



## Policy Briefing

# Creating better places through community business

### 1. Introduction to Power to Change

Power to Change was established in January 2015 with a £150 million endowment from the Big Lottery Fund. Its vision is “better places through community business”. This is based on the belief that when local people come together to tackle problems, through a commercial model built around trading, the results are both more powerful and more sustainable than traditional approaches taken by the public, private or third sector. Community businesses not only breathe life back into isolated and deprived neighbourhoods, they can also give local people a new sense of power and purpose

### 2. What is community business?

There is huge variation in the type, stage, age and scope of community businesses but they all share four key, central characteristics:

- 1. Locally rooted:** They are rooted in a particular geographical place and respond to its needs. For example, that could be high levels of urban deprivation or rural isolation.
- 2. Trading for the benefit of the local community:** They are businesses. Their income comes from activities such as renting out space in their buildings, trading as cafés, selling produce they grow or generating energy.

### 3. Accountable to the local community:

They are accountable to local people. For example, a community share offer can create members who have a voice in the business’s direction, or a membership-based organisation may have local people who are active in decision-making.

- 4. Broad community impact:** They benefit and impact their local community as a whole. They often morph into the hub of a neighbourhood, where all types of local groups gather.

Power to Change conducts an annual review of the community business market to build an estimate of its size and shape:



**6,600**

**community  
businesses in England**



**£1.2bn**

**total income**



**£0.7bn**

**of asset value**

Research reveals a community business market with a diversity of sub-sectors that cover a range of economic activities. These sub-sectors include: community hubs, training and education, housing, health and social care, transport, libraries, pubs, and many more. There are challenges in categorising community businesses given the range of services they can offer. For example, the largest sector, community hubs, tend to offer a variety of services and are likely to operate across two or more economic sectors. In many cases it is the diversification of income sources and scope of activity that make community businesses distinctive, as they respond to local needs that are often varied and changing.

Another key facet of the community business model is a reliance on volunteers to assist in providing services and general operations. Whether they employ more staff or rely more heavily on volunteers depends on the stage, size and sector of the community business. However, most community businesses will use a combination of staff and volunteers. The total estimated number of volunteers for the year 2017 was 119,500, while the total paid staff was estimated to be 35,500. The use of volunteers is a key part of these businesses engaging with the local community. Volunteers pull in a diverse set of resources, skills, time, money or physical items, and help to underpin the sustainable operations of a community business. In addition to the benefits for community businesses, volunteers themselves can gain great skills and confidence from their experience and can in turn increase their employability.

### 3. What benefit do community businesses bring?

#### **Community businesses have a broad impact over a range of social policy objectives:**

Community businesses generate significant benefits for their community and contribute to: improved health and wellbeing; reduced social isolation; increased employability; better access to basic services; greater community cohesion; greater community pride and empowerment; and improved local environment.

#### **The community business sector demonstrates stable growth and high levels of confidence in uncertain times:**

Evidence suggests that confidence amongst community businesses is high, and rising. When surveyed in 2017, 63% of community businesses were confident about their financial prospects for the year ahead compared to the current year, and only 20% were less confident. This is in stark contrast to smaller businesses in general, where confidence has fallen strongly over the course of 2017.

#### **Community business is a powerful, resilient and sustainable model for achieving social goals:**

The community business model combines the social impact of charities, the trading model of social enterprise, and the localised nature of small businesses to provide a robust vehicle for delivering social goods whilst strengthening community cohesion.

## 4. What has the research shown?

### Key drivers of growth:

- **Income diversification:** A common trajectory for established community businesses is to eventually develop a diversified range of services that provides multiple income streams and greater financial sustainability.
- **Innovation:** Community businesses grow by developing a “hybrid business model” that pioneers new approaches to service delivery as part of a larger strategy of inclusive growth. Research from 2017 showed that 88% of businesses studied had introduced new services or products to the market, while 41% stated that what they were offering was new to the market.
- **Assets:** Evidence suggests that having assets is beneficial to community business sustainability, as well as being a contributing factor to the growth of the community business sector as a whole. Organisations with an asset are better placed to diversify their income than those without. These assets are often land or buildings, but can also cover other items - for example vehicles for a community transport organisation.
- **Business support:** Access to skills and expert advice can be difficult to obtain with limited resources and so non-financial business support is highly valued within the community business sector. Research indicates that community businesses desire support past the point of start-up; this may take the shape of advice, training, or peer support enabling them to build skills, capacity and sustainability.
- **Supportive policy environment:** Access to grant funding and financial support for community businesses, as well as legislation to facilitate access to public sector contracts, are sources of growth in the community business sector. For example, the provisions of the Public

Services (Social Value) Act 2012 open a window of opportunity for community businesses to win public sector contracts.

### Key barriers to growth:

- **Commissioning pressures:** budget and resource cuts can mean that councils have less time to consider how best to implement the Social Value Act.
- **Risk averse councils:** in a context of increasing pressure, councils are often minded to go with a larger, well capitalised contractor than a smaller unknown.
- **Procurement practices:** the division between forward-thinking commissioning teams and pressured procurement teams can be a real barrier.
- **Insufficient mechanisms for supporting or monitoring the Social Value Act:** guidance accompanying the Act isn't clear enough and there is no central data to monitor its progress.

## 5. How can we help community business grow?

### Facilitate and encourage Community Asset Transfer from local authorities to community businesses.

Community businesses rely on and seek to acquire tangible assets to underpin their sustainability. Research indicates that Community Asset Transfer (CAT) from local authorities to community groups is driving growth in particular community business sectors, these include: transfers of parks, hub buildings, sports facilities, brownfield sites, arts centres, libraries and heritage buildings to community ownership. While many local authorities recognise that CAT has the potential to help them achieve their objectives - such as reducing the cost of service provision or protecting a service that would otherwise be lost - few are actively pushing CAT opportunities and reported numbers of completed transfers are low.

### **Increase availability of grant funding and subsidies to support community businesses.**

Although trading is seen as the route to reaching optimum financial sustainability, many community businesses in their early years depend on a variety of subsidies and grants from the public sector, third sector, and elsewhere. Indeed, many established community businesses still benefit from some grant funding. A recurring referenced obstacle facing community businesses is the ability to access ‘appropriate finance’, usually referring to grant funding, which is in decline in light of political uncertainty in England. With declining availability of grant funding there is a danger that an environment of opposition rather than collaboration may arise as competition for funding increases. The lack of available grant funding is a particular concern for community businesses with high start-up costs, such as Community Land Trusts developing housing.

### **Establish business support mechanisms that improve access to skills, guidance, training and peer-support.**

Community businesses cite operational capacity of staff and systems as one of the top three challenges for community business. Quality staff and volunteers are of significant importance for community businesses; from key members of staff bringing stability and credibility, diverse groups of volunteers managing day-to-day operations and activity, through to experienced leadership teams with solid skill sets. In a context where grant funding is in decline, and access to appropriate finance and assets is complex, a financially-savvy or well-connected board and management team with the right skill-set can be very helpful when looking for grants, undertaking asset transfer, or building relationships with key stakeholders.

### **Strengthen the links between the community business sector and local authorities.**

Relationships with local authorities are important to community businesses and the strength of such relationships is often a key determinant of their success. The lack of a strategic national policy around community business means that relationships and partnerships with local political and public bodies are all the more important – not least because community businesses often rely on local authority funding, through public sector contracts and grants. Moreover, community businesses commonly look to local government for guidance, rather than other paid-for forms of support. Engaging public sector partners early in a constructive, open and transparent way ensures community business and local authority priorities are aligned around a common vision.

### **Recognise community business as integral to a radical devolution agenda that draws down powers and responsibilities to local areas.**

The highly centralised nature of the British state has fuelled resentment towards a political system that many people feel is removed and indifferent towards local concerns. Community business is rooted in the principles of localism, and shifting power from Whitehall and Town Hall to communities will help the sector to grow. Regional devolution is already underway, with new Metro Mayors providing place-based leadership in city regions across England. The local industrial strategies currently being developed for city regions like Greater Manchester, the West of England and the West Midlands present an opportunity to champion the community business sector and realise its potential to breathe life back into local economies and provide people with a new sense of civic pride and purpose.