



power to
change

business in
community
hands

Research Institute Evaluation Report

Community Business Fund evaluation Interim Report

March 2019

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Contents

| | | | |
|--|-----------|--|-----------|
| Executive summary | 2 | 6. Impact of community businesses | 46 |
| 1. Introduction | 6 | 6.1 Understanding the impact of community businesses | 46 |
| 1.1 Introduction to the Community Business Fund | 6 | 6.2 Summary of the types of community business impact | 54 |
| 1.2 About this report | 7 | | |
| 1.3 Evaluation aims | 7 | 7. Grantees' development between date of application and date of monitoring form submission | 55 |
| 1.4 Limitations | 8 | 7.1 Changes to the financial profile of Community Business Fund grantees | 56 |
| 1.5 Hypotheses about community business | 8 | 7.2 Changes to number of people employed by Community Business Fund grantees | 62 |
| 2. About the Community Business Fund | 12 | 7.3 Changes to number of volunteers, customers or service users and members | 64 |
| 2.1 Purpose of the Fund | 12 | 7.4 Summary of changes observed | 68 |
| 2.2 Value of individual grants | 13 | 8. Conclusions | 69 |
| 2.3 Comparing grants for capital and revenue projects | 15 | Acknowledgements | 73 |
| 2.4 Assessment outcomes and investment risk | 16 | Appendix 1: Methods | 74 |
| 2.5 Summary of key features of the Community Business Fund | 16 | Appendix 2: Unsuccessful applicants to the Community Business Fund | 77 |
| 3. Key characteristics of Community Business Fund grantees | 17 | Appendix 2: Bibliography | 80 |
| 3.1 Financial profile | 17 | | |
| 3.2 Legal structure | 18 | | |
| 3.3 Business age | 19 | | |
| 3.4 Employment | 20 | | |
| 3.5 Volunteers | 21 | | |
| 3.6 Customers and service users | 21 | | |
| 3.7 Members | 22 | | |
| 3.8 How 'local' are community businesses? | 25 | | |
| 3.9 Business sectors | 28 | | |
| 3.10 Summary of key features of the Community Business Fund grantees | 29 | | |
| 4. About community businesses in place | 30 | | |
| 4.1 Geography | 30 | | |
| 4.2 Demography | 34 | | |
| 4.3 Summary of key features of places where Community Business Fund grantees operate | 36 | | |
| 5. Typologies of community business | 38 | | |
| 5.1 Typology of business activity | 38 | | |
| 5.2 Typology of business trading history and development stage | 40 | | |
| 5.3 Summary of key features of two typologies of community business | 45 | | |

About this report

Power to Change commissioned Renaisi in October 2016 to evaluate the Community Business Fund. The Community Business Fund is aimed at community businesses who need funding for a business development project that will make them more sustainable, making grant awards of between £50,000 and £300,000. The main aims of the evaluation were to identify and describe the types of community businesses supported by Power to Change, their impact and how the model of community business drives that impact. Renaisi were also tasked with providing a comparison point for the Fund. The evaluation was developmental, designed to respond to the evolving needs and interests of both the Community Business Fund and Power to Change more generally, and to provide timely insight to inform the ongoing development of the Fund.

About the author



Renaisi is a social enterprise committed to understanding what it takes to improve a place. For twenty years it has worked with individuals, communities, charities, social enterprises and government to understand what supports, influences and drives change.

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Executive summary

The Community Business Fund is Power to Change's main grant funding programme, intended to support the growth and sustainability of established community businesses. The programme opened in April 2016.

This report summarises the interim findings from an independent evaluation of the Community Business Fund, delivered by Renaisi.

Key findings include:



Key characteristics of Community Business Fund grantees



- The Fund has supported organisations at very different stages in their development as trading businesses, with some having no income from trading and others generating 100 per cent of income from trading.
- The purpose of some grants is to increase the proportion of income from trade; for others, it is to increase overall income or the reliability of income streams.
- The cohort of Community Business Fund grantees is skewed towards smaller organisations, with most employing fewer than 10 people.
- Community businesses typically create more part-time than full-time employment opportunities.
- Most community businesses in the cohort engage fewer than 1,500 customers or services users and, as most operate over a relatively small geographical area, they will attract mostly local custom.
- More than a third of grantees (37 per cent) do not have any members, and most have fewer than 50. Community benefit societies typically have a higher number of members than businesses with non-shareholder members.
- Volunteers and members are more likely to be from the local community than other types of people engaged with community businesses.
- Full-time employees are more likely to be from the local community than part-time employees.
- Customers or service users are more 'local' than employees.
- 'Sector' is a poor descriptive label for community businesses because most deliver activities or services that span more than one type of activity; many are diversifying and expanding into new sectors.



Community businesses in places

- A significant majority of Community Business Fund grantees are based in urban areas, with nearly half based in an urban major conurbation.
- A high proportion of grantees operate in highly deprived areas.
- On average, Community Business Fund grantees operate in areas with higher than average rates of unemployment – some with unemployment rates that are significantly higher than the England average.
- Three local authorities – Tower Hamlets, Liverpool and Bristol – are home to nearly a quarter of Community Business Fund grantees. These areas have higher than average levels of deprivation, migration and unemployment, which are all factors associated with the emergence of community businesses.



Typologies of community businesses

- Community Business Fund grantees can be categorised into seven types according to their business activity: hubs, services, products and combinations of these.
- A significant number of grantees have a community hub. On average, hubs have received the highest value grant. Hubs, and businesses offering products and services with a hub, are similar although hubs without products and services generate a lower proportion of income from trading.
- Businesses offering just products or just services generate the lowest proportion of their income from trading.
- Community Business Fund grantees can also be categorised into five types according to their trading history and development stage: transitioning businesses, expanding businesses, transitioning businesses with a new venture, expanding businesses with a new venture, and new ventures.

Figure A: Typology of business activity type

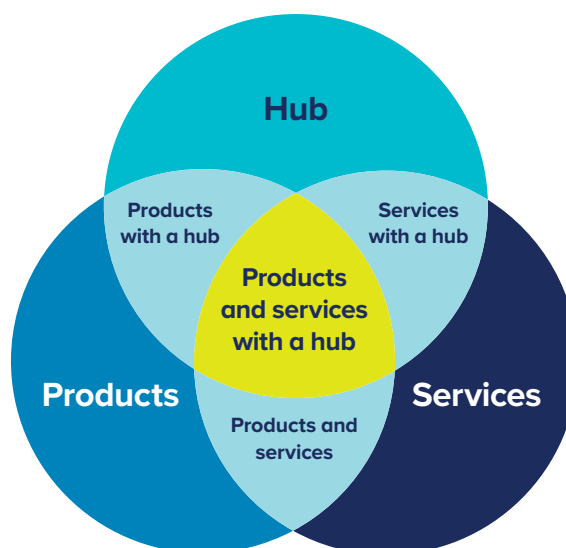
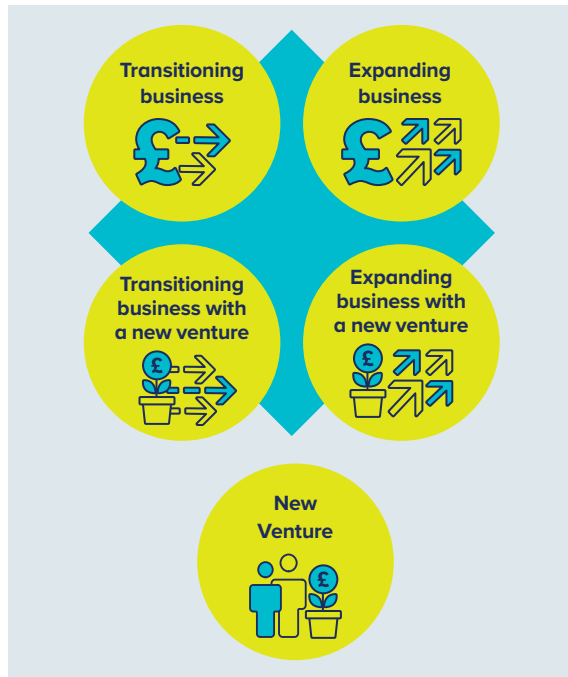


Figure B: Typology of business development stage and type



- A similar number of grantees are expanding businesses and transitioning businesses; a comparatively high number are new ventures.
- Expanding businesses have a substantially higher median income than any other type of organisation.
- A higher proportion of transitioning businesses are launching a new venture compared to expanding businesses.
- New ventures have, on average, received the highest value Community Business Fund grant.

Impact of community businesses

We observed six main types of impact deriving from the community business model:

01. Space for community



Businesses can create space for community, either to combat social isolation or to promote community cohesion.

02. Creating employment opportunities



Employment opportunities are more impactful when businesses employ people who would otherwise face unemployment, either because of the economic situation of the surrounding area or because they have support needs that mean they are unlikely to gain employment elsewhere.

03. Promoting wellbeing through volunteering



Volunteering opportunities are most impactful where these are designed for people who would otherwise be isolated from society, excluded from the employment market, and/or face challenges with their physical or mental health.

04. Improving places



Some, but not all, businesses play a role in improving the places in which they operate beyond simply offering services or activities, volunteering and employment opportunities.

05. Sense of ownership, pride and empowerment



Almost all community businesses we visited had fostered a sense of ownership, pride and/or empowerment amongst people involved in the business.

06. Impact of activities, projects or services



Not all impacts are comparable. The activities that community businesses deliver will have different types and levels of impact for different groups of people.

Grantee's development between date of application and date of monitoring form submission

Finances



On average, grantees' incomes, expenditure and the value of their assets have increased. On average, incomes have increased approximately three times more than expenditure.

Trading



Grantees have seen a small increase in the value of trade with the public sector. However, their overall proportion of income from trade has not substantially changed and the mean proportion has decreased by 5.1 per cent.

Employees



There has been little change in the overall number of people employed by grantees. While the median number of full-time staff has stayed the same, the median number of part-time staff has increased slightly, by an average of one role.

Volunteers



The total number of volunteers has not substantially changed, however there has been a small increase in the number of local volunteers, suggesting that the proportion of volunteers engaged from the local community has gone up.

Customers



There has been a very small increase in the median number of customers engaged by grantees, however there is a wide range in the size of changes reported.

Members



There has been little change in the number of members engaged.

Our findings on the type and impact of businesses funded by the Community Business Fund therefore provide some early evidence to support Power to Change's hypotheses about community business. These will be further tested through additional evaluation of the Community Business Fund, which is being conducted until 2022.

1. Introduction

1.1 Introduction to the Community Business Fund

The Community Business Fund is Power to Change's main grant funding programme, intended to support the growth and sustainability of established community businesses. The programme opened in April 2016 and is delivered in partnership with BE Group.

Key features of the Community Business Fund include:

- **Purpose:** grants are intended to support community businesses to grow and/or to improve the sustainability of the business model.
- **Match funding:** the Community Business Fund provides up to 75 per cent of the project costs, with businesses asked to source the remaining 25 per cent from match-funding (for example, being provided a peppercorn lease for a local authority-owned building).
- **Capital or revenue:** grants can be for capital or revenue expenditure, or a mixture of both.
- **Grant size and duration:** with some exceptions, grants are for a maximum of £300,000 over three years. To date, only one business has received more than one Community Business Fund grant for two separate development projects.¹

Business development support: successful Community Business Fund grantees are entitled to business development support via a peer community business as part of their total grant.

To be eligible, businesses must be based in England and meet Power to Change's four criteria for community business.² As a result of these criteria the majority of Community Business Fund grantees operate over a relatively small geographical area, and this is a key area of commonality across the cohort. However, the businesses operate across a wide range of sectors and vary in size from small initiatives with fewer than five members of staff, to multi-million-pound organisations. Note that some grantees were not trading at the point of applying to the Fund (Section 3) so, to be eligible, their funded project had to involve starting to trade for the first time.

¹ A fifth round of funding began in September 2018 and is not covered in this report. From this round forward, grant length has been reduced to two years, with an explicit condition added that organisations cannot receive more than one grant from this particular fund.

² <https://www.powertochange.org.uk/get-support/>

The Fund has also provided important early learning for the Trust on the impact of community business in place, which has influenced the development of Power to Change's new place-based fund, Empowering Places.³ The Community Business Fund continues to have an important role to play in the strategic development of Power to Change as it is refined and developed in response to learning from the experiences of grantees.

1.2 About this report

Since its inception, Power to Change has commissioned and published a rich range of research, drawing on learning from the Community Business Fund and other funding streams and activities. These include *The Community Business Market in 2017*,⁴ *Neighbourhood Economic Models*⁵ and *Community accountability in community businesses*.⁶ This report aims to build on the findings of this research, supplementing what is already known and drawing together insights from different sources.

An independent evaluation of the Community Business Fund was delivered by Renaisi, a social enterprise committed to understanding what it takes to improve a place. This report summarises the findings of the first phase of the evaluation of the Community Business Fund, covering the period from April 2016 to September 2018. In this period, 79 businesses have been funded across four funding rounds. A fifth round, which opened in September 2018, is not covered in this report. Inevitably some material is duplicated to facilitate the analysis, though we have avoided repetition wherever possible. We are indebted to the authors of this research and members of the Power to Change Research Institute for their contributions to the ideas and insights in this report.

1.3 Evaluation aims

Renaisi were commissioned in October 2016 to lead the evaluation of the Community Business Fund. The purpose of the evaluation was to:

- identify and describe types of community businesses, and their key features
- understand the impact of community businesses, and how the model of community business drives that impact
- provide a comparison point for the Fund – this did not have to be a control group, but some comparative element through a matched design, comparison with national datasets or modelling of a counterfactual.

The work on comparison was undertaken by our partners at Social Enterprise UK and can be found in a separate report.⁷

³ <https://www.powertochange.org.uk/get-support/programmes/empowering-places/>

⁴ <https://www.powertochange.org.uk/research/the-community-business-market-in-2017/>

⁵ <https://www.powertochange.org.uk/research/neighbourhood-economic-models/>

⁶ <https://www.powertochange.org.uk/research/community-accountability-in-community-businesses-research-summary/>

⁷ *Comparing Community Businesses and Social Enterprise data from the State of Social Enterprise*, Social Enterprise UK, 2018.

The evaluation was developmental, designed to respond to the evolving needs and interests of both the Community Business Fund and Power to Change more generally, and to provide timely insight to inform the ongoing development of the Fund. While the main focus of the evaluation has remained the points above, in response to developing needs and interests our work has also evolved to include:

- using data analysis to inform the ongoing management of the Fund, for example identifying which types of grantees are more likely to experience delays to their project
- responding to developing areas of interest for Power to Change as a funder, for example the significance of place to understanding community businesses
- advising on data management, for example the design and content of annual monitoring forms to capture longitudinal grantee business data
- understanding the short- and medium-term impact of the Community Business Fund grants on community businesses.

More details on the methods used can be found in the Appendix.

1.4 Limitations

The Fund is currently projected to offer seven rounds of funding, to Spring 2020, with the potential for further future rounds. This report is therefore published at an interim stage in our understanding of the Fund overall.

A minority of the total number of organisations expected to be funded are included in this report. Only three rounds of grantees have completed at least one year of their grant period and, as some grantee projects have been delayed, we are currently limited in our understanding of the longitudinal development of businesses (and impact of the Fund) over time.

At times, the analysis is also limited by the quality of data available, due in part to errors when grantees completed forms. Where this is the case, we highlight limitations to specific analyses throughout the report.

1.5 Hypotheses about community business

In January 2018, Power to Change published a set of hypotheses that underlie its understanding of the role of community businesses, and its approach to supporting the community business sector.⁸

⁸ <https://www.powertochange.org.uk/wp-content/uploads/2018/01/Hypotheses-final-.pdf>

Figure 1: Community business- and place-level hypotheses

Strategic objective: Transforming places

| Core assumption: Community businesses transform places by reducing contextual inequality, through corrections to market and government failures. | | | |
|---|-----------------------|--|--|
| Community business-level hypotheses | Knowledge | Community businesses deliver the products and services best suited to their area because they are locally rooted and closely connected to the communities they serve. | For example, a community-led health clinic that offers more than 10-minute appointments with a GP and is open at hours that suit local people. |
| | Employment | Community businesses increase net employment by hiring people who would otherwise struggle to access the labour market, in jobs that allow them to develop the skills they need to progress. | For example, a community bakery that recruits NEET young people through apprenticeships schemes, supports them to gain recognised qualifications and connects them to entry-level jobs. |
| | Agency | Community businesses increase involvement in the local decision-making and levels of social capital because meaningful membership develops skills, voice and access to information | For example, a community sports centre that nominates local young people to become trustees and create opportunities to gain experience of participatory decision making with the local community. |
| | Sustainability | Community businesses are less likely to close because local people have a strong sense of ownership and a stake in their success. | For example, a community centre that can weather fluctuations in commissioning through a stable customer base and a strong network of local support. |
| Place-level hypotheses | Collaboration | Community businesses that collaborate with others in the local areas are more successful because they can drive down costs through collective bargaining, mutual support and the ability to negotiate up and down their supply chains. | For example, a community business that works with others nearby to negotiate the transfer of multiple assets from the local authority. |
| | Resilience | Community businesses that share a common vision with others in the local area are less reliant on local and central government support because assets and surpluses can be used to cross-subsidise otherwise non-viable activities. | For example, a community energy business that generates a consistent surplus and commits a proportion of this to a community benefit fund which in turn supports a community library. |

Figure 2: Sector-level hypotheses

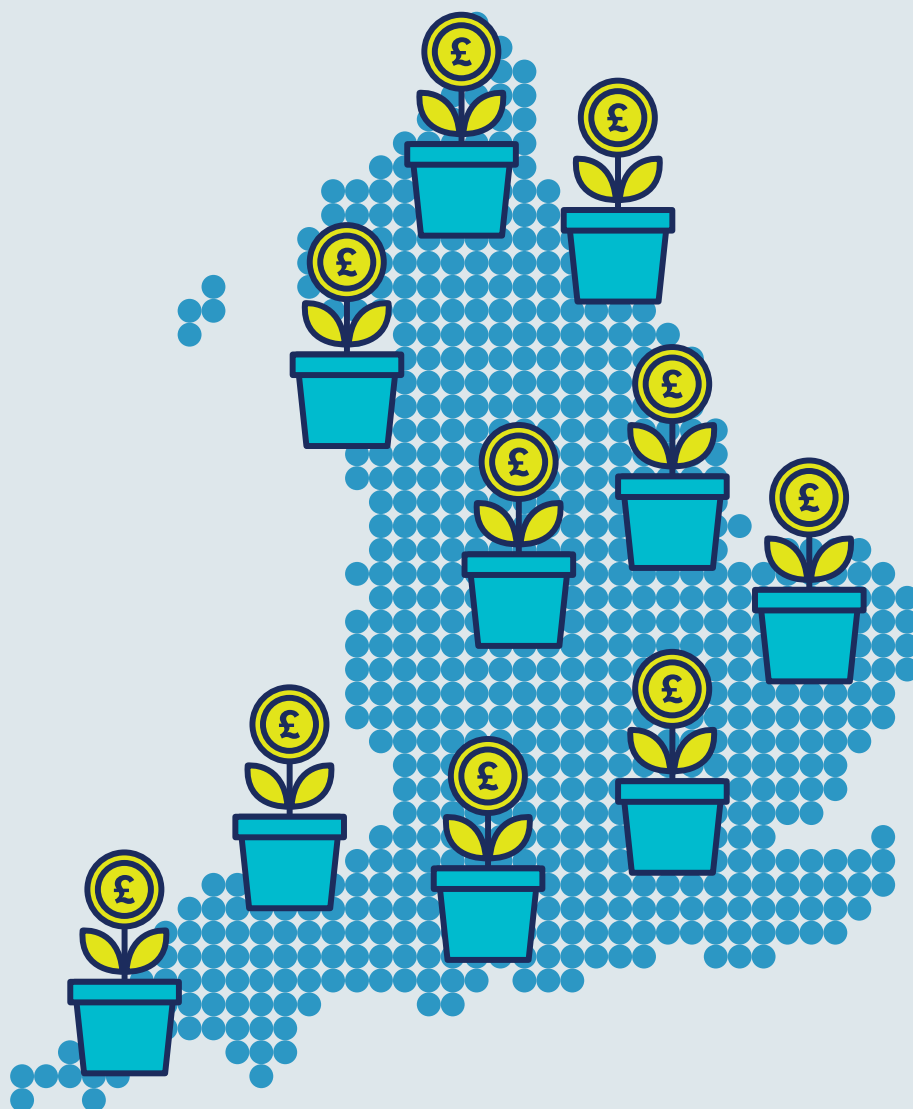
Strategic objective: Growing the sector

| Core assumption: Power to Change grows the sector by stimulating the creation of new community businesses and supporting sustainability of existing operators. | | | |
|---|------------------------|--|--|
| Sector-level hypotheses | Infrastructure | Second-tier support stimulates community business growth because it increases capacity, promotes higher standards and provides a voice to influence others. | For example, through quality assurance, networking opportunities and access to low cost, high quality technical and strategic development support. |
| | Assets | The transfer of local assets stimulates community business growth because they increase financial resilience, provide a physical base for operations and generate goodwill. | For example, through loyal customers, available voluntary support and strong local networks. |
| | Public services | The opportunity to deliver local public services stimulates community business growth because they can do so at lower cost and with greater levels of community engagement than traditional public and private sector providers. | For example, a community run swimming pool is able to generate surpluses through leveraging community goodwill and taking a more entrepreneurial approach. |

The findings in this report contribute to our understanding of the hypotheses at community business-level. Further work, including learning from other Power to Change funds, will be required to assess these hypotheses more comprehensively. We highlight where findings are relevant to each hypothesis throughout the report, and a summary table of what we have learnt about each hypothesis to date can be found in the conclusion.

Part A:

Understanding what and where is funded



2. About the Community Business Fund

This section describes the main features of the Community Business Fund, and what has been funded to date.

2.1 Purpose of the Fund

The following table summarises the five main uses of the Community Business Fund grant. Some grants will be used for more than one purpose.

Table 1: Five main uses of Community Business Fund grants

| Type of expenditure | Examples |
|---------------------------|--|
| Building purchase | Purchase of a building or land for the business to operate from and generate income |
| Capital build | A new build to improve the facilities offered by the community business and/or to expand the available space |
| Refurbishment | Refurbishment of a building or land that is already owned by the community business |
| Equipment purchase | Purchase of equipment to diversify and/or improve the facilities or services offered by a business |
| Working capital | Revenue funding, usually to invest in new post(s) to facilitate growth or diversification of income streams |

Our analysis found that two-thirds of grantees (68 per cent) in rounds one to four used their grant to purchase or renovate a building. Community businesses were motivated to purchase or renovate a building for two main reasons:

- 1 To increase the financial sustainability of the business**, by using the physical asset to develop diversified income streams and/or as security to leverage future finance.
- 2 To save the building from dilapidation or private ownership** because of a belief that it has value to local people and should be in community hands.

Two key questions follow:

-
- 1 Does ownership of a physical asset make community businesses more financially sustainable?** Changes to business income are explored in Section 7, and the evidence presented addresses Power to Change's Assets and Sustainability hypotheses. However, it is still too early to say for certain whether grantees that own a physical asset are more sustainable than those without.
 - 2 Does community business ownership of a physical asset lead to genuine ownership and engagement by local people?** This links to Power to Change's hypotheses around Assets and Agency and we explore this question in section 6.
-

2.2 Value of individual grants

The value of grants awarded has varied substantially. The majority are between £75,000 and £300,000, skewed towards higher-value grants of between £275,000 and £300,000. This suggests that some grantees are influenced to apply for close to the normal maximum grant amount. A small number of grants are anomalies outside of this range, with the smallest worth £16,000 and the largest worth £475,000.

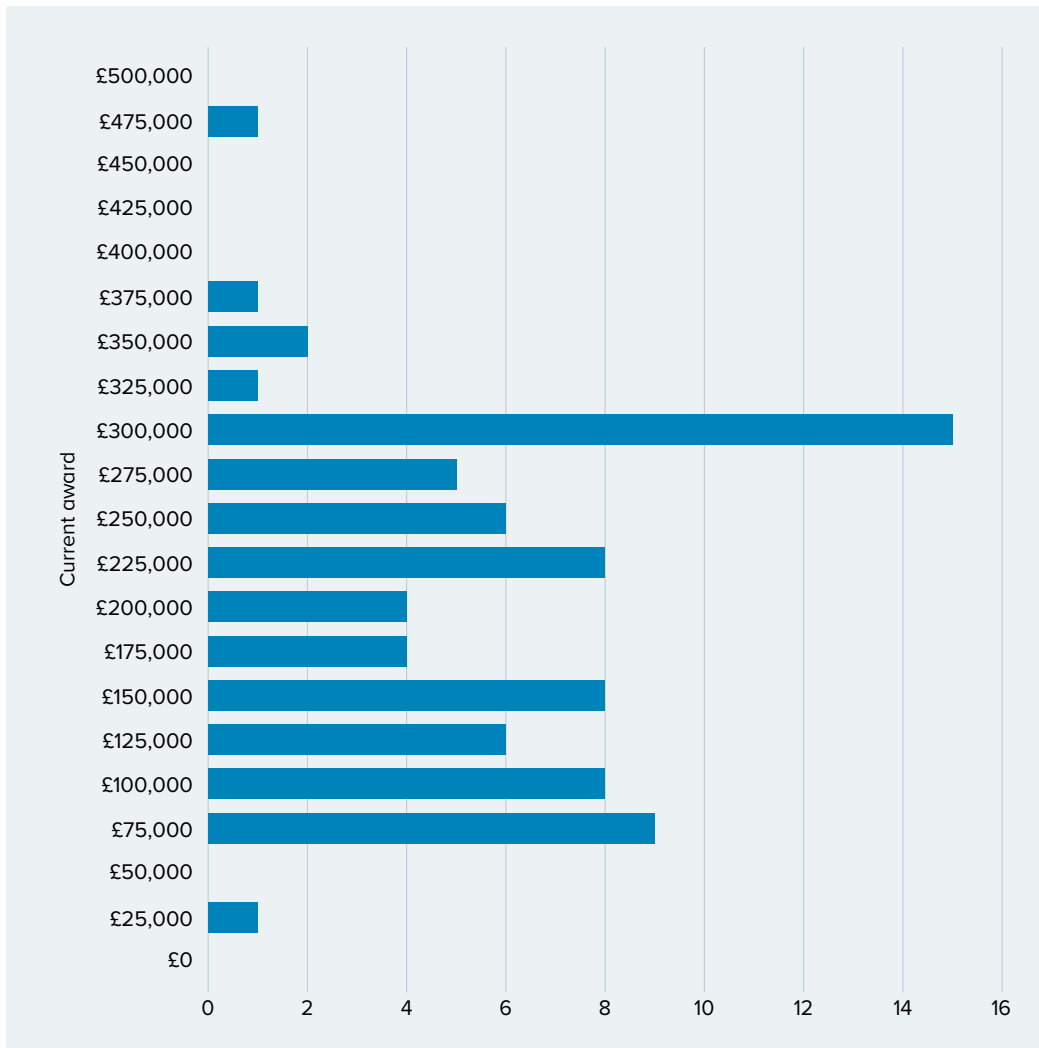
This range in the type and scale of funded activities means that **comparisons between funded projects, and the impact of the Fund on different businesses, should be made with caution. The Fund has not achieved, and was not intended to achieve, the same type or scale of impact for all grantees.**

The range in grant values is mainly explained by the differing value of grants for capital costs of building acquisition or maintenance, compared to smaller grants typically for revenue or smaller project costs.

In addition, the size of Power to Change's investment compared to the turnover of community businesses at the point of applying has varied substantially, and there is no significant relationship between the size of grants awarded and organisational turnover. In some cases, the value of the grant was higher than businesses' total turnover in the year before receiving the grant.⁹

⁹ The reasons for this vary, but in most cases it is due to the community business being at an early stage of development and/or because it was looking to purchase a high-value asset.

Chart 1: Histogram showing the distribution of grant values at the time of reporting (n=79)



2.3 Comparing grants for capital and revenue projects

The majority of the total value of funds awarded under the Community Business Fund were for capital spend, with just over one-fifth of the Fund spent on revenue costs. This factor is significant from a programme management perspective, as organisations delivering capital projects tended to have different support needs (see Section 9.4).

Table 2: Total value and relative proportion of funding for capital and revenue spend (n=79)

| | Capital funds | Revenue funds |
|--|---------------|---------------|
| Total value (£) | 11,601,364 | 3,332,958 |
| Percentage of total current award | 76.50 | 21.98 |

On average, the higher the proportion of a grant allocated for capital spend, the higher the overall value of the grant. Only 20 grantees received a grant that was predominantly or exclusively for revenue expenditure.

Table 3: Average grant values by proportion of grant spent on capital and revenue costs (n=79)

| Revenue/capital group | N | Mean current award (£) | Median current award (£) |
|--|-----------|------------------------|--------------------------|
| Revenue only | 5 | 106,558 | 87,050 |
| Revenue is at least 75% of grant value | 7 | 133,764 | 119,073 |
| Revenue is 50–75% of grant value | 8 | 118,324 | 117,777 |
| Capital is 50–75% of current award | 13 | 144,906 | 133,200 |
| Capital at least 75% of current award | 29 | 221,278 | 240,700 |
| Capital only | 17 | 261,721 | 299,650 |
| Total | 79 | 191,972 | 185,938 |

2.4 Assessment outcomes and investment risk

On average, successful grantees had a higher income, expenditure and FTE than organisations rejected at any other stage of the application process. There was little difference in the age and size of organisations rejected at stage two and those rejected at panel. The six organisations awarded a business development support grant were typically much smaller, but also older, than organisations which were awarded a full Community Business Fund grant.

Table 4: Median income, expenditure, age and FTE of organisations by assessment outcome (n=992)

| Medians | N | Income (£) | Expenditure (£) | Age | FTE |
|---------------------|-----|------------|-----------------|------|-----|
| Unsuccessful | 742 | 118,245 | 114,130 | 9.0 | 3.5 |
| Rejected at stage 2 | 138 | 209,687 | 182,699 | 12.0 | 5.1 |
| Rejected at panel | 27 | 234,122 | 155,074 | 11.0 | 5.3 |
| BDS grant only | 6 | 95,120 | 95,409 | 18.5 | 3.0 |
| Successful | 79 | 276,292 | 262,762 | 13.0 | 5.8 |

It is important to note that, whilst organisations awarded a grant are on average larger and older than unsuccessful applicants, there is nonetheless a large range in the size, age, turnover and other important characteristics of this cohort.

2.5 Summary of key features of the Community Business Fund

- The Community Business Fund grants have been used for a range of purposes.
- The value of grants awarded has varied substantially.
- The Fund has therefore not achieved, and was not intended to achieve, the same type or scale of impact for all grantees.
- The size of the investment compared to the turnover of businesses at the point of applying has varied substantially.
- The majority of the total value of funds awarded under the Community Business Fund were for capital spend, and the higher the proportion of a grant allocated for capital spend, the higher the overall value of the grant.
- On average, successful grantees had a higher income, expenditure and FTE than organisations rejected at any other stage of the application process.

3. Key characteristics of Community Business Fund grantees

This section uses descriptive statistics to identify the types of businesses that have received grants from the Community Business Fund. This chapter represents all funded grantees and its findings are based on the results from the application survey completed by grantees before receipt of their grant.

Twelve months after first receiving their grant, grantees are asked to complete a monitoring form which asks for many of the same data points, in order to track changes to the business over time. Initial findings from this dataset are presented in Section 7. While many of the analyses are similar, **the findings in this section represent the whole cohort. The findings in Section 7 represent a smaller minority of the total cohort of grantees and are likely to change over time**, as we would only expect some changes to the business to become apparent several years after the grant has been spent. To avoid confusion, we have therefore presented the application data and monitoring form data separately.

See the Appendix for an important note on the data quality of analyses in this section.

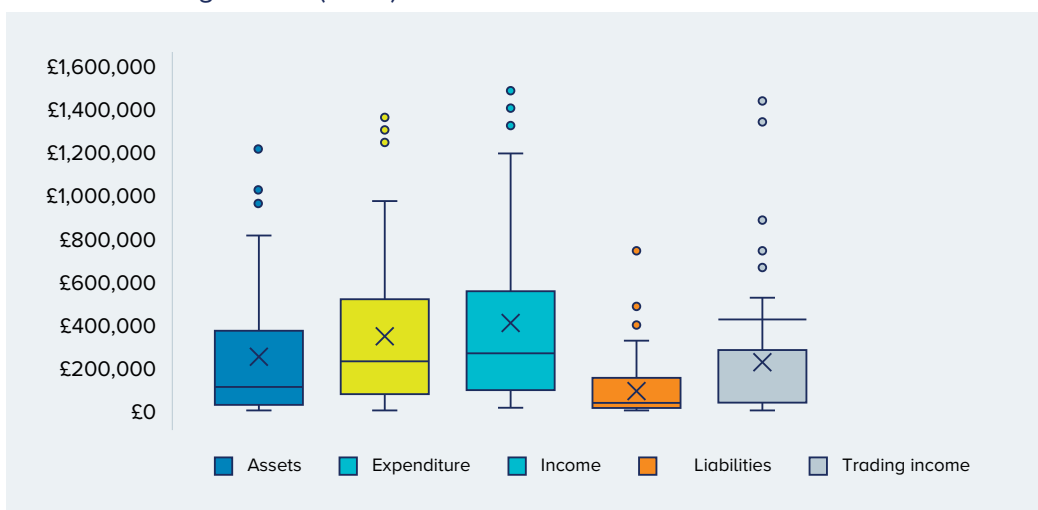
3.1 Financial profile

The Community Business Fund has supported organisations at very different stages in their development as trading businesses, with some having no income from trading at the point of being awarded a grant, and others generating 100 per cent of their income from trading.

Table 5: Financial profile of Community Business Fund grantees (n=79)

| | Assets (£) | Expenditure (£) | Income (£) | Liabilities (£) | income from trading (%) |
|---------------|------------|-----------------|------------|-----------------|-------------------------|
| Median | 138,510 | 262,762 | 276,292 | 35,748 | 44.8 |
| Mean | 773,637 | 614,424 | 565,186 | 326,607 | 49.0 |
| Max | 8,178,882 | 7,779,993 | 7,268,055 | 6,051,491 | 100 |
| Min | 0 | 7,930 | 10,000 | 0 | 0 |

Chart 2: Box and whiskers plot showing key financial information for Community Business Fund grantees (N=79)¹⁰



Some grantees aim to begin trading for the first time, while others are already exclusively or almost exclusively funded by their own trading activities. This is an important factor in understanding the impact of the Community Business Fund grant for different grantees: for some it is intended to increase the proportion of their income from trade; for others, it is to increase their overall income, or the reliability of income.

3.2 Legal structure

More than half of the organisations funded by the Community Business Fund are charities (CLG or CIO). Some have already set up trading activities and thus become more ‘business-like’ in the way they operate, while others are looking to use the Community Business Fund grant to set up new traded income streams to replace diminishing income from other sources.

¹⁰ Note that three businesses reporting parent company accounts, and outliers above £1.5 million, are not shown. In the box and whiskers plot (Chart 2), the middle line represents the median and the ‘X’ represents the mean.

Table 6: Frequency of different legal structures amongst funded businesses (n=79)

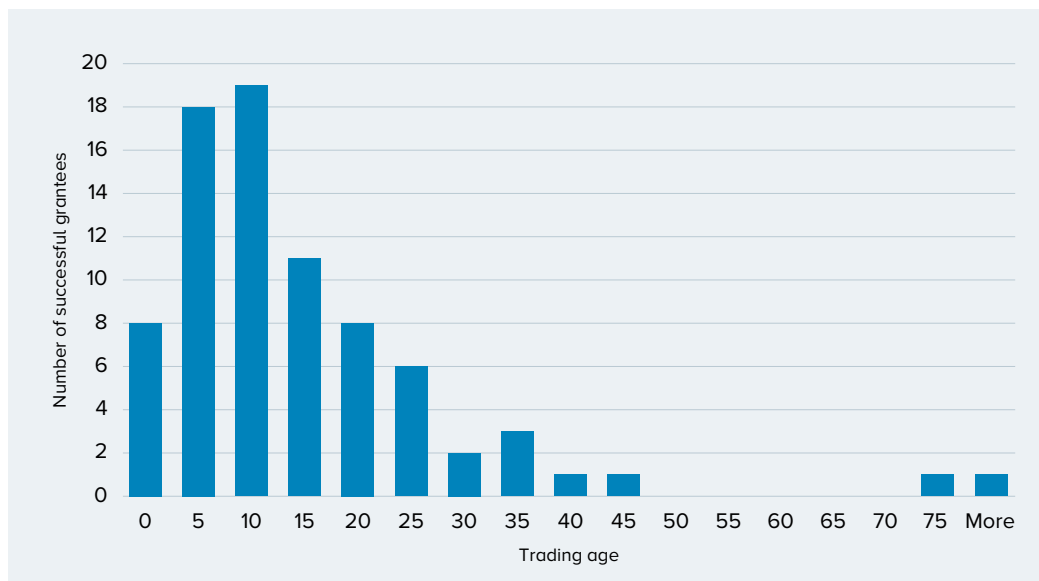
| Legal Structure | Number of successful grantees |
|---|-------------------------------|
| Company limited by guarantee (charity) | 32 |
| Community benefit society | 17 |
| Community interest company limited by guarantee | 14 |
| Charitable incorporated organisation | 9 |
| Company Limited by Guarantee (non-charity) | 5 |
| Co-operative society | 1 |
| Community interest company limited by shares | 1 |
| Grand Total | 79 |

3.3 Business age

The majority of Community Business Fund grantees are less than 25 years old, with a mean age of 18.9 years and a median age of 13 years.

Similarly, most businesses have been trading for 25 years or less with a small minority trading for significantly longer periods. Eight organisations did not have any trading history at the point of applying to the Fund. More than half have been trading for 10 years or less.

Chart 3: Histogram showing the distribution of the trading age of grantees (n=79)



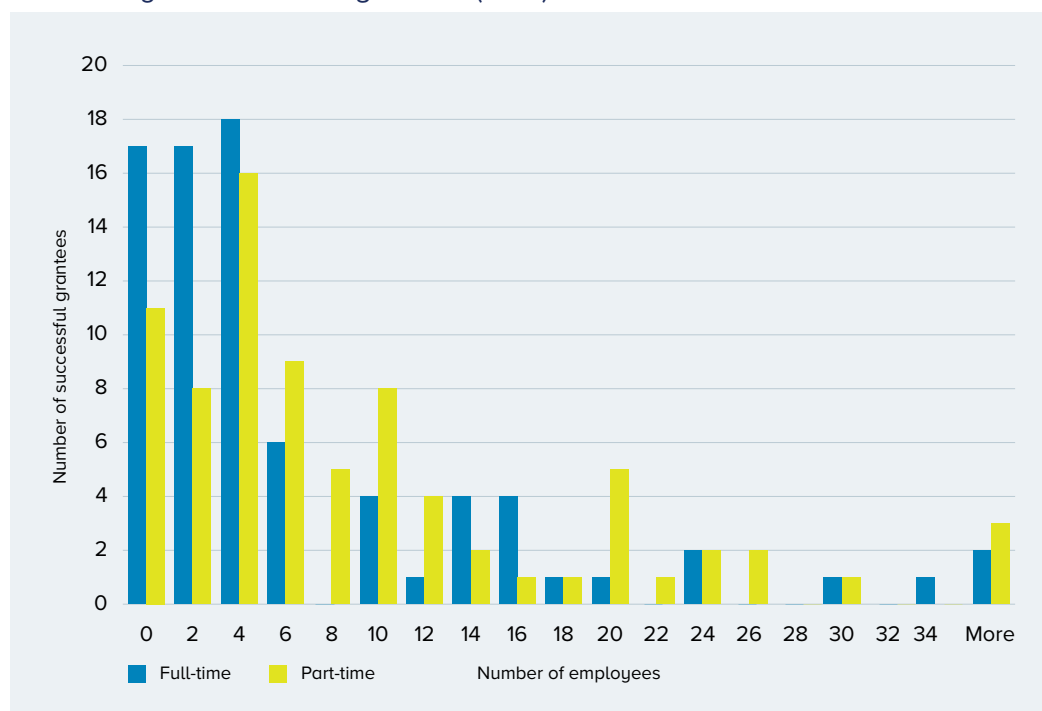
This age is calculated from information provided at the point of application, and hence this chart shows the age at application rather than the current business age.

There is no relationship between businesses' trading age and the proportion of income they derive from trading activities. Businesses that have been trading for a longer time period are no more likely to generate a higher proportion of their income from trading.

3.4 Employment

The cohort of Community Business Fund grantees is skewed towards smaller organisations, with most employing fewer than 10 people.

Chart 4: Histogram showing distribution of the number of people employed by Community Business Fund grantees (n=79)

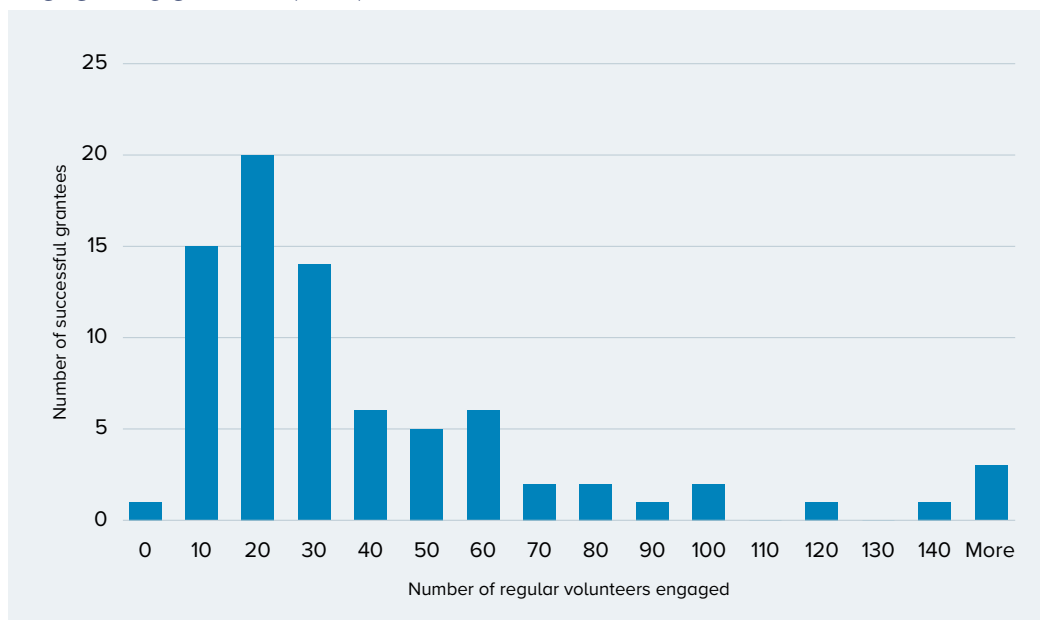


Community businesses typically create more part-time than full-time employment opportunities, employing a mean of 9.2 and median of 5 part-time staff, compared to a mean of 6.9 and median of 4 full-time.

3.5 Volunteers

There is a wide range of engagement with volunteers amongst the cohort, with one community business that has no regular volunteers, while others regularly engage 100 or more. ‘Regular’ volunteers are those engaging on a frequent basis, for example weekly or fortnightly.

Chart 5: Histogram showing the distribution of the number of regular volunteers engaged by grantees (n=79)

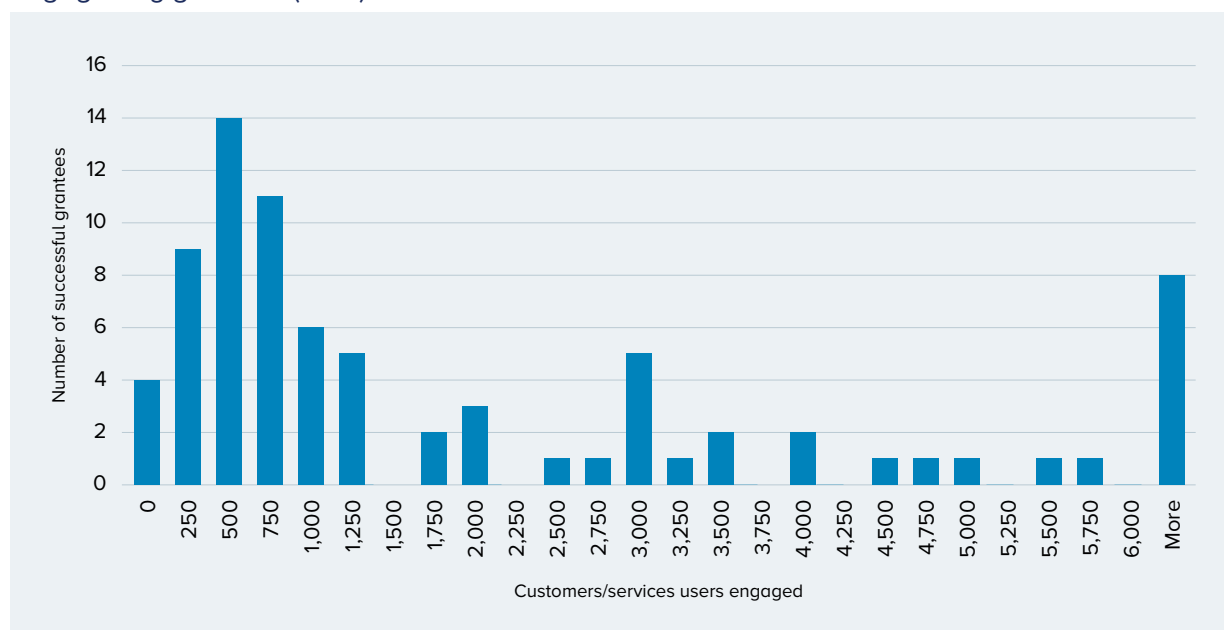


The contribution that volunteers make to the business varies. In some cases, volunteers are a crucial part of the business model and undertake vital activities that the business would otherwise be unable to deliver. In other cases, businesses create volunteering opportunities primarily for the wellbeing of volunteers themselves.

3.6 Customers and service users

Most community businesses in the cohort engage fewer than 1,500 customers or services users and, as most operate over a relatively small geographical area, they will attract mostly local custom. However, some have significantly larger customer bases and are likely to attract people from a wider area: the largest customer base reported by a grantee was 250,000. In most cases the data reported by grantees are likely to be estimates and should therefore be interpreted with caution.

Chart 6: Histogram showing the distribution of customers or service users engaged by grantees (n=79)



A small number of community businesses had no customers or service users at the point of applying to the Fund. In most cases, this is because they are launching new ventures and therefore yet to build up a customer base. See Section 5 for more on the different development stages of businesses applying to the Fund.

3.7 Members

More than a third of grantees (37 per cent) do not have any members and use other methods to remain accountable to their local community. These include surveys and consultations with the local community, attendance at local community events and awaydays with volunteers and employees.

Most businesses have fewer than 50 members or none. While this number may appear low (particularly in terms of driving place-based change), ‘membership’ means different things for different businesses. In the case of community benefit societies, ‘members’ are shareholders who own a part of the business. Other organisations may offer a voluntary membership scheme, which may have a cost, and usually accords rights to participate in the Annual General Meeting.

Chart 7: Histogram showing the distribution of members who are not trustees, directors or shareholders of grantees (n=79)



3.7.1 Member shareholders

Of the 17 community benefit societies, 11 have provided data on the number of member shareholders they have. The other six may have skipped the question or may have been at an early stage when they applied to the Fund and did not have any members at that point. One non-community benefit society stated that it had member shareholders, presumably because they misunderstood the question.

Chart 8: Histogram showing the distribution of the number of community benefit societies' member shareholders (n=17)



Of the 11 community benefit societies that do have member shareholders, the median number of members is 296. **On average, community benefit societies therefore have a higher median number of members (296) than businesses with non-shareholder members (250)**, suggesting that community benefit societies typically engage a slightly higher number of people as members.

Table 7: Members, by business type (n=66¹¹)

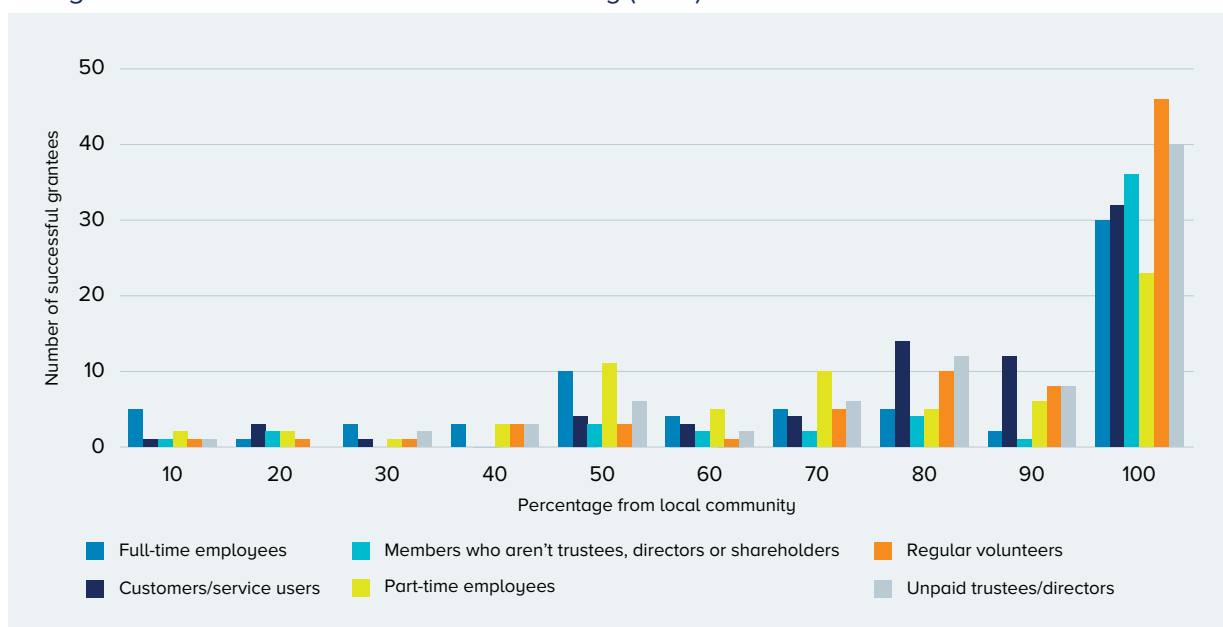
| | Community benefit societies with member shareholders | Community businesses with members who aren't trustees, directors or shareholders |
|-----------------------|--|--|
| N | 11 | 45 |
| Max members | 8,000 | 12,438 |
| Min members | 109 | 1 |
| Median members | 296 | 250 |
| Mean members | 1,003 | 947 |

¹¹ Total sample of successful grantees is 79. However, 6 community business societies do not have member shareholders and 17 other community business types do not have members who aren't trustees, directors or shareholders.

3.8 How 'local' are community businesses?

A high proportion of the people engaged by community businesses are from their local community, and this is one of the strongest common factors across the Community Business Fund cohort. While grantees vary substantially in income, sector and trading experience, they tend to be local in their reach and the people they engage. However, businesses are invited to use the definition of 'local community' that made sense in their context, so not all businesses will refer to the same size of community as being 'local'.

Chart 9: Histogram showing the distribution of the percentage of people engaging with grantees who are from the local community (n=79)



The proportion of people engaged by businesses who are from the local community is heavily skewed towards 90 per cent or more, although a small minority of businesses engage a low proportion of people from the local community.

Table 8: The percentage of people engaged by grantees who are from the local community (n=79)

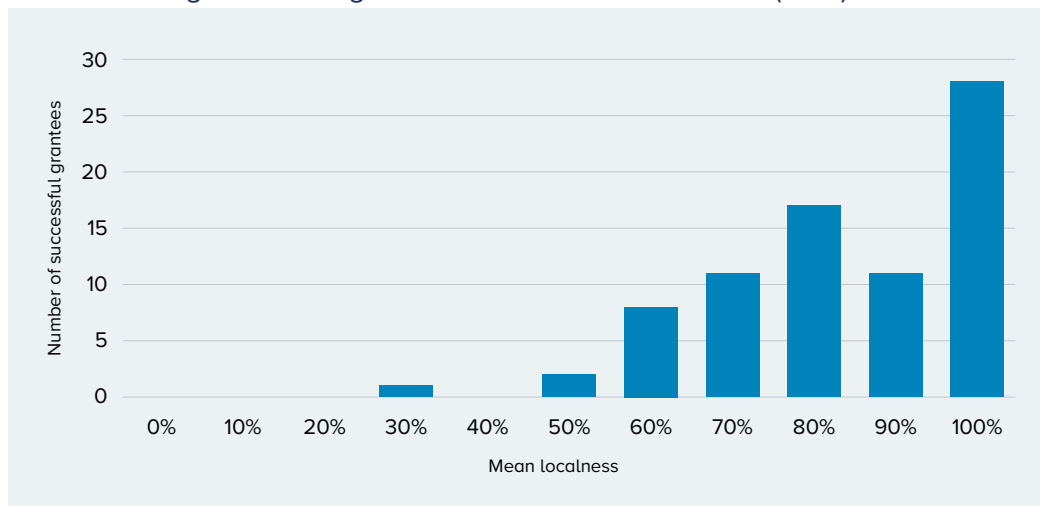
| People engaged from the local community | Median | Mean |
|--|--------|------|
| Full-time employees | 81 | 72 |
| Part-time employees | 72 | 73 |
| Regular volunteers | 96 | 84 |
| Customers or service users | 85 | 80 |
| Members who aren't trustees, directors or shareholders | 100 | 85 |
| Unpaid trustees/directors | 90 | 81 |

On average:

- volunteers and members are more likely to be from the local community than other types of people engaged with community businesses
- grantees are more likely to employ part-time employees, but when they do employ people from the local community, they are more likely to offer them full-time roles
- customers or service users are more likely to be local than employees.

By averaging the percentage of these six types of people who are from the local community, we can create an average measure of the 'localness' of community businesses. The histogram below shows the distribution of 'localness' across the Community Business Fund cohort.

Chart 11: Histogram showing distribution of mean 'localness' (n=79)



Data calculated by averaging the proportion of six types of people engaged with the business who are from the local community: full-time employees, part-time employees, regular volunteers, customers or service users, members who aren't trustees, directors or shareholders, and unpaid trustees or directors

Just under half of the cohort (48 per cent) on average engage 90 per cent or more of these six types of people from the local community, and 28 grantees engaged everybody (100 per cent) from their local community. However, three businesses have, on average, fewer than half of the people they engage from the local community. The mean 'localness' across the cohort was 79.3 per cent.

3.9 Business sectors

Analysis of the business activities of Community Business Fund grantees strongly suggests that ‘sector’ is a poor descriptive label for community businesses. Most community businesses deliver activities or services that span more than one type of activity; many are diversifying and have applied to the Community Business Fund to develop a new income stream by expanding into a new sector. A key area of commonality between Community Business Fund grantees is that their activities are typically not restricted to a single business sector. For example, a grantee may have a community facility that also has a café and offers sports activities.

Table 9: The main types of activity, or sectors, in which businesses operate (n=79)

| Main type of activity | Frequency |
|---|-----------|
| Community hub, facility or space | 30 |
| Community pub, shop or café | 14 |
| Employment, training, business support or education | 10 |
| Food catering or production (including farming) | 6 |
| Sports and leisure | 5 |
| Health, care or wellbeing | 5 |
| Other | 3 |
| Arts centre or facility | 2 |
| Transport | 2 |
| Environmental or nature conservation | 1 |
| Housing | 1 |
| Grand Total | 79 |

The typologies developed in Section 5 provide a more detailed description of the businesses funded by the Community Business Fund.

3.10 Summary of key features of the Community Business Fund grantees

- The Community Business Fund grants have been used for a range of purposes.
- The Fund has supported organisations at very different stages in their development as trading businesses, with some having no income from trading, and others generating 100 per cent of income from trading.
- The purpose of some grants is to increase the proportion of income from trade; for others, it is to increase overall income or the reliability of income streams.
- More than half of the organisations funded by the Community Business Fund are charities (CLG or CIO), and many that previously relied on grants are looking to create new income streams to replace lost income.
- Community businesses typically create more part-time than full-time employment opportunities.
- Most community businesses in the cohort engage fewer than 1,500 customers or services users and, as most operate over a relatively small geographical area, they will attract mostly local custom.
- More than a third of grantees (37 per cent) do not have any members, and most have fewer than 50. Community benefit societies typically have a higher number of members than businesses with non-shareholder members.
- Volunteers and members are more likely to be from the local community than other types of people engaged with community businesses.
- Full-time employees are more likely to be from the local community than part-time employees.
- Customers or service users are more ‘local’ than employees.
- ‘Sector’ is a poor descriptive label for community businesses because most deliver activities or services that span more than one type of activity; many are diversifying and expanding into new sectors.

4. About community businesses in place

This section uses data from public datasets to describe the types of places where Community Business Fund grantees operate. (See the Appendix for more detail on how we have identified the places in which businesses operate.)

4.1 Geography

4.1.1 Geographical distribution of grantees

The Community Business Fund has funded businesses in every region of England, with a particularly high density in and around London.

Map 1: The geographical distribution of Community Business Fund grantees



4.1.2 Regions of England

Although the modal number of community businesses are based in London, comparatively few are from other areas of eastern England including the South East, East of England and East Midlands.

Table 10: Number of Community Business Fund grantees in each region of England (n=79)

| Region | Frequency |
|--------------------------|-----------|
| London | 16 |
| South West | 15 |
| North West | 13 |
| Yorkshire and The Humber | 11 |
| North East | 8 |
| West Midlands | 6 |
| East Midlands | 4 |
| East of England | 4 |
| South East | 2 |
| Grand Total | 79 |

Applicants from London were disproportionately likely to be successful in their application, while applicants from the South East were disproportionately unlikely to be successful. Applicants based in London represent over 20 per cent of grantees compared to 13.6 per cent of applicants – four times fewer members of the final cohort (2.5 per cent) are based in the South East, compared to the proportion of total applicants based in this region (10.8 per cent).

Businesses from other regions were not substantially more or less likely to be successful in their application.

Table 11: Community Business Fund applicant assessment outcomes by region, and proportion of applicants at each stage from each region (n= 929)

| Region | Total | | Unsuccessful at stage 2 | | Unsuccessful at panel | | Successful | |
|--------------------------|------------|------------|-------------------------|------------|-----------------------|------------|------------|------------|
| | N | % | N | % | N | % | N | % |
| London | 126 | 13.6 | 24 | 17.5 | 2 | 7.4 | 16 | 20.3 |
| South West | 135 | 14.5 | 28 | 20.4 | 8 | 29.6 | 15 | 19.0 |
| North West | 160 | 17.2 | 23 | 16.8 | 3 | 11.1 | 13 | 16.5 |
| Yorkshire and The Humber | 96 | 10.3 | 19 | 13.9 | 3 | 11.1 | 11 | 13.9 |
| North East | 71 | 7.6 | 10 | 7.3 | 1 | 3.7 | 8 | 10.1 |
| West Midlands | 114 | 12.3 | 11 | 8.0 | 2 | 7.4 | 6 | 7.6 |
| East Midlands | 70 | 7.5 | 8 | 5.8 | 3 | 11.1 | 4 | 5.1 |
| East of England | 57 | 6.1 | 7 | 5.1 | 1 | 3.7 | 4 | 5.1 |
| South East | 100 | 10.8 | 7 | 5.1 | 4 | 14.8 | 2 | 2.5 |
| Total | 929 | 100 | 137 | 100 | 27 | 100 | 79 | 100 |

4.1.3 Local authority clusters

A small number of local authorities are home to more than one Community Business Fund grantee, which in part explains the regional distribution of grantees seen in Table 11.

Table 12: Local authority clusters of funded businesses (n=35)

| Local Authority | Frequency |
|---------------------|-----------|
| Tower Hamlets | 6 |
| Liverpool | 6 |
| City of Bristol | 6 |
| Bradford | 4 |
| Sheffield | 3 |
| Manchester | 2 |
| Wolverhampton | 2 |
| Cornwall | 2 |
| Newcastle upon Tyne | 2 |
| Sunderland | 2 |

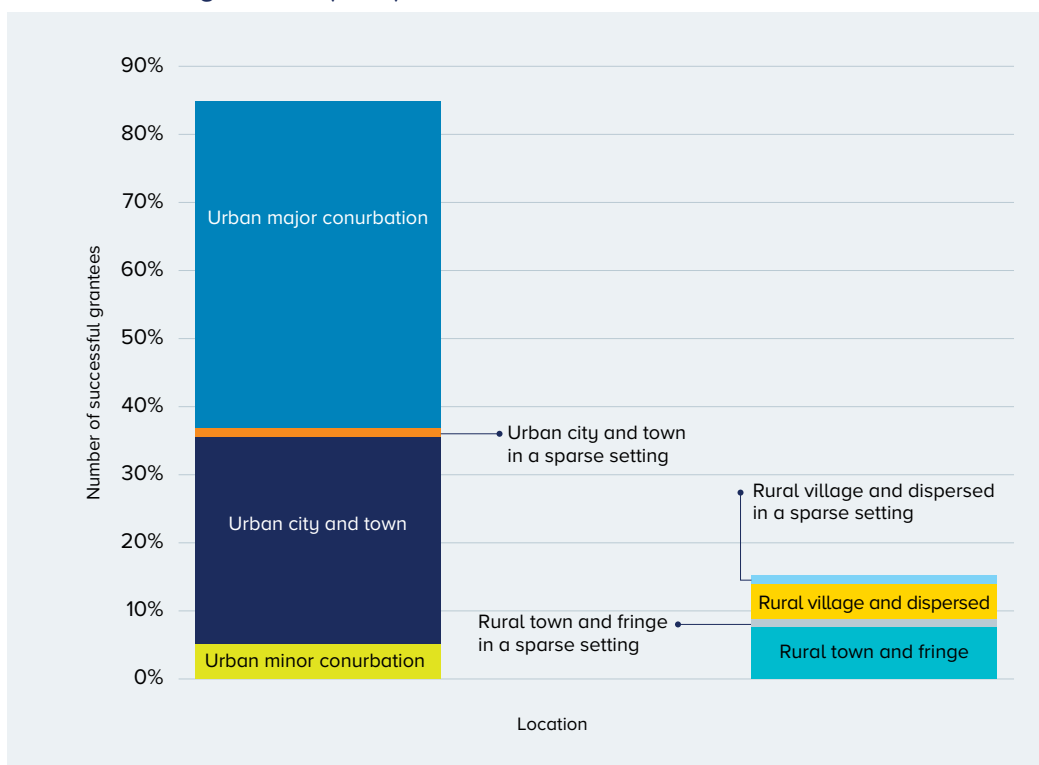
Note that the table only includes frequencies of two or greater

Three local authorities – Tower Hamlets, Liverpool, and Bristol – are home to nearly a quarter of Community Business Fund grantees (18 out of 79, or 23 per cent). These areas have higher than average levels of deprivation, migration and unemployment, which are all factors associated with the emergence of community businesses.¹² Liverpool and Bristol have also been identified by Power to Change as two of their ‘priority places’ and have made a concerted effort to direct effort and resources to these areas where possible.

4.1.4 Urban vs rural areas

A significant majority of Community Business Fund grantees are based in urban areas (84.8 per cent), with nearly half based in an urban major conurbation. Twelve grantees (15.2 per cent of the cohort), are based in rural areas; the majority in a rural town.

Chart 12: Stacked bar chart showing the rural/urban classifications of Community Business Fund grantees¹³(n=79)



This trend is the reverse of Power to Change’s More Than a Pub programme, which has supported a majority of rural community-owned pubs (Renaisi 2018) as well as grantees of the Initial Grants Programme which were more likely to be based in rural areas (Power to Change 2016).

¹² *Community Business in Place*, Renaisi, 2018.

¹³ An explanation of how the urban/rural classification is categorised can be found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/239478/RUC1fuser_guide_28_Aug.pdf

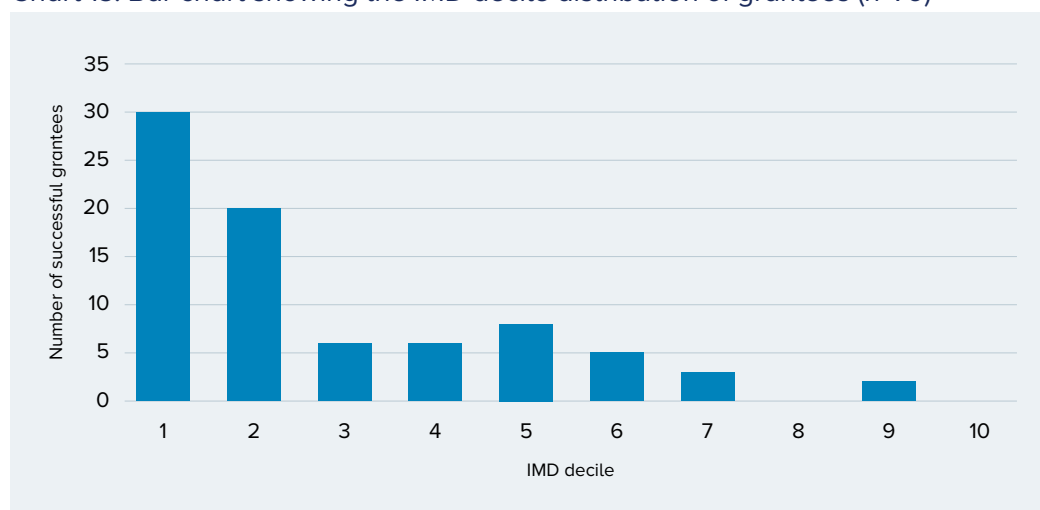
4.2 Demography

4.2.1 Indices of Multiple Deprivation (IMD)¹⁴

The IMD measures relative deprivation in areas in England. Seven domains of deprivation are included in the IMD: income, employment, education, health, crime, barriers to housing and services, and living environment.¹⁵

The relatively high level of deprivation of places in which grantees operate is another important commonality of the Community Business Fund cohort. A high proportion of grantees (71 per cent) operate in the 30 per cent most deprived LSOAs in England.¹⁶ Ten grantees (13 per cent) are based in places that fall within the 50 per cent least deprived areas of the country.¹⁷

Chart 13: Bar chart showing the IMD decile distribution of grantees (n=79)



The lower the IMD decile, the more deprived the area.

The proportion of Community Business Fund grants going to organisations based within each IMD decile reflects this trend, with the majority of Fund spend going to the 30 per cent most deprived areas.

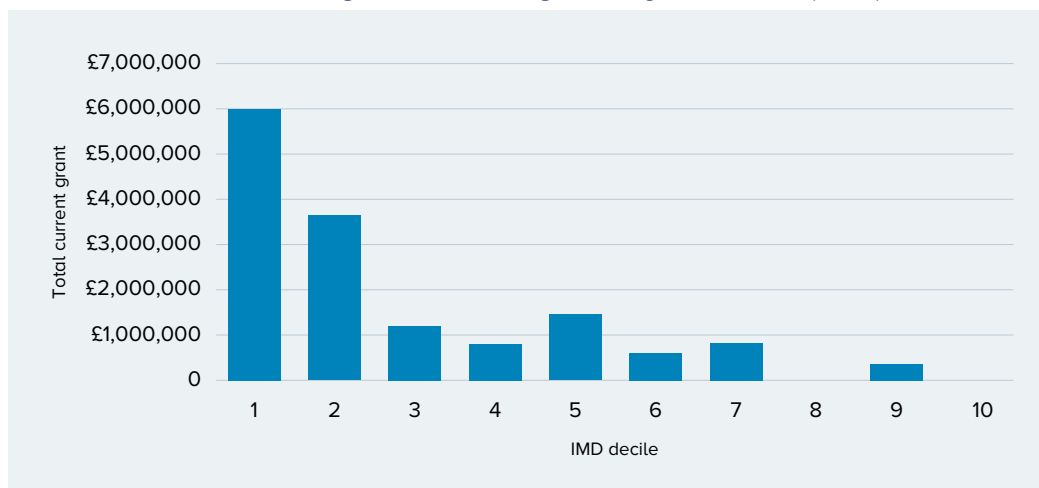
¹⁴ The data in this section are taken from the 2015 Indices of Multiple Deprivation: <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>

¹⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/464431/English_Index_of_Multiple_Deprivation_2015_-_Infographic.pdf

¹⁶ LSOAs = Lower Super Output Areas. <https://www.ons.gov.uk/methodology/geography/ukgeographies/censusgeography>

¹⁷ These areas are in a mix of urban major conurbation, urban city and town, rural town and fringe and rural village and dispersed areas.

Chart 14: Bar chart showing total value of grants by IMD decile (n=79)

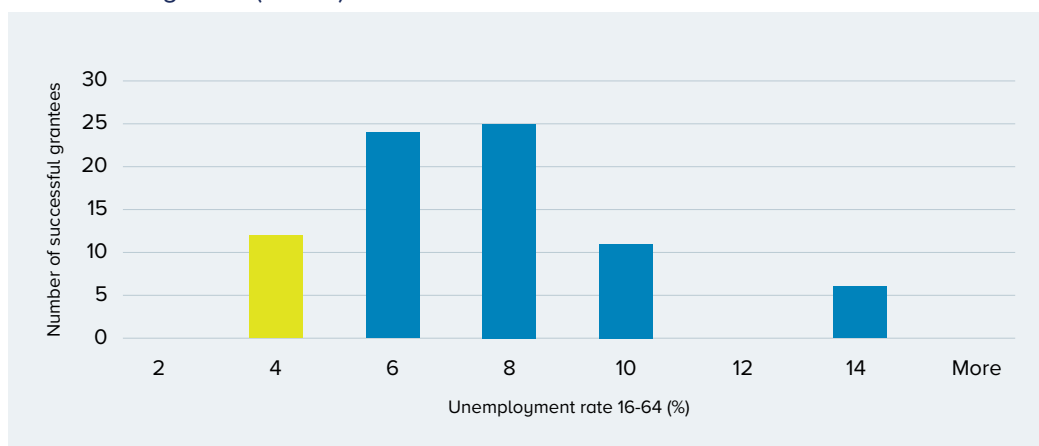


A total of £1,925,243 was spent in the 50 per cent least deprived areas of the country, compared to £13,240,582 in the 50 per cent most deprived areas.

4.2.2 Rates of unemployment

On average, Community Business Fund grantees operate in areas with higher than average rates of unemployment, some with unemployment that is significantly higher than the England average. The mean average unemployment rate of people aged 16–64 in England is 4 per cent.¹⁸ The unemployment rate of local authority areas in which Community Business Fund grantees are based ranges from 2.4 per cent to 12.2 per cent, with a median of 6.3 per cent and a mean of 6.5 per cent.

Chart 15: Histogram showing the unemployment rates (ages 16–64) in local authority areas where grantees operate, with the UK average (4 per cent) indicated in yellow (n=78¹⁹)



¹⁸ ONS figure from September 2018: <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment>

¹⁹ The sample size for successful grantees is 79. However, the unemployment rate was not available for one grantee's region.

This finding is particularly relevant to Power to Change's hypothesis that 'Community businesses increase net employment by hiring people who would otherwise struggle to access the labour market' (Power to Change 2018), as it suggests that community businesses are typically located in areas with higher than average rates of unemployment. We further explore the impact of community businesses on employment in their area in Sections 6.1.1 and 7.2.1.

4.3 Summary of key features of places where Community Business Fund grantees operate

- A high proportion of grantees are based in London, but comparatively few are from other areas of eastern England including the South East, East of England and East Midlands.
- Applicants from London were disproportionately likely to be successful in their application, while applicants from the South East were disproportionately unlikely to be successful.
- Three local authorities – Tower Hamlets, Liverpool, and Bristol – are home to nearly a quarter of Community Business Fund grantees. These areas have higher than average levels of deprivation, migration and unemployment, which are all factors associated with the emergence of community businesses.
- A significant majority of Community Business Fund grantees are based in urban areas, with nearly half based in an urban major conurbation.
- A high proportion of grantees operate in highly-deprived areas.
- On average, Community Business Fund grantees operate in areas with higher than average rates of unemployment, some with unemployment rates that are significantly higher than the England average.

Part B:

Types of community business, the impact of community businesses, and the development of grantees after 12 months

This section draws on the descriptive statistics in Part A to provide a more detailed analysis of different types of community businesses. It also explores their impact and initial insights into how businesses have developed 12 months after receiving their Community Business Fund grant.



5. Typologies of community business

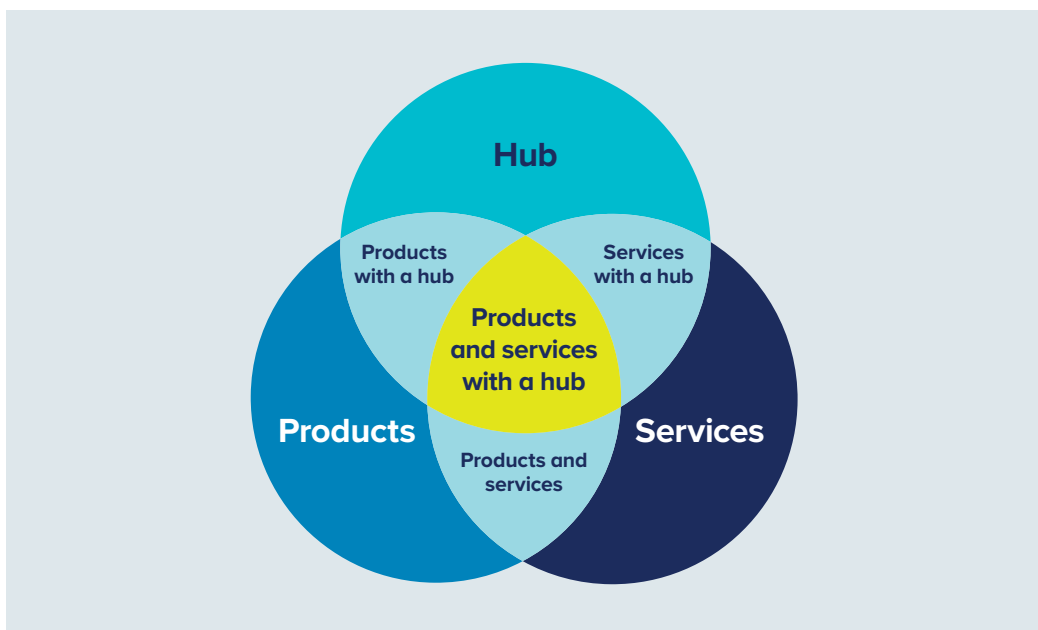
This section proposes two new typologies of Community Business Fund grantees, drawing on the key characteristics of community businesses presented above. The first typology focuses on the type of business activity delivered, while the second focuses on businesses' stage of development and their intended use of the grant.

5.1 Typology of business activity

We designed this typology in response to the challenge of accurately describing the business activities of community businesses. It has been developed to:

- have few categories, representing an analytical layer above 'sector' in order to be able to identify trends and key features across different business sectors
- accommodate the fact that many community businesses operate across more than one sector
- be generalisable to businesses outside of the Community Business Fund, that are funded under other Power to Change programmes
- be simple and easy to use and understand.

Figure 3: Typology of business activity type



'Hubs' are businesses that provide space for people to meet and socialise and/or for other organisations to hire, for example a community centre. **'Services'** applies to business activities that are usually commissioned or paid for by customers, although in some cases they may be delivered by volunteers and offered for

free.²⁰ **'Products'** includes any items that are sold by businesses to generate profit. **This typology applies to the whole business funded by Power to Change rather than the specific project, which typically has a narrower focus.**

5.1.1 Key characteristics of business activity types

The table below summarises the different characteristics of the seven types of businesses represented in this typology.

- **A significant number of Community Business Fund grantees have a community hub**, which is often the cornerstone of the business – in many cases the business was either created to run the physical asset, or acquired one to deliver new activities and/or develop additional income streams.
- **A high number of grantees occupy more than one category**, for example products with a hub or services with a hub. This further highlights the diversity of community business activities and income streams.
- **There is a higher number of businesses offering services or services with a hub (28) than products or products with a hub (16)**. It is unclear why this is the case but it may reflect the number of charities represented in the cohort that could be looking to monetise or expand existing services.
- **On average, hubs have received the highest value grant (median £250,165)**, with the two businesses offering products receiving less than half of this (median £113,716). Nonetheless, **businesses offering products have the highest median income (£666,982)**.
- **Businesses offering just products or just services generate the lowest proportion of their income from trading** (22 and 21 per cent respectively). They are also typically older than other types of businesses.
- Hubs, and businesses offering products and services with a hub, are similar – **though hubs without products and services tended to generate a lower proportion of their income from trading**.

²⁰ 'Services' applies to voluntary services as well as commissioned services, for example an organisation may run a service delivered by volunteers. 'Services' does not apply to businesses that do not directly deliver a service to individuals, for example if it hires space to other organisations to deliver services.

Table 13: Summary statistics for different community business types, expressed as medians (n=79)

| Median | Products | Products with a hub | Products and services | Products and services with a hub | Services | Services with a hub | Hub |
|---------------------------|----------|---------------------|-----------------------|----------------------------------|----------|---------------------|-----------|
| n | 2 | 14 | 5 | 14 | 8 | 20 | 16 |
| Income (£) | 666,982 | 273,699 | 621,217 | 148,532 | 343,831 | 369,506 | 223,530 |
| FTE | 14.3 | 5.6 | 3.0 | 4.6 | 6.8 | 9.0 | 4.7 |
| Age | 28 | 8 | 6 | 10 | 21.5 | 14.5 | 15 |
| Trading age | 3 | 7 | 17 | 9 | 14.5 | 6.5 | 11.5 |
| Trading income (%) | 21.9 | 65.7 | 67.3 | 66.2 | 21.3 | 59.4 | 39.9 |
| IMD (postcode 1) | 1.5 | 3 | 1 | 2.5 | 2 | 1 | 2 |
| Current grant (£) | 113,716 | 127,900 | 215,732 | 180,335 | 182,500 | 193,441 | 250,165 |

This typology can be made applicable to any community business, including those funded by other Power to Change programmes

5.2 Typology of business trading history and development stage

Part A explored how the Community Business Fund cohort is highly diverse against a few key measures: the proportion of income generated from trading, the size and age of the business, and what purpose they are using the grant for. This typology helps to add clarity to this diversity and highlights why some of those differences exist. It focuses on the organisation's history as a trading organisation, as well as how they intend to use the Community Business Fund grant to develop the business.

Figure 4: Typology of business development stage and type



A definition of each of the five types, with examples, can be found in Figure 5.

Figure 5: Business typologies explained

Expanding business



- Established businesses looking to invest and grow
- >50 per cent income from trading
- Typically CLG and CBS

“ With the increase in training staff hours [hotel occupancy] would immediately rise from 44 per cent to 56 per cent and with the improvement in the quality of provision we aim to achieve 65 per cent within 3 years. 65 per cent is considered the national annual average for a well performing hotel.

Transitioning business



- Established organisations that are becoming more like businesses
- <50 per cent income from trading
- Mostly CLGs

“ One of our economic aims is to increase the diversity of funding and also increase the self-generated income. We want to gradually increase the percentage of our turnover to be less dependent on dwindling grand resources.

Expanding business with a new venture



- Established businesses launching something substantially different to their existing offer
- Varied legal structure

“ Funding is to create a new community business that is a self sustaining venue via trading in its community; building on [project’s] current programme of trading through event/show ticket sales. bar and front of house and space hire.

Transitioning business with a new venture



- Transitioning businesses launching something substantially different to their existing offer.
- Mostly CLGs

“ Capital investment will create the facilities providing completely new trading income streams from workspace rentals, conferencing and meeting room hire (lacking in the area).

New venture



- New venture (i.e. small, young, independent – hence distinct from all the above)
- Mostly CICs and CLGs

“ Our trade has been restricted to events, refreshments and merchandise sales in spaces donated by local schools, pubs, etc. PtC funding would make safe and useable our own premises from which to operate library services and to trade.

5.2.1 Key characteristics of business types

Table 14 summarises the different characteristics of the five types of businesses represented in this typology.

- **A similar number of grantees are expanding businesses and transitioning businesses:** 34 are expanding businesses or expanding businesses with a new venture, compared to 28 that are transitioning businesses or transitioning businesses with a new venture.
- **A comparatively high number of organisations (17) are new ventures.** They have met the Community Business Fund criteria of being an existing organisation but are relatively young, at about half the average age of expanding businesses and transitioning businesses.
- **Expanding businesses have a substantially higher median income (£327,910)** than any other type of organisation.
- **Organisations launching a new venture are typically smaller – and with a lower proportion of income from trading – than their equivalent type that is not launching a new venture.**
 - Expanding businesses with a new venture have a median income of £158,480, compared to £327,910 for expanding businesses without a new venture.
 - Transitioning businesses with a new venture have a median income of £201,600, compared to £281,255 for transitioning businesses without a new venture.
- **A higher proportion of transitioning businesses are launching a new venture, compared to expanding businesses.** In many cases, these organisations want to use the Fund to help them to develop new businesses activities that will increase their income from trading and hence improve their sustainability. Many, but not all, of these organisations are charities that have previously been at least partly grant-funded, and some are looking to develop trading activities for the first time.
- **Unsurprisingly, new ventures are smaller, younger and have a much lower proportion of income from trading than any other type of business,** with a median income of £86,867 and a median proportion of income from trading of just 9 per cent. Some of these are being incubated by a ‘parent organisation’, others are more standalone. All are at a much earlier stage of organisational development than the other businesses in the Fund. They tend to be using capital funding to purchase or refurbish a building which will then become their trading base, and establish themselves on a more secure footing.
- **Nonetheless, new ventures have, on average, received the highest value grant (£215,694).** Grants awarded to other types of businesses are lower, on average, and do not vary substantially in size from each other.

Table 14: Summary statistics for different types of business, expressed as medians (n=79)

| Medians | New venture | Expanding business | Transitioning business | Expanding business with a new venture | Transitioning business with a new venture |
|---------------------------|-------------|--------------------|------------------------|---------------------------------------|---|
| n | 17 | 29 | 16 | 5 | 12 |
| Income (£) | 86,867 | 327,910 | 281,255 | 158,480 | 201,600 |
| FTE | 3 | 9 | 5.9 | 2 | 5.25 |
| Age | 7 | 13 | 15 | 19 | 19.5 |
| Trading age | 6 | 11 | 10 | 19 | 7 |
| Trading income (%) | 9 | 82 | 42 | 76 | 18 |
| IMD decile | 1 | 2 | 2 | 4 | 1 |
| Current grant (£) | 215,694 | 185,938 | 191,722 | 180,420 | 178,184 |

This typology is more specific to the particular criteria of the Community Business Fund than the previous typology, and therefore may not be relevant to all Power to Change programmes. However, it can inform the types of support needs that grantees may have and help to predict which grantees may experience difficulties with their grant (see section 9.4).

5.3 Summary of key features of two typologies of community business

- Community Business Fund grantees can be categorised into seven types according to their business activity:
 - hubs
 - services
 - products
 - combinations of these types
- A significant number of grantees have a community hub. On average, hubs have received the highest value grant. Hubs and businesses offering products and services with a hub are similar, although hubs without products and services generate a lower proportion of income from trading.
- Businesses offering just products or just services generate the lowest proportion of their income from trading.
- Community Business Fund grantees can be categorised into five types according to their trading history and development stage:
 - transitioning businesses
 - expanding businesses
 - transitioning businesses with a new venture
 - expanding businesses with a new venture
 - new ventures
- A similar number of grantees are expanding businesses and transitioning businesses – a comparatively high number are new ventures.
- Expanding businesses have a substantially higher median income than any other type of organisation.
- A higher proportion of transitioning businesses are launching a new venture compared to expanding businesses.
- New ventures have, on average, received the highest value Community Business Fund grant.

6. Impact of community businesses

6.1 Understanding the impact of community businesses

As a grant funder, Power to Change has a legitimate interest in ensuring that, as far as possible, grantees' objectives align with its own funding priorities. However, as Section 3.6 describes, community businesses are diverse, delivering a wide range of different services and activities from sports, cookery, farming, and transport to shops, cafés, specialist health services and gardening. It is therefore difficult to generalise about the impact of the activities that community businesses deliver or enable people to engage with. This will vary hugely depending on what is delivered, who participates, and the particular context.

Power to Change has identified seven long-term outcomes that together it uses to define what it means by a better place. These are:

- Better access to basic services
- Greater community cohesion
- Greater community pride and empowerment
- Increased employability
- Improved health and wellbeing
- Improved local environment
- Reduced social isolation

At application, community businesses are asked to specify which of Power to Change's seven outcome areas they target, with many selecting more than one. Due to the self-reported nature of this question, *before* the project has begun, it is important to note that these impacts may not translate into actual impacts for businesses as a result of funding from the Community Business Fund.

This section draws on the findings of visits to a sample of 11 grantees, selected to represent a range of different business types, sectors and geographic locations (Section 9.1). The analysis is based on data from observations, interviews and focus groups with a wide range of people involved in the business. We focus on impacts created by aspects of the community business model, which are generalisable across community businesses, though not all will always be relevant to every business. Where possible it connects these back to the seven outcome areas identified by Power to Change.

6.1.1 Types of impact created by the community business model

In our visits to community businesses funded by the Community Business Fund, we observed the types of impact created by aspects of the community business model shown in Figure 6.

Figure 6: Types of impact created by the community business model



Space for community

Almost all of the businesses funded by the Community Business Fund create spaces for people to come together. These spaces are public, where anyone can come in, and are often used on a frequent basis by local people who value having a place that they can come and feel a sense of belonging to.

“This is our happy place. It feels like home.

Service user

Examples include businesses with a café, community centres, or open spaces such as farms or parks. We noticed that businesses that make a conscious effort to create spaces that are welcoming, and use them to foster a sense of community and belonging, are typically more impactful than businesses that have physical space but don't consciously use them to create community.

“It's not just a coffee shop, it's about actively engaging with the people who come here, spending time with people, getting to know the customers and the regulars.

Community business

We observed that businesses creating space for community typically do so for one of two primary reasons:

1. To create space for people to socialise with each other, combatting social isolation

🗨️ **Once a week [a local charity] come and use our space to encourage socially isolated older people to meet, chat and socialise.**

Community business

🗨️ **When you come here you know you can talk to someone and chat to someone.**

Service user

2. To create spaces where people from different backgrounds can mix, fostering better community cohesion

🗨️ **London can be very segregated. We want this to be a place where people from different groups will use the same space.**

Community business

When community businesses do this well, it can contribute to people feeling a sense of belonging and ownership (see below). This finding is relevant to Power to Change's ambition to achieve a long-term outcome of 'greater community cohesion', though we do not yet have enough evidence to ascertain how many community businesses contribute to this outcome.

Creating employment opportunities

All community businesses create employment opportunities and, as we saw in Section 3.5, a high proportion of these roles are filled by local people. This is relevant to Power to Change's ambition to achieve a long-term outcome of 'increased employability', as well as the employment hypothesis. We do not have systematic information on the quality of those jobs, but in most cases employment is a positive outcome.

🗨️ **The common denominator of our staff is that they are local people. Many have been employed after coming through our training projects [for people who are unemployed].**

Community business

A minority of businesses created a much greater impact by employing people who would otherwise face unemployment, either because of the economic situation of the surrounding area or because they had support needs that meant they were unlikely to gain employment elsewhere. It is these businesses

which support Power to Change's hypothesis that 'Community businesses increase net employment by hiring people who would otherwise struggle to access the labour market', though not all grantees do this (Power to Change 2018).

“ We give young people employment so that they can stay [in this town]. Often young people here have to move away because there aren't that many opportunities here.
Community business

“ We partnered with [local authority] to create meaningful work opportunities for people with learning disabilities, after they contacted us to say that these people were left to rock in their chairs all day with nothing to do, and could we do something. Now they do maintenance jobs [for the business] and for our clients, and they're valuable and longstanding members of our team.
Community business

Some businesses also offer training opportunities for people that can support them to gain employment elsewhere.

“ We offer apprenticeships to young people who are unemployed, and often have difficulties in other aspects of their lives.
Community business

Promoting wellbeing through volunteering

Most businesses engaged volunteers for one of two primary reasons:

1. To deliver core services or activities, contributing to the viability of the business;

“ Volunteers will have an important role to play in staffing the café and welcoming people into the centre. Otherwise we might not be able to make it work.’

Community business

2. To support the wellbeing of volunteers by creating opportunities for them to engage in fun, beneficial activities.

“ It's more about growing the people, not the plants.

Community business

The impacts of these types of volunteering are not mutually exclusive: all volunteers benefit from good-quality volunteering whether it is to support the viability of the business or not, and volunteers participating to support their own wellbeing also make an important and valued contribution to the business.

“We rely on volunteers to make it a vibrant business – not just a viable one. Having volunteers does benefit us financially, but it is about more than profit. Volunteers are so valued here.”

Community business

“The Centre is very important to me. It has given me a new lease of life.”

Volunteer

Volunteering opportunities created by community businesses are most impactful where these are designed for people who would otherwise be isolated from society, excluded from the employment market and/or face challenges with their physical or mental health. This finding is relevant to Power to Change’s ambition for a long-term outcome of ‘improved health and wellbeing’, as well as the agency and employment hypotheses.

“It’s a really important place for people with learning disabilities [to volunteer], as they feel valued and know that they are contributing to something.”

Community business

“There is a big impact for volunteers, especially supported volunteers who often [have experience of] mental health issues.”

Community business

Impact of activities, projects or services

All businesses deliver something – whether a service, activities or projects that involve, engage or serve people in different ways. These activities will impact people in a wide range of different ways depending on what is delivered, who participates and the particular context. It is therefore difficult to generalise about what that impact *is*, but all community businesses have it, and many cite this as their primary purpose.

“There is always something happening here which is really fun and a positive thing.”

Service user

“This is a community hub. There is a huge range of activities here, so there is something for everyone.

Community business

While other types of businesses may create a positive impact from their activities, **it is this sense of social purpose** that sets community businesses apart from businesses that operate purely for profit.²¹ Some, but not all, community businesses choose to prioritise these impacts above the need to generate trading income.

“The local area is getting gentrified so it is important to keep prices low [for longer-term residents]. We have lots of free activities for everyone.

Community business

Improving places

Some businesses, but not all, were able to use their assets and experience to **improve the places in which they operate beyond simply offering services or activities, volunteering and employment opportunities.** For example, some Community Business Fund grantees take an active role in leading or supporting regeneration initiatives, others have taken on public services or buildings at risk of closure, and many act as a champion for their local area by organising and investing in community initiatives. This is relevant to Power to Change’s ambition for a long-term outcome of ‘improved local environment’ as well as the place-level hypotheses (Power to Change 2018).

“This used to be a no-go area. [Our partner and freeholder] said they’d stay when no-one else would – even public-sector services were leaving. The community wanted spaces back so that’s why [our partner] asked us to run the centre.

Community business

“It’s not just about the services and employment that we offer, it’s the leadership to encourage other partners [in the area] to up their game as well.

Community business

Typically, it is older, more established businesses which are more likely to play an active role in improving places, rather than younger ones (though there are some exceptions).

²¹ Community businesses share this feature with social enterprises and other types of social business.

“People say that we’ve saved this community, over all these years. We’ve made a massive contribution to creating a sustainable community with jobs, education and eating into the poverty of aspiration.”

Community business

Sense of ownership, pride and empowerment

Almost all community businesses we visited had fostered a sense of ownership, pride and/or empowerment amongst employees, volunteers, customers or service users, members and other people actively involved in the business. This finding strongly aligns with Power to Change’s ambition to have a long-term outcome of ‘greater community pride and empowerment’.

“Our [member] shareholders have an overwhelming sense of pride ... We didn’t appreciate the power of it until we saw it happening.”

Community business

The higher the level of community accountability, the more likely we were to observe this impact.

The people we spoke to often mentioned feeling part of something, a sense of attachment to the building or space in which the business operated, a feeling of pride in what was offered, and in some cases feeling that the business stood as an example that their community had the power to achieve something. This is relevant to Power to Change’s agency hypothesis, which suggests that ‘community businesses increase involvement in local decision-making and levels of social capital because meaningful membership develops skills, voice and access to information’ (Power to Change 2018).

“It’s about understanding that you have power as a community.”

Community business

“Our volunteers have a real sense of ownership.”

Community business

For some businesses, creating a sense of ownership and pride was an important motivation for their work – or even the main reason the business had been established – but achieving it is an ongoing and sometimes challenging process.

“There is not much heritage round here. The community needs to have something to be proud of, that is theirs and that is good quality.”

Community business

66 We're anti-apathy. The community expects us to support them, but in return we expect them to engage.

Community business

In the case of community benefit societies, these feelings could be linked to legal ownership of the business. In other cases, people had a *sense* of ownership drawn from longstanding or deep engagement.

66 I like the fact that it is community run. I want to buy my children shares so they can own a part of it.

Service user

6.1.2 Comparing impacts of community businesses

Not all impacts are comparable. It is impossible to compare the impact of creating employment opportunities with the impact of creating a sense of pride in community. However, understanding that community businesses have different *types* of impact highlights how different aspects of the business model can contribute to businesses' social purpose. It can also help businesses to identify how they could diversify their impact by developing new approaches, for example a volunteering scheme for people with learning disabilities.

The activities that community businesses deliver will have different types and levels of impact for different groups of people. Community businesses are complex, and more questions remain about the impact that they can have for people and communities. This should be a priority for the next phase of the Community Business Fund evaluation.

6.2 Summary of the types of community business impact

- We observed six main types of impact deriving from the community business model.
- Businesses can create space for community, either to combat social isolation or to promote community cohesion.
- Employment opportunities are more impactful when businesses employ people who would otherwise face unemployment, either because of the economic situation of the surrounding area, or because they have support needs that mean they are unlikely to gain employment elsewhere.
- Volunteering opportunities are most impactful where these are designed for people who would otherwise be isolated from society, excluded from the employment market and/or face challenges with their physical or mental health.
- Some, but not all, businesses play a role in improving the places in which they operate, beyond simply offering services or activities, volunteering and employment opportunities.
- Almost all community businesses we visited had fostered a sense of ownership, pride and/or empowerment amongst people involved in the business.
- Not all impacts are comparable. The activities that community businesses deliver will have different types and levels of impact for different groups of people.

7. Grantees' development between date of application and date of monitoring form submission

This section provides an early indication of the development of community businesses one year after receiving an offer letter confirming their grant. Data on 32 grantees is included.

There are several caveats to the findings:

- Grantees were asked to provide financial accounts data for their most recent financial year, 12 months after receiving their grant offer letter. However, they were not asked to specify which financial year those figures represent. In this section, we assume that financial information provided at application and 12 months after receiving their offer represent consecutive financial years, however in practice this is unlikely to be the case for all grantees. As such, the findings in this section should be interpreted as illustrative only at this stage.
- As there was no control group, it is impossible to determine for certain how far any changes were primarily due to the Community Business Fund grant.
- None of the grantees had completed their project in the timeframe covered by the interim evaluation (as projects last longer than 12 months) and it is still much too early to assess full and final impact of the Community Business Fund grant.
- The wide range of types and scale of projects funded means that comparisons between the development of community businesses should be made with caution. Not all businesses will develop, nor are expected to develop, in the same way.

7.1 Changes to the financial profile of Community Business Fund grantees

This section describes the changes to grantees' financial situation between date of application and date of monitoring form submission.

7.1.1 Changes in income, expenditure, assets and liabilities

Table 15: Changes to community business finances between date of application and date of monitoring form submission (n=32)

| | Grant size | Assets | | |
|------------------|------------|------------------|-----------------|------------|
| | | Application Form | Monitoring form | Change |
| Mean | £182,796 | £355,943 | £458,527 | £102,584 |
| Median | £167,250 | £124,868 | £197,451 | £24,675 |
| Net total | £5,849,469 | £11,390,176 | £14,672,859 | £3,282,683 |
| N | 32 | 32 | 32 | 32 |

| | Grant size | Expenditure | | |
|------------------|------------|------------------|-----------------|------------|
| | | Application Form | Monitoring form | Change |
| Mean | £182,796 | £375,812 | £410,029 | £34,217 |
| Median | £167,250 | £198,794 | £227,270 | £32,916 |
| Net total | £5,849,469 | £12,025,976 | £13,120,914 | £1,094,938 |
| N | 32 | 32 | 32 | 32 |

| | Grant size | Income | | |
|------------------|------------|------------------|-----------------|------------|
| | | Application Form | Monitoring form | Change |
| Mean | £182,796 | £382,773 | £500,692 | £117,919 |
| Median | £167,250 | £197,987 | £336,075 | £91,054 |
| Net total | £5,849,469 | £12,248,745 | £16,022,148 | £3,773,403 |
| N | 32 | 32 | 32 | 32 |

| | Grant size | Liabilities | | |
|------------------|------------|------------------|-----------------|------------|
| | | Application Form | Monitoring form | Change |
| Mean | £182,796 | £95,311 | £143,774 | £48,463 |
| Median | £167,250 | £38,736 | £55,380 | £1,715 |
| Net total | £5,849,469 | £3,049,950 | £4,600,763 | £1,550,813 |
| N | 32 | 32 | 32 | 32 |

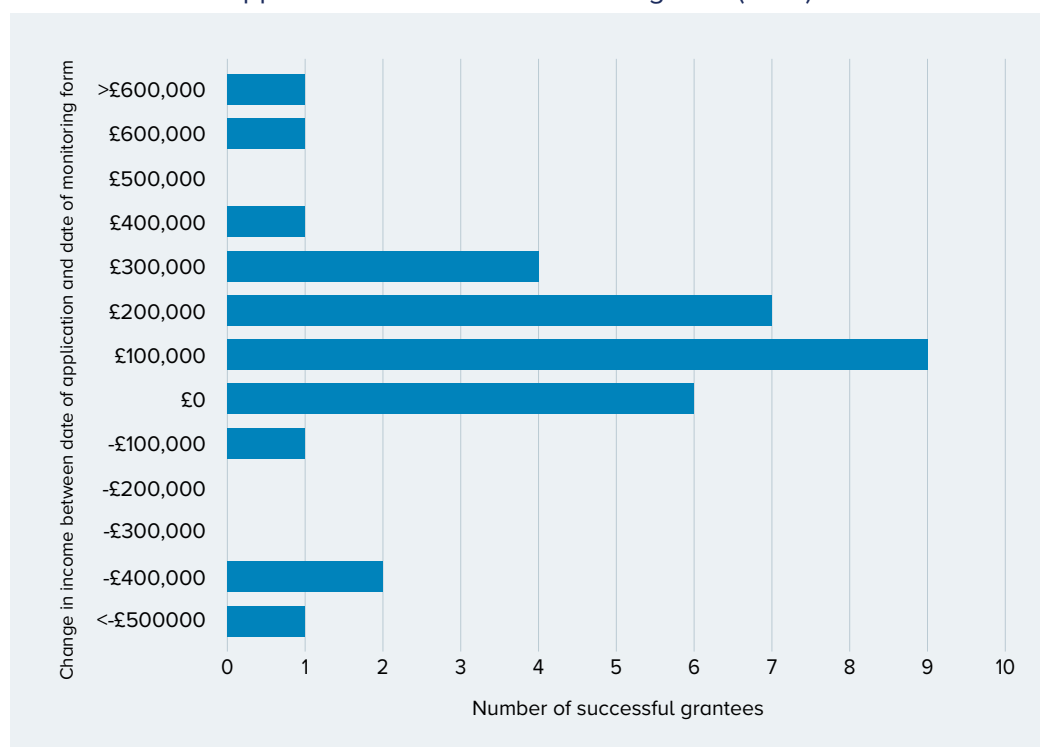
Note, these figures still include the value of the Community Business Fund grant which grantees have drawn down to date. We would recommend removing the value of the grant from financial figures in future iterations of this analysis.

The initial data suggest that:

- **On average, grantees' incomes, expenditure and the value of their assets have all increased between date of application and date of monitoring form.** At this stage, it is impossible to know how much this increase is accountable to the receipt of this grant. This should be a priority question for the next phase of the evaluation.
- **On average, incomes have increased approximately three times more than expenditure.**
- At this stage, it is not possible to identify the sources of these new income streams in detail, however **the figures on trading income (below) suggest that income from trading with the public sector has increased.**
- At this stage, it is not possible to identify what additional expenditure was spent on in detail, however **figures on employment (below) suggest that staffing costs are unlikely to have increased.**

Not all community businesses have grown financially. Chart 16 shows there is a wide range of changes in income, with some experiencing a substantial loss since applying for their grant. At this stage, it is not possible to know for certain why this might be the case.

Chart 16: Histogram showing the distribution of changes in grantee income between date of application and date of monitoring form (n=32)



7.1.2 Changes in income from trading activities and additional grant-funding

On average, grantees have seen a small increase in the value of trade with the public sector. However, their overall proportion of income from trade has not substantially changed and the mean proportion has decreased by 5.1 per cent. This is primarily driven by the 19 projects that received capital funding, where the mean proportion has decreased by 13.7 per cent compared to an increase of 15.6 per cent for the eight revenue funded projects.

It is not possible to know for certain why this is the case, but could be explained by:

- the effect of including the Community Business Fund grant on businesses' overall income, making their proportion of income from trade temporarily smaller
- it is likely to be too soon to observe an increase in trading income, particularly for projects that are still incomplete and/or given that there is likely to be a lag before investments become profitable
- the grants may have been effective at attracting additional grant funders (by making businesses a less risky investment) but have a smaller effect on traded income to date.

Table 16: Changes to grantees' income from the public sector, income from trading and additional grant funding (n=32)

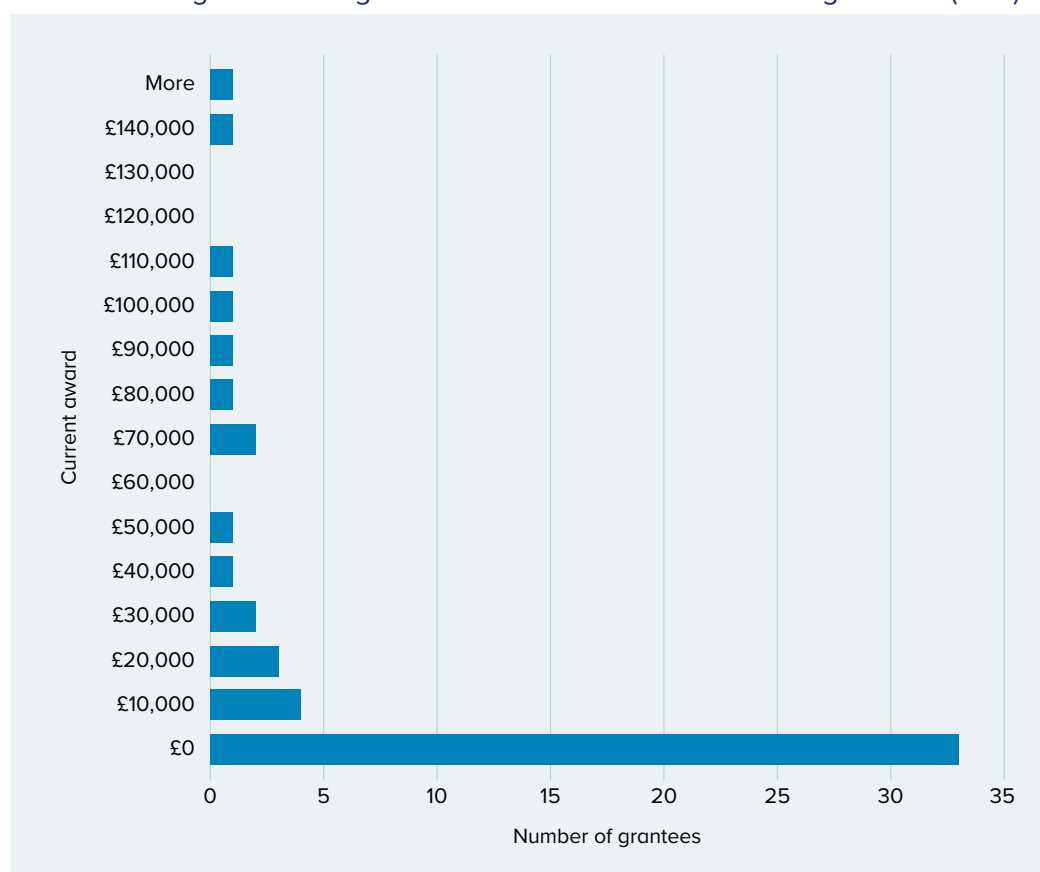
| | Grant size | Additional grant funding | Trade with public sector – income | | | % income from trading | | |
|------------------|------------|--------------------------|-----------------------------------|-----------------|------------|-----------------------|-----------------|--------|
| | | | Application Form | Monitoring form | Change | Application Form | Monitoring form | Change |
| Mean | £182,796 | £56,100 | £71,490 | £103,184 | £31,694 | 48.6% | 43.6% | -5.1% |
| Median | £167,250 | £38,000 | £0 | £40,204 | £24,888 | 43.0% | 36.0% | 0.3% |
| Net total | £5,849,469 | £1,065,908 | £2,287,685 | £3,301,904 | £1,014,219 | | | |
| N | 32 | 19 | 32 | 32 | 32 | 27 | 27 | 27 |

The total sample size is 32. 19 out of the 32 grantees received additional grant-funding. 5 grantees did not fill in responses to % income from trading in their 12-month monitoring form, resulting in a sample size of 27.

Nineteen businesses reported that in the 12-month period since receiving their Power to Change grant they secured in excess of £1 million in additional grant-

funding from other funders, although at this stage it is not possible to know the extent to which this reflects income to secure a 25 per cent match for the Community Business Fund grant.

Chart 17: Histogram showing the distribution of additional funding amount (n=51)

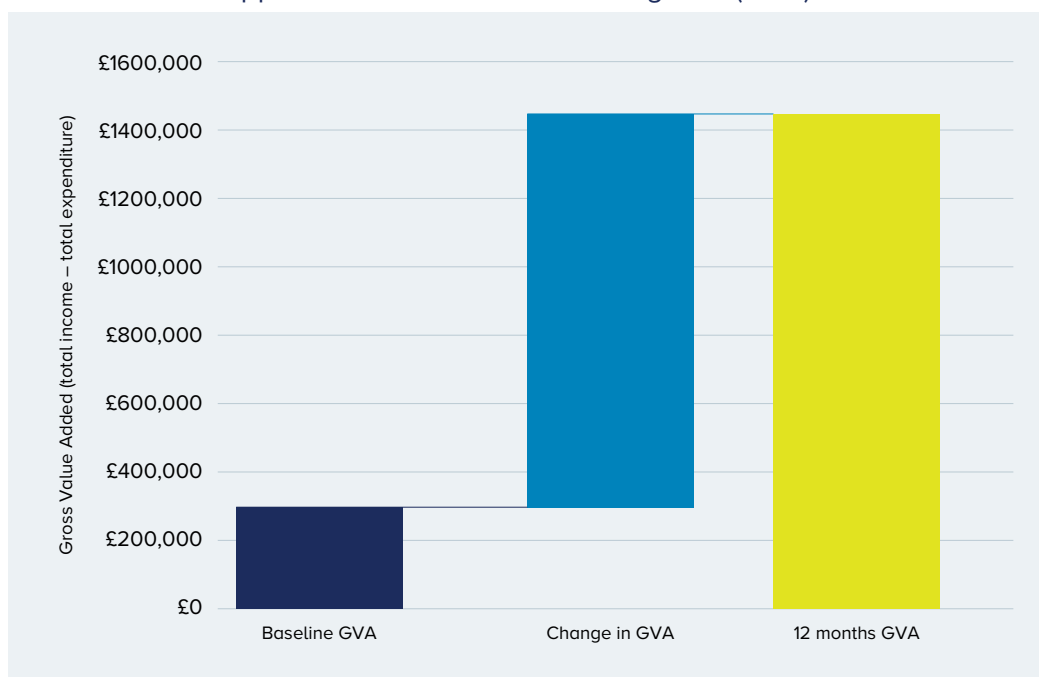


7.1.3 Early indications of changes to businesses' economic impact on Gross Domestic Product

Gross Value Added (GVA) is a measure of the value of goods or services produced by community businesses. It is calculated by subtracting expenditure from income, and is a key indicator of a business's contribution to the UK economy.

Prior to receiving Community Business Fund funding, the 32 businesses contributed a total of £297,508 to the UK's economy through GVA, equating to approximately £9,000 per business. 12 months after receiving Community Business Fund funding, these community businesses have increased their contribution to the economy by 389 per cent, to £1,455,788 in total – an average of £45,493 per business.

Chart 18: Bar chart showing total change in Gross Value Added of grantees, between date of application and date of monitoring form (n=32)



Some businesses have experienced positive growth in GVA, while some have seen a negative impact on GVA. Twenty-one community businesses reported higher GVA, between date of application and date of monitoring form, with increases ranging from £612 up to £241,908. However, 10 businesses reported a decrease in GVA, ranging from -£376 to -£148,115. Negative GVA is not uncommon, especially when businesses are unable to yield significant income because they are undertaking large capital projects (where expenditure is high but the capital project is not yet finished) or they are either new ventures or taking on a new venture.

Table 17: Change in GVA of 32 Community Business Fund grantees between date of application and date of monitoring form (£)

| | Baseline GVA | 12 months GVA | 12-month change in GVA |
|---------------|--------------|---------------|------------------------|
| Median | 7,680 | 35,144 | 26,947 |
| Mean | 9,297 | 45,493 | 36,196 |
| Max | 107,353 | 271,296 | 241,908 |
| Min | -82,930 | -129,496 | -148,115 |

7.2 Changes to number of people employed by Community Business Fund grantees

7.2.1 Changes to businesses' total number of employees

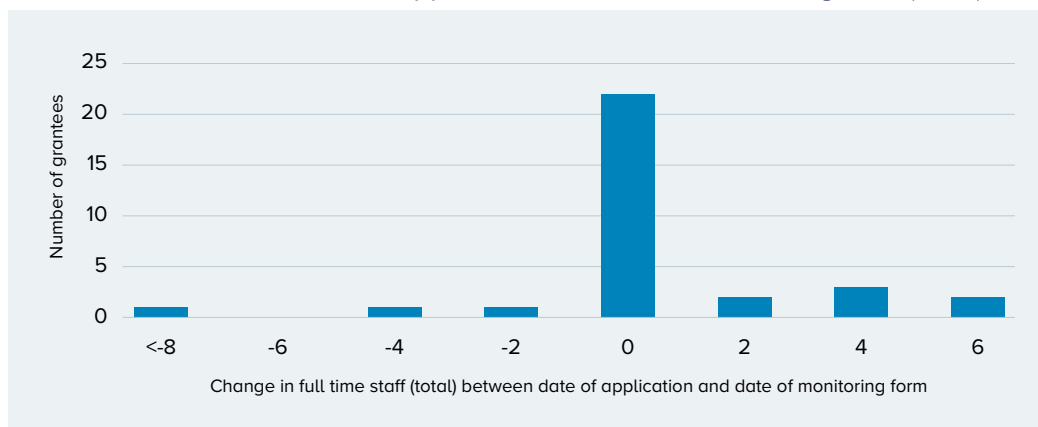
There has been little change in the number of people employed by grantees between date of application and date of monitoring form. Whilst the median number of full-time staff has stayed the same, the median number of part-time staff has increased slightly, by one role. Data on FTE suggests a small increase in employment, but is less likely to be reliable than full-time and part-time figures.

Table 18: Change in total FTE, full-time staff and part-time staff months between date of application and date of monitoring form (n=32)

| | FTE | | | Full-time staff – total | | | Part-time staff – total | | |
|------------------|-----------|----------|--------------------|-------------------------|----------|--------------------|-------------------------|----------|--------------------|
| | Beginning | 12-month | Change (12 months) | Beginning | 12-month | Change (12 months) | Beginning | 12-month | Change (12 months) |
| Median | 3.8 | 6.0 | 1.0 | 2.0 | 2.0 | 0.0 | 4.0 | 6.0 | 1.0 |
| Mean | 8.1 | 9.9 | 1.8 | 6.6 | 6.5 | -0.1 | 8.9 | 9.1 | 0.2 |
| Net total | 259 | 317 | 58 | 210 | 208 | -2 | 286 | 291 | 5 |
| N | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |

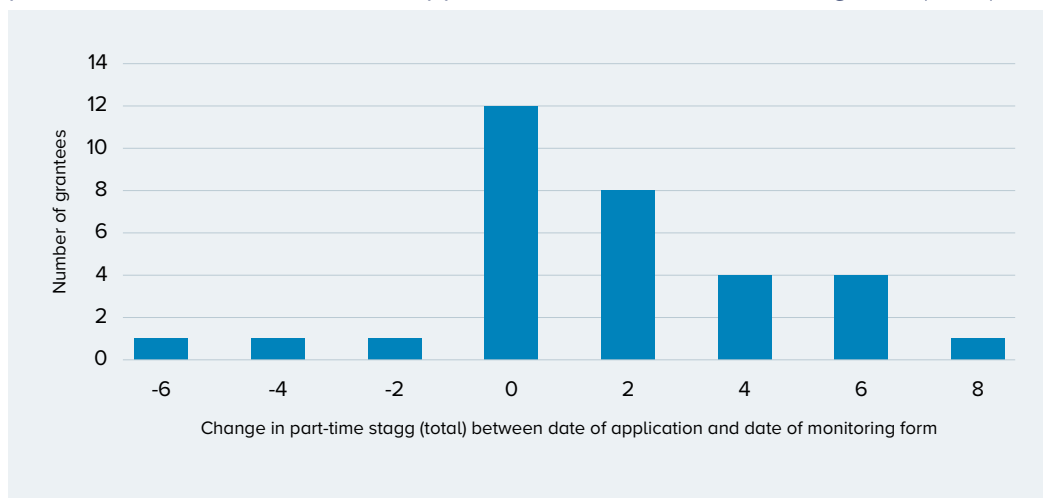
The majority of grantees have experienced no change in the number of full-time employees.

Chart 19: Histogram showing the distribution of changes in grantees' number of full-time staff between date of application and date of monitoring form (n=32)



However, just over half of grantees have increased the numbers of part-time staff that they employ.

Chart 20: Histogram showing the distribution of changes in grantees' number of part-time staff between date of application and date of monitoring form (n=32)



It is too early to say whether grantees will employ more staff at a later stage of their grant period.

7.2.2 Changes to businesses' number of local employees

Early indications suggest that the small increase in part-time roles available may have been more likely to be filled by local people: the median increase in local part-time staff is one, equivalent to the median increase in part-time staff overall. However, data quality for this question is poor as many businesses appear to have misunderstood the question, giving the net total increase in local part-time staff as 12, compared to a total figure of 5.

Table 19: Change in total and local full- and part-time staff between date of application and date of monitoring form (n=32)

| | Full-time staff – local | | | Full-time staff – total | | | Part time staff – local | | | Part time staff – total | | |
|------------------|-------------------------|-----------------|--------|-------------------------|-----------------|--------|-------------------------|-----------------|--------|-------------------------|-----------------|--------|
| | Application Form | Monitoring form | Change | Application Form | Monitoring form | Change | Application Form | Monitoring form | Change | Application Form | Monitoring form | Change |
| Median | 2.0 | 1.0 | 0.0 | 2.0 | 2.0 | 0.0 | 3.0 | 5.0 | 1.0 | 4.0 | 6.0 | 1.0 |
| Mean | 4.9 | 4.8 | 0.0 | 6.6 | 6.5 | -0.1 | 6.3 | 6.7 | 0.4 | 8.9 | 9.1 | 0.2 |
| Net total | 156 | 155 | -1 | 210 | 208 | -2 | 201 | 213 | 12 | 286 | 291 | 5 |
| N | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |

This finding contradicts the trend for full-time staff to be more local on average than part-time staff at the point of applying to the Fund (discussed in Section 3.5).

7.3 Changes to number of volunteers, customers or service users and members

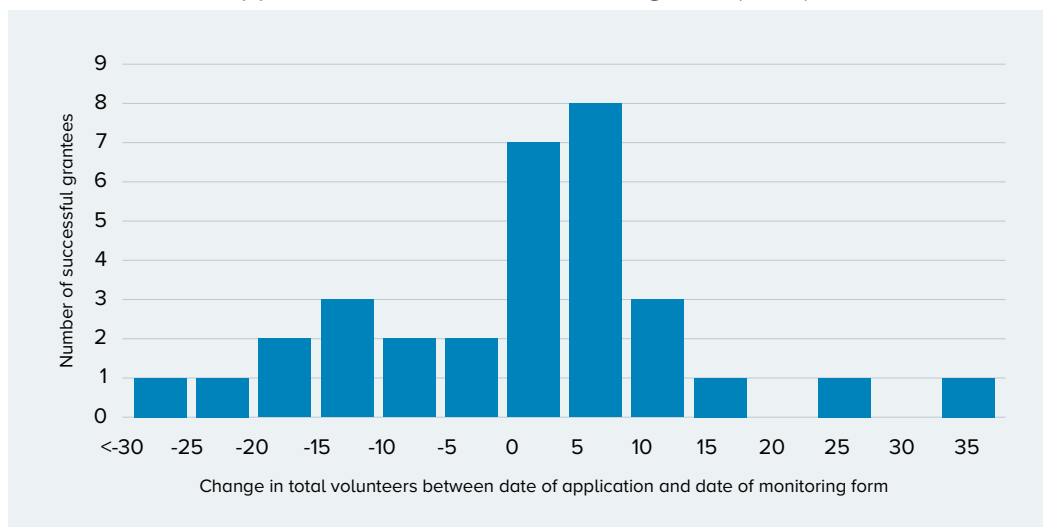
7.3.1 Changes to the number of regular volunteers engaged with grantees

The total number of volunteers has not substantially changed between date of application and date of monitoring form, with the median change being 0. However, businesses reported a small increase in the number of local volunteers engaged, suggesting that the proportion of volunteers engaged from the local community has gone up. Table 20: Change in number of local and total regular volunteers between date of application and date of monitoring form (n=32)

| | Volunteers – local | | | Volunteers – total | | |
|------------------|--------------------|-----------------|--------|--------------------|-----------------|--------|
| | Application Form | Monitoring form | Change | Application Form | Monitoring Form | Change |
| Median | 19.0 | 40.0 | 21.5 | 22.5 | 22.0 | 0.0 |
| Mean | 31.2 | 74.3 | 43.1 | 36.4 | 33.8 | -2.7 |
| Net total | 997 | 2377 | 1380 | 1165 | 1080 | -85 |
| N | 32 | 32 | 32 | 32 | 32 | 32 |

One-third of the businesses reported a loss in the number of regular volunteers between date of application and date of monitoring form. It is possible that they were optimistic in the figures reported in the Community Business Fund application form, and have since provided more realistic figures, although it is impossible to know for certain at this stage.

Chart 21: Histogram showing the distribution of change in total volunteers between date of application and date of monitoring form (n=32)



7.3.2 Changes to the numbers of customers or service users

There has been a very small increase in the median number of customers engaged by grantees per month. Businesses report a similar increase in the number of customers from the local community, however data quality for this question is poor as many businesses appear to have misunderstood the question, giving the net total increase in local customers as 8,032, compared to a total figure of 3,262.

Table 21: Change in number of local and total customers per month between date of application and date of monitoring form (n=32)

| | Local customers per month | | | Total customers per month | | |
|------------------|---------------------------|-----------------|--------|---------------------------|-----------------|--------|
| | Application Form | Monitoring Form | Change | Application Form | Monitoring Form | Change |
| Median | 600 | 710 | 16 | 750 | 896 | 13 |
| Mean | 2,393 | 2,644 | 251 | 3,201 | 3,303 | 102 |
| Net total | 76,583 | 84,615 | 8,032 | 102,422 | 105,684 | 3,262 |
| N | 32 | 32 | 32 | 32 | 32 | 32 |

7.3.3 Changes to the number of members

There appears to be little change in the number of members engaged by grantees, with a median change of 0. Similarly, the median change in the number of local members is 0. Given that the Fund is not explicitly intended to increase the size of organisations' membership, many of which are small and local, this finding is not surprising.

Table 22: Change in local and total non-trustee members between date of application and date of monitoring form (n=32)

| | Non-trustee members – local | | | Non-trustee members – total | | |
|------------------|-----------------------------|----------|--------------------|-----------------------------|----------|--------------------|
| | Beginning | 12-month | Change (12 months) | Beginning | 12-month | Change (12 months) |
| Median | 0.5 | 49.0 | 0.0 | 0.5 | 50.0 | 0.0 |
| Mean | 173.3 | 185.6 | 12.3 | 223.1 | 232.6 | 14.4 |
| Net total | 5,547 | 5,939 | 392 | 7,140 | 7,602 | 462 |
| N | 32 | 32 | 32 | 32 | 32 | 32 |

In contrast, the number of community benefit societies' member shareholders has changed by a median average of 3.5.

Table 23: Change in local and total members for Community benefit societies, between date of application and date of monitoring form (n=6)

| Community benefit societies | Member shareholders – local | | | Member shareholders – total | | |
|-----------------------------|-----------------------------|----------|--------------------|-----------------------------|----------|--------------------|
| | Beginning | 12-month | Change (12 months) | Beginning | 12-month | Change (12 months) |
| Median | 164.5 | 206 | 3.5 | 165.5 | 213 | 3.5 |
| Mean | 246.5 | 262.7 | 16.2 | 250.2 | 268.7 | 18.5 |
| Net total | 1,479 | 1,576 | 97 | 1,501 | 1,612 | 111 |
| N | 6 | 6 | 6 | 6 | 6 | 6 |

7.3.4 Other changes reported by Community Business Fund grantees

Not all effects of the Community Business Fund will be captured in the type of data discussed in this section. Our visits suggest that the Fund could have other impacts on community business confidence and sustainability, for example:

- confidence of local people and other funders or partners in the business
- ability to leverage other funding
- ability to experiment with a new approach
- possible longer-term effects on the places in which businesses operate
- for some businesses, the purpose of their grant is not organisational development, but rather to rescue a community asset and bring it into community hands
- for some businesses, the purpose of their grant is not organisational development, but to make it possible to achieve certain impacts for local people related to their business activities.

7.4 Summary of changes observed

- On average, grantees' incomes, expenditure and the value of their assets have increased. On average, incomes have increased approximately three times more than expenditure.
- Grantees have seen a small increase in the value of trade with the public sector, however the overall proportion of income from trade has not substantially changed.
- There has been little change in the overall number of people employed by grantees, although just over half have increased the number of part-time staff employed.
- The total number of volunteers has not substantially changed, however there has been a small increase in the number of local volunteers, suggesting that the proportion of volunteers engaged from the local community has gone up.
- There has been a very small increase in the median number of customers engaged by grantees, however there is a wide range in the size of changes reported.
- There has been little change in the number of members engaged.
- Some grantees do not consider organisational development to be a primary purpose of their Community Business Fund grant.

8. Conclusions

Part A discusses the ways in which the Community Business Fund grantees, and the places in which they operate, are similar or dissimilar to each other. The main findings are summarised in Table 24.

Table 24: Areas of high similarity and high diversity across the cohort

| Areas of high similarity across the cohort | Areas of high diversity across the cohort |
|--|---|
| <ul style="list-style-type: none"> – Highly local – Small number of members (excluding outliers) – In places with higher than average deprivation – In places with higher than average unemployment – Urban – Operating across more than one sector – Project involving capital spend | <ul style="list-style-type: none"> – Business size (turnover, staffing levels and number of customers or service users) – Legal structure – Age and trading age – Proportion of income from trading – Types of sector(s) in which they operate – Geographical location (though some clusters are evident) |

These findings suggest that community businesses are not a cohesive sector. While they share some key features in common, they participate in a wide range of business activities and are highly diverse in certain key features such as size and experience of trading. There are more similarities in the types of places where they operate, than in the types of businesses that they are.

Community Business Fund grantees are not necessarily representative of the wider community business market. Certain types of businesses (larger, more established and those based in London) were more likely to be granted funding than others (Section 4.1.2, and Section 9.3).²²

The two typologies developed in Part B illustrate some of the systematic differences between grantees and show how there are ‘clusters’ within the Community Business Fund cohort that have certain features in common. In future, these typologies can be used to explore whether different types of businesses create different impacts, and how they develop after receiving their Community Business Fund grant. They can also be used to target the different support needs of businesses with different trading histories.

²² See *Comparing Community Businesses and Social Enterprise Data from the State of Social Enterprise*, Social Enterprise UK, 2018 for a comparison point.

Our findings on the type of businesses funded by the Community Business Fund, and their impact, provide some early evidence to support Power to Change’s hypotheses about community business:

Table 25: Findings to support Power to Change’s hypotheses about community businesses

| Hypotheses about community business | | Evidence to date |
|-------------------------------------|---|---|
| Knowledge | Community businesses deliver the products and services best suited to their area because they are locally rooted and closely connected to the communities they serve | <p>Community Business Fund grantees engage a high proportion of people from their local area.</p> <p>Most grantees have a relatively small customer base and operate over a relatively small area.</p> <p>At this stage, it is not possible to say whether this leads to products and services better suited to the area.</p> |
| Employment | Community businesses increase net employment by hiring people who would otherwise struggle to access the labour market, in jobs that allow them to develop the skills they need to progress | <p>Some, but not all, Community Business Fund grantees provide employment opportunities for people who would otherwise struggle to access the labour market.</p> <p>Some, but not all, grantees offer training opportunities that aim to support people to gain employment elsewhere.</p> <p>At this stage, it is not possible to say whether the jobs available enable people to develop the skills they need to progress.</p> |
| Agency | Community businesses increase involvement in local decision-making and levels of social capital because meaningful membership develops skills, voice and access to information | <p>Community Business Fund grantees typically have a membership of fewer than 50 people.</p> <p>People engaged with the grantees, whether members or not, often cited a sense of ownership, pride and empowerment thanks to their involvement.</p> <p>At this stage, it is not possible to say whether these people are more engaged in local decision-making and have higher social capital as a result.</p> |
| Sustainability | Community businesses are less likely to close because local people have a strong sense of ownership and a stake in their success | <p>People already engaged with Community Business Fund grantees typically feel a sense of ownership.</p> <p>Grantees’ customer bases are typically fairly small, and not all of these people will be actively engaged, although there are exceptions.</p> <p>At this stage, it is not possible to say whether grantees are less likely to close as a result of this sense of ownership.</p> |

Community Business Fund grants vary widely in value, use, and how they are intended to support business development (Section 2). Therefore, the grants are not expected to have the same effect for all grantees. Nonetheless, initial findings suggest that there are some patterns in the features of grantees that have changed, or not changed, since receiving the Community Business Fund grant (Section 7).

Table 26: Early indications of areas of some change, and little or no change, 12 months after grantees received their Community Business Fund grant offer letter

| Evidence of some change | Little or no evidence of change at this point in the evaluation |
|---|--|
| <ul style="list-style-type: none"> – Increase in average income, expenditure and value of assets – Small increase in the value of trade with the public sector – Small increase in the number of part-time staff employed – Possible increase in the proportion of volunteers from the local community – Increase in additional grant-funding received | <ul style="list-style-type: none"> – No average change in the proportion of income from trading – Little overall change in the number of people employed full-time – No overall change in the number of volunteers engaged – No average change in the number of customers or service users – Little change in the number of members engaged |

It is too early to say whether these patterns will be sustained, but they do highlight some key questions for the Power to Change Trust to consider:

-
1. What does success look like for the Community Business Fund? What are the desired changes in grantee businesses? Are these generalisable across the cohort or are they different for different types of grantees?

 2. What does 'sustainable' mean for community businesses? How will we know whether the grantees are more sustainable as a result of their Community Business Fund grant?

 3. How soon can we expect to see changes in grantee businesses? How long will it take for possible increased sustainability to become apparent?

 4. Can grantees generate enough profit from this one-off investment to sustain their activities? What are businesses' other finance needs and how can these be supported?

 5. Overall, what is the change that Power to Change is aiming to achieve at a community business sector level? Is it to increase the overall size and value of the sector? To create more community businesses and increase their likelihood of surviving long-term? To bring more assets into community business hands? To improve the quality of what community businesses can provide to their community and place? *If it is all of these things, are there trade-offs between them and how can these be managed?*
-

These, and other questions on the types of community business, their impacts and how they develop after receiving a Community Business Fund grant, can be explored in the next phase of the evaluation of the Community Business Fund.

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Appendix 1: Methods

This evaluation was a mixed methods study which drew on the following sources of information:

Quantitative data analysis

- Grantee application forms, submitted in stage one and stage two of the application process
- Grantee monitoring forms, submitted 12 months after receiving the first instalment of their grant
- Public datasets including the Indices of Multiple Deprivation and others

Qualitative data analysis and observations

- Analysis of open-text questions in grantee application forms
- Interviews with staff, employees, trustees, members, customers, and visitors of 11 community businesses which received a Community Business Fund grant
- Observations of facilities and activities of 11 community businesses which received a Community Business Fund grant

The 11 grantees we visited were randomly selected from rounds one to three of the total cohort, taking into account the following criteria:

- exclusion of businesses whose projects were under investigation or not going ahead
- a range of types of businesses using the ‘trading histories’ typology
- half the sample with a below median turnover, and half above median
- a range of sectors, regions and legal structures

Understanding the data used, and data quality

Section 3

The data provided by organisations in their applications to the Community Business Fund should be interpreted with caution: some figures provided represent that of parent companies, rather than the specific venture or project being funded; some figures are provided by the lead partner of a consortium which is delivering the project in partnership; in some cases, figures are provided for new ventures which are or have been launched by a different business which may or may not continue to have a legal and financial relationship with the venture.

As such, **comparative analyses of the financial and other data provided by Community Business Fund grantees should be made with caution as not all figures will be equivalent and properly comparable.**

The figures provided in this section represent grantees' situation at the point of applying to the Fund. **The time period this represents will vary** depending on the round in which grantees applied and organisations' financial year period. Some businesses applied in an earlier round but were not funded until a later round, which may lead to some discrepancies in the time period represented even within businesses in the same round.

Businesses were invited to define the size of their own 'local community' and so **the figures on the number of local people involved in the business will refer to communities of different sizes, and are therefore only loosely comparable.**

Finally, **some businesses have struggled to complete the application form accurately**, in particular information about the numbers of full-time and part-time staff and FTE, as well as the proportion of people involved in the business who are from the local community. While we have attempted to make corrections, **it is likely that some errors remain.**

Section 4

Businesses were asked to provide three postcodes that represent the area(s) in which they work. We used the first of these postcodes to identify the types of places in which grantees operate. Analysis comparing the three postcodes provided suggests that they do not vary significantly in geography or demographic characteristics, however **there is a risk that applicants deliberately picked postcodes that represent more deprived areas** – particularly if they are familiar with the Indices of Multiple Deprivation and similar statistics.

For businesses that operate over a larger area, the postcode provided does not necessarily represent the full range of places in which they work.

Businesses are not necessarily based in the same area as the postcode they provided, however most businesses are small and operate over a relatively small area.

Section 7

The data provided in this section should be interpreted with care. The data is taken from monitoring forms provided by businesses 12 months after receiving the first instalment of their Community Business Fund grant. This is a very early stage at which to try and assess how organisations have developed. It is difficult to know whether any changes identified will be sustained over time, or whether in time new changes will occur. **This section provides some initial insights into questions that can only properly be answered at least three to five years after the receipt of funding.**

We cannot know for certain whether any changes identified were influenced by the Community Business Fund grant, or other factors. **It is impossible to know how businesses would have developed without this grant.**

Sixteen monitoring forms which were submitted have had to be excluded from the analysis, due to missing data or anomalies, because businesses previously provided parent company accounts in their application form and have provided data for a different entity in the monitoring form, and/or because they have provided data which is clearly incorrect. **Many organisations appear to have struggled to complete the form accurately.** While we have attempted to make corrections, it is likely that some errors remain.

The income figures will include the value of the Power to Change grant and any match-funding received. How far this impacts the figures will depend on the size of the grant relative to the turnover of the grantee, how much of their grant they have drawn down to date, and whether they received match-funding in kind.

Appendix 2: Unsuccessful applicants to the Community Business Fund

There are two stages of the Community Business Fund application process. Between rounds one and four of the Fund, **880 organisations applied to the first stage**. Their application was assessed on how well they met Power to Change's criteria for a community business, scored 0–4 against each of the four criteria to give a total score range of zero to 16.

Of these, **138 were invited to proceed to the second application stage** which tested the quality and feasibility of their project proposal. **119 were then invited to pitch** to the Community Business Fund panel, and **79 were awarded a grant**.

Applicants' community business scores, awarded in the first application stage, give an indication of how far applicants can be considered community businesses according to the definition used by Power to Change. Table 27 shows the average scores.

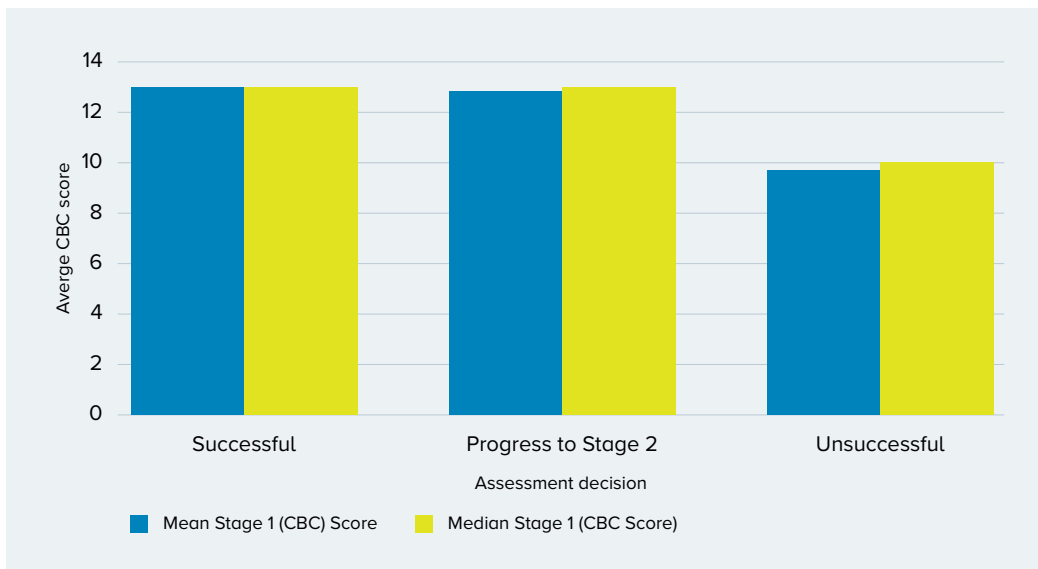
Table 27: Average community business scores of applicants with different assessment outcomes (n=959)

| Assessment Decision | N | Mean Stage 1 (CB Score) | Median Stage 1 (CB Score) | Mean Stage 1 Range (CB Score) |
|---------------------|-----|-------------------------|---------------------------|-------------------------------|
| Successful | 79 | 13.0 | 13 | 1.0 |
| Progress to Stage 2 | 138 | 12.8 | 13 | 1.0 |
| Unsuccessful | 742 | 9.7 | 10 | 1.3 |
| All applicants | | 10.2 | 10.5 | 1.2 |

Businesses that were unsuccessful at stage one had a lower community business score on average. **This suggests that unsuccessful applicants at stage one were less likely to meet Power to Change's definition of a community business, and therefore were less likely to meet the Fund criteria.**

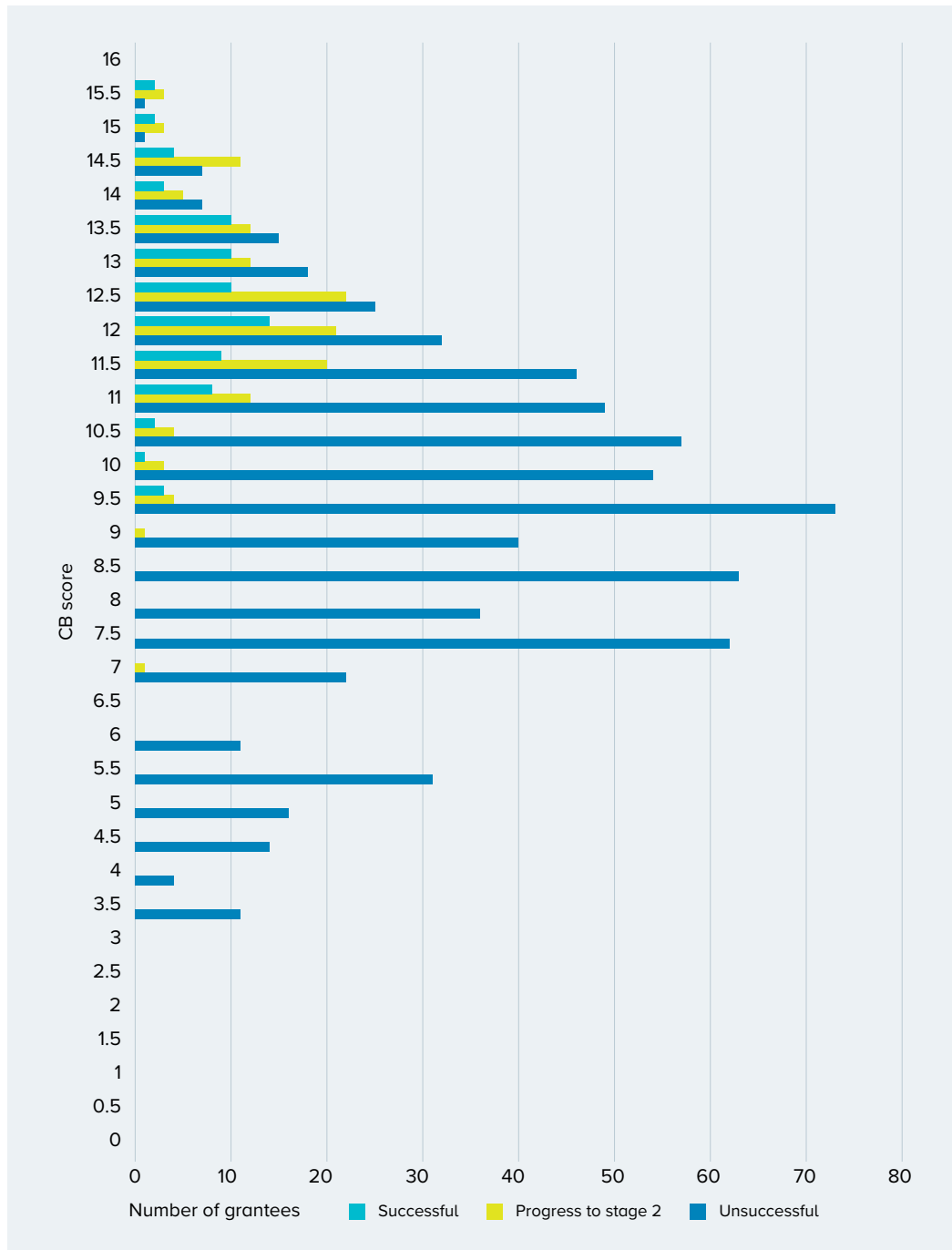
Businesses which progressed to stage two, but were not ultimately successful, on average achieved a similar community business score to those that were ultimately successful in their application. This suggests that how well an applicant met the community business criteria was not a significant factor in decision-making at this stage.

Chart 22: Bar chart showing average community business scores of businesses with different assessment outcomes (N=959)



The distribution of community business scores of grantees who progressed to stage two, and those who were successful, were very similar, ranging from around 9.5 to 16. As expected, there was a much wider distribution of community business scores amongst unsuccessful applicants. However, it is important to note that **some unsuccessful applicants still achieved high community business scores (14 or more)** which indicates that community business score was not the only factor taken into account in assessment decisions.

Chart 23: Histogram showing distribution of community business scores by assessment outcome (n=959)



Appendix 2: Bibliography

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