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business in
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hands

Research Institute Report No. 19

The Community Business Market in 2018

December 2018

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About this report

This is the fourth in a series of annual reports published by the Power to Change Research Institute on the state of the community business market in England. The first two, covering 2015 and 2016, were written by Social Finance and published in March and November 2016. CFE Research has been commissioned to produce the report since 2017, with a remit to develop and refine the methodology, with explicit triangulation against multiple data sources.

The report has been researched and written as an independent assessment of the market. Although Power to Change has provided considerable input and support to the team, the views expressed here remain entirely those of the authors. As with previous reports in this series, the focus has been on taking an analytical market-level approach to quantify the number of community businesses and understand trends within the market and its component sectors. The study did not aim to advise Power to Change as an organisation on how to define a community business, or to determine its overall strategy or grant-giving criteria.

Full details about the methodology can be found in the supporting analysis of the community business market report, published at powertochange.org.uk/research.



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Executive summary

This is the 2018 overview of the community business market in England. It is the fourth in Power to Change's series of annual reports on the community business market. CFE Research undertook both the 2018 and 2017 market assessments and has sought to deliver a high degree of continuity between the two reports while also striving to improve the research through methodological developments where possible.

1. Our methodology

For the 2018 market size assessment estimates, we used a refined methodology that is designed to better account for the level of uncertainty inherent in the estimation procedure. The updates build on learning from the 2017 study. The key change is a weighting model which calibrates estimates from surveys with known data points in some sectors. The model this year relies on fewer assumptions compared to 2017 and has a stronger empirical basis and more secondary data. The model is entirely data-driven, therefore it is fully replicable and can be easily manipulated as required. Some assumptions and data estimates are still used in cases where data describing sectors is either poor or does not exist, and these are clearly marked throughout the report.

The 2018 assessment is also based on the combined online and Computer-Assisted Telephone Interviewing (CATI) survey of 300 community businesses and telephone interviews with 15 individuals from across the sector, as well as a desk-based review of existing evidence, secondary databases and literature. The 2018 Community Business Market Survey (CBMS18) is central to this report.

The 2018 report is structured as follows:

- **Chapter 2** presents the profile of community businesses in 2018 based on the primary research findings
- **Chapter 3** sets out the views of community businesses regarding the year ahead, including their levels of confidence in their future
- **Chapter 4** brings together the primary and secondary data analysed in the study, to provide an estimate of the overall community business market based on a thorough understanding of the sector estimates
- **Chapter 5** establishes the conclusions of the 2018 community business market assessment.

2. Size of the market

Number of community businesses



7,800

We estimate that there are approximately 7,800 community businesses operating in England in 2018.

This estimate of the overall community business market is underpinned by the triangulation of several data sources. This approach compares the primary research for sectors conducted for this study with other secondary sources which span the whole sector:

- the Social Enterprise UK (SEUK) ‘State of Social Enterprise’ survey
- Power to Change’s own record of grantees and applicants
- a range of sector-specific reports, articles and data.

The total market size estimate for the community business market is based on aggregating estimates undertaken at the sector level. Where available, the sector market estimates have been strengthened by independent estimates based on secondary data. This is most likely to be the case for sectors where a strong representative body exists.

Based on the analysis, it is estimated that the overall market size of community businesses in 2018 is 7,800. This compares with an estimate of approximately 6,600 community businesses in 2017. The 2017 figures were considered to be an under-report due to the limited amount of evidence to estimate the number of organisations in some sectors. The increase in the estimated size of the overall community business market in 2018 demonstrates that the evidence on which the estimate is based is becoming more robust for some of the sectors –especially libraries, finance and village halls, and the addition of a childcare sector. While we cannot rule out a growth in the number of businesses, the change in the estimation model is a strong factor in this increase.

Income and assets



£1.05bn

The total market income in 2018.



£0.69bn

The total value of assets in 2018.

These figures are broadly in line with those reported in 2017, albeit derived from a different method.

The income figures for 2018 are derived from several sources. These include 2018's CBMS18 results, based on 300 respondents compared to 259 in 2017. The increase in the number of survey responses has enabled more sector observations from which income figures can be derived than in 2017. The estimates also draw on income data from Power to Change's grantee and applicant database and SEUK's survey for community businesses across all types of sectors, as well as existing reports and surveys for community business sectors. The latter are especially important data sources which were unavailable last year.

The asset figures for 2018 are solely derived from Power to Change's grantee and applicant database and therefore have limitations.

Staff and volunteers



125,200

**In 2018 there are estimated to be 125,200
volunteers supporting the community business sector.**

This is 6,700 more than in 2017, when it was estimated that 119,500 volunteers were engaged in delivering community business activities.



33,600

**This year, 33,600 paid staff are estimated
to be working for community businesses.**

This is slightly lower than the 35,500 identified in 2017.

The estimation model used this year builds an overall market picture by aggregating individual sector estimates. As for other community business market measures, the total staff and volunteer numbers are based on sector-level estimates derived from either survey data or secondary sources.

How the method affects estimates of market size

The analysis of change is affected by methods of estimating market size. As the method changes, we cannot be certain whether subsequent changes in the size of the market are real or a consequence of the modelling approach.

The secondary data shows community businesses are facing some difficult challenges compared to last year. For example, changes in the regulatory framework have tangibly affected community businesses in the energy sector. Conversely, we can be confident that the increase in the number of libraries is real because the secondary data exists to back up this claim. The evidence from qualitative interviews also notes a tougher funding environment for the high proportion of community businesses that draw at least some income from public sources.

However, it is also likely that the change in the estimation method and a shift in the size of some sectors may account for some or all of the differences in the data between years. For example, the size estimates for some sectors epitomised by smaller median staff and volunteer numbers per business (e.g. Environment/Nature Conservation and Energy) have increased. In the case of volunteers, the number in the biggest community hubs sectors has slightly diminished, by around 2,000. Overall volunteer numbers remain in the same ballpark as prior surveys although the number of volunteers per business has fallen.

New data on childcare and village halls

For the first time, individual market estimates for childcare and village halls are included as new data allows us to isolate these sectors. In the case of childcare, the SEUK survey identifies several separate businesses. For village halls, a new secondary data source provides an estimate for the number potentially operating as community businesses under a similar model to community hubs.

3. Future outlook

Community business confidence



66% are confident

The confidence of the community business sector continues to grow.¹ In 2018 nearly two-thirds (66%) of community business representatives responding to the survey were confident about their financial prospects for the year ahead.

This is up from 63% in 2017 and 47% in 2016. Furthermore, the proportion of respondents less confident about their financial prospects in the next 12 months has seen a large drop to only 13% (20% in 2017). Evidence of community business confidence is clear in other findings from the primary research. The majority of community businesses anticipate their overall income from trading, contracts and grants increasing in the coming year and that they will engage more volunteers. Also, just over half the community businesses (53% compared to 48% in 2017) expect to employ more paid staff in the next 12 months. Micro-businesses are particularly confident about their likelihood of employing more staff (61%), which is a positive sign for the sector given over half the community businesses are this size.

The level of confidence expressed by community businesses regarding their prospects in the coming year is interesting when set against the potential economic implications of Brexit, set for 29 March 2019. Fewer than one in ten of the survey respondents alluded to challenges related to Brexit, and the interview findings indicate that community businesses and their sector representatives are still unsure about the extent to which leaving the European Union will benefit or hinder their organisations.

... a crash in public service spending ... means community businesses will be there to pick up the pieces. – Health and social care sector interviewee

Innovation

The 2018 survey results indicate that the majority of community businesses have a positive outlook regarding their finances, with three-quarters expecting their overall income to increase in the next year. In terms of where this income increase is likely to be derived, community businesses are more optimistic that their trading income will increase (75%) compared to grant funding (48%). The findings suggest that community businesses are seeking to increase their trading opportunities by expanding or diversifying their current offer, regardless of whether this is a proactive decision or a response to grant funding becoming more difficult to access.

¹ The composition of the survey respondents in 2018 differs from that in 2017, with only a third participating in both surveys. This means it is difficult to determine whether any changes recorded in the survey results between the two years are evidence of changing views and/or experiences or a reflection of the different types of respondents surveyed.

Support

Community businesses are likely to require support to identify effective ways to increase their trading opportunities, given the increased proportion accessing grants and deriving most of their income from grants in 2018 compared to 2017.

The 2018 survey results indicate that support provided by local government organisations is considered by community businesses to be the most valued among other external sources.

To be effective, non-grant reliant community businesses are likely to need to engage local people in the services they deliver to increase their customer base and potentially compete against private companies investing significant amounts to attract people to their services. The 2018 primary research findings reveal that some community businesses need support to develop digital marketing strategies, as they lack the internal expertise to develop effective social media channels to enlist supporters and service users.

4. Impact

Improved local community health and wellbeing continues to be the most-cited primary impact (22%), as it was in 2017. In addition, of all the impacts (primary and secondary combined) community businesses seek to achieve, reducing social isolation and increasing community cohesion are the most frequently reported (by 84% and 83% of survey respondents respectively). This is central to the ethos of community businesses – that they are supportive of local people and exist to make a tangible, positive difference to peoples' lives – while also illustrating the capacity of community businesses to address what are also key political issues.

1. Introduction

This report is the fourth study for Power to Change that seeks to describe the community business market. It is the second conducted by CFE Research and builds on the revised approach to defining and then estimating market size introduced in 2017 (Diamond *et al.*, 2017).

This year's study was designed to answer a series of research questions in line with the 2017 report:

- What is the composition and size of the community business market?
- What is the outlook for the community business market in the immediate future?
- How is the community business market performing against comparable businesses or organisations?
- What are the threats to market growth?
- Where are the opportunities for market growth?

Before addressing these questions, this report considers how community businesses are defined. This understanding is important because any form of measurement requires a consistent unit to measure. The previous research on the community business market highlighted how challenging it can be to identify and classify community business consistently, and the 2018 findings indicate it continues to be an issue.

1.1 Methodology overview

Rapid evidence assessment and review of data sets

We reviewed relevant literature including published research, grey literature and policy documentation. This was to revisit and check for updates in the literature identified in 2017, and to search for new secondary literature and data to aid the market assessment tasks. We also reviewed potential data sets to inform the market assessment. Our purpose was to continue increasing the data available on which to make estimates about the community business market. The review identified the following data sets that provided sufficiently large sample sizes and appropriate definitions of community businesses to be included in the market estimate analysis:

- Power to Change's grantee and applicant data²
- the Plunkett Foundation's research into community-owned shops and co-operative pubs
- Social Enterprise UK's (SEUK's) survey.

² CFE Research would like to acknowledge colleagues at Renaisi who helped prepare this data ready for analysis.

The data sets that were reviewed in analysis but not included in this study are:

- The Global Entrepreneurship Monitor (GEM) data set – as its central measure is business owners/managers not businesses themselves, and the sample size when cut to community businesses would be too small
- The Department for Business, Energy and Industrial Strategy’s longitudinal small business survey – for which the measures of small businesses are not sufficient to meet Power to Change’s definition of community businesses.

Community Business Market 2018 Survey

This study continued to use the community business survey first employed in 2016, with small improvements made to reduce the number of respondents dropping out and increase the survey response rate. The key changes made to the survey in 2018 were to:

- relax the screener question criteria slightly (this question checks whether a respondent is eligible to participate in the survey)³
- reduce the number of questions in the survey
- simplify the type of information requested regarding income
- remove several questions relating to the types of business support used.

The resulting survey for 2018 is simpler and quicker for respondents to complete.

The 2018 community business market survey was disseminated throughout July and August 2018 via two modes:

- **Online:** The survey was programmed into CFE’s survey software Conformat and disseminated directly to respondents of the 2017 survey willing to be surveyed again and Power to Change’s grant applicants, in addition to being shared by community business support organisations via newsletters and social media pages.
- **Computer-Assisted Telephone Interviews (CATI):** Those businesses which had been surveyed in 2017 and were willing to participate in future surveying activity but had either only provided a contact telephone number previously or had not yet responded to the email invitation to complete the survey online were approached to undertake the survey by telephone.

³ This is the opening question in the survey to ensure that respondents completing the survey represent a community business in line with Power to Change’s definition. The screener question in the 2018 survey was: Which of the following apply to your business? a) My business was started by members of the local community b) My business is currently led by members of the local community c) My business exists to meet a local need d) My business is defined by its link to a local area e) My business’s primary purpose is the generation of economic and social and/or environmental benefit in the local community. In 2018 for respondents to be able to continue to complete the survey they had select criterion ‘b’ and two of the other statements. In previous surveys the respondent was required to select ‘my business is currently led by members of the local community’ and three other criteria.

In total, 300 full survey responses were received in the 2018 study; 52 via CATI and 248 online. This is an increase of 41 complete survey responses compared with the number received in 2017. As per the 2017 report, only complete survey responses were analysed.

Of the 300 respondents to the 2018 survey, 97 (32%) had also submitted a response in 2017.⁴ The fact that over two-thirds of the 2018 survey sample did not complete the 2017 survey has two positive implications. Firstly, the scope of the community business market for which data is held on the profile and experiences of organisations in the sector has been broadened. Secondly, the contact database for future research regarding the community business sector has been increased in volume.

It should be noted that the different composition of the survey respondents between 2017 and 2018 means it is difficult to determine whether any changes recorded in the survey results between the two years are evidence of changing views and/or experiences, or a reflection of the different types of respondents surveyed. This, in addition to the relatively small survey samples involved, means we have not applied tests of statistical confidence to the analysis of the survey results.

The survey data was thoroughly checked and cleaned before being analysed.

Depth interviews with community businesses and sector body representatives

Fifteen depth interviews were undertaken with a purposive sample of stakeholders representing sectors within the community business market. This is a much smaller number than the 38 interviews conducted during the 2017 study and the volume of qualitative findings included in this year's report reflects this. The reduction in the number of interviews undertaken in 2018 was driven by two factors: cost and the limited new insight that was derived in previous years from interviews, in what is essentially a quantitative research project. The sectors selected for interviews this year represented those for which the 2017 study found the secondary information to be poor and/or they represented areas of strategic interest for Power to Change. The latter also included community businesses in Power to Change's priority geographic areas. Power to Change identified and approached potential interviewees from its list of contacts.

In line with the 2017 study, the interviews focused on:

- opportunities and challenges that community businesses had experienced over the previous 12 months in addition to those they were likely to face in the future
- what changes they would need to make to respond to such opportunities and challenges
- any support they required.

⁴ This analysis is based on matching the postcodes of respondents to the two surveys.

The interviewees in 2018 were also invited to share any examples of innovations they believe have, or are likely to help community businesses set up and grow. They were also asked questions about the size of the market in their sector to help inform the market estimates for this study.

With interviewees' permission, depth interviews were recorded to allow for full transcription. Transcripts were then analysed and coded thematically.

1.2 Report structure

The findings in chapters two and three are predominantly based on CFE Research's primary research, while those in chapter four are principally drawn from analysis of secondary data sets.

- **Chapter two** considers how community businesses are defined, structured, and financed, based on the primary research conducted by CFE Research.
- **Chapter three** examines the outlook for the year ahead for community businesses including
 - a consideration of the attitudes of community business representatives to the year ahead
 - an exploration of the likely changes to the size and operations of community businesses
 - an analysis of the challenges and opportunities community businesses face
 - a review of innovations which stakeholders consider can assist community businesses set up or grow.
- **Chapter four** examines what can be learned from the evidence about the size of the total community business market and individual sectors
- **Chapter five** outlines the conclusions from the 2018 assessment of the community business market.

2. The structure of community businesses in 2018

This chapter considers views about the concept of community businesses and the profile of community businesses in terms of their purpose, operating structure and financing.

Key insights

- The criteria against which community businesses are defined continue to raise some challenges. This is particularly the case for organisations seeking to deliver services across a wider geographic area to increase their income or meet the contractual requirements of commissioning bodies.
- Venues are again the largest category of community businesses, comprising 34% (compared to 32% in 2017), with an increase in the proportions of survey respondents suggesting they are running community hubs and village halls in addition to their primary activities.
- The inclusion this year of training/education and information and guidance (IAG)/ employability support in the list of activities undertaken by community businesses has led to a marked increase in the proportion of survey respondents identifying these as a secondary activity they deliver (5% and 2% respectively in 2017 compared to 27% and 20% in 2018). This indicates they are important activities for engaging the wider community or meeting local needs.
- For the first time, this year's survey responses include returns from community businesses providing childcare. This demonstrates a further diversification of community businesses delivering public-facing support services. Analysis of Power to Change's grantee data for the market estimation part of this study shows the organisation has already funded several community businesses providing this service.
- The proportion of community businesses seeking to deliver five or more social impacts has increased since 2017 (65% versus 55% respectively) although it is difficult to determine if this is a result of the survey respondents' different profile or a broadening of organisations' objectives to address more local issues. Improved health and wellbeing of local communities continues to be the most cited primary impact, while reducing isolation and increasing community cohesion are the most frequently recorded aims of all impacts community businesses seek to achieve (inclusive of primary and secondary choices).
- The community businesses surveyed this year are smaller than last year in terms of the average number of staff employed (nine versus sixteen) and volunteers engaged (31 versus 42). The likely explanation is a different composition of the survey sample.

- The proportion of community businesses accessing grants (83%) and deriving most of their income from grants (39%) has increased since 2017 (79% and 25% respectively). While this could result from the different profile of community businesses surveyed, grant dependency is a potential concern in terms of the long-term sustainability of organisations, particularly in an environment where accessing grant funding is a key challenge identified by respondents. It is important to note that the CBMS18 sample is primarily drawn from Power to Change’s sample of grantees and applicants. The most recent SEUK survey shows the proportion of social enterprises receiving money from public sector grants was 37%.
- External support is valued by community businesses, particularly in the setting-up phase of this type of organisation, with the support provided by local government organisations being considered the most valuable.

2.1 What community businesses do

Power to Change considers a community business to be a ‘business led by local people [that] brings benefits to local areas,’⁵ and uses four key criteria to help identify whether an organisation fits this definition:



1. Locally rooted: they are rooted in a particular geographical place and respond to its needs. For example, high levels of urban deprivation or rural isolation.



2. Trading for the benefit of the local community: they are businesses. Their income comes from things like 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 through a community shares offer that creates members who have a voice in the business’s direction.



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, for example to access broadband or get training in vital life skills.

⁵ Power to Change’s definition is available at: <http://www.powertochange.org.uk/what-is-community-business/> Accessed on 17 September 2018

Our 2017 study identified a number of challenges with the categorisation of community businesses which make market shape and size assessment difficult. These included:

- the subjective nature of the measures
- the understanding of what constitutes a business differing between sectors
- the classification of venue-based entities which deliver more than one service (Diamond *et al.*, 2017, pp. 9–10).

These challenges in understanding the community business market persist in 2018 and the depth interview findings provide examples of the definition of community businesses for reflection.

A point of discussion identified in some of the interviews is the extent to which the definition of community businesses could be relaxed in order to support the aims and objectives of an organisation which is likely to have a positive impact on the local community. Power to Change considers each business on a case by case basis and applies the definition flexibly to ensure it funds those which may deliver the greatest benefit, rather than focusing on the type of organisation which meets particular criteria.

Whatever technical taxonomy you try and put on things, there are always exceptions to that ... you have to look at the philosophy of what people are trying to do and be a bit more practical if you want to get things done and make an impact. – Community catalyst interviewee⁶

The current criteria for community businesses appear to be particularly challenging for organisations which are working across wider geographic areas. The motivation for working across a wider geographical area could be to increase a customer base – in the instance of credit unions or energy organisations for example – or to compete in tendering processes for commissioning authorities. Both of these drivers relate to the longer-term sustainability of organisations which a too tightly-defined notion of community businesses could hinder.

A lot of contracts where community businesses are able to get contracts and commissions, they are inevitably over a larger geographical area than one postcode and so that presents challenges [in relation to the community business definition]. – Health and social care sector interviewee

The apparent confusion about the concept of community business is potentially having a negative impact on the number of organisations able to identify with the term. In particular some individuals and groups in communities which are known by community business representatives to be developing or running a tradable activity are unaware of how this constitutes a community business.

⁶ Community catalysts are Power to Change grantees. Please see page 14 for details.

There are some organisations within our immediate geographical area that would have no issue defining themselves as a social enterprise in a business setting, but they don't see themselves as that. I think there are groups that are community businesses who don't recognise that they actually trade.

– Community catalyst interviewee

The Community Business in 2030 study identified a similar issue (Forum for the Future, 2018). As part of the study's visioning work, Forum for the Future concluded that some organisations perceive 'business' to be a particular organisational form. As a result, Forum for the Future adopted the term 'enterprise' instead to describe the activities and impact community organisations deliver.

Power to Change's investment in community catalyst organisations is one way in which attempts are already being made to increase awareness about the concept of community businesses and the role they can play in improving local places (Voinea, 2017). These 'catalysts' are successful community organisations who are receiving financial and advisory support from Power to Change and its partners, to inspire enterprising individuals and groups in their area to provide activities under the community business model.⁷

The key elements of the community business concept in which many interviewees place importance, and to which they believe such defined entities should adhere, include:

- the need for it to be trading a product of service
- the involvement of community representatives in the running of the organisation
- the core purpose being to benefit the community
- the investment of any profits back into the locality in which the business was established to serve.

These are similar findings to those recorded in the depth interviews in 2017 and align with the core principles of community businesses promoted by Power to Change. The critical issue therefore is not Power to Change's definition *per se* but how its criteria are interpreted and how tightly they are applied. There must be consideration, for example, of what constitutes a 'community of place' and what size area a 'locality' covers.

It has got to be trading. Any of the surplus that is generated has to be reinvested locally for local social good and the local community needs to have a say in how the business is run.

– Health and social care sector representative interviewee

⁷ The seven community catalyst areas are: Hartlepool, Leicester, Luton, Plymouth, Wigan, Bradford and Grimsby.

Defining community business

The broader eligibility criteria for inclusion in the 2018 survey demonstrates that Power to Change is pragmatic in its approach to defining community business. To pass the screener question in 2018, respondents had to confirm that their business was led by members of their local community *and* agree with at least two of the other statements, rather than three as was required in 2017. See Figure 1. More than four in five (86%) businesses passing the screener met all five criteria which is very similar to the 83% of organisations doing so in 2017. The screener question rejected 57 interviewees. In 2018 the main reason for businesses being screened out was them not being led by members of the local community, with all screened-out businesses being affected by this compared to 91% last year. The second most common criterion businesses did not meet was having not been started by members of their local community, with three in five community businesses (63%) failing to meet this criterion, a similar proportion to last year (64%).

Figure 1: Proportion of respondents that met each of the criteria for a community business (base=300)



Business activities

In 2018, as in 2017, business representatives were presented with a list of business activity categories and were first asked to state which activities they undertook followed by which was their main activity.⁸ In 2018 the list of activities included more categories than in 2017 (20 compared to 16, and the new categories are identified by an * in Table 1), reflecting the re-classification of some frequently recorded responses under 'other' in last year's survey. More businesses in 2018 are focused on delivering a single activity, a third of survey respondents (33%) compared to a quarter in 2017. Just over a half of respondents (53%) report they

⁸ The order of these two questions was reversed in 2018, to ensure greater accuracy in the survey responses, but for comparative analysis purposes the data has been analysed in the same way.

are active in at least two additional categories, slightly more than the 44% in 2017. This year one further type of activity was identified through analysing 'other' responses, which was childcare.

Table 1: Grouped primary business activity categories (base=300)

Original business activity category	Stated primary activity (%)	Stated secondary activity (%)	Grouped business activity category	Community businesses citing activity as primary business activity (%)
Community hub	32	40	Venue	34
Village hall	2	5		
Training/ education*	8	27	Public-facing support services	19
Health & social care	5	13		
Housing	2	6		
IAG/ employability support*	2	20		
Transport	1	3		
Childcare	1	2		
Shop	10	9	Retail	18
Pub	6	3		
Café	2	26		
Sports & leisure	6	10	Arts/Culture	12
Arts centre*	5	13		
Library	1	7		
Food/farming	3	9	Manufacturing/ production	7
Energy	3	1		
Craft	1	9		
Business support*	2	12	Economic/ business services	6
Environmental/ nature	2	9		
Finance	1	2		
Digital	1	4		
Other	3	5	Other	3

Table 1 shows that the business activity most commonly undertaken is a community hub or facility, which aligns with the findings in 2017. Three in ten respondents (32%) say their business's primary activity is a community hub or facility and two-fifths (40%) list this as a secondary activity. These are similar proportions to those recorded in 2017 (29% primary and 30% secondary activity), with a slightly greater uplift in the percentage of respondents identifying community hub or facility as an additional activity to their primary purpose. As identified from the qualitative findings last year, community hubs can provide an effective way to provide multiple services flexibly, to meet the changing needs of a local community (Diamond *et al.*, 2017, p. 16). Such facilities can also offer other organisations a space in which to deliver such services for the benefit of the local community.

The role of secondary activities

As found in 2017, cafés are a frequently provided secondary activity for community businesses – cafés were recorded as an additional activity by 26% of respondents in 2018 compared to 24% in 2017. In contrast to the 2017 findings, the proportion of businesses offering training and education or IAG/employability support as an extra service is much greater (27% versus 5% and 20% versus 2% respectively). It is important to note that these categories were added to the list of activities in the 2018 survey following the categorisation of 'other' responses in the 2017 survey. The results suggest that training and education and IAG/employability support activities undertaken by community businesses might have been under-reported in the 2017 study, when they were not included in the list of potential responses.

All three of these activities are mostly offered as an additional rather than a primary purpose, indicating that they are being used to reach the wider community or respond to local needs. This is the case for one of the community catalysts interviewed. They have fulfilled the potential of their primary purpose – providing office space to their local community – and are now seeking to diversify and meet the needs of their locality in other ways, including through training young people.

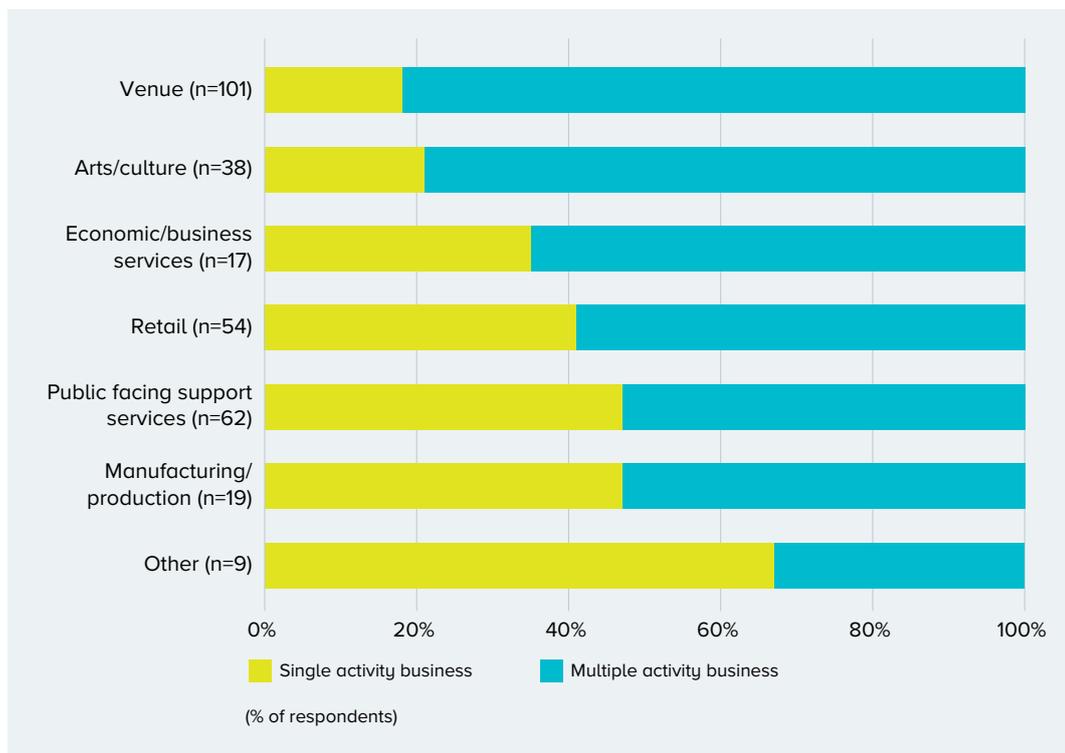
Our managed work space, we've got 54 offices there that are fully let now but you can't grow anymore space but you can grow your business ... We diversify in what we've got based on demand really [...] This last year we've become Ofsted registered and we are contracted with the Skills Funding Agency, which means we can provide training for young people. That is a world that we can develop and grow ... it is about diversifying not just the types of things that we do, the types of service but also within the types of services we do.

– Community catalyst interviewee

Combining categories of community business

As per the analysis undertaken in 2017, we have grouped business activities together (see Table 1) to enable some comparative analysis which would not be possible at the individual level given the small base sizes involved. The findings illustrated in Figure 2 are in general similar to those recorded in 2017, with 'venue' being the category of business most likely to be delivering more than one activity from its location (82% of respondents) and, in contrast, 'public-facing support services' and 'manufacturing/production' less likely to be offering multiple activities (53% of respondents). The number of activities delivered by businesses categorised as 'manufacturing/production' appears to have seen a marked shift since 2017, with a higher proportion of these now providing a single activity (53% compared to 16%). However, extreme caution is required when analysing this grouping given its very small base size.

Figure 2: Grouped primary business activity categories by single vs multiple business activities (bases variable⁹)

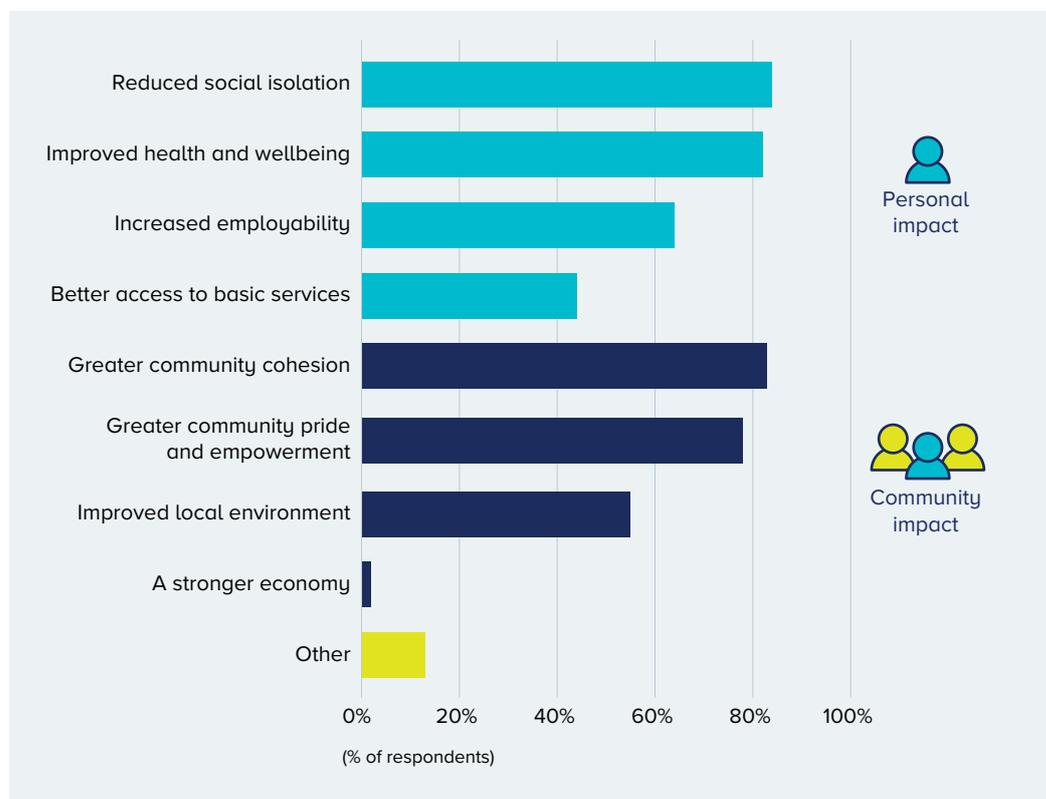


⁹ Note that aggregating data still results in low base sizes for most categories and limits comparative analysis.

The purpose and impact of community businesses

The survey asked respondents to identify the social impacts they sought to achieve. Almost all (96%) respondents gave multiple answers and almost two-thirds (65%) identified five or more impacts. The proportion of community businesses aiming to achieve at least five social impacts has increased since 2017 (55%). The social impacts are grouped into two categories, personal or community. Figure 3 shows that all impacts other than 'a stronger economy' are sought by at least two in five community businesses.¹⁰

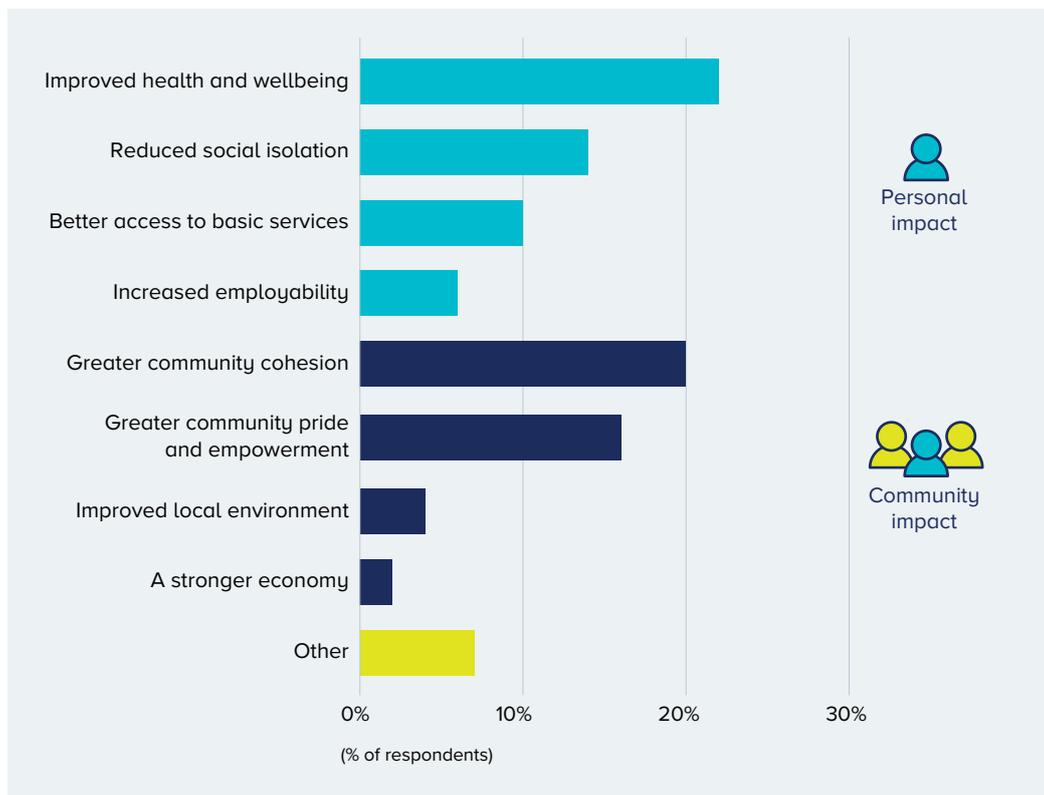
Figure 3: Community businesses' intended social impacts (base=300)



Respondents were asked to indicate which of their social impacts they considered to be their *primary* impact. Figure 4 identifies 'improved health and wellbeing' as the most common primary impact (22%) as was the case in last year's study. Over half of interviewees (52%) identified a personal impact as the primary aim compared with two in five (42%) identifying a community impact. Again, these are in fairly similar proportions to those found in 2017 (59% and 38% respectively).

¹⁰ Note that 'Social impacts' in Figure 3 includes 'primary' and 'secondary' impacts so cannot be compared directly with the results from 2017. This is in part also due to the wording of the survey question being altered in 2018.

Figure 4: Primary social impacts (base=300)



The 2017 study found that community businesses offering multiple services were more likely to express a wider community focus, with only a quarter (26%) of single activity businesses stating that their main social impact was community-focused, compared to 42% of multiple-service organisations. This year the proportions of multiple-services and single activity community businesses for whom their principal social impact is community-focused is more comparable (42% and 38% respectively). It is unclear whether the increase in the proportion of single activity organisations concentrating on community impacts reflects a change in approach or the different composition of the survey sample.

2.2 The composition of community businesses

Staffing and shareholders

The community businesses surveyed in 2018 are smaller than those profiled in 2017 in terms of the average number of people they employ or enable to volunteer; with 9 compared to 16 staff employed and 31 active volunteers rather than 42 on average (Table 2). Their composition by the higher level of business size classification is consistent with last year’s findings; over half (53% compared

to 52% in 2017) said that they employed 1–10 staff (classed as micro businesses), and a quarter (25% compared to 26% in 2017) employed 11 or more (small/medium). The remaining fifth (22% versus 21% in 2017) had no employees.

A similar proportion of staff within community businesses are employed part-time in 2018 (55%) in comparison to what was found last year (62%). There is no statistically significant difference in the proportion of part-time staff employed by micro and larger business. Whilst the average number of volunteers active in community businesses is lower than in 2017 (31 versus 42 respectively) they are still critical to the running of the organisations given their greater average number compared with the number of employed members of staff.

Again, as in 2017, the findings this year demonstrate that larger community businesses (with at least 11 employees) engage more people in their operations, including shareholders as well as volunteers and employees. These findings emphasise how the potential reach of community businesses increases as they grow in size as they are able to engage more people from their locality in their activities, including both shareholders and volunteers.

Table 2: Organisational structure of surveyed community businesses

	Base	All	Small/ Medium	Micro	No employees
Distribution by type (%)	300	-	25	53	22
Number of employees (mean)	286	9	26	4	-
Number of employees (median)	286	4	19	4	-
Mean proportion part-time (%)	223	55	51	58	-
Number of volunteers (mean)	300	31	43	29	24
Number of volunteers (median)	300	20	30	18	19
Number of shareholders (mean)	300	71	162	47	36
Number of shareholders (median)	300	0	0	0	0

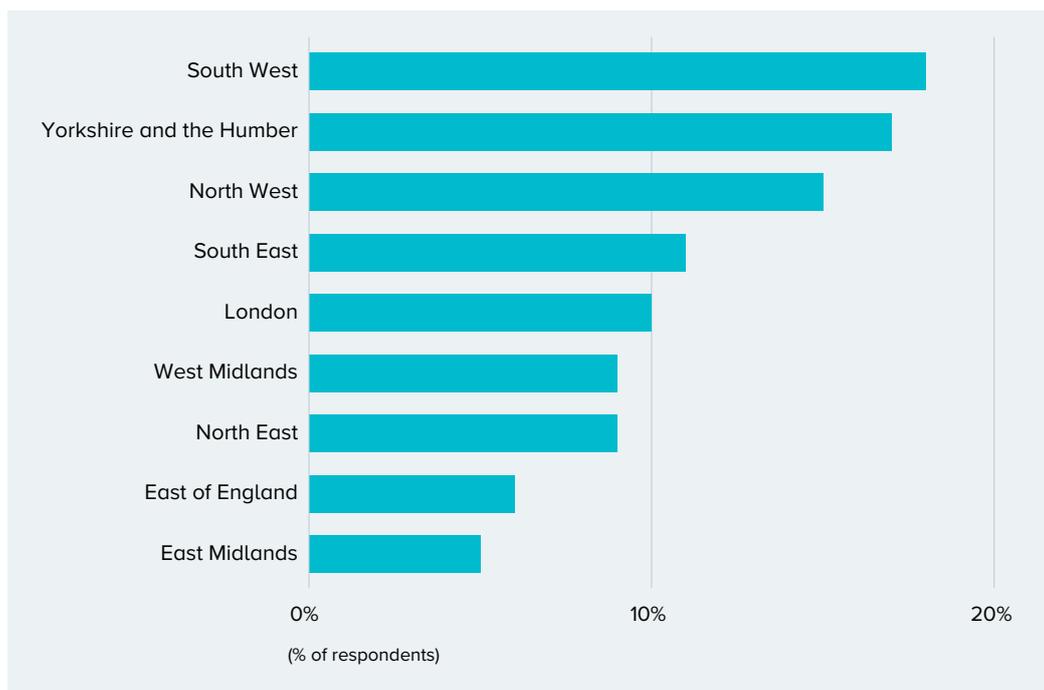
Length of operation and location

As was the case in 2017, this year's survey sample of community businesses is biased towards established organisations, with the vast majority (92%)¹¹ already in operation. A higher proportion of the businesses this year had commenced operating post-recession, i.e. from 2008 onwards (67% compared to 59%).

Using postcode analysis, we have identified the regions in which the community businesses are based and whether or not they operate in rural or urban communities. Figure 5 shows that survey respondents are spread across the country but with greater representation from community businesses operating in the South West (18%), Yorkshire and the Humber (17%) and the North West (15%) and a lower proportion operating in the East of England (6%) and East Midlands (5%). This sample profile by region is fairly similar to that surveyed in 2017.

Having appended the Office for National Statistics' rural/urban classification (ONS, 2017) to the survey data it is evident that just under 7 in 10 (69%) community businesses operate within urban classifications, and just over 3 in 10 (31%) in communities classed as rural. This is a very similar split to the community businesses surveyed in 2017 (72% versus 28% respectively). According to data from the Department for Environment Food and Rural Affairs (DEFRA, 2018), 17% of the population in England live in rural areas which means there is a higher proportion of community businesses in rural areas relative to the size of the population.

Figure 5: Regional location of survey respondents (n=300)

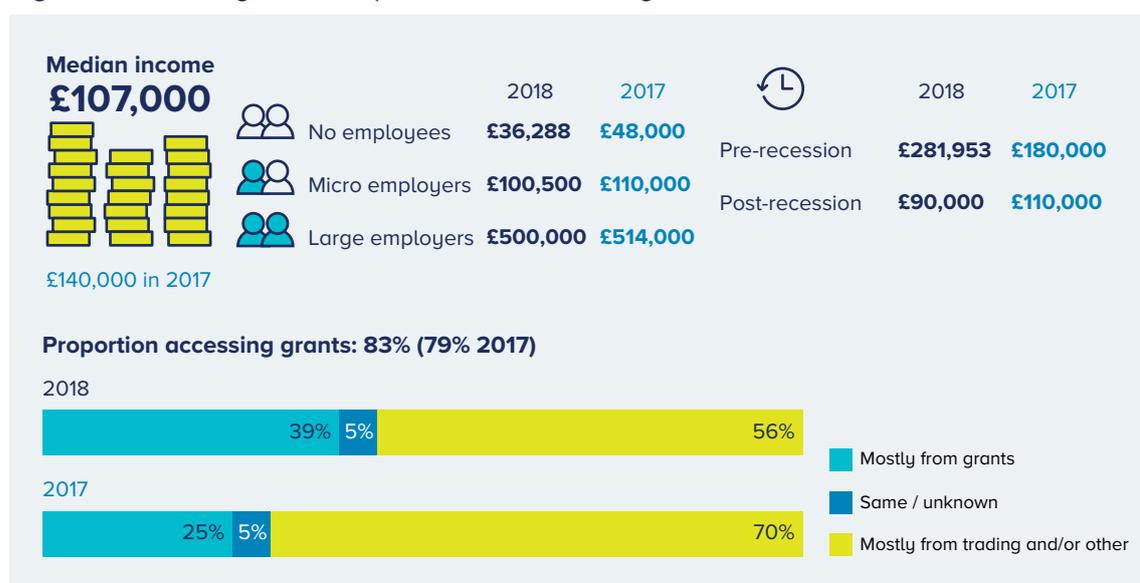


¹¹ The proportion of already established community businesses in the 2017 sample was 95%.

2.3 Financing community businesses

The key financial characteristics of community businesses are summarised in Figure 6. The median annual income of surveyed businesses was £107,000 and this increased markedly with the number of staff employed. Businesses that began trading prior to 2008 had higher incomes, primarily because they were typically larger. These figures have changed since last year. Median income across the sample has fallen, which appears driven by a fall in income from those with no employees. In addition, the lower median income recorded this year may also be a reflection of the smaller size of the community businesses surveyed (see section on Staffing and shareholders).

Figure 6: Summary financial position of community businesses



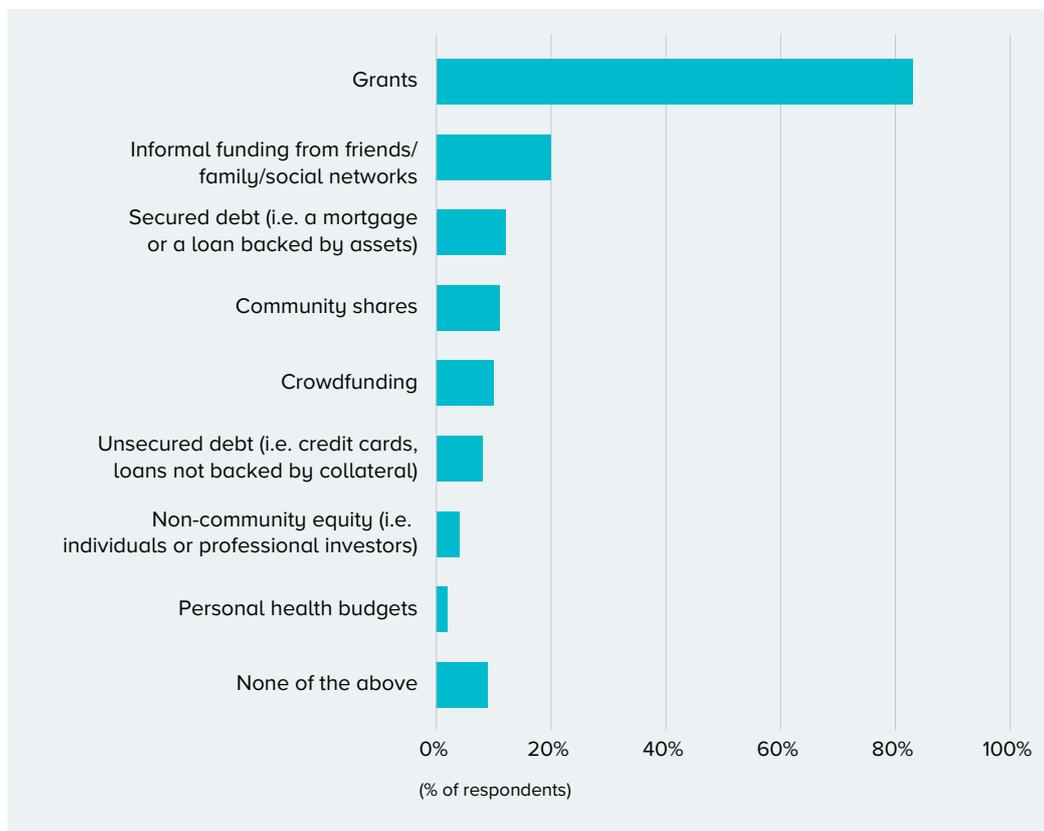
The role of grant funding

Grant funding is an even more important component of the financial mix for most community businesses in 2018 than was found in 2017. While the proportion of businesses reporting that grant income is similar to last year (83% compared to 79% respectively), the proportion of those who report that their income is mostly drawn from grants has increased by 14 percentage points. The extent to which this is a market shift rather than a change in the profile of participating businesses is harder to gauge.

The proportion of funding from informal sources – including friends, family or social networks – remains the same as was found in 2017, cited by one in five (20%). As was highlighted in 2017, this figure is high in relation to a narrower definition of social enterprises used by Floyd and Gregory (2017), for which 4% accessed finance from ‘family members, business partners/directors’.

In terms of other types of finance accessed by community businesses in the last year Figure 7 shows around one in ten issued community shares (11%), used crowdfunding (10%) or funded through secured (12%) or unsecured debt (8%). Around one in ten (9%) did not access any of the listed funding sources, including grants. These trends reflect those identified in 2017. Personal health budgets, which were introduced to the survey for the first time this year, were only accessed by 2% of community businesses surveyed.

Figure 7: Investments/loans accessed in the last complete financial year (base=300)¹²



However, trading and other sources account for the most income for over half (56%) of surveyed community businesses. This proportion is lower than the 70% recorded in 2017, with an increasing proportion of community businesses principally obtaining their income from grants, as outlined above.

¹² The data for 'Grants' has been taken from a separate question compared to the rest of Figure 7. Therefore, the percentage stating 'None of the above' has been re-adjusted to account for those individuals who did access grants in the last complete financial year.

Business support

The 2017 study included a focus on the financial and non-financial support sought by community businesses. In considering ways to reduce the length of the 2018 survey to make it quicker for respondents to complete and therefore increase the response rate, we reduced the number of individual questions relating to the types of support community businesses seek. Instead, survey respondents were asked an open-ended question about the type of financial business support they would like to access to help run their community business, and interviewees were asked about any professional support community businesses require. The key findings in relation to these questions and how they compare to the 2017 study results, where applicable, are summarised in this section.

Financial business support

The vast majority of survey respondents are interested in accessing what they perceive to be financial business support for their community organisation: only 17% of respondents specifically stated that they did not require any financial business support or chose not to answer the question. Several of the respondents who stated that they did not require financial business support indicated that this was because they already had access to an accountant whose advice they valued.

The survey results suggest that the principal types of business support sought by community business representatives are:

- assistance in identifying and accessing funding (12% funding support and 12% bid-writing)
- accountancy and general financial advice (15% and 14% respectively)
- business development support (12%).

In addition, a couple of specific areas for financial advice were identified including advice on contracts and asset transfer (11% and 6% respectively).

Assistance to access grant funding is of importance to many community business representatives. The type of support they seek is to identify different sources of funding applicable to community businesses (12%) and assistance in the bid-writing process (12%), to ensure they make a strong case to secure the funding.

An indication that many community businesses are considering ways in which to become less grant-reliant is the specific type of financial support some of them are interested in accessing. There were many requests in the survey responses for advice regarding contracts and support in negotiating them, which suggests that a lot of community businesses plan to charge other parties to deliver services. Similarly, a number of respondents, as well as one of the community catalyst interviewees, would like to access financial business support in relation to asset purchase and advice regarding the best ways to raise finances to achieve this.

... professional advice when it comes to things like assets whether that's sourcing assets, trying to acquire them, looking at how they might be able to develop assets, how to get funds to do that and so on. Most community businesses need to operate out of some sort of premises to do what they do, so this is a major stumbling block for many people and so they certainly need good sound advice on that. – Community catalyst interviewee

Access to professional financial support was a key theme in the survey responses. Accountancy advice to assist with business accounting in the form of bookkeeping, payroll and/or tax advice was identified as support required by 15% of respondents, as well as financial expertise to assist with forecasting and budgeting (mentioned by 14% of respondents). Survey respondents made a couple of interesting points regarding challenges to access the right type of expertise. These included challenges experienced in identifying specialists with the appropriate knowledge to support community businesses or difficulties in finding financial support which could be provided on a flexible basis, rather than needing to commit to a longer-term contract.

[We would like] accountancy [support] specific to CIC/Social Enterprise, [as] very few accountants actually understand or know how to prepare these kinds of accounts. It took us three attempts to find one that could. – Survey respondent, community arts centre

We have tried hard to get someone with financial expertise and we have found it really hard. It would be really helpful to look at how we could access financial expertise without having to get people to commit to being on the board and just to give some advice. – Survey respondent, community hub/facility

Generic business advice to support financial sustainability is required by many organisations (12% of respondents made reference to this). These business representatives believe that some form of operational advice would make their organisation more financially stable and assist them to grow. For example, weighing up the financial benefits of outsourcing activities.

It would be good to have some support, someone who can come in and look at the time and motions processes in the café, the processes of food production in the café. I struggle with knowing if it is better to buy food in or paying for the labour to have it made on site which we prefer to do. I can never really work that out.
– Survey respondent, community café

Non-financial business support

A number of the responses to the survey question about the type of financial support community businesses seek relate to non-financial examples. In particular, assistance with marketing is frequently noted. Community business representatives seek help to promote their organisation's activities and engage local residents. Digital marketing and the creation of social media strategies are areas of interest in which community businesses appear to lack internal skills or experience. The ability to market services effectively to customers is particularly important for community businesses which are competing against private corporations. This was highlighted by one interviewee in relation to credit unions which seek marketing support in order to keep pace with banks' efforts to improve their customer engagement.

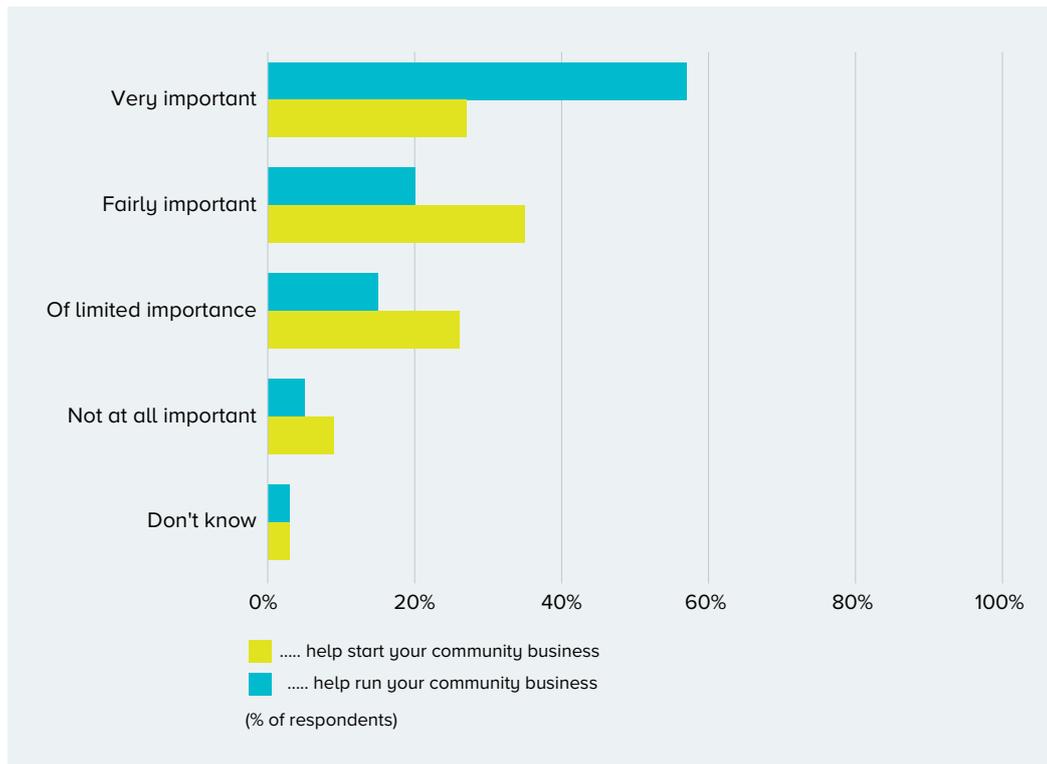
They're operating in a market where their principal private sector competitors are actually very large private sector organisations ... the main competitors are banks. Also, some loan providers, like payday lenders. All of those private sector organisations have a lot of money to invest in customer service and technology. – Finance sector interviewee

The 2017 study similarly highlighted the perceived importance of marketing and communications among community businesses and the lack of expertise within organisations in this area (Diamond *et al.*, 2017, p. 27).

Organisations who support community businesses

For the first time this year community businesses surveyed were asked about the importance they place on the support they receive from external organisations to help start or run their organisation. Figure 8 illustrates that community businesses consider support from external organisations to be important, especially during the set-up phase of the business. More than three-quarters (77%) of the survey respondents believe the support provided by external organisations was at least 'fairly important' when starting their community business compared to three in five (62%) placing a similar level of importance on the role it has played in helping to run their organisation.

Figure 8: Importance of support from external organisations to start/run a community business (n=300)



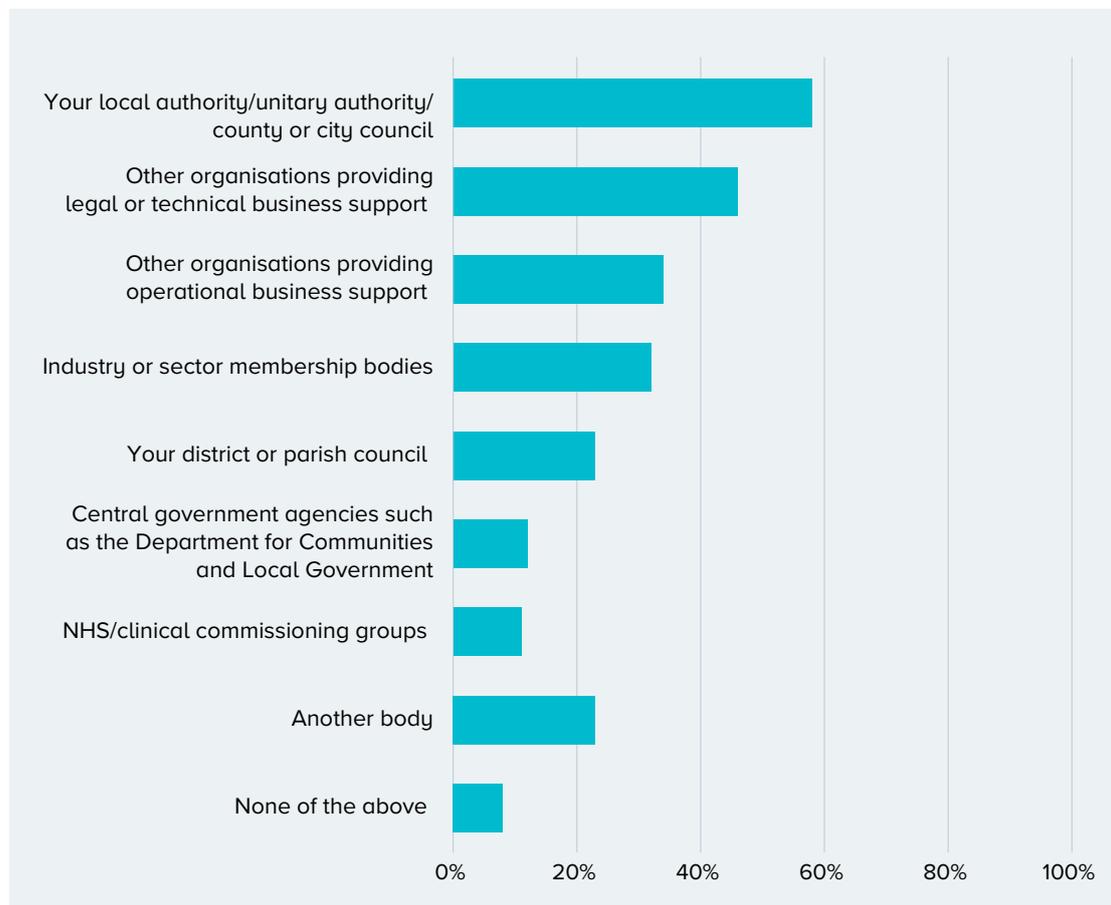
Survey respondents perceiving the support they received from external organisations to start or run their organisations as at least ‘fairly important’ were asked to indicate which types of organisations had provided the support.¹³ Community businesses’ support needs to set up or run their business have been largely met by their local/unitary authority or their county or city council, with nearly three in five (58%) accessing this form of support (please see Figure 9).¹⁴ Almost half (46%) have used an organisation providing legal or technical support, with a third (34%) turning to organisations providing operational business support for guidance.

Almost a quarter (23%) of community businesses received support from ‘another body’. These organisations include local chambers of commerce and local businesses and social enterprises but are insufficient in number to provide an additional category.

¹³ This question differs too greatly from a similar question posed in the 2017 community business market survey for comparative analysis.

¹⁴ Analysis compared the perceived value of organisations accessed for support to set up or run community businesses but there were no significant differences in the results.

Figure 9: Organisations perceived to have provided important support (n=256)



A number of interviewees proposed that Power to Change and other national bodies could play a role in identifying tailored support for community businesses from external organisations. One example of this is the suggestion for a partnership to be developed with a national bank whereby Power to Change works with bank staff to identify financial advice which is pertinent to community businesses. The purpose of this would be for bank employees to be trained so they acquire this specific knowledge relevant to community businesses, in order to provide useful advice to such organisations in their area.

Power to Change could ... get ... one of the national banks to ... put on a course for everyone where they've got a [branch and say] ... 'we want twenty of your [bank] staff to come on a one-day introduction to community businesses', so there's somebody in branch who can answer [any questions relevant to community businesses] ... so we can turn around and say to an embryonic community business, 'There's somebody in this bank who understands community business'. – Community catalyst interviewee

3. Outlook for the year ahead

This chapter examines the outlook for the coming year for community businesses by exploring the attitudes of community business representatives towards financial confidence and future income sources, the likely changes to the size and operations of community businesses, opportunities and challenges, and innovations which help community businesses to set up or grow.

Key insights

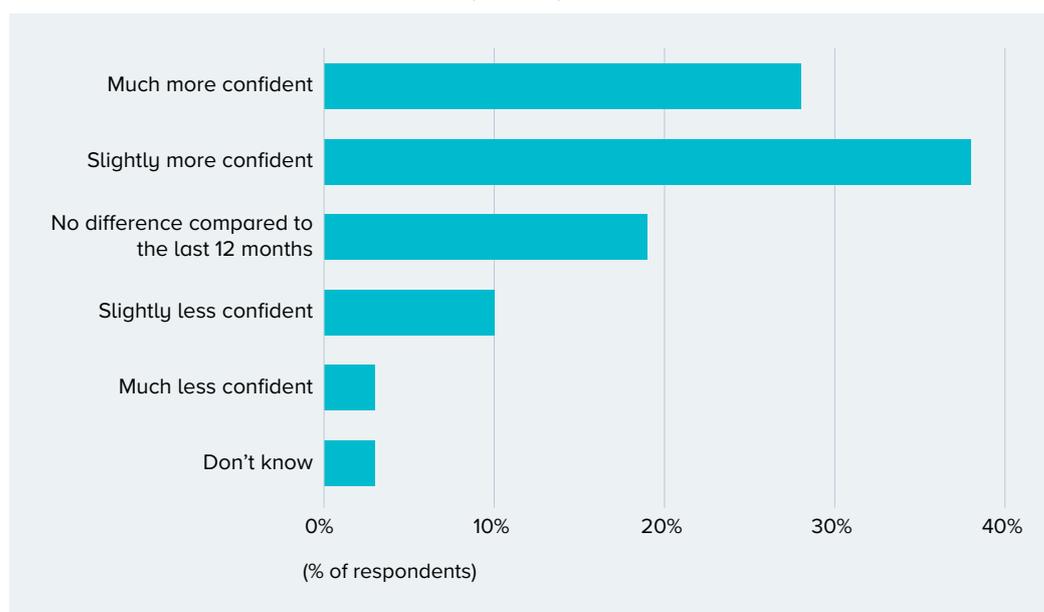
- There is a sense of optimism among community businesses regarding their future financial positions. Two thirds of community business representatives (66%) are confident about their organisation's financial prospects in the year ahead, a slight increase from the 63% of survey respondents reporting confidence in 2017. Three-quarters expect their income to increase in the next 12 months and the same proportion anticipate income from trading or contracts to increase as a result of expanding or diversifying their offer.
- Crowdfunding is the investment that community businesses plan to access for the first time over the coming year, but interest in this form of investment is lower than recorded in 2017 (13% compared to 22% respectively).
- There are promising signs that community businesses' reliance on grant funding will start to abate as, when considering increases and decreases in income, survey respondents on average expect to receive 45% more income from grants in the coming year compared to 51% more income from trading or contracts. This is counter to the observed increase noted earlier regarding the proportion of community businesses accessing grants and deriving most of their income from grants in 2018 compared with 2017.
- Trends in hiring activity are very similar to those observed in 2017 with seven in ten community business representatives expecting to take on more volunteers and half planning to employ more paid staff.
- As the evidence suggested in 2017, it is likely that community businesses will continue to grow, underpinned by the acquisition of new assets and new trading initiatives. Around one in four community businesses which have not previously taken on new assets or established new trading ventures plan to do so in the next 12 months.
- More community businesses react when faced with immediate financial concerns rather than plan strategically for their future sustainability. In spite of this, a substantial number are able to identify potential opportunities and examples of how community businesses have overcome commonly experienced challenges or realised opportunities. There is also evidence of support organisations and community businesses innovating to ensure the longer-term sustainability of this sector.

3.1 Financial outlook for community businesses

Financial confidence

Community business representatives in 2018 are slightly more confident about their organisations' financial prospects for the coming year compared with the previous 12 months as they were in 2017 – nearly two-thirds feel at least slightly more confident (66% in 2018 compared to 63% in 2017). Encouragingly, the proportion of survey respondents feeling pessimistic about their community businesses' outlook is smaller than we recorded in 2017 (13% are 'slightly/much less confident' on this measure compared to 20% respectively). These findings suggest there is a sense of optimism among community businesses regarding their financial future.

Figure 10: Community businesses' confidence in the financial prospects of their businesses over the next 12 months (n=300)



The depth interview findings indicate that a sense of confidence is based on an understanding of potential opportunities for the sector at both the national and local level. At the national level, positivity for the localism agenda is perceived to be increasing. At the local level, the community catalysts funded through Power to Change's Empowering Places programme have already identified several opportunities for the establishment of community businesses to meet local need, despite the programme being in its infancy.¹⁵

¹⁵ Power to Change (undated) *Empowering Places* accessed at: <https://www.powertochange.org.uk/get-support/programmes/empowering-places/> accessed on 5 November 2018

I think there's been an increased interest in [community businesses]. In the context of commissioning and procurement, [there is] the political climate of a push for increasing localism, that's seen as an opportunity for organisations like community businesses to do more of this [service delivery].

– Health and social care sector interviewee

We've set up three community businesses in the last 12 months ... a men's shed group ...that inspired a group of ladies in the community to set up a women's shed, that's more arts and crafts-based [organisation] ... and a community café ... it's not going to be just a café ... the plan is to start a community garden.

– Community catalyst interviewee

Future income sources

Almost three-quarters (73%) of survey respondents anticipate that their overall income will increase over the next 12 months, with an anticipated increase of 64% on average when considering increases and decreases.¹⁶

The 2018 survey results have already indicated that a slightly larger proportion of the community businesses are in receipt of grant funding this year compared to 2017 (83% versus 79% respectively). However, the survey responses suggest that access to grant funding is becoming more challenging. In 2018 a slightly smaller proportion of respondents (48%) expect their income from grants to *increase* over the next 12 months, compared to 55% in 2017, and only a fifth (20%) expect it to *decrease*. Furthermore, the limited availability of grant funding is the most commonly-recorded challenge identified by survey respondents in this year's study.

An alternative and more positive explanation for an anticipated reduction in the proportion of grant funding is increased income from other sources. As observed last year, three-quarters (75% in 2018 and 76% in 2017) of community businesses expect income from trading or contracts to increase over the next 12 months. The reliance on grant funding in future appears to be reducing as, when considering both increases and decreases, survey respondents on average expect to receive 45% more income from grants in the coming 12 months compared to 51% more income from trading or contracts. This compares to 44% and 36% in 2017 respectively. It is important to set this optimism for the future in the context of the actual behaviour recorded among community businesses in the last year. As reported earlier, the proportion of community businesses accessing grants and deriving most of their income from grants in 2018 increased from 2017. Yet the interview findings also support the positive signs for the coming year identified in the 2018 survey results. A number of community businesses stated that they plan to move away from a reliance on grant funding. This is an important step given the reported challenges and increased competition in accessing grants.

¹⁶ This question was posed in the survey for the first time this year.

... certainly grant funding isn't like it was, everybody knows this. It's been the case for a few years now. Our trading income is more than our grant income, again, this last year and that's just the way that it's going to have to go until one day we wholly trade and aren't reliant on public funds.

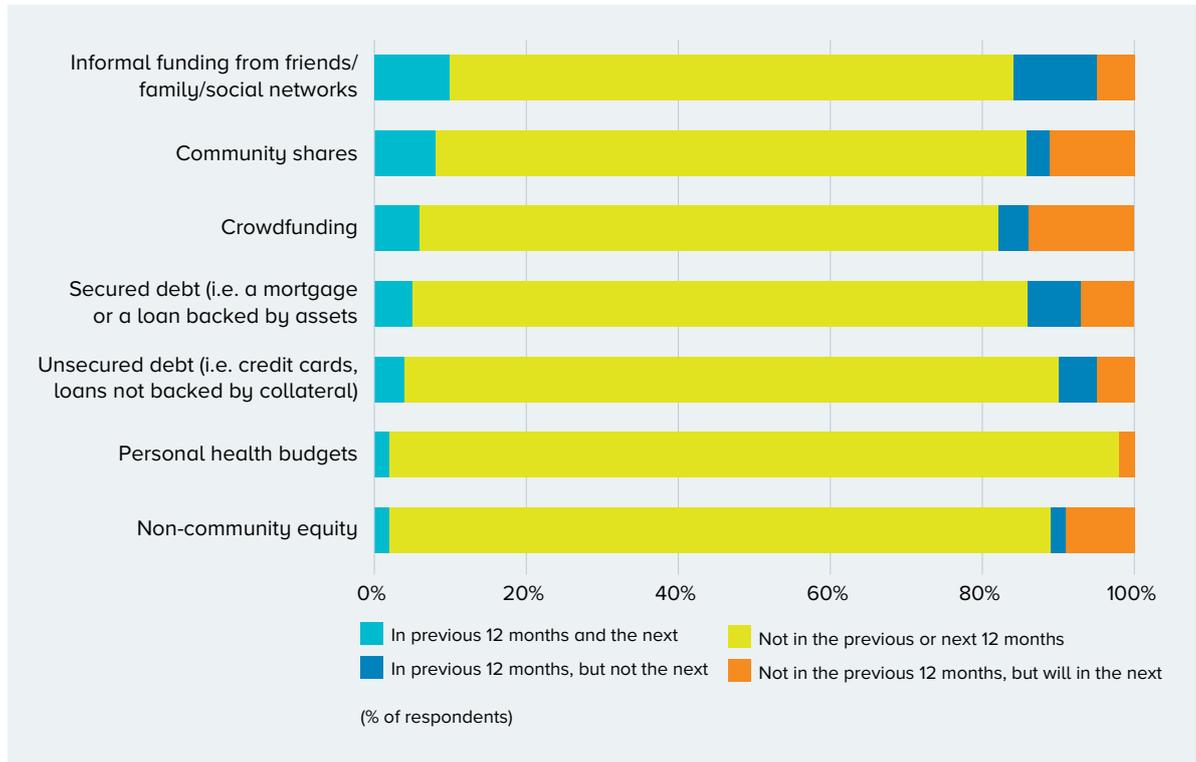
– Community catalyst interviewee

There is a sense of optimism among community businesses about the possibility of generating more income with increased trading opportunities, whether by expanding or diversifying their current offer. Indeed, it is the most often cited opportunity facing organisations in the year ahead.

Our offer is highly valued by those we serve and highly regarded by our commissioners. We are attracting the attention of other local and national commissioners; creating new opportunities. – Survey respondent, community health and social care service

As in the 2017 study, respondents to this year's survey were asked which sources of finance they plan to access over the next 12 months and this was compared with the sources of finance accessed over the previous 12 months (Figure 11). As observed last year, the majority of respondents who did not previously access funding from other sources do not plan to do so this year, which suggests relative stability. Of those sources not accessed in the previous 12 months but likely to be accessed in the next 12 months, crowdfunding scored highest with 13% looking to explore this funding avenue. However, this is a fall from 22% in 2017. The proportion of community business representatives planning to access personal health budgets in the next 12 months is equally as low as those who have accessed it in the last 12 months (both 2%).

Figure 11: Changes in investment or loans over the next 12 months (n=300)¹⁷



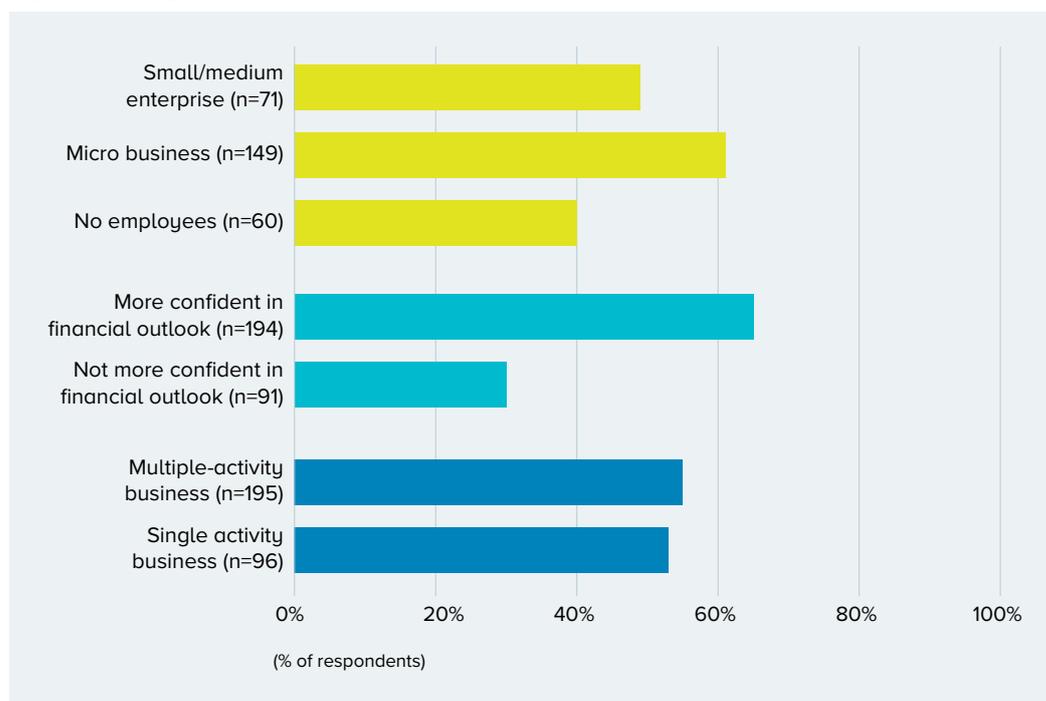
3.2 Community business structure

Community businesses in 2018 continue to be as heavily reliant upon volunteers as in 2017. This trend is likely to persist as seven in ten (70%, and 72% in 2017) survey respondents anticipate an increase in their number of volunteers. This compares with one in two (53%) respondents who expect to employ more paid staff as was the case in 2017 (48%).

Figure 12 highlights that a higher proportion of micro community businesses (61%), those who are more confident in their financial outlook (65%), and those with multiple business activities (55%), are all more likely than their counterparts to plan to take on more paid staff. This is different from the findings recorded in 2017 where larger businesses were most likely to anticipate taking on more employees (59%).

¹⁷ Percentages in this chart may not add up to 100% due to rounding.

Figure 12: Proportion of community businesses that plan to take on more paid staff by different groups (variable bases)

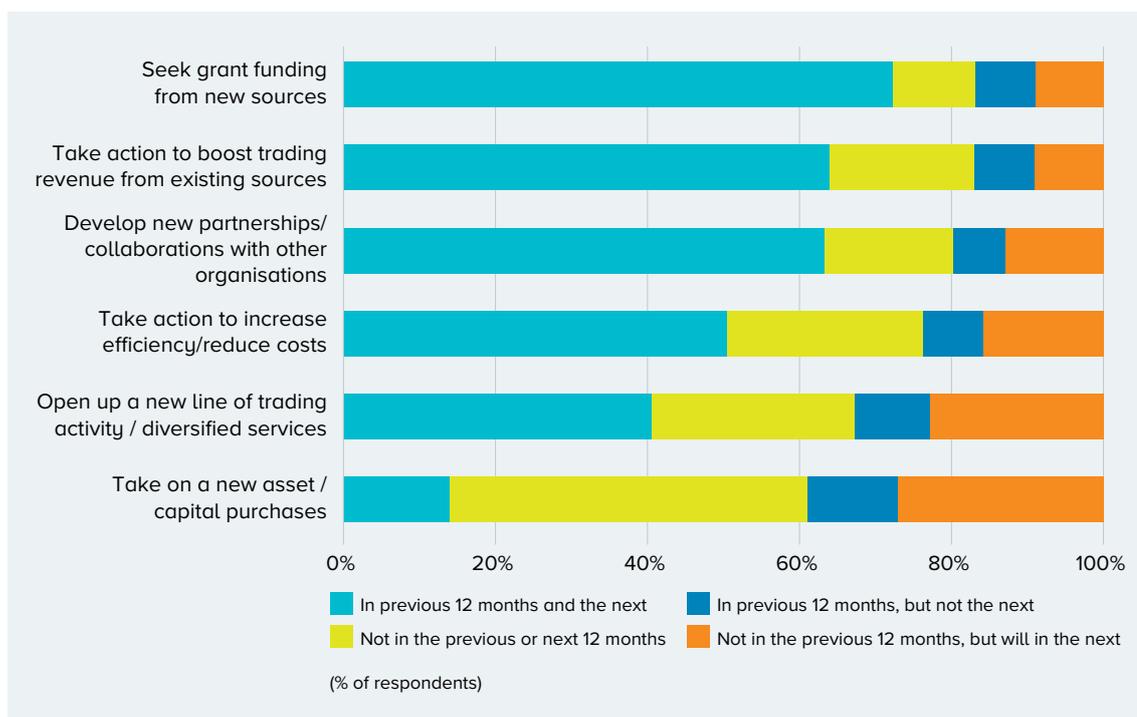


Changes in operations

Research explored changes to the operations of community businesses made in the previous 12 months in addition to changes they expect to make over the next 12 months. This year, like last year, the two most likely operational activities which community businesses will continue to do in the next 12 months as they have for the previous 12 months are: seek new grant funding (73% in 2018 and 68% in 2017) and boost trading revenue from existing sources (both 64%).

In terms of undertaking new operational activities, the most likely actions community businesses plan to carry out in the next 12 months which they did not plan to do in the previous 12 months are: acquiring new assets or making a capital purchase (27%) and opening up a new line of trading activity or diversifying their services (23%). These findings are similar to the trends identified in 2017 (24% and 20% respectively).

Figure 13: Changes to business operations over the previous and future 12 months (n=300)¹⁸



3.3 Challenges and opportunities for community businesses

In the survey and interviews, community business representatives shared the challenges their organisations face when setting up, running and sustaining their activities, as well as the opportunities they perceive to grow and develop in the future. In addition, the depth interviews provided an opportunity to seek examples of how such challenges can be overcome and how opportunities can be realised. Where identified these have been included in the following sub-sections.

Challenges

As was observed in the 2017 study, the 2018 findings indicate that principal challenges experienced by community businesses in the recent past continue to persist and are likely to remain consistent in the near future. Issues related to finances, resources and infrastructure remain a key concern for community businesses this year.

¹⁸ Some percentages in this chart do not add up to 100%. This is due to rounding.

Financial issues

Difficulties in accessing grant funding (28% of respondents), identifying ways to make their organisations more financially sustainable (13%), and non-specialists managing day-to-day financial demands (13%) still concern community businesses and are compounded by external pressures. Community businesses said increases to the minimum wage, rising pension contributions, and climbing utility costs added pressure to finances, especially for smaller businesses operating on tight margins.

...minimum wage has gone up, pensions rates, all the suppliers like gas and electric have gone up and so margins have been really squeezed and we have about the same turnover as last year. We have gone from thinking we are sustainable to not being sustainable. – Survey respondent, community pub

Community business representatives interviewed outlined several steps taken to improve financial sustainability by rationalising and/or capitalising on their assets. For example, a community catalyst interviewee described how they have reviewed their assets to achieve the greatest efficiencies and best return from them. This organisation operated from fewer buildings to make other premises available for rent and hence create income.

On reaching full rental capacity, another community business sought to use its existing premises more effectively by introducing hot-desking facilities. This provides a similar service to more customers thus increasing the income from the same space.

... if you're renting space and your space is full, that's it. Without growing more space, which is not possible where it is [we were unable to increase our income] ... we've diversified hot desking facilities so rather than having a small office you rent for meetings, if you make it into a hot desk space you can have more people in there paying for the space. You capitalise more on the space you've got. – Community catalyst interviewee

Another way in which community businesses are raising finances is through 'buy a brick' fundraising. This funding method enables gaps in capital funds to be filled through the community raising money. Not only does this approach help raise the required funds to construct a physical asset, thereby assisting to increase the long-term security of a community business, it also provides an opportunity for engaging the community in the building of a community business venue.

... where perhaps they've had a brand-new hall ... the whole community has got involved in the fundraising, they've had Buy a Brick and they've helped to build it. – Village hall sector interviewee

Resourcing of volunteers

Attracting and maintaining skilled volunteers is a challenge which persists for community businesses in 2018, with 7% of respondents citing this issue. This is a particular concern as volunteers are so important in the community business market, including in governing bodies. Strategic leadership requires strong technical abilities, management skills and significant time and emotional commitment from volunteers, without which the effectiveness of the organisation is limited. Community businesses also require advice and guidance to assist their staff and volunteers to lead the organisations effectively. An interviewee from one financial sector body explained how they published advice about enabling boards to set the strategic direction and governance of credit unions.

Engaging volunteers from the local community remains a challenge for many community businesses. In some examples, interviewees say local residents are reticent to help support and run activities because past initiatives had not realised the promised local benefits. Elsewhere there is evidence of the difficulties businesses face attracting younger members of the community to volunteer, posing a perceived challenge to the business's longer-term sustainability.

The younger generation don't appear to be coming forward to help run the buildings ... on the whole, volunteer management committees are of an older generation. – Village hall sector interviewee

The evidence shows some community businesses are seeking new ways to reach out to and engage the local community, especially through digital technologies and via social media. One community catalyst was in the process of recruiting a part-time paid member of staff to lead on digital communication activity.

National policy changes

Actual and anticipated changes to national policy were highlighted by 8% of community businesses as challenging in response to the 2018 survey. Brexit looms large on the list of concerns for some, with feared impacts from reduced access to funding from the European Union, uncertainty about the long-term availability of EU staff and changes to visitor patterns for those reliant on tourism. Some interviewees felt community businesses should be encouraged to explore the potential impact on their organisations and make plans to overcome these if necessary.

Concerns about national government policy changes are evident in some particular sectors, particularly in energy where community businesses have faced a number of specific challenges related to national policy changes in the last few years. Tariffs have been altered, tax reliefs removed and regulations around operating models changed. This has made it more difficult for start-ups and established businesses to operate.

The Financial Conduct Authority don't let us register as co-operatives any more ... which have impacted on our business models ... It's made it more difficult for new organisations to set up because the easily replicated models that we did have within the sector [are] under question at the moment ... At the moment, everything within energy as part of community businesses is in flux ... There's a lot of organisations in limbo, trying to figure out which direction to take now, whether they can continue doing what they currently do.

– Energy sector interviewee

There have also been proposed reforms to the use of community transport permits. These have resulted in a change to procurement and commissioning practices from local authorities, as well as an impact on the operational aspects of community transport businesses.

Conversely, interviews with representatives of the community business housing sector say they have met with some recent success in influencing government policy. They suggest the sector has improved partnership between fragmented community housing organisations and umbrella bodies, to create a more powerful, unified local and national lobbying voice. Examples include the Community Housing Fund and community-led housing hubs. Power to Change funding supports some hubs which provide help and advice to groups setting up community housing organisations.

Opportunities

Community businesses continue to meet challenges and identify opportunities to develop and grow. In 2017, the principal opportunities outlined were income generation and asset acquisition and these themes are reflected again in this year's findings.

Income generation

The evidence shows community businesses are considering many different ways to generate income, with 19% of survey respondents mentioning opportunities relating to increased trading. Several survey respondents and interviewees mention developing income streams through delivering contracts on behalf of local and national government organisations and NHS clinical commissioning groups (CCG).

For the ... organisation as a whole; there are huge partnership and funding potentials with NHS (CCG) health and with [the council's] social care [department] as they seek to find new ways of working that involve (in a meaningful way) community-based groups and local people.

– Survey respondent, community childcare provider

New financial models are being developed by community businesses which make them less reliant on grant funding or contracting.¹⁹ One example is a cross-subsidy model that enables a community business to generate income from local, paid-for services that finance other free community services, or target social disadvantage in their area. This approach allows community businesses to meet social objectives on a financially sustainable basis.

Some organisations have really generated interesting cross-subsidisation models where, for instance, they might be delivering local nursery services which are needed but they'll do them on a tiered payment structure, so that they can afford to pay more. What that generates is surplus that they can reinvest in delivering services for older people, people with mental health needs. That means they're not reliant on the uncertainty of contracting, so they can be more responsive to the community needs because they're not tied for two, three, four, five-year contracts to deliver a service.

– Health and social care sector interviewee

Many examples for income generation diversify existing products or services to increase revenue. A number of survey respondents increased their customer base by broadening their appeal to new groups within their community.

We are seeking to rebrand as a day time community leisure centre with sports and activities to run a youth club as well as a meeting place for young mums and older persons. – Survey respondent, community hub/facility

Other community businesses plan to reach new audiences and generate more income through digital services. For instance, one community hub is developing online, paid-for support services to enhance the physical business support it provides to local enterprises.

We have worked with small businesses since 2011, especially running networking events and connecting them with relevant training or funding but now looking to help develop online courses or communities for these [types of] business to help reach a wider audience and also this will generate some income for us. – Survey respondent, community hub/facility

Asset acquisition

An evident theme in the research findings is the value of assets to the development and growth of community businesses. Many survey respondents and some interviewees equated assets to financial sustainability and wished to acquire (sometimes through asset transfer) or build new premises.

¹⁹ Although the survey suggests grant funding as a proportion of all income has increased this year.

Structural assets provide the space to deliver local services and a potential revenue stream through lease or rent. Many businesses recognise an opportunity arising from the significant financial issues faced by local councils. Land or property purchase for housing is an opportunity highlighted by interviewees and survey respondents perhaps in response to the previously mentioned launch of the government's Community Housing Fund.

Your actual space where you are is always your number one asset. Even if you lease it ... so we have applied to the city council for an asset transfer on a community centre in our area. It has four football pitches and changing rooms and the council have withdrawn all services from it in the last two years. A lot of people want it reopened and that's where they want to see a community café and bar. A lot of the clubs that were displaced and want to come back and form a community business to run the pitches ... That's been our biggest thing this year is trying to secure that asset to allow us to grow and other community businesses to set-up. – Community catalyst interviewee

The current research findings provide little evidence explaining how community businesses approach the opportunities (and challenges) of managing and/or owning assets. Learning more would be a valuable research exercise for Power to Change as it is evident that there is much interest amongst those in the community business market. The provision of advice and guidance, for example via community-led housing hubs, is critical to enable businesses to capitalise on these opportunities and maximise their potential to develop and grow.

3.4 Innovations to support community business growth

For the first time, this year's depth interviews sought examples of innovations which have, or are likely to, help community businesses set up and grow, and that others could pursue or adopt. Innovations deemed effective in supporting the development of community businesses include:

- a local authority adapting procurement process to make it more advantageous to community businesses
- experienced organisations providing advisory roles to newly-established entities
- community businesses taking over existing assets rather than developing their own at greater cost
- community businesses devising new ways to raise funding.

As commissioning bodies, local authorities have some control over procurement procedures which can be adapted (within existing regulatory frameworks) to encourage community businesses. One local authority revised health and social care commissioning materials to specify that prime contractors must subcontract

local organisations to provide services. This change enabled community businesses to access service delivery contracts in the area and provide a stable financial footing for them to grow.

... a local authority slightly changed the language in procurement documents to say, 'An absolute requirement that you have to subcontract to local organisations and they have to be engaged in their community at local levels'. That meant that a few community businesses could come together and hold the potential prime contractors to account ... That slight shift in language just shifted the power. – Health and social care sector interviewee

A support network of experienced organisations in the community housing sector has played an important role in assisting start-up groups to develop. These 'enabling hubs', which have developed over the last 10 years, provide guidance to embryonic groups to help them plan their next steps and establish themselves. The hubs provide paid-for support services at the start-up phase. Charging at this point is based on the view that groups have the best access to funding at this point of the development cycle. The interviewee said, when successful, this service had increased the size of the sector six-fold.

The emergence, in the past decade, of intermediary organisations that operate across a local area, which provide direct support services to groups, and charge a fee for their support services at the point at which the group builds, when they have the most access to funding ... We've moved towards [calling them] 'Enabling hubs'. Where they have succeeded, they've increased the growth of the sector six-fold. They've significantly improved the chances of a group being able to succeed and taking communities that otherwise would be left unsure of where to go next and helped them to deliver.

– Housing sector interviewee

Transferring assets into community ownership can also mean skills and experience are also transferred, or that the skills required to set-up and develop a new business are unnecessary. In one example, three energy co-operatives collaborated to buy a private wind farm jointly. This purchase enabled them to access renewable energy for the community's benefit without developing their own energy project from scratch, which would require skills and expertise.

... we've started to look at the acquisition of private assets ... there are three or four really good examples over the last year of buying quite big solar farms, or wind farms, and bringing that into community ownership ... It's a good way for people ... if they can't develop their own project, to still be doing things, adding that community value. It's a good way for them to learn skills and expertise, if they want to develop their own projects in the future. [In one] example, three energy co-operatives came together to buy a private windfarm.

– Energy sector interviewee

4. Size and scope of the market

4.1 Market size and sector evolution over the year

Estimating the size of the community business market remains a challenge. Power to Change uses an overall definition for businesses in the market which articulates the attributes of a community business. The measures for identifying constituent businesses are inclusive (defining what they are) and exclusive (defining what they are not). Importantly, Power to Change's measures are subjective and have been devised in part to make decisions about funding allocation. The definition is therefore purposive and not designed to assign a community business empirically to a consistent industrial sector.

Triangulating data for estimation

As in 2017, a variety of methods and data sources are used to estimate market size for individual sectors and for the market as a whole. Considering first sector sizes, data is used where it is available, where it can be cross-referenced or where it can be derived through analysis. The following data sources are used where possible and/or appropriate.

The Power to Change grantee database

When businesses make an application for funding to one of Power to Change's funding programmes, detailed data is collected on the structure, financial position and purpose or objective of the business. For example, the data about Power to Change's flag ship funding programme, the Community Business Fund, is managed by Renaisi,²⁰ who clean and process the data and evaluate the programme on Power to Change's behalf. This data, as well as data from other funding programmes, was used to help estimate the size of the market.

This data is valuable as it includes reported overall income, the proportion of income derived from trading and other useful data such as staff and volunteer numbers. The grantee data is also now the only data that quantifies a business's assets.²¹ Where enough observations in the data set exist (around 15 or more), medians are derived for sectors for overall income, assets and staff numbers. The figures are used in either subsequent sizing estimates, or as cross-reference checks against other data.

²⁰ <http://www.renaisi.com/>

²¹ Plunkett data for pubs and shops used to record assets; the most recent version of the Plunkett data, kindly anonymised and provided for this study, did not have an assets record.

Social Enterprise UK State of Social Enterprise survey data

The largest survey of social enterprises in the UK is SEUK's 2017 State of Social Enterprise Survey (SEUK, 2017). Achieving a sample of 1,581 'senior figures in social enterprises', the survey represents a valuable source of data for this report. Community businesses are a specific subset of social enterprises which we identify from the achieved sample using some of the survey questions. Community businesses identified in the SEUK data are those that operate in England at a neighbourhood or local level. While the survey does ask respondents to self-classify their business by type and includes a 'community business' item, many self-classifying community businesses operate at a local authority level or higher and so fall out of Power to Change's categorisation.

In total, 233 organisations which closely match the definition of community businesses are found in the SEUK data. These businesses operate at a neighbourhood or local level in England and derive most of their income from trading. The survey metadata shows that population sample was derived from six different sources, including the Locality sample frame. The amount of cross-over between the achieved SEUK sample and this year's Power to Change achieved survey sample is unknown.

SEUK describes its survey as representative of social enterprises. However, the only evidence of weighting presented is applied to Welsh returns to reduce the impact of a large Welsh sub-sample. As no further detail is provided on the weighting procedure, unweighted SEUK survey data is used for the purpose of this study.

Other secondary data sources

The most accurate sector market size estimates are derived from secondary data sources. As in prior years, data from the Plunkett Foundation is used to describe the community pub and shop sectors. Official government data sources estimate the number of community businesses in the transport sector. Other sector bodies also produce estimates of varying quality that can help to calibrate other methods of estimation for relevant sectors. The sources used are identified in the relevant sector estimates.

Primary survey and qualitative interview data

CBMS18 provides useful sector-size estimates. The survey comprises 300 fully-completed interviews (an increase of 16% from 2017) and, in some cases, some reasonable sector samples to use in estimation. The data is derived from purposive sampling but remains a good source when used in conjunction with other sources and cross-referenced. The qualitative interviews help to stress-test some of the empirical data.

Estimating the number of community businesses in England

As with prior reports, a ‘bottom-up’ approach has been used to estimate the overall size of the community business market. This simply means deriving estimates for sectors, then totalling up individual sector data to arrive at an overall market estimate.

However, the estimation model used this year differs from the 2017 approach because of the availability of data from the SEUK survey.

This data is valuable for several reasons:

1.	It is possible to filter the data for individual businesses that say they operate in an English neighbourhood or local area and exclude those operating in larger geographies.
2.	We can also isolate businesses who gain most of their income through trading.
3.	SEUK collects data on the main business sector in which a business operates. While not an exact match for the CBMS18 sector items, a broad approximation is possible.

There is one major caveat in the SEUK sector definitions: there is no equivalent item for community hubs. The two closest parallels in the SEUK data are workspace and community development and, together, these comprise one in twenty businesses in the SEUK data set. In comparison, 34% of businesses in the CBMS18 chose community hub as their main operational sector; nearly three in five select community hub as a primary or secondary business sector.

What this means is that respondents in the SEUK survey are not offered community hub as a sector option. The main sector questions in the SEUK and CBMS18 are therefore not comparable. What we do know however is that community hubs house a number of different services. Seven in ten CBMS18 community businesses that offer business and employment support²² as their main or secondary activity operate out of community hubs. All told, nearly three in five (59%) of those taking part in CBMS18 choose community hub as either their primary or secondary sector. Community hubs are therefore a marker for multi-service activities offered under one umbrella. We therefore treat community hubs differently in the estimation model used this year.

²² Services supporting employment, IAG; training and education, or business support

The estimation model

Three main data sources are used to estimate numbers of community businesses by sector this year:

1.	The CBMS18 returns totalling 300 completed interviews
2.	<p>The SEUK survey data from 2017. Two English cohorts are used:</p> <ul style="list-style-type: none">– A proxy for the screener used to CBMS18 in which only businesses operating in a neighbourhood or locally and who draw most of their income from trading are used– Just neighbourhood or local businesses <p>While SEUK does include a ‘community business’ category, a review of responses finds most of those choosing this option operate at the local authority level or wider. As such, the survey label is unreliable.</p> <p>Furthermore, the sectors listed in SEUK do not map directly onto those used in CBMS18. The supporting analysis, published separately shows how SEUK sectors have been re-categorised into the sectors used by Power to Change.</p>
3.	Secondary data sources that enumerate the number of businesses operating in a sector. For all sectors without such a secondary source, last year’s sector estimate is used in the model.

The secondary data, and data from the CBMS18 and SEUK 2017 surveys are used in a triangulation model to derive an estimate for the size of all sectors *excluding community hubs* (the calculation of number of community hubs is described later). However, the level of trust in data varies depending on the source. Rather than calculate a flat average across each source, a weight is assigned to describe the level of trust in that data item. The weighting method is subjective – its purpose is to downplay the size of a sector described depending on how much faith can be placed in the estimate. Faith is based on assumptions and some level of educated guesswork. A full description of the model is provided in the supporting analysis, published separately.

This revised method places a stronger emphasis on data derived from robust secondary evidence where available. The ‘highly likely’ and ‘near certain’ weights described in the supporting analysis report are used in cases where there is a well-referenced, defensible secondary data source. For example, we know from qualitative interviews that the number of libraries is broadly accurate, and similarly good secondary data exists for the energy, pubs, shops, transport and food sectors. Note that the sector totals resulting from the model are influenced by all available information. This means that the final estimate for a sector market size may differ slightly from these secondary sources.

A total of 2,150 businesses operate in these ‘known’ sectors, accounting for 37% of the total *modelled* market (excluding community hubs). This results in a total estimated market minus community hubs of 5,784 businesses. This figure is used to re-estimate the number of community businesses in sectors for which there is no secondary data through multiplying the estimated total of 5,784 by the indexed proportion of businesses that the model estimates operate in that sector.

The model is sensitive to the secondary data estimates. Where no secondary data suggesting a market size exists for a sector, the data from the previous 2017 Community Business Market Report is used and typically down-weighted so survey estimates play a greater part in estimating the size of a sector.

Estimating the number of community hubs

As noted earlier, community hubs operate numerous services and are difficult to assign to a single recognised sector. However, a third of all businesses in CBMS18 self-classify as a community hub. There is no way to be sure about any specific estimate on the proportion of community hubs, as their definition is open to interpretation. Because of this, the model estimates that community hubs comprise 25%²³ of the total community business market. To estimate the total for the sector, the total estimate for the rest of the market, 5,784, is divided by (1–0.25) to reach a total market estimate of 7,673 community businesses. The number of community hubs is therefore 7,673 - 5,784 or 1,889 community hubs.²⁴

Estimating the size of the Community Business Market

Seven data points in each sector are provided if evidence exists for estimation.

- 1. Number of organisations:** This is an estimate of the total number of community businesses operating in that sector as derived via the process above. The weighting model and, most importantly, a series of underlying assumptions is summarised below and described in detail in the supporting analysis report.
- 2. Median income:** Median income is used to address outliers and is derived using the following priority method:
 - a. From this year’s CBMS18 survey data where 15 or more separate organisations responded from a given sector
 - b. SEUK data if assumed to be *community businesses* where there are more observations compared to CBMS18
 - c. SEUK *neighbourhood or local businesses* regardless of their income source (i.e. less than half of income through trading)
 - d. Data from grantees only²⁵ using Power to Change’s database, or Data from all organisations²⁶ listed on Power to Change’s database.

²³ 24.6% to a decimal place

²⁴ The market total of 7,800 is a sum of all rounded sub-sector totals.

²⁵ i.e. business that have made a successful application or have passed an initial sift phase n=285

²⁶ n=1,024

- 3. Median assets:** All assets are derived from Power to Change's grantee database. If there are enough observations present, grantee-only data is used rather than the full database.
- 4. Total sector income:** The total income for the sector as a whole. This is recorded in millions. Income is typically derived by multiplying the median for the sector by the estimated number of community businesses in the sector.
- 5. Total sector assets:** As per total sector income, median assets (where known) are multiplied by the estimated number of sector organisations.
- 6. Staff numbers:** The total number of paid staff estimated to work in the sector. This is a headcount, not a full-time equivalent figure. The total number is again the median multiplied by the estimated number of organisations in the sector. The prioritisation described above under 'median income' is used to choose the median figure to use.
- 7. Volunteer numbers:** As per staff.

A note on rounding

As the sector size estimates are reliant on a series of strong assumptions, total numbers in Table 3 are rounded to the nearest hundred for business, staff and volunteer estimates, and to the nearest £million for total income and assets.

Table 3: Market size estimates for community businesses, 2018²⁷

Sector	Number of organisations	Income (£m)	Assets (£m)	Income (£m median)	Assets (£m median)	Staff	Volunteers
Community hubs	1,900	371	161	0.20	0.09	7,600	37,800
Employment, IAG; training and education; business support	900	88	100	0.10	0.12	5,100	11,500
Housing	400	132	49	0.30	0.11	1,300	5,300
Health, social care and wellbeing	500	35	38	0.07	0.08	2,500	1,000
Transport	300	126	62	0.43	0.21	4,400	3,200
Sports and leisure	500	61	68	0.14	0.15	3,600	7,700
Arts centre/facility	300	19	5	0.06	0.02	1,400	6,100
Libraries	500					1,500	7,700
Pubs	100	27	21	0.25	0.19	700	1,600
Shops (and cafés)	400	57	60	0.15	0.16	1,400	10,400
Food, catering and production	200	29	20	0.12	0.08	1,500	4,400
Energy	200	14	7	0.07	0.03	200	1,800
Craft, industry and production	100						
Finance	300	32	97	0.11	0.34	600	3,800
Environment/nature conservation	300	13	4	0.05	0.02	300	2,000
Village halls	700	34		0.05		1,300	19,300
Childcare	200	10		0.05		200	1,600
Total	7,800	1,048	692	0.14	0.12	33,600	125,200

²⁷ There is limited data for Libraries and Craft, industry and production. Please see pages 65 and 70 for more information.

4.2 Individual sector estimates for market size

The composition of a sector estimate table

For each sector, a data table fulfils two functions. Firstly, it provides an estimate for a variety of market indicators for that sector, comparing data to estimates provided in 2017 (albeit via a different estimation method). In some cases, estimates differ between years and reasons for any larger changes are presented.

Secondly, the main and secondary data sources for estimates are shown. As the estimates are derived from a data model this year, the sector descriptions describe the choices made to prioritise one data source over another.

Table 4: Example market size data table

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	800	900	C	D S
Income (£m)	120	142	C	
Assets (£m)	100	110	G	
Income (£m median)	0.10	0.11	C	
Assets (£m median)	0.06	0.08	G	
Staff numbers	3,600	4,000	C	S
Volunteer numbers	8,300	9,900	C	S

C CBMS18 S SEUK Survey G Grantee data D Secondary data

Venues

Community hubs

The number and scope of community hubs is particularly difficult to estimate because they often deliver more than one service from the same location. Locality's definition is a good one: a community hub is a suite of services that operate out of a specific location. They benefit from co-location, use local assets and are led by the community they serve (My Community, 2016). They are created via a transfer of assets to a community, through a community-led development or through the diversification of services.

Estimating the number of community businesses

Because of their nebulous nature, there is no single data source that gives a reliable estimate of the number of community hubs. CBMS18 provides an educated guess based on the proportion of businesses that self-classify community hub as their main sector of operation (32%); a further 27% select community hub as a secondary sector. The latter point is why we have classed the survey estimate as an educated guess in the estimation model; self-selection into that group is particularly subjective from the view of the survey respondent. The data from the primary activity listed in the grantee database differs, with nearly half (45%) self-categorising primarily as a community hub. For the purpose of estimation, this figure would be an over-report given the amount of crossover seen with other business categories within hubs.

Estimating the market characteristics

CBMS18 and Power to Change's grantee-only dataset provide a good number of observations from which to estimate income and asset values for the market (noting the suggested over-report above). Similarly, they provide the largest sample sizes of any sector for estimating staff and volunteer numbers.

There is broad consistency between CBMS18 and the grantee-only data for staff and volunteer numbers. Both data sets provide a median volunteer figure of 20 per community business. The survey data shows a median figure of four staff compared to six in the grantee data. Median income varies a little with CBMS18 estimating nearly £200,000 compared to just over £170,000 in the grantee data.

Table 5: Comparison of market size for community businesses in the community hub sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	1,650	1,900		 
Income (£m)	230	371		
Assets (£m)	110	161		
Income (£m median)	0.14	0.20		
Assets (£m median)	0.07	0.09		
Staff numbers	6,600	7,600		
Volunteer numbers	41,300	37,800		

 CBMS18  SEUK Survey  Grantee data  Secondary data

Village halls

The village hall model has significant parallels with that of community hubs. They are buildings from which a number of services and activities can operate and fit within the overall community business concept primarily through renting out space.

Estimating the number of community businesses

A separate estimate for village halls was not provided last year due to a lack of data. The only estimate for village halls was in the 2016 report and ‘conservatively estimated’ at 900 of the 10,000²⁸ in England. Subsequently, Action with Communities in Rural England (ACRE) has summarised estimates for the number and function of village halls on its microsite, which retains the 10,000 figure (Action with Communities in Rural England, 2018). However, the proportion of halls operating as community businesses remains unclear and the source of their estimates is not provided. For example, the ACRE fact file states that halls are used as pre-schools or nurseries and/or are venues for arts and cultural activity.

²⁸ The figure of 10,000 village halls is used by Action within Communities for Rural England in, for example, its last published annual review for 2015/16: <http://www.acre.org.uk/cms/resources/comm-guides/acrereport2015-16.pdf> Accessed 5 November 2018

Research into village halls in Yorkshire and Durham found that 64% of survey respondents identified their village hall as a community businesses according to Power to Change's definition. (Scott and Probert, 2018). However, the limited numbers involved in the study mean we cannot use it to estimate how many village halls across England are community businesses.

The decision on what estimate of market size to use has a significant implication for this study. For example, if the income generated as a venue for hosting other services solely defines village halls as community businesses, a very large proportion of all 10,000 halls would be included, making village halls by far the largest sector. However, no data is provided outlining whether the operational management of village halls is led by community members or through administrative bodies such as parish councils. One could use ACRE's estimate of one in ten village halls offering retail services as a proxy, but this is a very strong assumption.

A recent summary presentation describes a £1.4 m Big Lottery Fund investment in the Village SOS programme.²⁹ This lists around 380 village venues supported in the UK including investments in shops, hubs, community care, childcare and building investments. This figure is a sample estimate and more research is required to learn more about village hall operations. Other, localised data does exist but there are no estimates for the number of village halls operating as businesses at a national level.

We have therefore estimated 700 community business in village halls (to account for potential double-counting with community hubs). We recommend undertaking some work that accurately measures the proportion of village halls that meet the Power to Change community business eligibility criteria to inform future estimates.

Estimating the market characteristics

CBMS18 is the only source of data available from which to estimate all of the data in the table below. These estimates are based on only six observations and should therefore be treated with caution.

²⁹ Summarised in this slide pack: <https://create.piktochart.com/output/19607024-the-vsos-story-v3>

Table 6: Comparison of market size for community businesses in the village halls sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	n/a	700		
Income (£m)	n/a	34		
Assets (£m)	n/a	n/a		
Income (£m median)	n/a	0.05		
Assets (£m median)	n/a	n/a		
Staff numbers	n/a	1,300		
Volunteer numbers	n/a	19,300		

 CBMS18  SEUK Survey  Grantee data  Secondary data

Public-facing support services

Business and employment support

The sector is a grouping of four separate areas:

employment information, advice and guidance; training and education; and business support. They are exemplified by services that are public- or business-facing and there is a strong inter-relationship between these activities and community hubs: seven in ten community businesses offering business and employment services in CBMS18 also say they are a community hub.

Estimating the number of community businesses

As a combined sector, business and employment support has the largest number of CBMS18 responses after community hubs (38). However, the CBMS18 sample frame is collated from fewer sources than the SEUK survey frame, and SEUK data is weighted. In the estimation model, equal importance is given to the distribution of businesses found in both surveys. To set a baseline from which to estimate the sector size, the value used in the 2017 study is used and a lower weight assigned to reduce the impact of last year's estimate in the model.

Estimating the market characteristics

As the sample size is relatively large and businesses have been screened to ensure they meet the definition of a community business, CBMS18 survey estimates are used for calculating median income, staff and volunteers for aggregation in Table 7. There is little consistency in reported medians from other sources, in particular median income. For example, the median income of the 29 grantees in Power to Change’s application data set is £360,000 compared to £104,000 in the survey. The equivalent data in the SEUK survey is lower at £75,000.

This year, assets are higher and total estimated volunteer numbers doubled. This is due to a change in the underlying survey data for volunteers, possibly due to different organisations taking part compared to CBMS17.

Table 7: Comparison of market size for community businesses in the business and employment support sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	880	900	C S	D
Income (£m)	70	88	C	
Assets (£m)	40	100	G	
Income (£m median)	0.08	0.10	C	
Assets (£m median)	0.04	0.12	G	
Staff numbers	4,400	5,100	C	
Volunteer numbers	5,300	11,500	C	

C CBMS18 **S** SEUK Survey **G** Grantee data **D** Secondary data

Housing

The housing community business sector comprises organisations that support neighbourhood or local activity to provide or develop housing. This year as in previous years, the sector includes community land trusts, community groups and cohousing schemes. However, certain elements of the sector are less easy to describe as a community business, especially co-operative schemes, some of which are operated by councils or housing associations.

Estimating the number of community businesses

As in last year, good quality secondary data exists which means our estimate is highly likely to be accurate. Revisiting the sources used to estimate numbers last year, there are now 290 Community Land Trusts in England and Wales.³⁰ The estimates for Self-Help Housing Groups (170)³¹ and Cohousing³² schemes (17) remain unchanged. A greater emphasis is placed on CBMS18 data than SEUK in calibrating the number of schemes. This is because SEUK data is for businesses that do not derive most of their income from trading.

Estimating the market characteristics

Table 8 also provides estimates for income, staff and volunteer numbers. These are mostly derived from SEUK data because of the number of observations (26). As above, the data is derived from the 'weaker' data set that includes businesses that do not derive most of their income from trading. Albeit from a very small base (8), the estimates for median income, staff and volunteers from CBMS18 are broadly comparable with the SEUK data of £300,000, 3 and 12 respectively. Median and total income is greater this year compared to 2017, which is most likely explained by the change in data source used.

The asset figure is the median reported by just five grantee applicants. Whilst there is more data from all applicants (27 applicants), the median figure is much lower (£26,000 versus £117,000). These estimates are therefore difficult to endorse fully and account for the large difference in asset values compared to last year.

³⁰ The sector organisation states 290 CLTs operate in England and Wales: <http://www.communitylandtrusts.org.uk/what-is-a-clt/about-clts> Accessed on 4 October 2018

³¹ Self-Help Housing lists of 'over 100' self-help projects, although this list does not appear to have been updated recently. A more recent study (Heywood, 2016) suggests a figure is closer to 170.

³² 19 organisations listed in the Cohousing directory; 17 in England: <https://cohousing.org.uk/information/uk-cohousing-directory> Accessed on 4 October 2017

Table 8: Comparison of market size for community businesses in the housing sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	400	400	D	C S
Income (£m)	70	132	S	C
Assets (£m)	170	49	G	
Income (£m median)	0.18	0.30	S	C
Assets (£m median)	0.42	0.11	G	
Staff numbers	2,200	1,300	S	C
Volunteer numbers	3,800	5,300	S	C

 CBMS18  SEUK Survey  Grantee data  Secondary data

Health and social care

The range of services and activities grouped in the health and social care sector is large and includes: statutory public services for physical and mental health and social care; user-funded health and wellbeing services; childcare; leisure, sports and physical fitness, and vocational and volunteering activities for therapeutic and rehabilitation purposes (Stumbitz *et al.*, 2018, Bedford and Harper, 2018). In the case of sports and leisure, there is some clear potential cross-over with the sports and leisure sector discussed later. Childcare is also a new, separate sector added this year due to the volume of businesses.

Estimating the number of community businesses

The number of secondary data sources available from which to estimate the size of the health and social care sector remains limited. Stumbitz *et al.* (2018) do not provide an estimate of the potential market size. Outside of the 2017 Community Business Report, Stumbitz *et al.* (2018) remains the only secondary source to suggest an estimate which appears low, especially given the proportion of businesses self-classifying as health and social care businesses in both CBMS18 (8%) and the last SEUK survey (11%). For this reason, a stronger weight is placed on survey data, rather than secondary data, in the estimation model for this sector.

Estimating the market characteristics

The SEUK data has been used to estimate business income and the number of staff and volunteers present in the sector because the number of observations (21) is higher than CBMS18 (15). However, this choice has some significant implications because the data differs. The median staff and volunteer figures based on the SEUK data are five and two respectively compared to a median of 10 staff and 22 volunteers in CBMS18. The median reported income in the SEUK data is also less, at £71,000 compared to £188,000 in CBMS18. The use of SEUK data accounts for the differences in estimates in this data compared to the 2017 report; using the CBMS18 estimates would change this story significantly. As last year, asset figures are derived from the grantee data set (15 observations).

Table 9: Comparison of market size for community businesses in the health and social care sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	300	500	C S	D
Income (£m)	90	35	S	
Assets (£m)	15	38	G	
Income (£m median)	0.31	0.07	S	
Assets (£m median)	0.04	0.08	G	
Staff numbers	5,700	2,500	S	
Volunteer numbers	4,500	1,000	S	

C CBMS18 **S** SEUK Survey **G** Grantee data **D** Secondary data

Childcare

Data from the SEUK survey suggests that childcare is a sector in its own right rather than being grouped with health and social care. In this context, child care services will include crèches, nursery and pre-school groups operating in community venues. It may also include support and pastoral services offered to support older children. More work is required to understand this sector in more detail.

Estimating the number of community businesses

The estimate for the number of community businesses is most strongly influenced by the SEUK 2017 data which suggests a separate sector, accounting for around 1 in 20 community businesses.

Estimating the market characteristics

The SEUK data describing local businesses only (i.e. with the income from trading characteristic removed) has been used to estimate business income and the number of staff and volunteers present in the sector. This is because the number of observations (24) is higher than both SEUK data for local businesses earning most of their income through trading (9) CBMS18 childcare businesses (4). However, this choice has some significant implications because the data differs. Too little data exists in Power to Change's management information to estimate assets.

Table 10: Comparison of market size for community businesses in the childcare sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	n/a	200		
Income (£m)	n/a	£10		
Assets (£m)	n/a	n/a		
Income (£m median)	n/a	£0.05		
Assets (£m median)	n/a	n/a		
Staff numbers	n/a	200		
Volunteer numbers	n/a	1,600		

 CBMS18  SEUK Survey  Grantee data  Secondary data

Transport

Transport is a well-developed community sector covering a variety of schemes. There is some good secondary government evidence to inform market estimates. The Department for Transport (DfT) publishes data on the number of Bus Service Operator Grants (BSOG) supplied to community transport operators in England. The last published figures (March 2017) list 498 of such operators. The last report cited 2015 Commons Briefing paper on Community Transport (Butcher, 2015)

estimated more than 2,000 organisations in England held community transport permits. However, as clarified by the Community Transport Association, many of these permit holders do not operate community transport as their primary purpose, such as schools and scout groups, and only around 300 organisations would use the label 'community transport organisation' to describe their work. As such, we have used the figure of 300 for modelling purposes.

There have been some proposed changes to the guidance relating to driver licensing and permits in the transport sector (House of Commons Transport Committee, 2018). These changes have resulted in uncertainty surrounding the use of permits that community drivers can use to carry passengers. It is possible this has led to a fall in the number of community transport businesses; a threat recognised in the House of Commons consultation.

Estimating the number of community businesses

The CBMS18 data did not provide a sufficient number of responses (only two) on which to estimate the number of community transport organisations. Our estimate is therefore based on secondary data, in particular the DfT's data on the number of Bus Service Operator Grants supplied to Community Transport Operators in England and Power to Change's data. The Power to Change full grantee and applicant dataset has also been used to derive the estimate as the grantee only data had a limited number of records (27 versus 3 respectively).

Further, last year's figure of 1,200 community businesses could also not be verified with supporting data from sector representatives. We have undertaken further work this year, removing organisations listed in DfT figures that are franchises of large charities (Age UK, Alzheimer's Society, etc.), local authorities and schools. In addition, discussions with the Community Transport Association allows us to be firmer on the estimate this year. As such, the estimate for the number of businesses last year appears too large. The change in the total estimated number is the key cause of reductions in the total figures quoted below.

Estimating the market characteristics

Power to Change's grantee and applicant data set provides a reasonable number of observations from which to estimate income and asset values for the market as well as staff and volunteer numbers.

Table 11: Comparison of market size for community businesses in the transport sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	1,200	300		
Income (£m)	400	126		
Assets (£m)	230	62		
Income (£m median)	0.34	0.43		
Assets (£m median)	0.19	0.21		
Staff numbers	9,600	4,400		
Volunteer numbers	9,600	3,200		

 CBMS18  SEUK Survey  Grantee data  Secondary data

Arts/culture

Sports and leisure

Sports and leisure covers community businesses delivering services within these spheres. Unlike sport, the definition of leisure is more open to interpretation. For example, sporta is a membership body for more than 100 social enterprises and includes cultural organisations in the theatre sector (sporta, no date). No membership or advocacy body exists solely supporting the concerns of community businesses in this sector.

Estimating the number of community businesses

The primary and secondary data provides a broadly consistent picture of the relative sector size of this market (modelled at 8% of all community businesses). This proportion is used to impute the overall estimate of 500 businesses.

Estimating the market characteristics

Although the number of observations from CBMS18 (18), SEUK (15) and the grantee data (15) is relatively low, the data is broadly consistent in describing income and staff numbers; the SEUK data suggests twice as many volunteers compared to CBMS18, with the data from grantees giving a figure somewhere between the two surveys. Due to the slightly larger number of observations, CBMS18 is used to estimate all data bar assets in Table 12.

Table 12: Comparison of market size for community businesses in the sports and leisure sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	350	500	C	S G
Income (£m)	40	61	C	S G
Assets (£m)	30	68	G	
Income (£m median)	0.12	0.14	C	S G
Assets (£m median)	0.08	0.15	G	
Staff numbers	2,800	3,600	C	S G
Volunteer numbers	7,700	7,700	C	

C CBMS18 S SEUK Survey G Grantee data D Secondary data

Arts centre/facility

There is a lack of both primary and secondary market size data for arts centres or facilities in the community business market.

Estimating the number of community businesses

Relatively few respondents to the CBMS18 self-identified as representatives of community businesses with the main activity of arts centre/facility. The Power to Change management data for all applicants has been used to estimate the number of arts centre/facility organisations operating as community businesses.

The model shows an increase from last year, however, as many of the businesses on which the estimate is based will have been screened out in the Power to Change application process, and therefore may not be community businesses according to Power to Change's criteria, the data should be considered with caution.

Estimating the market characteristics

Power to Change's grantee and applicant data set provides a good number of observations from which to estimate income and asset values for the market as well as staff and volunteer numbers. Income as well as staff and volunteer numbers have risen in the last year, but again given the limitations of the data on which these estimates are based, caution should be exercised in their use. Albeit through limited observations, the median data for staff and volunteer numbers found in CBMS18 are similar. Total staff numbers are triple this year and will be affected by estimates drawn from small numbers of observations and an increase in the overall sector size estimate.

Table 13: Comparison of market size for community businesses in the arts centre sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	200	300		
Income (£m)	10	19		
Assets (£m)	5	5		
Income (£m median)	0.05	0.06		
Assets (£m median)	0.02	0.02		
Staff numbers	500	1,400		
Volunteer numbers	4,000	6,100		

 CBMS18  SEUK Survey  Grantee data  Secondary data

Libraries

There is a limited amount of primary and secondary data available on describing the library sector. The transfer of libraries into community ownership remains a politically sensitive topic. It is therefore understandable that there is little publicly available data on the size and financial composition of the sector.

Estimating the number of community businesses

In advance of the dissemination of the CBMS18, Power to Change gained access to the Community Managed Libraries Peer Network³³ spreadsheet of library contacts which is comprised of community business-type organisations. The number of contacts in this has been used to estimate the number of community businesses in the library sector. The figure is very similar to the one derived from interviewees in the 2017 report.

Estimating the market characteristics

Despite disseminating the CBMS18 to the libraries in the Peer Network contact database, only 1% of the businesses which responded to the survey classified their main activity as library. This is too small a base number on which to estimate the market characteristics of the sector. Power to Change's grantee data set has a very small number of libraries identified (the same number as for all applicants) and this has been used to calculate the market estimates for staff and volunteer numbers. While the libraries on which this data is based have met Power to Change's community business criteria, as all are grantees, the small number of cases means extreme caution should be exercised when considering these estimates. The low number of observations accounts for the large differences in staff and volunteer numbers shown.

³³ <https://communitylibrariesnetwork.wordpress.com/>

Table 14: Comparison of market size for community businesses in the libraries sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	440	500		
Income (£m)	n/a	n/a		
Assets (£m)	n/a	n/a		
Income (£m median)	n/a	n/a		
Assets (£m median)	n/a	n/a		
Staff numbers	450	1,500		
Volunteer numbers	18,500	7,700		

 CBMS18  SEUK Survey  Grantee data  Secondary data

Retail

Community pubs

The data quality for community pubs is good and is derived from a number of sources – the CBMS18, SEUK and the Plunkett Foundation’s survey of its members in 2018. The Plunkett Foundation’s annual reports were also used in the 2017 report, so any changes where this source is used compare like with like.

Estimating the number of community businesses

The Plunkett Foundation’s data (received prior to their published report) of 86 pubs represents a growth in the number of community businesses in the sector from 2017 to 2018. However, this is a potential underestimate as the proportion of pubs participating in CBMS18 is 9% and 17% in the closest relevant SEUK sector of hospitality. In part, the high proportion of businesses in both surveys is likely due to the relative quality of the population data. The model takes into account the relatively high response rate for pubs (22% in the case of the CBMS18 survey), if the 86 businesses in the Plunkett data represented the totality of the market. The survey data therefore calibrates Plunkett’s secondary total in the model, returning a larger, rounded estimate of 100 community pubs.

Estimating the market characteristics

Seventeen respondents to the CBMS18 stated their main activity as a pub. This total represents just under a fifth of the sector as a whole. Based on these observations income as well as the number of staff and volunteers have all increased. The asset data for 2018 is only based on 10 organisations identified as pubs in Power to Change’s grantee and applicant data set.³⁴

Table 15: Comparison of market size for community pubs

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	46	100		
Income (£m)	6	27		
Assets (£m)	16	21		
Income (£m median)	0.12	0.25		
Assets (£m median)	0.35	0.19		
Staff numbers	160	700		³²
Volunteer numbers	1,400	1,600		

CBMS18 SEUK Survey Grantee data Secondary data

Community shops

The Plunkett Foundation also produces a comprehensive annual report on community shops. Its 2018 survey data has been cross-referenced against the results of the CBMS18. The SEUK data and Power to Change’s grantee data have also been used to verify the estimates for community shops.

Estimating the number of community businesses

As for pubs, The Plunkett Foundation’s data set was used for estimation and listed 346 shops, suggesting a similar number to last year. However, the model produces a slightly higher estimate rounded to the nearest 400 shops.

³⁴ This categorisation has been undertaken by CFE Research. However, in the data set, community pub, shop or café are listed as a combined group. The re-categorisation is based on the name or an internet search for website of the business.

³⁵ Staff numbers only based on ‘hospitality’ category in the SEUK data set.

Estimating the market characteristics

Figures for income, staffing and volunteer numbers were derived from Plunkett's data. The asset data in 2018 is based on 19 organisations categorised as a shop in Power to Change's grantee only data set.³⁶

Table 16: Comparison of market size for community shops

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	348	400	D	S
Income (£m)	55	57	C	S D G
Assets (£m)	n/a	60	G	G
Income (£m median)	0.16	0.15	C	S D G
Assets (£m median)	n/a	0.16	G	G
Staff numbers	1,114	1,400	C	D G
Volunteer numbers	9,605	10,400	C	D G

C CBMS18 S SEUK Survey G Grantee data D Secondary data

Manufacturing/production

Food catering and production/farming

As a result of a limited number of responses from this sector to the CBMS18, we drew on secondary sources for the estimate of the number of food catering and production/farming community businesses. SEUK has very few survey respondents aligned to Power to Change's definition of community business categorised as this sector.

Estimating the number of community businesses

On their website, Community Supported Agriculture lists 88 farms (excluding Scotland and Wales, 2018), whilst Sustain³⁷ identifies 163 active food cooperatives (2018). The combined estimated figure provided is in line with the size of the sector in 2017.

³⁶ This categorisation has been undertaken by CFE Research. However, in the data set, community pub, shop or café are listed as a combined group. The re-categorisation is based on the name or an internet search for website of the business.

³⁷ A campaigning membership organisation for food and farming: <https://www.sustainweb.org/>

Estimating the market characteristics

A low number of responses were received to the CBMS18 (eight) and so have not been used to infer any of the market characteristics. Instead, Power to Change's data set of all applications has been used for all estimates of the sector's characteristics. From this data it appears that the number of people working in food catering and production/farming has increased in the last year, but that the value of its income and assets has reduced.

Table 17: Comparison of market size for community businesses in the food catering and production/farming sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	200	200		
Income (£m)	50	29		
Assets (£m)	25	20		
Income (£m median)	0.25	0.12		
Assets (£m median)	0.12	0.08		
Staff numbers	1,200	1,500		
Volunteer numbers	7,500	4,400		

 CBMS18  SEUK Survey  Grantee data  Secondary data

Energy sector

The energy sector covers aspects of energy generation and supply delivered by community businesses. Overall, estimates for this sector are derived from the Community Energy State of the Sector 2018 report (Community Energy England, 2018). This is the definitive source of data on the sector.

Estimating the number of community businesses

In its State of the Sector report, Community Energy England lists 197 community businesses in England and this figure is used in the overall estimate for the sector. As with all sectors, estimates are rounded to the nearest hundred.

Estimating the market characteristics

Community Energy England’s report also provides figures for staff and volunteer numbers and overall sector income, which are listed in Table 18. The report notes some significant difficulties related to changes in government funding for green energy that has affected the sector (Community Energy England, 2018, p. 10). This accounts for the large drop in income from 2017.

Table 18: Comparison of market size for community businesses in the energy sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	192	200	D	
Income (£m)	123	14	D	
Assets (£m)	-	7	G	
Income (£m median)	0.64	0.07	D	
Assets (£m median)	-	0.03	G	
Staff numbers	110	200	D	
Volunteer numbers	2,270	1,800	D	

 CBMS18  SEUK Survey  Grantee data  Secondary data

Craft industry and production

Very little primary or secondary data describing this sector exist. The only estimates for its size are from anecdotal evidence presented in early Community Business Market (Percy *et al.*, 2015; Hull *et al.*, 2016; Diamond *et al.*, 2017) reports based on qualitative interviews. In CMBS18, two organisations self-classified into this sector; three organisations did the same in the SEUK survey. No grantees or applicants regarded themselves as craft businesses in Power to Change’s data set.

In order to estimate a potential size, the figure of 150 from the 2017 Community Business Market report was used as a base. The estimate was adjusted using the proportion of businesses classifying in this sector in the two surveys. This year, we give an estimate of 100 businesses for this sector.

Economic/business services

Finance

Data on finance businesses was limited in prior Community Business Market reports. Finance is a broad term which could encompass personal financial services, support and advice, or that provided to businesses. As the latter would cross over with the business and employment support sector, this sector is defined as those services supporting individuals and/or social needs, such as financial inclusion.

Estimating the number of community businesses

Credit unions are potential community businesses which provide co-operative financial services owned and controlled by its members. Secondary data on credit unions (Find Your Credit Union, 2018) lists 380 operating in the UK. These unions tend towards urban areas and can service wider geographical areas, and so this data is best used as a very rough base from which to derive estimates. Five per cent of community businesses (n=12) in the SEUK data self-classify in the financial sector, and this represents the best overall estimate for the sector's market size.

Estimating the market characteristics

Twelve businesses completing the SEUK survey self-classified as operating in the financial sector, earned most of their income through trading and operated at a local or neighbourhood level. However, the median income for these businesses is large, at £363,000. If the income through trading constraint is removed, the number of observations more than doubles to 27 and the median income figure is reduced to £110,500, even though the median staff and volunteer numbers remain very similar. The latter figure is therefore used because of the larger number of observations. This does remove two-thirds of the value from the median and hence total estimated income figures.

Asset figures are derived from just six observations from all grantee applicants and hence should be treated with caution.

Table 19: Comparison of market size for community businesses in the finance sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	50	300	S	D C
Income (£m)	-	32	S	
Assets (£m)	-	97	G	
Income (£m median)	-	0.11	S	
Assets (£m median)	-	0.34	G	
Staff numbers	-	600	S	
Volunteer numbers	-	3,800	S	

C CBMS18 **S** SEUK Survey **G** Grantee data **D** Secondary data

Environmental/nature conservation

No secondary data was found to help describe this sector which covers businesses that provide land management, environmental protection and conservation services or advice.

Estimating the number of community businesses

In the absence of secondary data, the estimate in the Community Business Market Report 2017 was used as an approximate initial base for estimates. However, greater weight in the model was placed on the screened SEUK survey data, because of the more extensive population sample frame used; 5% of respondents self-classified as businesses operating in this sector.

Estimating the market characteristics

As with the financial sector, the number of observations in the SEUK data for local and neighbourhood businesses regardless of their chief income source (24 businesses) was double those deriving most or all of their income from trading. This total local data is therefore used to estimate income, staff and volunteer numbers and returns a slightly lower estimate compared to the trading sub-sample. Median assets are based on the 20 grant applicants in Power to Change's data rather than the 11 successful applicants, again because of the larger number of observations.

Table 20: Comparison of market size for community businesses in the environmental sector

Market descriptor	2017 Estimate	2018 Estimate	Sources	
			Main	Secondary
Number of organisations	150	300	S	C D
Income (£m)	15	13	S	
Assets (£m)	5	4	G	
Income (£m median)	0.09	0.05	S	
Assets (£m median)	0.03	0.02	G	
Staff numbers	450	300	S	
Volunteer numbers	1,500	2,000	S	

C CBMS18 **S** SEUK Survey **G** Grantee data **D** Secondary data

Digital

As for the Community Business Market Report 2017, no secondary data and too little primary data exists to create an estimate for a sector which is very hard to define precisely – digital services could form the basis for service offers in any other sector. No businesses self-classify as digital in either the 2017 or 2018 survey and only six grant applicants are classed this way in Power to Change’s data set.

5. Conclusions

The size of the community business market in 2018 is larger than the 2017 estimate. It is not possible to identify how much of the market has genuinely grown, as the estimation method used this year is different from that used in 2017. The new model uses data from the SEUK State of Social Enterprise survey which was unavailable for prior research. In particular, the SEUK data improves estimates for the business support, health, sport, finance, environment and childcare sectors.

Although the market estimate for the total number of community businesses and the volunteers that support them is higher than last year, the total market income, assets and paid staff have grown by a much smaller amount. Regulatory changes have affected some sectors: the removal of many renewable subsidies has had a significant effect in the energy sector; proposed reforms to the use of community transport permits has had an impact on operational aspects of transport community businesses as well as local authority commissioning. There is also evidence of an increasing number and range of community organisations seeking to deliver contracted services for commissioning bodies which may result in changes to the typical organisation structure and staff to volunteer ratios, if community businesses continue to deliver more contracted services.

Support to access and respond to tenders on an equal footing with private companies will be of benefit to community businesses. In addition, this year's research findings indicate that it is possible for changes to be made to commissioners' procedures (within existing regulatory frameworks) to make them more attractive to, and inclusive of, community businesses, thereby providing further opportunities for the financial sustainability of this sector.

Despite these contextual changes and the economic uncertainty posed by the imminent exit from the European Union in 2019, community businesses in 2018 are as confident about their future outlook and financial prospects as they were last year. Many community businesses are seeking to increase their trading income through expanding or diversifying their existing offer. These organisations will require support to ensure that the opportunities they identify to achieve this are sustainable, particularly given their current reliance on grant funding and the anticipated increase in competition for these limited sources in future.

Growing the community businesses, as the survey respondents anticipate, requires not only support to develop their trading offer but also to develop the skills and abilities of the workforce – both employees and volunteers. This includes providing the knowledge and experience to adopt digital technology solutions effectively, to attract interest in their offer both from potential service users and members of the community, and to increase local engagement in the business. This is essential for community businesses competing against large private firms which are likely to have invested heavily in recent years to promote themselves via social media channels and provide customers with online and remote access to their service or product.

Increasing local engagement is particularly important given the priority community businesses place on taking on volunteers in the coming year. Volunteers play a significant role in community businesses and ensuring that there is an engaged and committed pool of support to carry out these roles is essential to the structure and longevity of these organisations.

Targeting support is challenging, although the 2018 research findings indicate two possible approaches. The first is to focus on assisting established community businesses to increase their non-grant income and help develop their financial sustainability in the ways outlined above. The second is to support more community businesses starting up, as survey respondents suggest, external support is most valuable during the set-up phase of an organisation. The example identified in this report of 'enabling hubs' in the community housing sector, whereby paid-for support services are provided to embryonic groups to help them plan and establish themselves, could be replicated in other sectors.

Training/education and IAG/employability support are important additional activities provided by at least one in five community businesses surveyed. Research to explore the nature and the role of these services for community businesses would be valuable, particularly in relation to diversification and financial stability. Similarly, there is no empirical evidence about the organisational structures of village halls, and our estimate for the number that operate as community businesses relies on major assumptions. As so many village halls exist in England, better data on their income, management and administration would make a significant contribution to the understanding of the overall community business market.

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