change as part of Blended Finance deals between 2016-2018, resulting in a total of £7,312,250 being invested in community businesses.

Table B1. Total cash value, number of blended finance deals made and number of community businesses supported (March 2016 - May 2018)

	Blended finance (Key Fund)	Blended finance (SASC)
Total value of deals made	£2,535,250	£4,959,000
Total value of grants awarded by Power to Change	£1,000,000	£915,000
Median grant awarded	£30,000	£117,500
Total value of additional funding leveraged	£1,535,250	£4,044,000
Total number of deals made	25	6

Who are the community businesses supported through these programmes?

At application community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. The most commonly targeted outcome areas across blended finance investees are better access to basic services, greater community cohesion and improved health and wellbeing.

Table B2. Total and average cash value, and number of community businesses aligned with each of Power to Change's seven outcome areas (n=31; March 2016 - May 2018)

Outcome area	Blended finance (Key Fund)			Blended finance (SASC)		
	Median grant value	Total grant awarded	Number of grantees	Median grant value	Total grant awarded	Number of grantees
Better access to basic services	£29,750	£239,550	6	£152,500	£635,000	4
Greater community cohesion	£20,000	£82,000	4	£250,000	£250,000	1
Greater community pride and empowerment	£100,000	£100,000	1	n/a	n/a	0
Improved health and wellbeing	£30,000	£370,500	9	£250,000	£250,000	1
Improved local environment	£37,500	£185,850	4	£200,000	£400,000	2
Increased employability	£26,425	£274,3500	8	£250,000	£250,000	1
Reduced social isolation	£23,925	£97,850	4	£200,000	£530,000	3

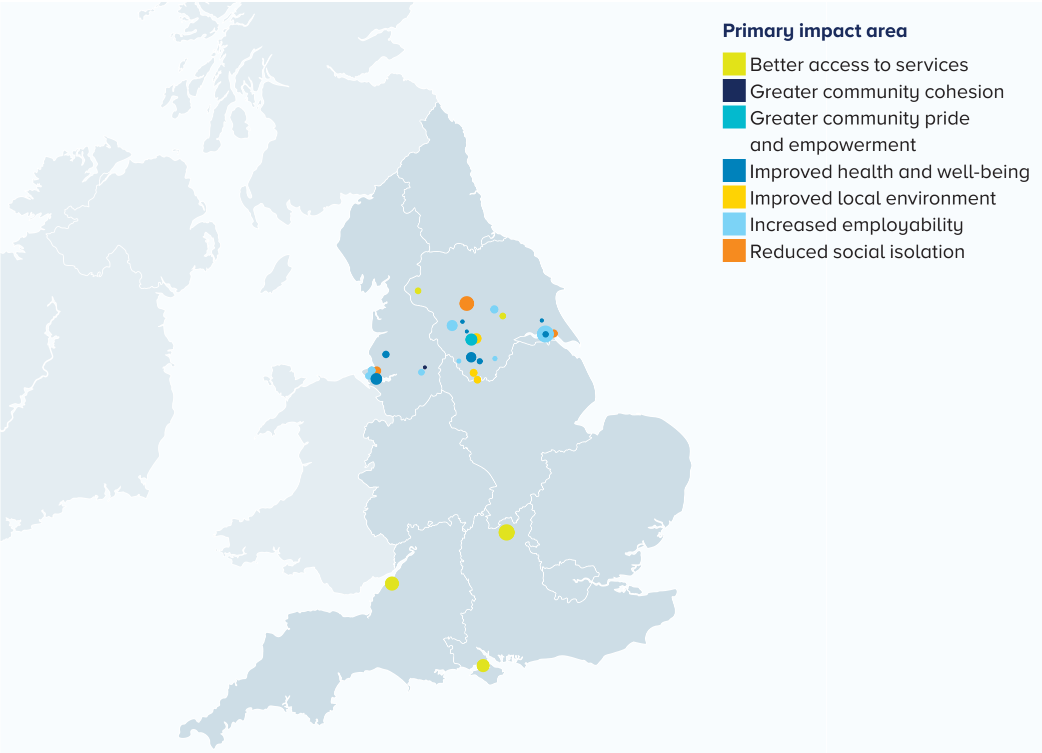
Community businesses are also asked at application which two beneficiary groups they primarily work with. Many select more than one. Across both programmes, most grantees selected that they had 'No specific disadvantaged groups'. Other key beneficiaries include young people, those living in poverty and people with learning disabilities.

Table B3. Target beneficiaries – percentage of all responses and all grantees (n=29; March 2016 - May 2018)

Beneficiary type	Blended finance (Key Fund) (n=22)		Blended finance (SASC) (n=5)	
	% of all responses	% of all investees	% of all responses	% of all investees
No specific disadvantaged groups	44.0%	50.0%	40.0%	40.0%
Young people	12.0%	13.6%	20.0%	20.0%
Disability (learning)			20.0%	20.0%
Black, Asian and Minority Ethnic	4.0%	4.5%	n/a	n/a
Living in poverty	16.0%	18.2%	20.0%	20.0%
Long-term unemployed	12.0%	13.6%	n/a	n/a
Older people	4.0%	4.5%	n/a	n/a
Other specific target groups	8.0%	9.1%	n/a	n/a

The programme reaches across England, supporting the greatest number of community businesses in Hull, Sheffield and Wakefield.

Figure B1. Location of community businesses supported by blended finance (n=31; March 2016 - May 2018)



What lessons have been learnt from these programmes?

Power to Change's social investment activity has mostly been either loan (secured and unsecured, with a grant funding element) or equity (through community shares). In addition to indirect investment via partners, Power -to Change has made a very small number of direct investments in end user community businesses, namely in purchasing withdrawable share capital and 'soft' loans with favourable terms.

Although Power to Change has the resource to invest directly in community businesses, it has made few significant social investments itself. In most cases, this is because the amounts being sought by community businesses are comparatively small (typically under £100,000) and, as such, it is prudent to partner with intermediaries who can undertake the initial, and ongoing, due diligence; while in other cases the profile for repayment will outlive the expected lifetime of Power to Change. A key lesson has been the importance of partnering with intermediaries who have relevant expertise and can ensure Power to Change reaches organisations it otherwise couldn't though its open grant programmes.

Bright ideas

Litherland REMYCA Football Club, Merseyside

The Bright Ideas programme is aimed at local groups who have a community business idea in any sector but need help turning it into a reality. It seeks to address a gap in the market for support to community groups wishing to explore and test an idea before they are ready to apply for 'start up' funding. To achieve this, Bright Ideas offers one-to-one business development support and small grants of up to £20,000 to help with feasibility, business planning, market research, community engagement and governance. The programme is delivered in partnership with Co-operatives UK, Groundwork UK, Locality and the Plunkett Foundation, and has received support from the Ministry of Housing, Communities and Local Government.

Table C1. Total cash value, number of grants made and number of community businesses supported (March 2016 - May 2018)

Total value awarded	**£1,282,513**
Median grant awarded	**£14,813**
Total number of grants made	**66**

Who are the community businesses supported through this programme?

Bright Ideas is open to local groups with an idea for a community business. At application community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. The most commonly targeted outcome areas amongst Bright Ideas grantees are greater community pride and empowerment, improved health and wellbeing and reduced social isolation.

Table C2. Total and average cash value, and number of community businesses aligned with each of Power to Change's seven outcome areas (n=66; March 2016 - May 2018)

Outcome area	Grant awarded		Number of grantees
	Median	Total	
Better access to basic services	£14,967	£38,4267	26
Greater community cohesion	£14,750	£58,5427	43
Greater community pride and empowerment	£14,825	£65,7096	47
Improved health and wellbeing	£14,790	£63,7966	46
Improved local environment	£14,933	£47,7621	33
Increased employability	£14,892	£50,4910	35
Reduced social isolation	£14,928	£61,8545	44

Community businesses are also asked at application which two beneficiary groups they primarily work with. Many select more than one. Across all programmes, most grantees selected that they had 'No specific disadvantaged groups'. Other key beneficiaries include children and young people, people with health conditions (long-term and mental), Black, Asian and Minority Ethnic groups, and the long-term unemployed.

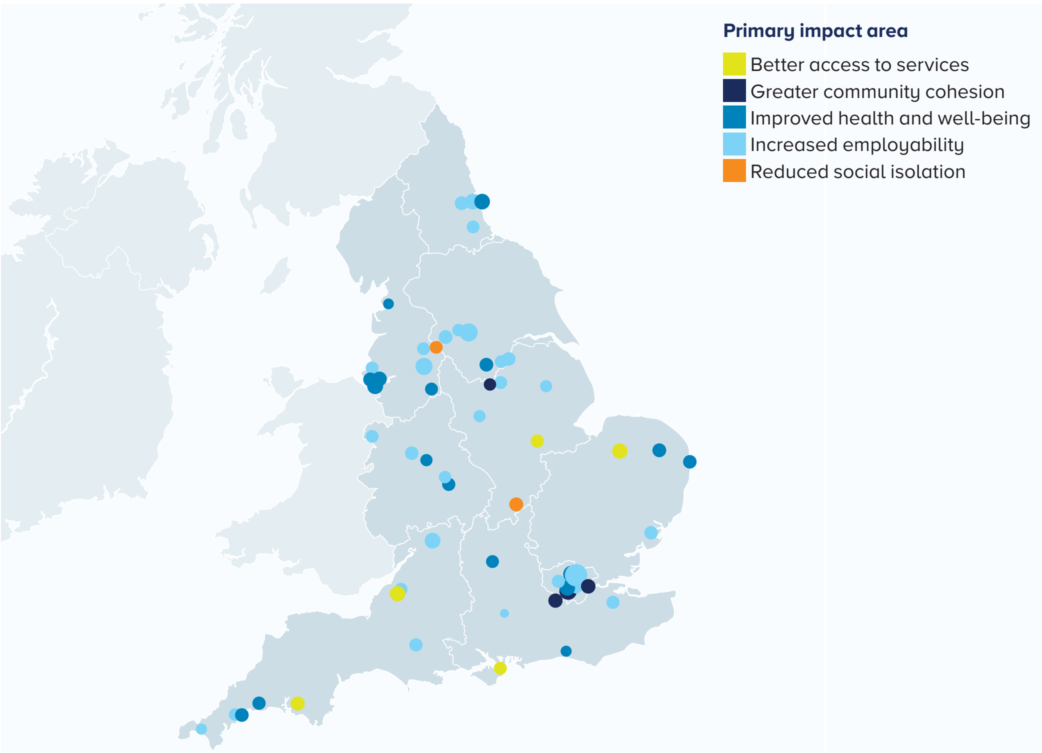
Table C3. Target beneficiaries – percentage of all responses and all grantees (n=65; March 2016 - May 2018)

Beneficiary type	Percentage of all responses	Percentage of all grantees
No specific disadvantaged groups	2.4%	13.8%
Young people	13.9%	81.5%
Disability (learning)	6.8%	40.0%
Disability (physical)	7.3%	43.1%
People with long-term health conditions	6.0%	35.4%
People with mental health needs	8.4%	49.2%
Black, Asian and Minority Ethnic	7.1%	41.5%
Children	12.1%	70.8%
Ex-offenders	2.6%	15.4%
Homeless	3.1%	18.5%

Beneficiary type	Percentage of all responses	Percentage of all grantees
Living in poverty	8.9%	52.3%
Lesbian, gay, bisexual and transgender	0.5%	3.1%
Long-term unemployed	11.5%	67.7%
Older people	0.5%	3.1%
Other specific target groups	1.3%	7.7%
Refugees and migrants	5.2%	30.8%
Victims of crime	2.1%	12.3%

The programme reaches across England, supporting the greatest number of community businesses in Liverpool, London and Sheffield.

Figure C1. Location of community businesses supported by Bright Ideas (n=66; March 2016 - May 2018)



What lessons have been learnt from this programme?

The Bright Ideas Fund is designed to help local groups turn their ideas into reality. Evaluation of the programme suggests that it has been successful in achieving this aim. Of 48 participating groups, responding to an evaluation survey:

83% rated their adviser as excellent or very good	**46%** have begun trading
98% said that the support has helped them to move forward	**58%** have begun delivering services or activities
53% of those which were unincorporated have now incorporated	**96%** have engaged more people from their community

These figures are supported by qualitative feedback from groups through their end-of-project reports, highlighting how the programme has helped them test their ideas.

A key impact of the programme has been supporting local groups to explore owning and/or managing Assets of Community Value, and 65% of Bright Ideas projects involve an asset. These range from ex-local authority run leisure centres, to libraries, to village halls to heritage buildings, to plots of disused urban land, to public toilet blocks and even a section of railway in Devon. Of these, by the end of the Bright Ideas programme support, 18 groups reported they had drawn up plans for developing the asset; 11 have applied for and/or achieved planning permission, 6 have received an asset transfer and 5 have raised capital to purchase.

Community Business Fund

Sunderland Homegrown

About the programme

The Community Business Fund is Power to Change's main grant funding programme, intended to support the growth and sustainability of established community businesses. Grants are typically in the range of £50,000-£300,000 and capacity building support is also provided by peer community businesses. The programme opened in April 2016 and is delivered in partnership with BE Group.

Table D1. Total cash value, number of grants made and number of community businesses supported (April 2016 - May 2018)

Total value awarded	**£16,334,582**
Median grant awarded	**£152,000**
Total number of grants made	**95**

Who are the community businesses supported through this programme?

The Community Business Fund is open to any type of community business. At application community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. The most commonly targeted outcome areas amongst Community Business Fund grantees are improved health and wellbeing, increased employability and greater community pride and empowerment.

Table D2. Total and average cash value, and number of community businesses aligned with each of Power to Change's seven outcome areas (n=95; April 2016 - May 2018)

Outcome area	Grant awarded		Number of grantees
	Median	Total	
Better access to basic services	£107,500	£2,600,670	17
Greater community cohesion	£188,536	£2,916,456	16
Greater community pride and empowerment	£148,625	£2,786,215	18
Improved health and wellbeing	£209,456	£3,890,950	20
Improved local environment	£146,784	£1,496,370	10
Increased employability	£168,955	£3,226,714	18
Reduced social isolation	£101,500	£598,452	5

Community businesses are also asked at application which two beneficiary groups they primarily work with. Many select more than one. Across all programmes, most grantees selected that they had 'No specific disadvantaged groups'. Other key beneficiaries include children and young people, people with health conditions (long-term and mental), Black, Asian and Minority Ethnic groups, and the long-term unemployed.

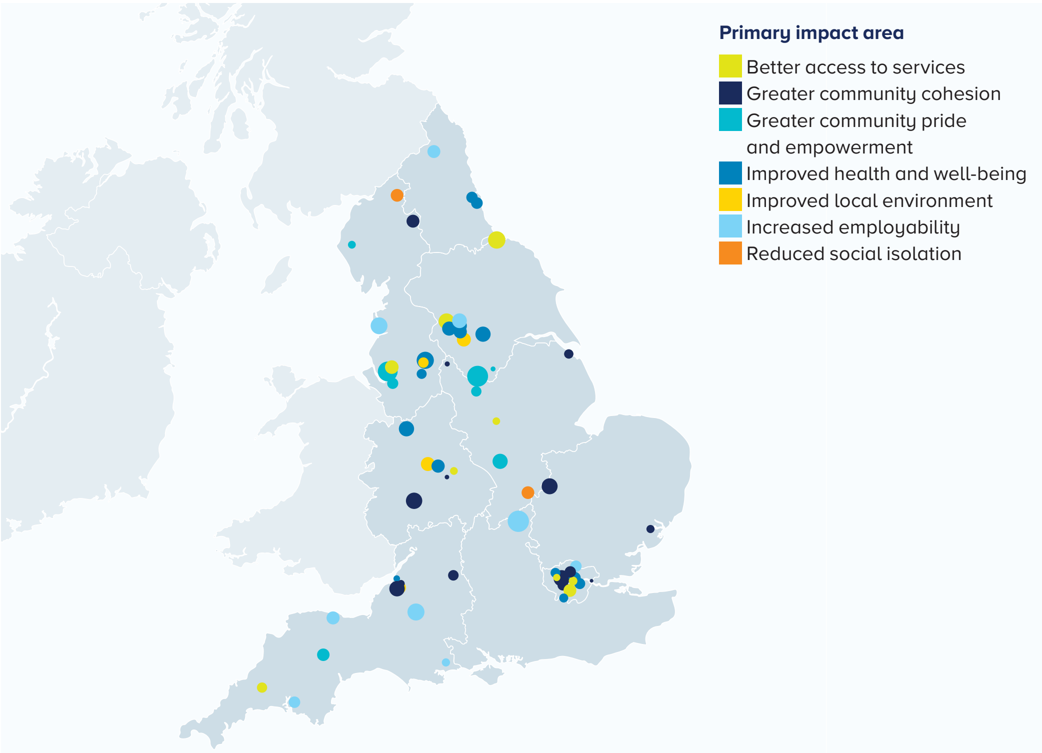
Table D3. Target beneficiaries – percentage of all responses and all grantees (n=79; April 2016 - May 2018)

Beneficiary type	Percentage of all responses	Percentage of all grantees
No specific disadvantaged groups	20.7%	36.7%
Young people	18.6%	32.9%
Disability (learning)	2.1%	3.8%
Disability (physical)	2.1%	3.8%
People with long-term health conditions	5.7%	10.1%
People with mental health needs	7.1%	12.7%
Black, Asian and Minority Ethnic	10%	17.7%
Children	8.6%	15.2%
Ex-offenders	0.7%	1.3%

Beneficiary type	Percentage of all responses	Percentage of all grantees
Homeless	1.4%	2.5%
Living in poverty	5.7%	10.1%
Long-term unemployed	10%	17.7%
Older people	3.6%	6.3%
Other specific target groups	0.7%	1.3%
Parents	0.7%	1.3%
Refugees and migrants	2.1%	3.8%

The Community Business Fund aims to support community businesses across the country, though in line with Power to Change's remit as a place-based funder, it has supported clusters of activity in different areas across the country. Analysis of grantee data shows that there are four local authority areas with at least four or more Community Business Fund grantees within them – Bradford, Bristol, Liverpool, and Tower Hamlets. These first three areas are all considered 'priority places' by Power to Change, meaning they are targeted for additional and strategic support.

Figure D1. Location of community businesses supported by the Community Business Fund (n=79; April 2016 - May 2018)



What lessons have been learnt from this programme?

The forthcoming evaluation of the Community Business Fund, conducted by Renaisi, captures a variety of monitoring information from grantees at the start of their grant and then 12 months afterwards. However, 'distance travelled' measures based on this data are subject to several important limitations:

– despite taking before and after measures, the absence of a comparative group means it is not possible to rule out other factors influencing the changes observed among this cohort,

– while 51 community businesses submitted some form of data, only 32 submitted data at both the baseline and 12-month touchpoints, and not all completed each form in their entirety. Analysis is therefore based on small sample sizes, meaning extreme cases (such as those with very high or low incomes) may skew results. The evaluation has tried to limit the impact of this by using median averages.

Financial performance (income, assets and trading)

On average community businesses have seen positive increases in income and assets in the 12 months since receiving their grant, experiencing a median average increase of £91,054.

Table D4. Changes in income and assets over 12 months (n=32)

	Income			Assets		
	Baseline	12 months	Average change	Baseline	12 months	Average change
Median	£197,987	£336,075	**+£91,054**	£124,868	£197,451	**+£24,675**
Mean	£382,773	£500,692	**+£117,919**	£355,943	£458,527	**+£102,584**
Net total	£12,248,745	£16,022,148	**+£3,773,403**	£11,390,176	£14,672,859	**+£3,282,683**

This increase in income was complemented by a modest increase in the value of assets. Asset ownership enables communities to generate income for themselves that can help build stronger neighbourhoods and provide social support through the provision of community space, services and facilities. The median average value of assets held by Community Business Fund grantees increased £24,675 over 12 months.

Despite the positive increase in income overall, the proportion of income from trading activities does not appear to have significantly changed after 12 months for the average business (n=27). The median average increased 0.3% over a 12-month period.

Table D5. Trading ratios for Community Business Fund participants (n=27)

	Average trading ratio		Average percentage point change in trading ratio
	Baseline	After 12 months	
Median	43.0%	36.0%	**+0.3%**
Mean	48.6%	43.6%	**-5.1%**

Social impact

The heterogenous nature of Community Business Fund grantees makes it difficult to generalise about the social impact achieved through the programme. However, data from the Community Business Fund to date indicates:

Place matters: community businesses appear to have a notable impact in places where alternative service provision is poor or limited, and in communities which feel a sense of being left behind or ignored by other service providers

Community engagement: where community engagement happens, it appears to have an impact on local people feeling they have a greater sense of ownership or say over issues which matter to them. This is particularly notable amongst Community Benefit Societies, where community engagement is intrinsically linked with this legal structure

Volunteering opportunities: while not all community businesses provide volunteering opportunities, there are numerous instances of community businesses providing volunteering opportunities to people who may not otherwise be able to access them or paid employment opportunities

Employment opportunities: those community businesses that are employing people tend to employ people that may otherwise struggle to access the jobs market.

Figure D2. The impact of Community Business Fund grantees on local people

Community Shares Booster

Stretford Public Hall, Manchester

About the programme

Community shares are a form of withdrawable share capital and can only be issued by Co-operative and Community Benefit Societies. They provide a way for communities to invest in businesses that serve a community purpose.

Community shares have been used to save local shops and pubs, finance renewable energy schemes, transform community facilities, support local food growing, fund new football clubs, and restore heritage buildings. Since 2009, almost 120,000 people have invested over £100 million to support 350 community businesses throughout the UK (Community Shares Unit, 2018).

The Community Shares Booster programme was launched in March 2016 to help communities get a community share offer off the ground and match fund it when they meet their targets. The programme is delivered in partnership with the Community Shares Unit, which is a joint initiative between Co-operatives UK and Locality. It has tested innovative models for share issues by working with groups which received a grant of up to £10,000 to support the development of the share offer, followed by up to £100,000 in the form of a matched equity investment by Co-operatives UK.

Table E1. Total cash value, number of grants made and number of community businesses supported (March 2016 - May 2018)

Total value awarded	**£729,473**
Median grant awarded	**£25,243**
Total number of grants made	**16**

Who are the community businesses supported through this programme?

At application community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. The most commonly targeted outcome areas amongst the Community Shares Booster investees are better access to basic services, greater community cohesion and greater community pride and empowerment.

Table E2. Total and average cash value, and number of community businesses aligned with each of Power to Change's seven outcome areas (n=16; March 2016 - May 2018)

Outcome area	Grant awarded		Number of grantees
	Median	Total	
Better access to basic services	£25,243	£363,937	8
Greater community cohesion	£17,805	£199,910	7
Greater community pride and empowerment	£20,960	£199,105	5
Improved health and wellbeing	£38,573	£77,145	2
Improved local environment	£62,938	£239,876	4
Increased employability	£63,573	£127,145	2
Reduced social isolation	£40,480	£158,105	4

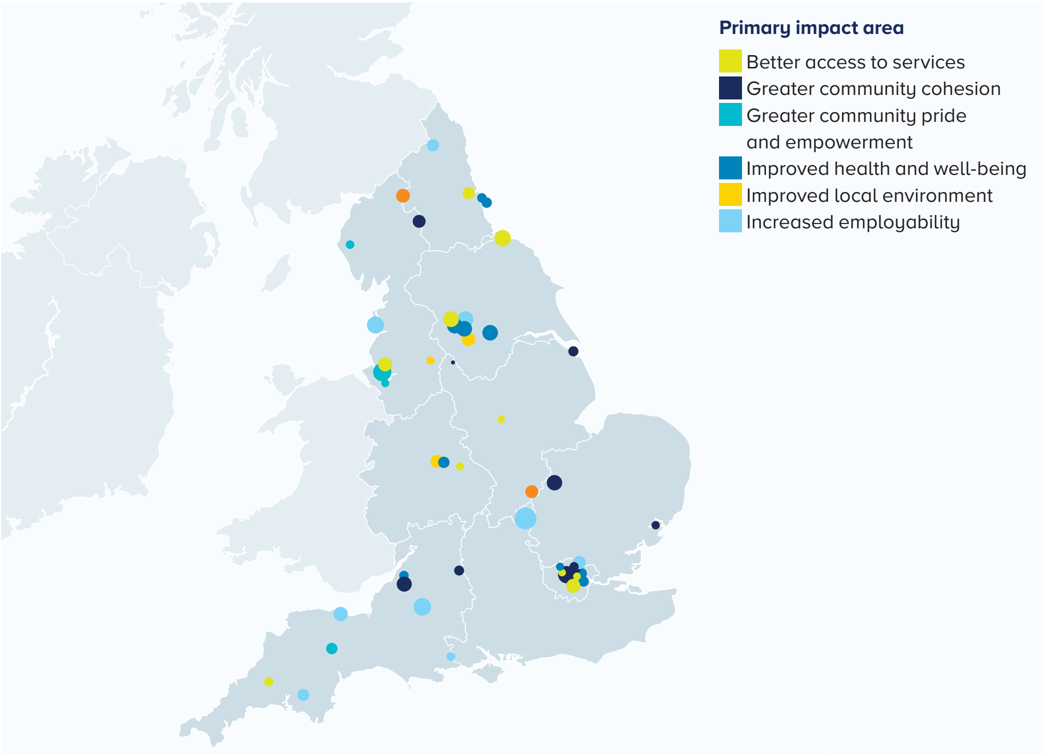
Community businesses are also asked at application which two beneficiary groups they primarily work with. Many select more than one. Across all programmes, most grantees selected that they had 'No specific disadvantaged groups'. Other key beneficiaries include people with disabilities (learning and physical) and children and young people.

Table E3. Target beneficiaries – percentage of all responses and all grantees (n=13; March 2016 - May 2018)

Beneficiary type	Percentage of all responses	Percentage of all investees
No specific disadvantaged groups	58.8%	76.9%
Young people	5.9%	7.7%
Disability (learning)	5.9%	7.7%
Disability (physical)	11.8%	15.4%
Children	5.9%	7.7%
Other specific target groups	11.8%	15.4%

The programme reaches across England, supporting community businesses from Carlisle to Hastings.

Figure E1. Location of community businesses supported by the Community Share Booster investees (n=16; March 2016 - May 2018)



What lessons have been learnt from this programme?

A major aim of the Community Shares Booster programme is to understand how institutional and community (i.e. retail) investment can work alongside each other while meeting good practice standards for community share offers. This has resulted in the development of updated guidance on transparency, member participation and liquidity, reflected in the Community Share Unit's Handbook and Standard Mark.[17] Important lessons have also been learned about the nature of the investment appraisal that forms an integral part of the programme.

From the evaluation to date it is clear that timescales for the original phase of the programme were too tight for many end users. Often the community businesses engaged in this programme are testing innovative community share raise offers in hard to reach communities, which can require longer timeframes for development support. Building on this experience, the programme was modified to introduce longer timescales from application to disbursement. To provide maximum value to groups and provide a consistent support offer, the intervention was redesigned in a way that offers a clearer user journey from start to finish.

The programme now includes three pathways to provide the right type of support and funding for applicants, depending on their stage of development:

1. **Preparing the offer –** designed for groups who are on their way to finalising their community share offer but need additional development support to get them to launch.
2. **Investment ready** – community businesses in the final stages of preparing their community share offer who are ready to apply for equity match of up to £100,000.
3. **Live offers –** in exceptional circumstances Power to Change and partners will accept applications for equity match of up to £100,000 from community businesses that are about to launch, or have already launched their share offer.

[17] For more information on these visit: http://communityshares.org.uk/

More Than A Pub

The New Inn, North Lancashire

The More than a Pub programme provides funding and support to community groups who want to take ownership of their local pub and who need help to develop their ideas and plans. The programme is in part a response to the rapid rate of pub closures the UK has seen over the last 10 years – losing around a fifth of all pubs nationally (CAMRA 2017).

Pubs often foster a sense of belonging and community cohesion and can be central to people's sense of place. In rural areas, their closure can represent the loss of the last community meeting space and trading facility. This trend represents an opportunity for communities to come forward and take ownership of pub buildings and broaden their traditional role, re-positioning them as providers of a range of services and activities to help local people. The More than a Pub programme offers business development advice, peer support, training events and conferences, bursary grants of up to £2,500 and a combined finance package of up to £100,000 made up of loans and grants. Key delivery partners include Co-operative & Community Finance, Key Fund, Ministry of Housing, Communities & Local Government, and the Plunkett Foundation. Within its first two years the programme offered a total of £1,691,767 to 105 groups, including 14 grant and loan packages worth £615,000.

Table F1. Total cash value, number of grants made (bursaries and grant and loan packages), and number of community businesses supported (March 2016 - May 2018)

Total value of grants awarded	**£1,691,767.18**
Average grant value (median)	**£2,500**
Total number of grants made	**105**

In addition to providing funding and investment, the programme has also been successful in supporting the wider community pub movement:

- 25 community-owned pubs have now opened with support from More than a Pub.
- A pipeline of 288 groups aspiring to become a community owned pub are actively working with the Plunkett Foundation.
- The Plunkett Foundation has received 379 calls to the specialist helpline, has delivered action planning to 167 groups, delivered 43 study visits and allocated specialist advice to 102 groups.
- Successful pub groups have raised £5,369,860 in community shares from 4,262 individual shareholders.

At application community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. The most commonly targeted outcome areas amongst More than a Pub grantees are greater community pride and empowerment, improved health and wellbeing and reduced social isolation.

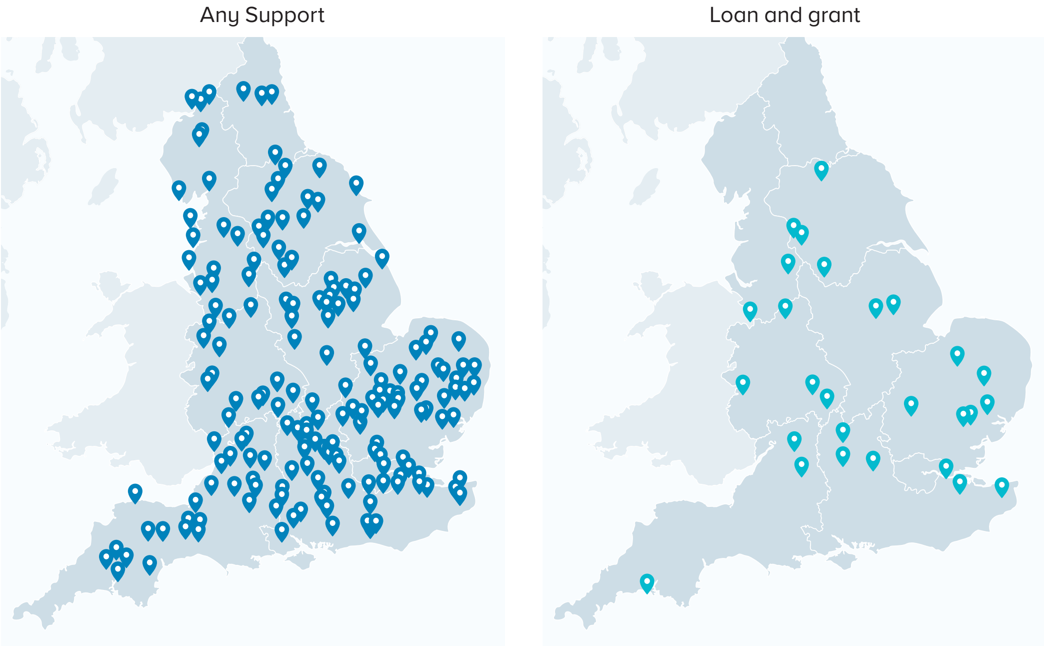
Table F2. Total and average cash value, and number of community businesses aligned with each of Power to Change's seven outcome areas (n=105; March 2016 - May 2018)

Outcome area	Grant awarded		Number of grantees
	Median	Total	
Better access to basic services	£2,500	£682,928	47
Greater community cohesion	£2,500	£1,023,839	64
Greater community pride and empowerment	£2,500	£2,500	1
Improved health and wellbeing	n/a	n/a	n/a
Improved local environment	n/a	n/a	n/a
Increased employability	n/a	n/a	n/a
Reduced social isolation	£2,500	£467,928	20

The programme reaches across England, with two thirds of pubs supported based in rural areas, compared to approximately a third in urban areas (including cities and towns, major and minor conurbations, and towns in a sparse setting). In particular, More than a Pub has received strong applications from East Anglia, a region characterised by rurality and one which many funders find hard to reach.

The rurality of these pubs means that against the Indices of Multiple Deprivation (IMD) the areas in which they are located can appear relatively affluent. However one of the sub-domains of the IMD is 'geographical barriers to services', and using this measure the majority of pubs fall in to the most deprived areas. This is supported by research commissioned by Power to Change, which highlights that the English IMD needs to be thought of not as a single measure of disadvantage, but as an indicator system that identifies disadvantaged places across multiple dimensions (Smith. *et al.*, 2018). Therefore this is an area where the programme can and does have a high impact.

Figure F1. Location of community businesses supported by the More than a Pub programme (n=105; March 2016 - May 2018)



What lessons have been learnt from this programme?

The forthcoming evaluation of More than a Pub includes qualitative interviews and visits to eight of the pubs supported through the programme, in addition to quantitative analysis. The evaluation found that community pubs impact on people and places in several ways:

– Community pubs provide an increased community spirit/feeling of empowerment for those involved. Local people report an improved sense of belonging and connection from being in a community space.

– The impacts and opportunities around job creation and volunteering are the greatest where the opportunities are going to those who would not otherwise have access to them. For example, where the pub is the only employer in the village, young people without transport benefit from employment opportunities. This is also true where a pub is making a particular effort to work with people with learning disabilities, such as The Gardeners Rest in Sheffield.

– Community pubs can provide improved access to services, for example through incorporating Post Office services and shops within their buildings and hosting mobile libraries. This is especially important in rural areas, where the 'Barriers to Housing and Services' domain of the Indices of Multiple Deprivation can be particularly acute.

– Pubs also run a range of projects and activities, each of which have their own specific social benefits. For example, walking groups bring people together, reducing loneliness and building connection whilst also allowing people to integrate physical exercise into their lives. Equally, groups such as book clubs, music sessions and choir groups encourage learning and relaxation as well as build a sense of community.

– Depending on the nature of the pub (i.e. whether it is directly managed or tenanted), shareholders in community pubs report an increased sense of ownership.

Trade Up

Hulme Community Garden Centre, Manchester

The Trade Up programme is designed to support community businesses become more sustainable through trading. It does this by awarding grant funding through a match trading mechanism which is designed to incentivise grantees to focus development efforts on growing their traded income before they can access the full £10,000 grant on offer.

The programme is aimed at early stage community businesses with at least one year's worth of accounts, generally established for 5 years or less, with the motivation to move away from grant funding and develop a more sustainable business model. The programme is delivered in partnership with the School for Social Entrepreneurs as part of its Match Trading™ initiative. Support offered is via match trading grants and a programme of action learning support, delivered in 12 sessions over six months.

Table G1. Total cash value, number of grants made and number of community businesses supported (July 2016 - May 2018)

Total value awarded	**£1,280,000**
Median grant awarded	**£10,000**
Total number of grants made	**128**

Who are the community businesses supported through this programme?

At application community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. The most commonly targeted outcome areas amongst Trade Up grantees are improved health and wellbeing, greater community cohesion and reduced social isolation.

Table G2. Total and average cash value, and number of community businesses aligned with each of Power to Change's seven outcome areas (n=128; July 2016 - May 2018)

Outcome area	Grant awarded		Number of grantees
	Median	Total	
Better access to basic services	£10,000	£90,000	9
Greater community cohesion	£10,000	£400,000	40
Greater community pride and empowerment	£10,000	£160,000	16
Improved health and wellbeing	£10,000	£430,000	43
Improved local environment	£10,000	£70,000	7
Increased employability	£10,000	£140,000	14
Reduced social isolation	£10,000	£260,000	26

Community businesses are also asked at application which two beneficiary groups they primarily work with. Many select more than one. Across all programmes, most grantees selected that they had 'No specific disadvantaged groups'. Other key beneficiaries include older people, people living in poverty and young people.

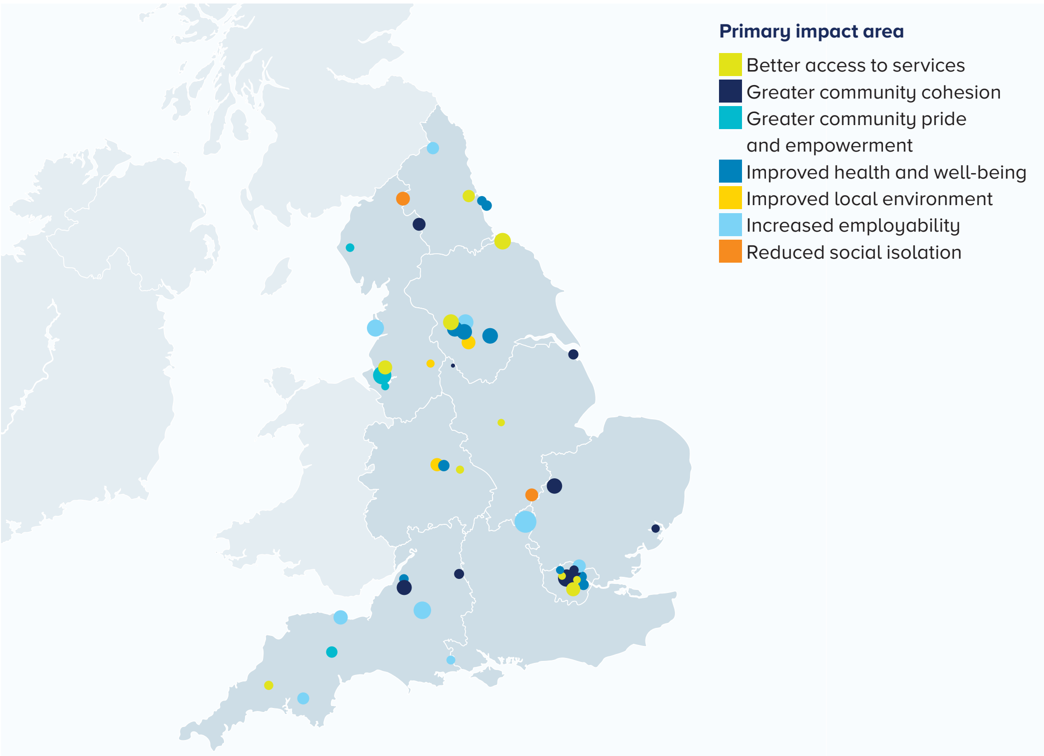
Table G3. Target beneficiaries – percentage of all responses and all grantees (n=128; July 2016 - May 2018)

Beneficiary type	Percentage of all responses	Percentage of all grantees
No specific disadvantaged groups	65.1%	65.1%
Young people	4.8%	4.8%
Disability (learning)	1.6%	1.6%
Disability (physical)	1.6%	1.6%
People with mental health needs	3.2%	3.2%
Children	2.4%	2.4%
Living in poverty	5.6%	5.6%
Long-term unemployed	3.2%	3.2%
Older people	6.3%	6.3%
Other specific target groups	3.2%	3.2%

Beneficiary type	Percentage of all responses	Percentage of all grantees
Parents	0.8%	0.8%
People with addiction issues	0.8%	0.8%
Refugees and migrants	1.6%	1.6%

The programme reaches across England, with clusters of community businesses in areas served by a branch of the School for Social Entrepreneurs, including Cornwall, Liverpool, London and Suffolk.

Figure G1. Location of community businesses supported by the Trade Up (n=128; July 2016 - May 2018)



What lessons have been learnt from this programme?

Trade Up has provided useful learning as to how match grant funding can support community-led organisations towards trading and sustainability. In particular, through the programme Power to Change is testing the hypothesis that incentivising groups via a match trading grant results in greater trading growth compared with groups receiving a traditional grant. One of the cohorts in 2017 and two of the cohorts in 2018 were randomly selected as control groups, receiving the £10,000 grant as a traditional grant, drawing down instalments with no requirement to evidence trading growth. This was designed to isolate the additional effect an incentivised match trading grant has on both growth and trading income.

Despite these very small control and treatment cohort sizes, the initial results are encouraging with an average nine percentage point increase observed in the trading ratio of participants receiving the incentivised grant, defined as the proportion of total income generated through trading activity. As such early indications are that this mechanism works for improving the trading activity of community businesses. With 99 businesses participating in 2018, more robust analysis should be possible in due course.

Table G4. Trading ratios for Trade Up participants, 2017

	Average trading ratio		Average percentage point increase in trading ratio
	Baseline year (2016)	Development year (2017)	
Control cohort (n=10)			
Median	46.7%	59.2%	**-1.9%**
Mean	54.7%	56.8%	**+2.1%**
Match Trading cohort (n=19)			
Median	78.8%	82.0%	**+9.0%**
Mean	67.6%	77.2%	**+9.6%**

Priority Places: Empowering Places

b-inspired (The Braunstone Foundation), Leicester

The Empowering Places programme is the first to explicitly address Power to Change's objective of 'transforming places through community business' and is aligned with its strategy to have a greater geographical focus across all programmes. The programme is managed by Co-operatives UK and their partners, the New Economics Foundation and the Centre for Local Economic Strategies. Kineo, who designed the programme's learning management system, are also official partners.

To support the roll-out of the full programme, there was a developmental phase in which a small selection of learning grants (median £10,000) were made to 21 community businesses across a wider pool of 14 places. These learning grants were designed to help the organisations improve their knowledge and develop further insight about their particular neighbourhoods and the potential for community business to thrive there. This early work provided the foundations for building relationships with key stakeholders and gave insight on the challenges and opportunities of working in each area. Through a competitive process, this longlist of 14 places was reduced to seven.

Within each of the seven areas, Power to Change and it partners have engaged with seven 'catalyst' organisations. These are not-for-profit organisations locally rooted and well-connected with their communities, with a charitable purpose, and with experience of and commitment to developing community business.[18]

The areas immediately surrounding these catalyst organisations are all within the 10% most deprived in the country. Many face multiple deprivation in terms of lower incomes, lower employment levels, lower levels of education and skills, poorer health outcomes, greater barriers to housing and access to services or poorer quality living environments. However, in each community there is also opportunity, with some existing community business activity, community engagement and collaborative stakeholders.

[18] Catalyst organisations may not all themselves be community businesses.

Table H1. Indices of Multiple Deprivation (IMD) for areas surrounding catalyst organisations[19]

		IMD		IMD Domain Deciles						
Place	**Catalyst**	**Rank**	**Decile**	**Income**	**Employment**	**Education and Skills**	**Health and Disability Decile**	**Crime**	**Barriers to Housing and Services**	**Living Environment**
Bradford	Action for Business Ltd	312	1	1	1	1	1	1	3	1
Grimsby	Centre4	2,922	1	1	2	2	2	1	7	3
Hartlepool	The Wharton Trust	592	1	1	1	1	1	2	8	7
Leicester	B-Inspired	196	1	1	1	1	1	1	3	4
Luton	Marsh Farm Futures	871	1	1	1	2	1	1	2	7
Plymouth	Real Ideas Organisation	909	1	1	1	2	1	4	4	1
Wigan	Abram Ward Community Charity	1,847	1	1	1	1	1	3	6	6

Power to Change has previously made substantial investments into these areas through its wider grant making activity, equivalent to 11% of all grants made. However, these grants were largely all awarded prior to Power to Change placing strategic focus on these areas.

[19] IMD relates to the Lower-layer Super Output Area that each catalyst's postcode falls within.

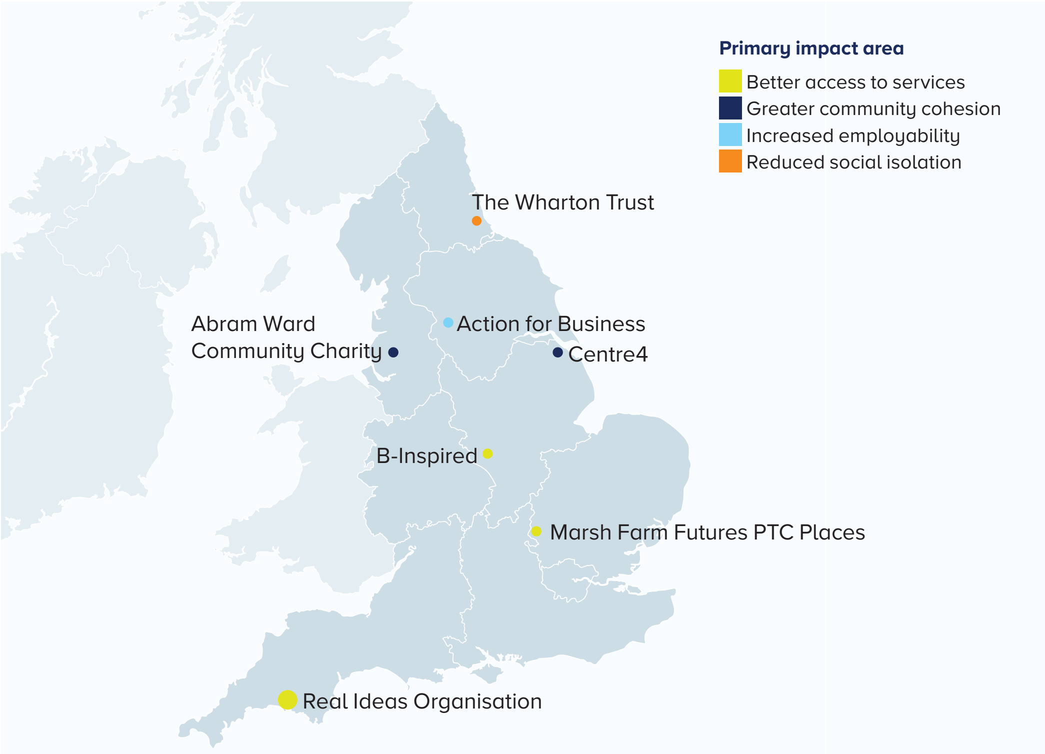
Table H2. Investment in the seven Empowering Places areas (December 2016 - May 2018)

Place	2015	2016	2017	2018*	Total
Bradford	£0	£946,171	£729,607	£30,050	£1,705,828
Grimsby	£0	£160,000	£123,525	-£1,150	£282,375
Hartlepool	£0	£10,000	£98,400	£0	£108,400
Leicester	£0	£315,777	£134,340	£0	£450,117
Luton	£0	£12,475	£98,618	£0	£111,093
Plymouth	£0	£160,807	£546,780	£539,375	£1,246,962
Wigan	£103,000	£10,000	£159,836	£10,000	£282,836
Total	£103,000	£1,615,230	£1,891,106	£578,275	£4,187,611

Source: Application data (January 2015 - May 2018)

All the catalysts offer either multi-use facilities and managed workspaces and/or offer employment, training and education. Each organisation will receive approximately £650,000 in grants over the five years of the programme, with additional capacity support programme provided through Co-operatives UK and a support provider pool.

Figure H1. Location of catalyst organisations



During the next five years, local catalysts are expected to:

– Grow community business by supporting groups to start trading, increase their financial sustainability and remain accountable to their communities.

– Build a movement by creating a values-based cluster of community businesses that genuinely belong to the community they serve.

– Where appropriate, develop physical assets by supporting the transfer of local assets to the community to create a better environment for people to live, work and play (not all the communities are undertaking asset transfers).

At application catalysts were asked to specify which of Power to Change's seven outcome areas they target, with some selecting more than one. The most commonly targeted impact areas amongst Empowering Places grantees are better access to basic services and greater community cohesion.

Table H3. Outcome areas being pursued by catalysts

	Abram Ward, Wigan	Action 4 Business, Bradford	B-Inspired, Leicester	Centre4, Grimsby	Marsh Farm Futures, Luton	RIO, Plymouth	The Wharton Trust, Hartlepool
Increased employability		■					
Improved health and wellbeing							
Better access to basic services			■		■	■	
Reduced social isolation							■
Improved local environment					■		
Greater community cohesion	■			■			
Greater community pride and empowerment					■		

Alongside their second-year applications, all catalysts have now produced five-year plans with milestones and activities they intend to deliver across the remainder of the programme to meet their vision for their own community. The catalysts themselves are all very different with different needs (e.g. trading income between the 7 organisations ranges from under £40,000 to over £700,000 per annum) so developing a bespoke tailored capacity support plans for their organisations and their communities has also been a key feature of their first year of work.

What lessons have been learnt from this programme?

Given the early stage of delivery in this programme, it is too soon to comment on its impact. However, several insights emerged during the development phase which will serve to inform and contextualise the future development of this programme:

- **Transforming Places:** The catalysts' have plans to transform both the physical environment (making use of underused spaces) and agency and opportunities for the communities in their catchment areas. Many of their plans make reference to returning their place to a 'go to' destination where people are proud to live, work and play. A key consistency is the facilitative role that community business could play in this transformation, particularly in building the skills and agency of people, with many references made to creating 'decent jobs'.

- **Growing the Sector:** The catalysts have dedicated time and resource during the first phase of the programme to engaging with their communities and are working hard to build or broker relationships with key institutions, particularly local authorities and other key actors. This has both resulted in reduced projections of the number of community businesses that will be established within the 5 years of the programme (as catalysts better understand the resources required to build successful businesses), as well as better identification of opportunities to leverage in additional funding.

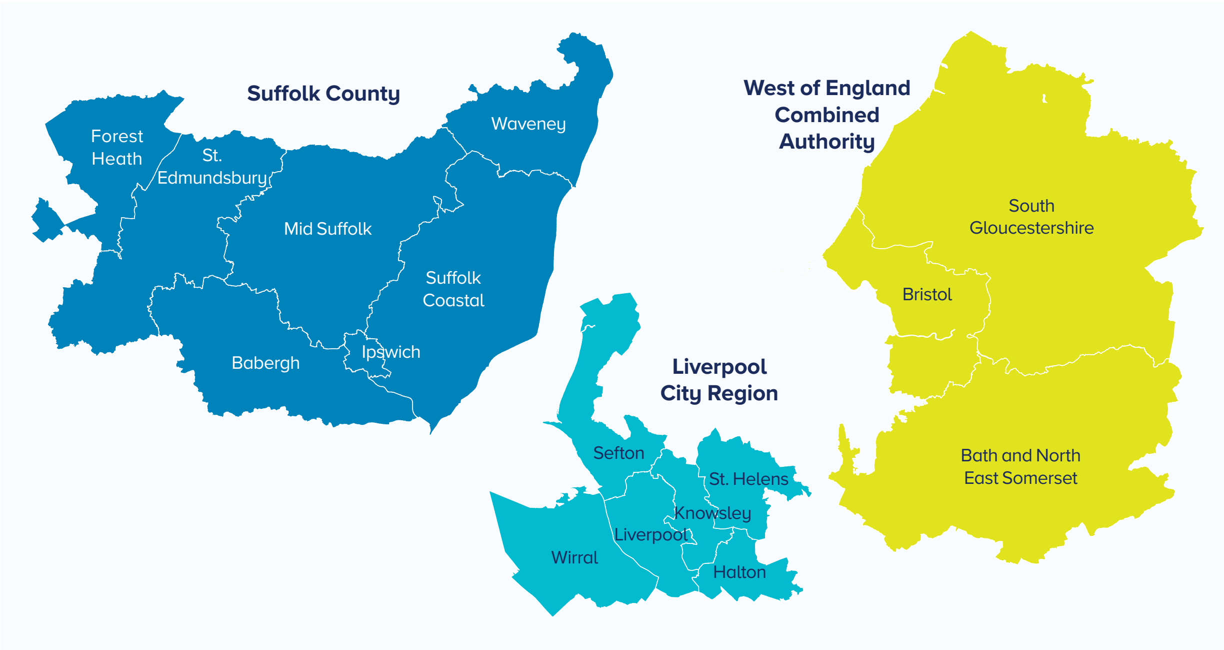
- **Making the Case**: All the catalysts are following a pathway of increasing their own expertise, nurturing a small number of businesses, making the case to local stakeholders and within 5 years creating a replicable model to take outside of their place and influence both local and national landscapes.

Priority Places: City Regions and Counties

Station House, Suffolk

Launched in 2018, the City Regions and Counties initiative is targeted at Liverpool City Region, the West of England Combined Authority and Suffolk. Power to Change chose these three areas for their diverse characteristics, providing testbeds for what can be achieved over a large geographic area in different contexts. Each has strong existing community business sectors and/or organisations that can act as enablers for growing the community business market further.

Figure I1. City Region and Counties programme areas



City Regions and Counties is a place-based approach that brings together Power to Change's existing programmes and work in these areas, and will deliver funding and other support through these, wherever possible. The initiative seeks to build strong partnerships with local authorities, city region mayors, local enterprise partnerships and other regionally focused organisations to see what support they can bring to foster community businesses in their area. Through those partnerships, the initiative will identify opportunities to offer community businesses support over and above our existing grant programmes.

The ambition is to better understand how community businesses can have a transformational effect on place, to demonstrate the contribution they can make towards more inclusive local economies, and any additional benefits derived from collaboration between community businesses.

In line with evidence and best practice (Nabatu and Evans, 2017), Power to Change has spent the year leading up to the launch of the initiative better understanding the local context of these three areas and building relationships with key stakeholders, focusing on the potential to invest in significantly increasing the number, resilience and impact of community businesses in these areas up until the end of 2022. As part of this work Power to Change has re-engaged with community businesses it has previously funded in these areas, and this work has informed the initiative's priorities.

Table I1. Total cash value of grants made in Cities and Counties areas (November 2017 - May 2018)

Place	2015	2016	2017	2018	Total
Liverpool City Region	£907,654	£637,614	£1,088,410	£95,710	£2,729,388
Suffolk	£571,348	£15,000	£589,227	£158,835	£1,334,410
West of England Combined Authority	£0	£1,400,070	£617,846	£99,320	£2,117,236
Total	£1,479,002	£2,052,684	£2,295,483	£353,865	£6,181,034

What lessons have been learnt from this programme?

While the City Regions and Counties initiative is still developing, there has already been significant learning that will inform its future direction and Power to Change's wider place-based working. Key insights include:

- The success of a funding strategy for a city region or county relies on building strong relationships and credibility in the initial stages of the programme. This is the critical 'year zero' that Nabatu and Evans (2017) refer to in their historical review of place-based funding. The first 12 months working in a place are vital and should be used to understand the local context, build relationships and establish credibility, rather than rushing to intervene.
- Unlike place-based working on a more localised scale, developing a strategy across a sub-region or a county presents the challenge of working across multiple 'places' and stakeholders within each focus area. Each comprises multiple local authorities, borough councils, towns, parishes, neighbourhoods and communities.
- Differences across the three places necessitate a bespoke approach in each, based on understanding local context, identifying opportunities, talking with other funders that are putting support into these places, while also addressing the specific issues that exist. This diversity allows for testing different approaches and learning about the impact of community business across a range of places.
- Power to Change grant making to date shows a higher density of grantees in more densely populated, urban areas (Bristol and Liverpool City) than the surrounding areas. These tend to be less urban and more affluent, with pockets of deprivation. Approximately 17% of our grants to date have been made in these three areas.
- The Indices of Multiple Deprivation are of limited utility at this geographic scale. While headline scores can identify pockets of (mainly urban) economic deprivation, they are less useful at the scale of city regions and counties and can inadequately reflect rural needs and issues.
- Measuring the impact of community businesses in rural areas requires a different approach and metrics from urban areas. Rural community businesses differ significantly in terms of their reach (due to less dense populations) and deprivation targets.

Priority Sector: Community-Led Housing

Giroscope, Hull

About the programme

The Community-Led Housing programme supports communities to develop their own housing solutions to deliver affordable homes for local people. By working together to improve the quantity and quality of housing stock, taking ownership of assets, and often supporting local supply chains to improve local skills and employability, Power to Change believes the development of housing by community businesses can strengthen communities with increased confidence, capacity and control over their futures, with long term stewardship of assets and the benefits derived from them.

The programme has two phases. Phase 1 was launched in September 2016 and tested the initial programme design on a small scale, focusing on:

- Grants to individual community businesses for feasibility and planning work leading to making a planning application.
- Grants to support the development of local 'community-led housing enablers' that offer on the spot support to community groups through the whole process of delivering a housing scheme from start to finish.
- Working with the community-led housing sector and others to understand the gaps in existing funding for community-led housing.
- Working with the Community-Led Homes Partnership and others in the sector to understand the support needs of community-led housing enablers, and design a programme of capacity building, peer mentoring and ongoing learning to support the delivery of the same consistent high-quality service across all enablers. This support is planned for Phase 2 of the programme.
- Supporting the Community-Led Homes Partnership to conduct research to assess the planned development pipeline community-led homes across in England.

– Supporting the Community-Led Homes Partnership to develop a single information platform for the community-led housing sector, which will include the community-led housing data project, a definitive database to collect a consistent baseline of data from community-led housing groups and schemes, which will open to updates from individual groups, local enabling organisations and national sector bodies, and available to Power to Change to access data.

Phase 1 supported the development of local community-led housing enabling services ('CLH Enablers') in each location to identify and encourage community-led housing projects to apply for grants. In this first phase, the programme:

– Provided facilitative support to two emergent CLH Enablers (one in each of Bristol and Leeds) to form and successfully apply for a Power to Change CLH Enabler grant.
– Identified and successfully funded ten community-led housing projects in Bristol and Leeds (two of which were jointly funded with Charity Aid Foundation/CAF Venturesome in a pilot blended funding project).
– Brought together leading members of the community-led housing sector, including funders, to coalesce current thinking and with the aim to develop more streamlined funding and support approaches in the future.

Table J1. Total cash value, number of grants made and number of community businesses supported (September 2016 - May 2018)

Total value awarded	**£774,205**
Median grant awarded	**£65,000**
Total number of grants made	**12**

Who are the community businesses supported through this programme?

The Community-Led Housing programme differs from Power to Change's other programmes in that it is primarily is targeted at community businesses (or community groups with the intention of becoming community businesses) who aim to develop their own housing to address local need. At application community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. The most commonly targeted outcome areas amongst Community-led housing grantees are improved health and wellbeing, increased employability and greater community pride and empowerment.

Table J2. Total and average cash value, and number of community businesses aligned with each of Power to Change's seven outcome areas (n=12; September 2016 - May 2018)

Outcome area	Grant awarded		Number of grantees
	Median	Total	
Better access to basic services	£69,790	£552,080	8
Greater community cohesion	n/a	n/a	n/a
Greater community pride and empowerment	n/a	n/a	n/a
Improved health and wellbeing	£74,580	£74,580	1
Improved local environment	n/a	n/a	n/a
Increased employability	£74,580	£213,205	3
Reduced social isolation	n/a	n/a	n/a

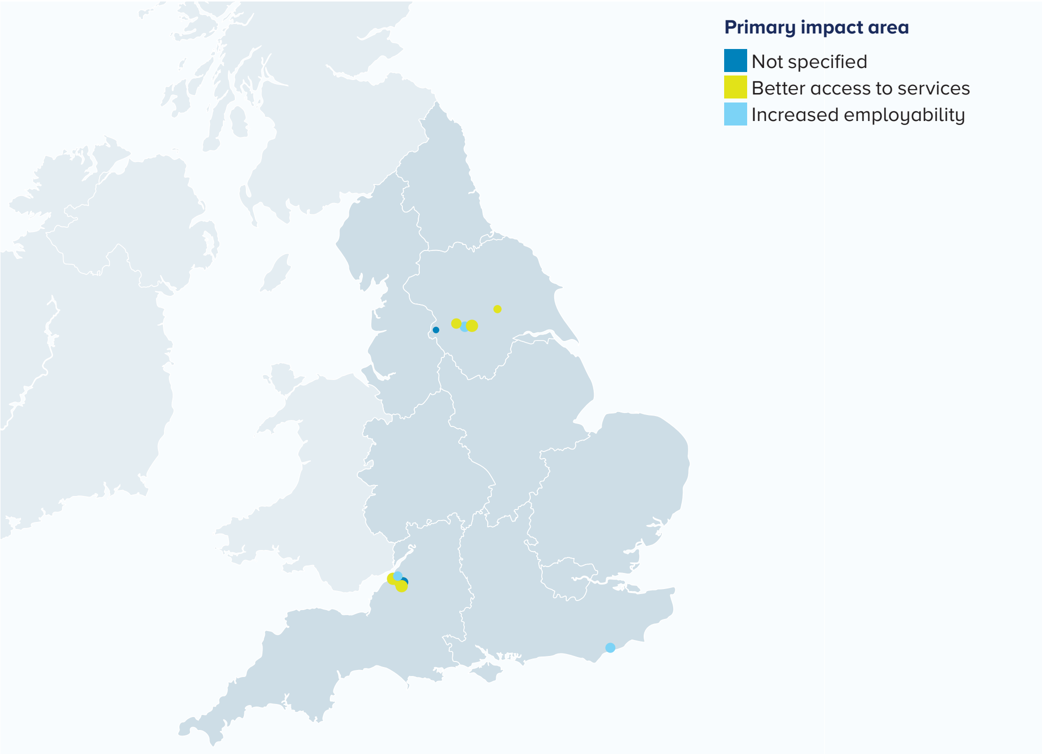
Community businesses are also asked at application which two beneficiary groups they primarily work with. Many select more than one. Across all programmes, most grantees selected that they had 'No specific disadvantaged groups'. Other key beneficiaries include children and young people, people with health conditions (long-term and mental), Black, Asian and Minority Ethnic groups, and the long-term unemployed.

Table J3. Target beneficiaries – percentage of all responses and all grantees (n=12; September 2016 - May 2018)

Beneficiary type	Percentage of all responses	Percentage of all grantees
No specific disadvantaged groups	33.3%	40.0%
Young people	16.7%	20.0%
Children	16.7%	20.0%
Long-term unemployed	16.7%	20.0%
Other specific target groups	16.7%	20.0%

While the programme reaches across England, in Phase 1 support was targeted on community businesses in the Bristol and Leeds City Regions.

Figure J1. Location of community businesses and CLH Enablers supported by the Community-led Housing programme (n=12; September 2016 - May 2018)



In Phase 2, the Programme will make further awards, to:

- develop local enabling support in five geographic areas in England through CLH Enabler grants; and
- support pre-development costs for community business led housing schemes in these five places.

As part of their grant allocation CLH Enablers will hold small funds (approximately £5,000 per annum) and disburse them to support small pieces of urgent, ad hoc work needed by the community-led housing groups they will support (e.g. to cover a need for urgent legal advice, or time-constrained surveys that would block progress if not met).

Alongside this, in each place, Power to Change will work with other funders to explore the potential of bespoke funding packages to provide funds across the whole process of delivering community-led housing in all its forms. This may include grant being used as part of a blended social investment.

The five geographic areas being targeted encompass both urban and rural areas:

- Bristol City Region/West of England Combined Authority
- Greater Birmingham, Solihull and the Black Country

– Leeds City Region

– Liverpool City Region

– Teesside/Tees Valley Combined Authority

What lessons have been learnt from this programme?

To understand the challenges faced by community businesses in the community-led housing sector, the gaps in available support, and the potential to complement what is already being delivered, Power to Change undertook a wide consultation with sector stakeholders, including all members of the Community-Led Homes Partnership, and has also commissioned market research (Archer, Harrington and Kear, 2018; Lavis and Duncan, 2018; Ward and Brewer 2018).

Key findings and conclusions to date include:

– It is important to frame the process of community-led housing from start to occupation (the 'Total Process') in terms that are standard in the building industry. This can simplify the process of engagement between all the partners involved in the process (e.g. planning authorities, architects, grant makers and lenders).

– The Total Process has 5 key elements: Group, Site, Plan, Build, Live.[20] Each stage has a range of functions associated with it.

– Community groups seldom have immediate access to all the skills and resources they need to deliver a housing project from scratch, particularly in the early stages, and could benefit from local enabling services that provide local face-to-face technical support to explore and deliver a range of community-led housing forms that meet their needs.

– Successfully negotiating acquisition of land can be difficult and time-consuming.

– Access to enabling support for community-led housing is patchy, with very limited or no support available in some areas of England

– From start up, local enablers need up to four to five years financial support before reaching a self-sustaining position from earned income.

– There is a lack of formal training for community-led housing enablers and, associated with this, no external or independent quality assurance of the services delivered.

– Opportunities to access grants and finance at the different stages of the Total Process are uneven, with a lack of grant funding and flexible development finance products available for the early (Site, Plan) stages of housing projects.

– To grow community-led housing activity, demand needs to be generated through some form of stimulus. Such a stimulus will require sufficient infrastructure to make delivery possible.

[20] In the context of this programme, 'Group' means the community that is leading and has overall control of the housing project whether that is through an existing organisation or a newly formed group. Power to Change will only fund housing projects put forward by organisations or community-led housing groups that are or intend to become community businesses.

Appendix 2: Community business hypotheses – supporting evidence

Knowledge

Strategic Objective: Transforming Places	
Core hypothesis: *Community businesses transform places by reducing contextual inequality, through corrections to market and government failures.*	
Community business-level hypotheses	
Knowledge	Community businesses deliver the products and services best suited to their area because they are locally rooted and closely connected to the communities they serve.
Supporting evidence	
Research	There is some evidence to suggest that community businesses deliver the products and services best suited to their area because they are locally rooted and closely connected to their communities. Reports into community transport organisations (Kotecha, *et al.*, 2017), pubs (Davies, *et al.*, 2017a), housing (Davies, *et al.*, 2017b) and community shops (Plunkett Foundation, 2017a) found that communities were well-engaged and well-served, because of consultations, meetings, diversification of services and other means. There is also some general evidence on the differences in community needs depending on urban or rural settings (Percy, *et al.*, 2016). However, more research is needed to explore how community businesses serve different demographics of their communities e.g. engagement amongst those from ethnic minorities (Power to Change Research Institute, 2016) and professional or non-professional backgrounds (Davies, *et al.*, 2017a).

Employment

Strategic Objective: Transforming Places	
Core hypothesis: *Community businesses transform places by reducing contextual inequality, through corrections to market and government failures.*	
Community business-level hypotheses	
Employment	Community businesses increase net employment by hiring people who would otherwise struggle to access the labour market, in jobs that allow them to develop the skills they need to progress.
Supporting evidence	
Research	Most community businesses have at least one employee (Dunn, *et al.*, 2016; Diamond, *et al.*, 2017) and amongst Power to Change grantees the number of these employees is increasing (Power to Change Research Institute, 2017a). While we cannot say for certain that community businesses hire those who would otherwise struggle to access the employment market, we can say that of Power to Change grantees surveyed in 2017, nearly 50% believe their community business had impacted on job creation, economic regeneration, and increased employability (Power to Change Research Institute, 2017a). In some rural areas, for example, community pubs may be the largest employer, offering jobs to those who would otherwise have to travel far for work (Davies, *et al.*, 2017a).

Agency

Strategic Objective: Transforming Places	
Core hypothesis: *Community businesses transform places by reducing contextual inequality, through corrections to market and government failures.*	
Community business-level hypotheses	
Agency	Community businesses increase involvement in local decision-making and levels of social capital because meaningful membership develops skills, voice and access to information.
Supporting evidence	
Research	The evidence to date is unable to tell us conclusively whether community businesses increase involvement in local decision-making and levels of social capital. Even more so, whether this is because of meaningful membership which develops skills, voice and access to information. Evidence against this includes the fact that 62% of applicants to the Initial Grants Programme were rejected on the grounds that they did not meet what was then a Power to Change criterion around 'community control' (Dunn, *et al.*, 2016). Of course, these may simply not have been community businesses in the true sense. Further, Bailey *et al.* (2018) found in their case study research that community business tended to think of themselves as more democratic than they actually were. Decision-making tended to fall to a small executive team. On the other hand, 65% of 2017 annual grantee survey respondents believe they have a positive impact on community empowerment (Power to Change Research Institute, 2017a). This empowerment may be felt most through asset-based businesses where community negotiation with local authorities is important. Local volunteers can pull in diverse and wide-ranging support leading up to and/or during an asset transfer. By harnessing their skills and confidence they in turn increase their employability (Gilbert, 2016; Bruni, *et al.*, 2017).

Sustainability

Strategic Objective: Transforming Places	
Core hypothesis: *Community businesses transform places by reducing contextual inequality, through corrections to market and government failures.*	
Community business-level hypotheses	
Sustainability	Community businesses are less likely to close because local people have a strong sense of ownership and a stake in their success.
Supporting evidence	
Research	The evidence indicates that community businesses have the capacity to be sustainable, though this may not be true for all such businesses. For example, community pubs and shops have a five-year survival rate of 95% and 100% respectively; figures which compare favourably to private businesses in the same economic sectors (Plunkett Foundation, 2017a; Plunkett Foundation, 2017b). 65% of the Power to Change Initial Grants Programme applicants and 36% of Power to Change Initial Grants Programme grantees obtained their largest proportion of income from trading (Dunn, *et al.*, 2016). This indicates good financial health. And Buckley *et al.* (2017) reports that community businesses attribute their sustainability to community accountability.

Collaboration

Strategic Objective: Transforming Places	
Core hypothesis: *Community businesses transform places by reducing contextual inequality, through corrections to market and government failures.*	
Place-level hypotheses	
Collaboration	Community businesses that collaborate with others in the local area are more successful because they can drive down costs through collective bargaining, mutual support and the ability to negotiate up and down their supply chains.
Supporting evidence	
Research	There is some evidence to suggest that community businesses are part of local ecosystems which collaborate for mutual benefit. 73% of community businesses in 2015 bought locally wherever they could and 34% were able to use predominately local suppliers (Percy, *et al.*, 2016). There is evidence that collaboration with local authorities is important to success (Gilbert, 2016; Bruni, *et al.*, 2017; Davies, *et al.*, 2017b). Nearly three-quarters of survey respondents in 2015 reported working closely with other community businesses in their areas (Percy, *et al.*, 2016). One in five respondents in 2016 developed new partnerships with other community businesses in that year, with one in four intending to in 2017 (Hull, *et al.*, 2016). Despite this, only 6% of surveyed businesses in 2015 preferred buying from social enterprises, indicating a preference for buying local rather than social (Percy, *et al.*, 2016). There is not yet any evidence to suggest that local ecosystem bargaining, support and negotiation drives down costs. In fact, there are concerns that community businesses are more likely to be in opposition rather than collaboration because of a reduction in grant funding (Diamond, *et al.*, 2017).

Resilience

Strategic Objective: Transforming Places	
Core hypothesis: *Community businesses transform places by reducing contextual inequality, through corrections to market and government failures.*	
Place-level hypotheses	
Resilience	Community businesses that share a common vision with others in the local area are less reliant on local and central government support because assets and surpluses can be used to cross-subsidise otherwise non-viable activities.
Supporting evidence	
Research	To date, the Power to Change research programme has not addressed whether a common vision held with others means that there is less reliance on government support, due to capacity for businesses to cross-subsidise each other. However, there is more general support for the notion that community businesses allocate surpluses to support other organisations in the local area (Bailey, et al., 2018). Moreover, Floyd and Gregory (2017) found that there has likely been an under-estimation of larger socially-minded organisations investing in smaller like-minded organisations, which may be an indication that such interaction is occurring.

Infrastructure

Strategic Objective: Growing the Sector	
Core hypothesis: *Power to Change grows the sector by stimulating the creation of new community businesses and supporting the sustainability of existing operators.*	
Sector-level hypotheses	
Infrastructure	Second-tier support stimulates community business growth because it increases capacity, promotes higher standards and provides a voice to influence others.
Supporting evidence	
Research	Power to Change's research programme has shown evidence that community businesses want non-financial support at both start-up phase and ongoing throughout their lifecycle (Diamond, et al., 2017; Braggins & Sollazzo, 2017; Power to Change Research Institute, 2017a). Many state that such second-tier support would be useful (Reeder, 2017) including those in the pub sector (Davies, et al., 2017a) and community land trusts (Davies, et al., 2017b).

Assets

Strategic Objective: Growing the Sector	
Core hypothesis: *Power to Change grows the sector by stimulating the creation of new community businesses and supporting the sustainability of existing operators.*	
Sector-level hypotheses	
Assets	The transfer of local assets stimulates community business growth because they increase financial resilience, provide a physical base for operations and generate goodwill.
Supporting evidence	
Research	There is more evidence related to assets than any other of the hypotheses. It mainly centres around the capacity for community businesses to obtain assets, and explorations of relevant policies which should enable more of this (Gilbert, 2016; Davies, *et al.*, 2017a; Davies, *et al.*, 2017b; Diamond, *et al.*, 2017; Power to Change Research Institute, 2017a; Plunkett Foundation, 2017b; Thelwall, 2017; Bailey, *et al.*, 2018). There is also evidence that having an asset stimulates growth (Bruni, *et al.*, 2017). This is through; preservation of services, reduction in costs to local authorities, improved community engagement (Gilbert 2016), successful and careful stock management (Kotecha, *et al.*, 2017), purchase of affordable land (Davies, *et al.*, 2017b) and provision of income from venue hire (Thelwall, 2017).

Public services

Strategic Objective: Growing the Sector	
Core hypothesis: *Power to Change grows the sector by stimulating the creation of new community businesses and supporting the sustainability of existing operators.*	
Sector-level hypotheses	
Public services	The opportunity to deliver local public services stimulates community business growth because they can do so at lower cost and with greater levels of community engagement than traditional public and private sector providers.
Supporting evidence	
Research	There is evidence that community businesses successfully run services through public sector contracts, such as transport services for people with disabilities (Kotecha, *et al.*, 2017), post offices in community shops (Kotecha, *et al.*, 2017) and community-centred mental health services (Power to Change Research Institute, 2017b).

Appendix 3: Potential outcome measures from the Community Life Survey

Outcome area	Community Life Survey question	Question code
Reduced social isolation	"How often do you feel lonely?"	LonOft
	"If I wanted company or to socialise, there are people I can call on"	FrndSat2
	"How often do you chat to your neighbours, more than to just say hello?"	SChatN
Improved health and wellbeing	"How is your health in general?"	GHealth
	"Do you have any physical or mental health conditions or illnesses lasting or expected to last for 12 months or more?"	Dill
	"Does your condition or illness/do any of your conditions or illnesses reduce your ability to carry out day-to-day activities?"	Dill2
	"Overall, how satisfied are you with your life nowadays?"	WellB1
	"Overall, how happy did you feel yesterday?"	WellB2
	"Overall, how anxious did you feel yesterday?"	WellB3
	"Overall, to what extent do you feel the things you do in your life are worthwhile?"	WellB4
Increased employability	"Did you do any paid work in the 7 days ending Sunday the [date last Sunday], either as an employee or as self-employed?"	Wrking
	"Were you on a government scheme for employment training in that week (ending Sunday the [date last Sunday])?"	SchemeT
Better access to services	"Generally, how satisfied are you with the local services and amenities in your local area?"	SatAsset
Improved local environment	"Overall, how satisfied or dissatisfied are you with your local area as a place to live?"	SLocSat
	"Do you think that over the past two years your area has...? 1. got better to live in 2. got worse to live in 3. not changed much (hasn't got better or worse)"	BetWors
Greater community cohesion	"To what extent do you agree or disagree that your local area is a place where people from different backgrounds get on well together?"	STogeth
	"How strongly do you feel you belong to your immediate neighbourhood?"	SBeNeigh
Greater community pride and empowerment	"To what extent do you agree or disagree that you personally can influence decisions affecting your local area?"	PAffLoc
	"To what extent would you agree or disagree that people in your neighbourhood pull together to improve the neighbourhood?"	SPull
	"When people in this area get involved in their local community, they really can change the way that their area is run."	LocAtt

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Registered charity no. 1159982

ISBN 978-1-911324-18-8

NATIONAL LOTTERY FUNDED