

## IPPR Commission on Economic Justice Submission to the call for evidence on wealth and ownership

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### About Power to Change

1. Power to Change is an independent trust, established in 2015. Our funding is used to strengthen community businesses across England. We help local people come together to solve problems for their community, reviving local assets, protecting the services they rely on, and addressing local needs. We provide practical and financial support to them as they run businesses which help their whole community and recycle money back into the local area. In our first two years of operation, we invested almost £20m in over 300 community-run businesses, across a wide variety of economic sectors such as pubs, shops, community centres, transport, energy generation, and sports facilities.<sup>1</sup>

### About community business

2. Community businesses are established and run by local people who want to make a difference in their area. Unlike charity, private business or even social enterprise, community business brings together a unique combination of entrepreneurialism, social purpose and local community ownership. For example, when a community centre is run as a community business, it generates income from trading and provides services for everyone in the surrounding area. Community businesses often collaborate with other local institutions like schools or GP practices – like [New Wortley Community Centre](#), where a community-run centre is working with the local GP surgery, which refers patients to the centre for counselling and other support. Community businesses are ideally placed to deliver support to local public services, be paid for their time and effort, and re-invest that income back into the local community.
3. Communities already own and run a wide range of businesses in England, from rural bus services or community shops, to community-led housing development or energy generation. Our research estimates that there are over 7,000 community businesses across England, with their numbers growing each year.<sup>2</sup> Overall, the community business sector grew by 5% in 2016, comparing very favourably to growth rates in both the charity and small business sectors (1% and 2.3% respectively).<sup>3</sup> These businesses are estimated to employ over 36,000 staff and engage nearly 200,000 volunteers, generating more than £1 billion of income each year on £2.1 billion of assets.

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<sup>1</sup> Up to 31st December 2016, Power to Change awarded grants of £19.5 million. Our grants data is available online here <http://www.powertochange.org.uk/research/power-change-grants-2015-2016/>

<sup>2</sup> Hull et al (2016), *The Community Business Market in 2016*. London: Power to Change. Available here <http://www.powertochange.org.uk/research/the-community-business-market-2016/> and summary here <http://www.powertochange.org.uk/research/the-community-business-market-2016-report-summary/>

<sup>3</sup> Most recent available statistics, sourced from: NCVO *Voluntary Sector Almanac* 2015 and 2016, and Department for Business, Energy and Industrial Strategy: *Business Population Estimate 2014 and 2015*.

4. Community ownership seems to support business resilience. Our research showed that in 2015 and 2016, alongside overall sector growth, there was no decline in any of the 15 sub-sectors we examined.<sup>4</sup> If we look at two sectors where good comparator data exists, we see that, during 2016, no co-operative pubs closed their doors, while CAMRA reported 29 privately-run pubs closing every week.<sup>5</sup> Only 17 community shops have closed since 1992 – a 99% five-year survival rate, comparing favourably with the 45% five-year survival rate for UK small business.<sup>6</sup>
5. Community ownership delivers additional social benefits to a business. Our funding and research is based around a hypothesis, that community or collective ownership contributes to sustaining and improving places. Our research programme will test this hypothesis through the gathering of robust data over a number of years.

### Response to the Call for Evidence questions

6. We welcome the Commission's focus on wealth and ownership, as we believe these (and in particular, the latter) are of fundamental importance in tackling entrenched deprivation and inequality, be it social or economic. We have focused on one of your questions in particular: **How can government support the expansion of cooperatives, mutuals, and plural forms of ownership at the firm level?**
7. The organisations that we support are community-owned and community-run businesses. Many of these are formed as a result of a burning local issue or need, often saving a cherished asset (such as [Hastings Pier](#)) or developing new services around an old asset (such as Bamford Community Society who run a community pub, café and post office, see Appendix A for a case study of their model). But equally we are seeing interest in 'conversions' to the community business model from traditional charities, who are considering transforming their operations to a more commercial model.
8. Community business is part of a constellation of different working models trying to capture social benefit and generate profit. These include co-operatives and social enterprise and indeed many private businesses which have a social mission at their core. Though there is a more general trend to increase social impact delivered by business, there is a strong argument that that community business, as a means of developing shared ownership at the local level, can achieve more for local economies and people than alternative models.
9. Community business offers a unique means of developing shared ownership through retail investment. This uses cooperative legislation to raise money from local people in the form of withdrawable share capital. At present, community-owned pubs have over 9,000 engaged shareholders, and community-run shops a further 62,000. We believe the

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<sup>4</sup> Hull et al (2016).

<sup>5</sup> Plunkett Foundation (2017) above, and CAMRA (2017). Available here [http://www.camra.org.uk/home/-/asset\\_publisher/UzG2SEmQMtPf/content/new-pub-closure-statistics-revealed](http://www.camra.org.uk/home/-/asset_publisher/UzG2SEmQMtPf/content/new-pub-closure-statistics-revealed)

<sup>6</sup> Royal and Sun Alliance and Centre for Economic & Business Research (2014) *Growing Pains*. Available at <https://www.rsabroker.com/system/files/SME%20Growing%20Pains%20White%20paper.pdf>

long-term market potential for community shares is substantial. Since 2009, almost 120,000 people have invested over £100 million to support 350 community businesses across the United Kingdom. They are usually local and engaged with the business as co-owners, volunteers and customers. This secures vital resources and income for marginal businesses in economically deprived areas. The growing community shares market was supported directly by central government through DCLG funding to the Community Shares Unit. This funding has now ended. In the absence of an ongoing financial contribution, continued government support through the championing of the work of the new Standards Board would be valuable.

10. Institutional investment needs to be more actively encouraged alongside community investment. Knowing that financial intermediaries, foundations or civic institutions are willing to invest in a community business is both reassuring to community members, and helps to secure additional finance when this is needed. It can even lead to members offering to replace commercial debt with equity as a simple way of reducing the costs of a scheme. We have seen examples of this in action with Leeds Community Homes, which saw over 300 local investors investing over £350,000 alongside foundations, local companies and the local authority.
11. This financial support is very different in kind to the traditional mix of small grants and contracts that have been the mainstay of local organisations in the past. This investment of capital on a long-term basis establishes a new model of shared ownership on equal terms between local community members and local government. Community investors tend to be more patient and engaged and do not require the higher returns and prospects of capital gains expected by external commercial investors, as they rank the community benefits delivered alongside any financial return they hope to receive. This should be explicitly encouraged and grown through finance offered by the Public Works Loans Board and understood as a central, sustainable, plank of a local authority's role that secures a growing local shared ownership sector.

## Recommendations

We can see a number of ways in which policy can support an increase in community ownership of assets and of businesses.

12. Increasing community ownership, particularly outside of core cities, should be a central objective for government when considering how to use the next tranches of money available from unclaimed assets. In contrast to the recent past and the creation of Big Society Capital, there should be less focus on the nature of the products that should be provided through unclaimed assets funding and a much stronger focus on the outcomes the funding is seeking to achieve. This then allows flexibility in how the money is used rather than it being channelled towards one type of financial product or another.
13. In addition, government should look for opportunities to leverage the funding it is already investing in community ownership and seek to create greater legacy rather than being constrained by annual funding programmes. The £60 million that government is committing annually to community-led housing is a case in point. This money could be

used to draw in significant amounts of funding from elsewhere, for example from aligned grant funders and from Big Society Capital which has identified community-led housing as a strategic priority. In this way, £60 million could become much more and a proportion of the money could recycle annually, creating a long-term fund that could continue to support community-led housing into the future. Using scarce government money in this way will have far greater impact and longevity.

14. Local authorities are beginning to review their property portfolios and to identify surplus assets for disposal. Communities can bid for these assets under powers bestowed by the 2011 Localism Act, and they are often supported by heritage sector bodies where the asset is of historical importance.<sup>7</sup> Our research shows there is a steady pipeline of asset transfers from local authorities to community groups across England, though more could be done to boost this trend and encourage authorities to work with communities to transfer assets, rather than sell to private sector bidders.<sup>8</sup> Specifically, we call for central government to implement the recommendations of the Communities and Local Government Select Committee to boost the impact of the Localism Act.<sup>9</sup> Chief among these was the recommendation to extend the moratorium on the sale of a designated 'asset of community value' from six to nine months, alongside a number of other recommendations to improve take-up and impact.
15. The 2012 Public Services (Social Value) Act requires service commissioners to consider social value during the procurement process. The aim of this legislation was to level the playing field for community businesses or social enterprises who are bidding for service contracts. Through increased procurement for social value, public authorities can support community businesses without needing to invest directly in them. More socially-minded commissioning would mean local authorities or health services supporting businesses that are locally-run and community-owned by enabling them to bid for, and gain, services contracts. Where direct commissioning is not feasible, authorities can encourage the inclusion of such organisations in their supply chains.
16. Central government can also take further steps to boost the impact of the Social Value Act. Our research has shown that this legislation has not, to date, been a strong driver for growth in the numbers of community businesses, but it is felt to have potential, if strengthened.<sup>10</sup> We have called for a lowering of the financial threshold above which the law applies, and a widening of the legislation beyond services to include other public procurement.<sup>11</sup> There appears to be broad consensus that this legislation has been a

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<sup>7</sup> For an example of asset transfer to community business, see: Alt Valley Community Trust (case study) available at <http://www.powertochange.org.uk/research/alt-valley-community-trust-case-study/>

<sup>8</sup> Gilbert, A (2016) *A Common Interest: the role of asset transfer in developing the community business market*. London: Power to Change. Available at <http://www.powertochange.org.uk/research/common-interest-role-asset-transfer-developing-community-business-market-report-summary/>

<sup>9</sup> House of Commons Communities and Local Government Committee (2015), *Community Rights*. London: House of Commons. Available at <https://publications.parliament.uk/pa/cm201415/cmselect/cmcomloc/262/262.pdf>

<sup>10</sup> Jones, N. and Yeo, A. (2017) *Community Business and the Social Value Act*. Available at <http://www.powertochange.org.uk/research/community-business-social-value-act/>

<sup>11</sup> Power to Change (2017), *Community Business and the Public Services (Social Value) Act*. Available at <http://www.powertochange.org.uk/wp-content/uploads/2017/08/SVA-policy-recommendations.pdf>

positive force and should go even further – the House of Lords Select Committee on Charities being the most recent publication to reinforce this message.<sup>12</sup>

17. There is also a significant role for devolved and local government. Most important is local government's appetite for change, for new relationships with local communities and for shared approaches to service delivery.<sup>13</sup> Similarly, there is a role for local authorities in their approach to public procurement. More can be done to encourage all councils to use their procurement power positively, as some authorities have already begun to do – Kent County Council, Oxfordshire County Council, Manchester City Council, to name but a few.<sup>14</sup>

## Appendix A: Bamford Community Society / The Anglers Rest Pub

The Anglers Rest is a community pub, with a post office and café, located in Bamford, Derbyshire. It is owned by the Bamford Community Society (BCS), an industrial and provident society formed in 2012 to enable local people to buy and operate The Anglers Rest for the benefit of the community. A group of residents developed and tested plans for establishing a community hub after the local pub was put up for sale and the future of village post office came under threat.

The group remained resilient in the face of a series of set-backs and purchased The Anglers Rest in October 2013 by raising £263,500 through issuing community shares. The community pub opened its door to customers after four days of cleaning and essential upgrades that were carried out by a dedicated team of local volunteers. The pub, café and post office have been trading successfully since then, and currently have a surplus on their balance sheet.

For a fuller picture see <http://www.powertochange.org.uk/wp-content/uploads/2017/06/The-Anglers-Rest-Case-Study-1.pdf>

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<sup>12</sup> House of Lords Select Committee on Charities (2017), *Stronger charities for a stronger society*. London: House of Lords. Available at <https://publications.parliament.uk/pa/ld201617/ldselect/ldchat/133/133.pdf>

<sup>13</sup> See, for example, Quirk, Barry (2007) *Making assets work: The Quirk Review of community management and ownership of public assets*. Available at <http://webarchive.nationalarchives.gov.uk/20120920020552/http://www.communities.gov.uk/publications/communities/makingassetswork>

<sup>14</sup> These and further examples of 'embracer' councils can be found in Social Enterprise UK's 2017 research: *Procuring for Good*. Available at <https://www.socialenterprise.org.uk/procuring-for-good>