

## Ministry of Housing, Communities and Local Government: A Communities Framework

### Response to the call for evidence

Ailbhe McNabola, Head of Research and Policy  
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### About Power to Change

Power to Change is an independent trust, established in 2015 with funding from the Big Lottery Fund. Our funding is used to strengthen community businesses across England. We help local people come together to solve problems for their community, reviving local assets, protecting the services they rely on, and addressing local needs. We provide practical and financial support to them as they run businesses which help their whole community and recycle money back into the local area. In 2017, we made a strategic decision to become a place-based funder and invest in a number of priority places and sectors<sup>1</sup>.

### Scope of this submission

In preparing this response to your call for evidence, we have drawn on evidence from our research programme, data from the evaluation of our funding programmes, and emerging insights from our delivery on the ground. Our focus is primarily on community businesses operating in England. We have liaised with Locality in preparing this submission and have not covered here, in detail, the findings of the Commission on the Future of Localism, as the Locality submission has done so in some depth. Rather, we have focused on providing additional evidence from our own grant funding, research and impact measurement activities.

### Q1: What do communities want to do more of, or have more control over, in their local areas?

Whilst we have not directly asked this question of communities in our research, evidence from our research projects and our grant funding programmes helps build an understanding of what communities want to do more of, or have more control over, in their local areas. There is clearly appetite, and capacity, for communities to come together to address perceived needs in their local areas – as evidenced by the £49m we have awarded in grants to 823 organisations since 2015.<sup>2</sup>

Looking at our research and our funding of the community business market, it can be difficult to summarise ‘what communities want to do more of’ – because communities come to us for funding for a diverse range of activities, and our market research shows that communities are running enterprises in almost every economic sector.<sup>3</sup> The most prevalent types, as the table at Appendix A shows, are

- community hubs and village halls

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<sup>1</sup> At a neighbourhood-level we are working intensively in: Bradford, Leicester, Plymouth, Grimsby, Luton, Hartlepool and Wigan. At a wider geographical level we are working in Bristol City Region, Liverpool City Region and Suffolk.

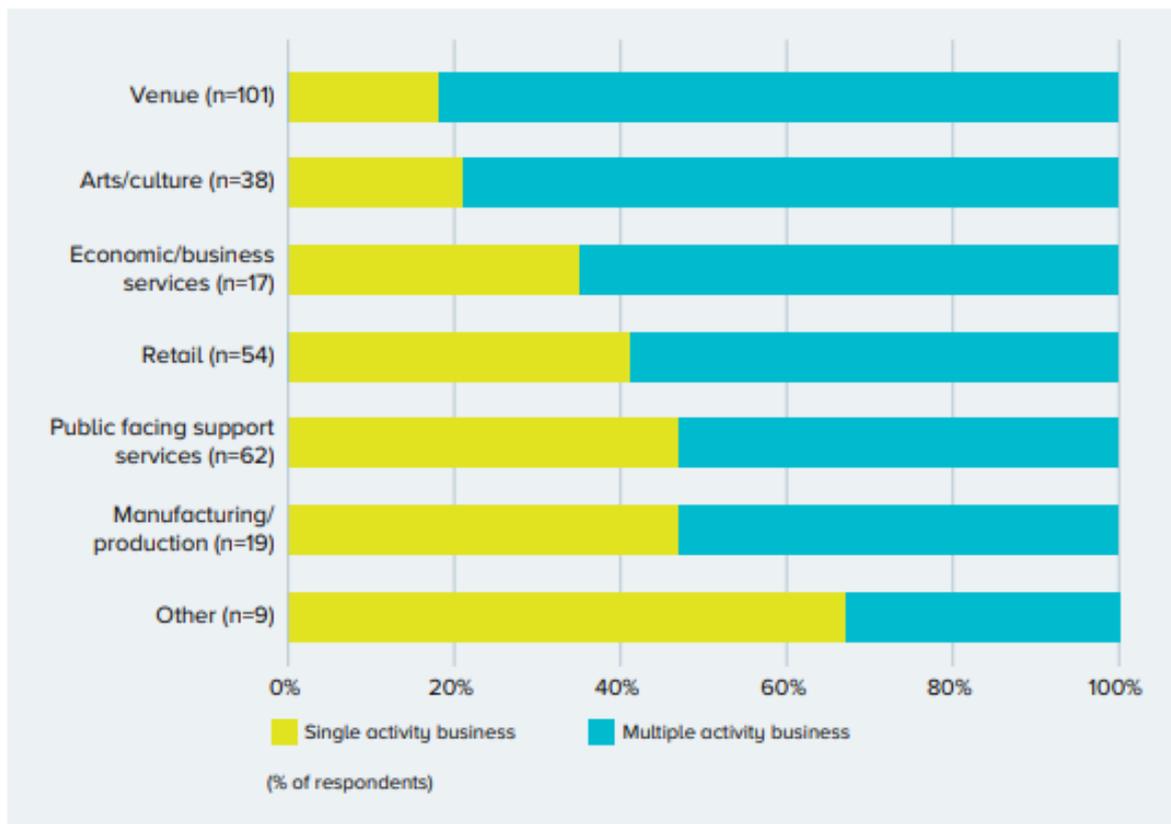
<sup>2</sup> Data drawn from Power to Change’s grant management database, accessed 20.02.2019.

<sup>3</sup> See Appendix A for an overview and sector breakdown of the community business market in England.

- businesses offering employment, training and education or business support
- business offering health, social care and wellbeing
- sports and leisure businesses
- community libraries
- community-led housing organisations.

The analysis of the community business market in 2018 shows that many organisations have **multiple business activities**. Community hubs and centres, and village halls, tend to operate a range of activities from their asset base and are by their nature multi-purpose businesses operating out of multi-purpose facilities.

**Figure 1: Grouped primary business activity categories by single vs multiple business activities (bases variable)**



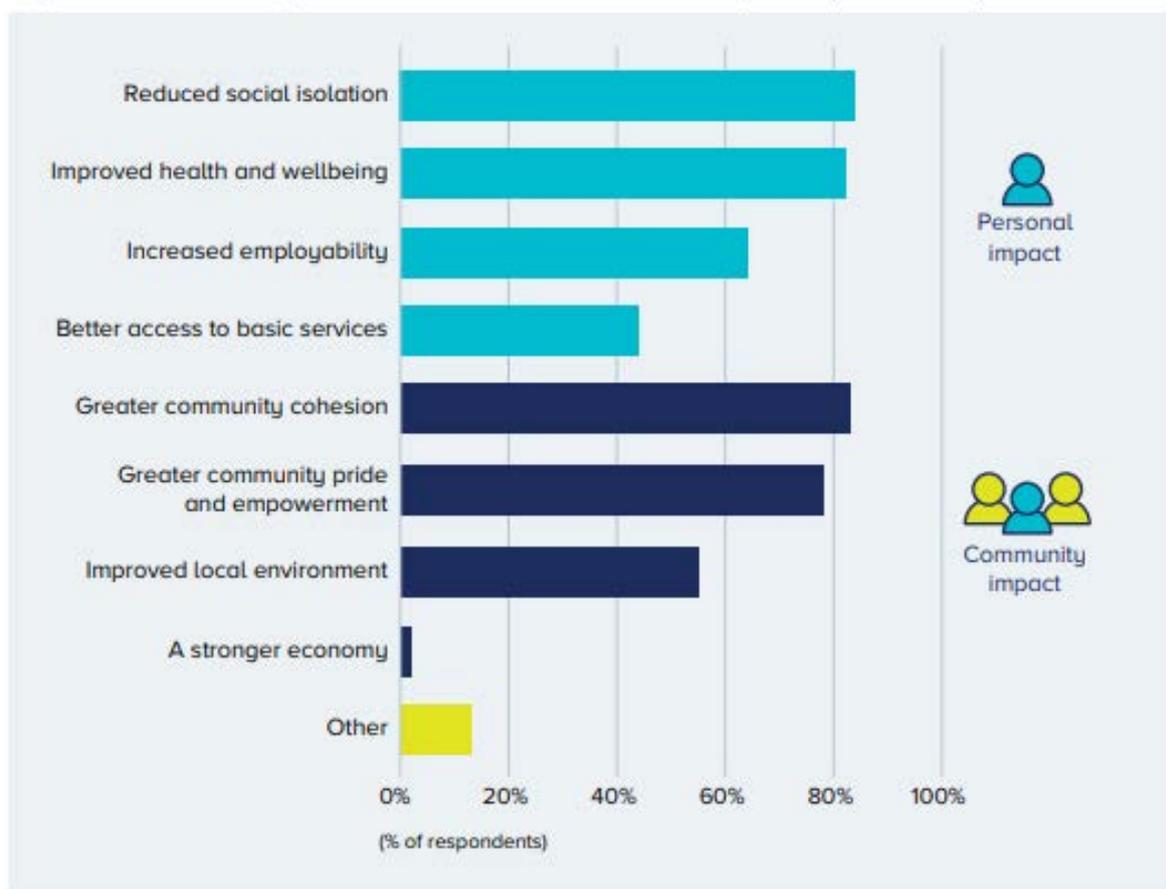
Source: Diamond et al. 2018:19

We also know from our research that these businesses are **not primarily set up for economic gain**, but the motivation lies in making a social impact and improving the lives of those living in the local area - through an enterprising model. The approach is community-focused: ‘mission first, business second’ (Baker and Goggin, 2016).

*‘It’s about both financial and social value, without being able to balance the financial side of the bookshop, we wouldn’t be able to do the social.’ ... ‘Money is what makes us run as well as community skills. We’re not in it for business and not seeing that business is the sole way to solve all problems.’<sup>4</sup>*

Our research provides some insight into the social outcomes that community businesses seek to address.

**Figure 2: Community businesses’ intended social impacts (base=300)**



**Source:** Diamond et al. 2018:20

We are often asked whether capacity to come together to take action exists in **deprived communities**, where social capital is lower. Yet our funding is heavily over-subscribed, and between 2015-2018 we awarded an average of 63% of our funding to areas that are in the three most deprived deciles of the Indices of Multiple Deprivation. In 2018, the figure stood at over 75% (Harries and Miller, 2018:2). We also see that, in programmes such as our Community Business Fund, community businesses are based in areas with higher than average levels of unemployment. This demonstrates that there is demand and capacity, even in deprived communities, to take action.

<sup>4</sup> Community business leaders quoted in: Buckley et al (2017:11).

This requires the right support. We invest substantially in capacity building in the places where we fund, to support communities to develop robust and sustainable organisations. We also connect these communities to the right finance for their needs.

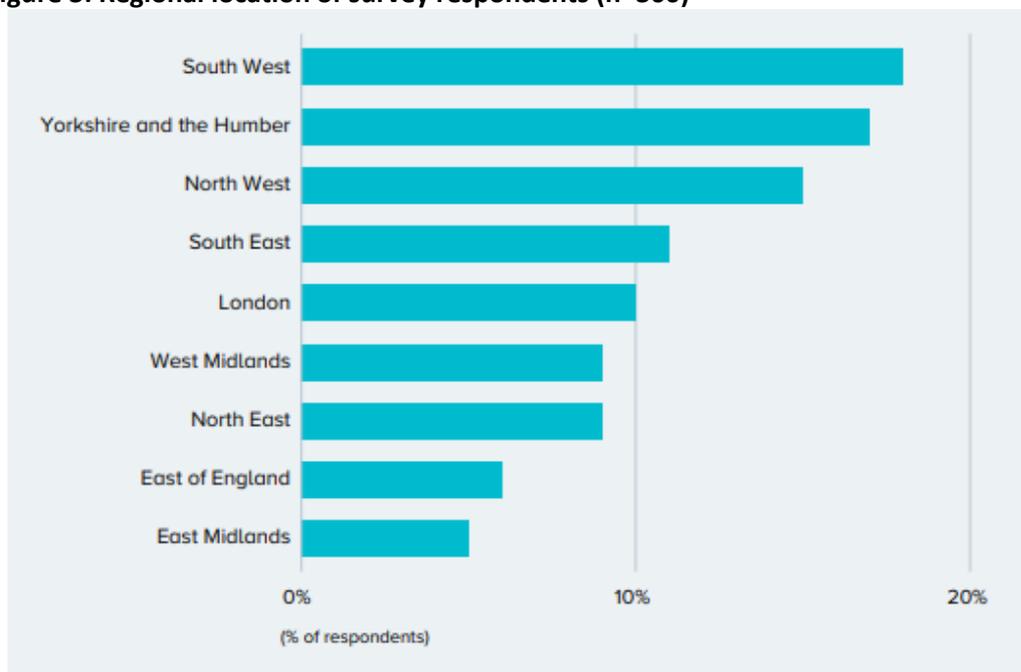
On average community businesses generate 50% of their income through trading. They also leverage their assets, with 56% of their total income being classified as ‘free funds’ (Harries and Miller, 2018:27). Yet this activity is influenced by the sectors they operate in and their geographic location.

Community shops generate the majority of their income from trading (96%). Community hubs generate just under half (46%). Deprived areas also have less disposable income to support community businesses. They either have to trade beyond that area, or find alternative funding, such as grants.

To achieve their ambitions, communities will continue to need grants. The mean average grant value provided by Power to Change is £62,798. Across the wider sector, the majority of community businesses access grants (83%). They want more support with identifying relevant funders (12%) and bid writing (12%). This will help them make the case to secure the further funding (Diamond et al, 2018:19).

In terms of **geographical spread**, there is evidence to suggest that community businesses are spread throughout England but more precise data about the geographical spread of the sector is lacking. Some indicative data exists – such as the spread of survey responses in our 2018 study of the community business market (Diamond et al, 2018:23).

**Figure 3: Regional location of survey respondents (n=300)**



**Source:** Diamond et al. 2018:23

Our research shows strong **confidence** among those running community businesses -despite the obvious economic challenges and political uncertainties. In our 2018 survey of the community business market (Diamond et al, 2018), nearly two-thirds (66%) of respondents were confident about their financial prospects for the year ahead. This is up from 63% in 2017 and 47% in 2016. Furthermore, the proportion of respondents less confident about their financial prospects in the

next 12 months has seen a large drop to only 13% (20% in 2017). There are other indicators of community business confidence in the research: the majority of community businesses anticipate their overall income from trading, contracts and grants increasing in the coming year and that they will engage more volunteers. In addition, just over half the community businesses surveyed (53% compared to 48% in 2017) expect to employ more paid staff in the next 12 months. Micro-businesses are particularly confident about their likelihood of employing more staff (61%), which is a positive sign for the sector given over half the community businesses are this size.

Evidence coming from our **place-based programmes** is more anecdotal, but we hear that communities are keen to work with local authorities and other partners, and to be recognised as credible partners for the delivery of services in an area.

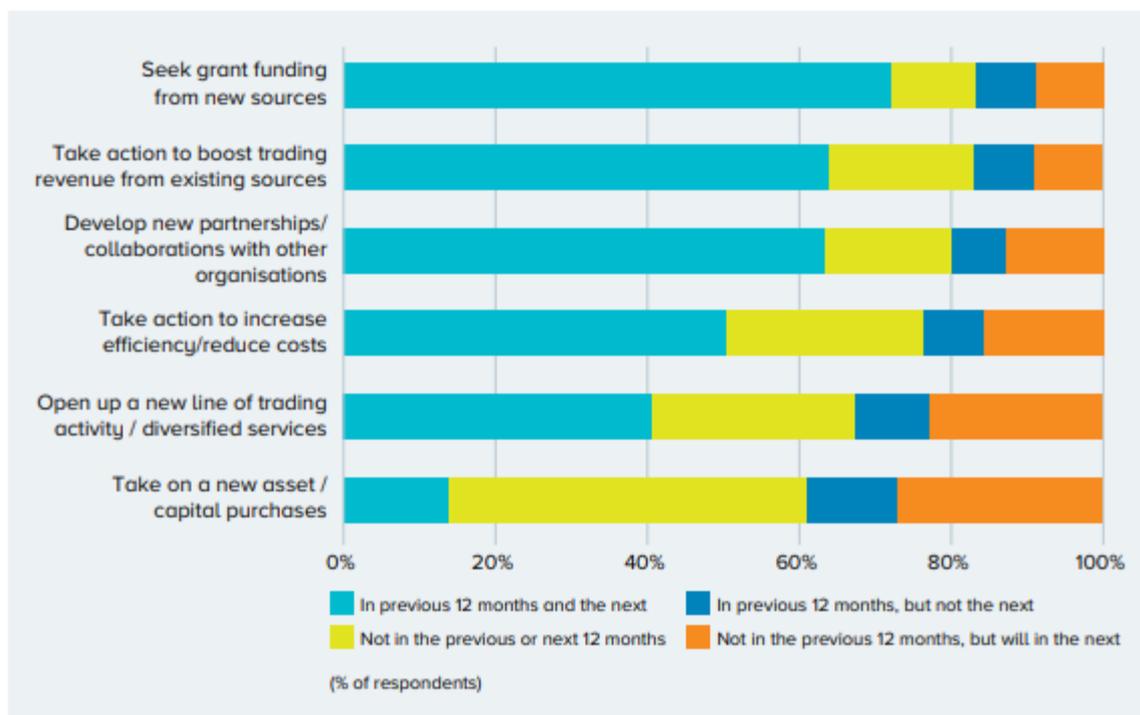
- Through our work in **Liverpool City Region**, we have learned that community businesses in the city that are contributing significantly to the local economy, they do not feel they are recognised as such by the local and combined authorities. Our upcoming study of community businesses in Liverpool City Region highlights the 84 community businesses in the region with a total annual turnover of £22m, and net assets of £38m (Heap et al. 2019).
- Our involvement in the development of the City Funds in **Bristol** has shown that communities there want to be able to protect community assets, and are willing to take these on and develop them further.
- A consultation run by one of our funded ‘catalyst’ organisations in **Leicester** during 2017/2018 received 600 responses from local people. Our catalyst organisation (B-inspired, the Braunstone Foundation) told us:  
*“What they overwhelmingly said they wanted to see more of was: sports / dance / fitness activities, leisure clubs, youth activities, a community café and shop. When asked directly whether they would want to be involved in setting up of a community business, the majority by 1% said no, with the remainder saying yes or maybe. But when asked directly whether they would be interested in developing any of the highlighted community business ideas (as above) their responses were an overwhelming yes. Giving us the confidence that whilst in the abstract people do not immediately show an interest in setting up a community business, when asked about the idea in the context of the local priorities they and their community have highlighted...they are much more interested.”*

## Q2. What do communities want in terms of inclusive spaces (parks, community centres, shared amenities) in their local areas?

Overwhelmingly, our evidence shows that community spaces and assets matter to, and are sought by, communities. Communities want to have access to sufficient inclusive spaces, and where these are threatened or removed, will come together to protect them. Communities want to “(take) over the running of a local asset after closure by the local authority, or seeing a gap in the provision of services to the local community in general” (Richards et al. 2018:7). On [keepitinthecommunity.org](http://keepitinthecommunity.org), there are now 5,887 registered Assets of Community Value.<sup>5</sup>

In addition, we see that community businesses rely on and seek to acquire tangible assets. The figures at Appendix A highlight the dominance of community assets in the community business market. Circa 70% of applications to our Community Business Fund (grants up to £500K) and circa 45% of applications to our ‘Bright Ideas’ (small grants, early-stage funding) are asset-related in some way. Our 2018 study of the community business market found a significant appetite for taking on new assets in the year ahead:

**Figure 4: Changes to business operations over the previous and future 12 months (n=300)**



Source: Diamond et al. 2018:37

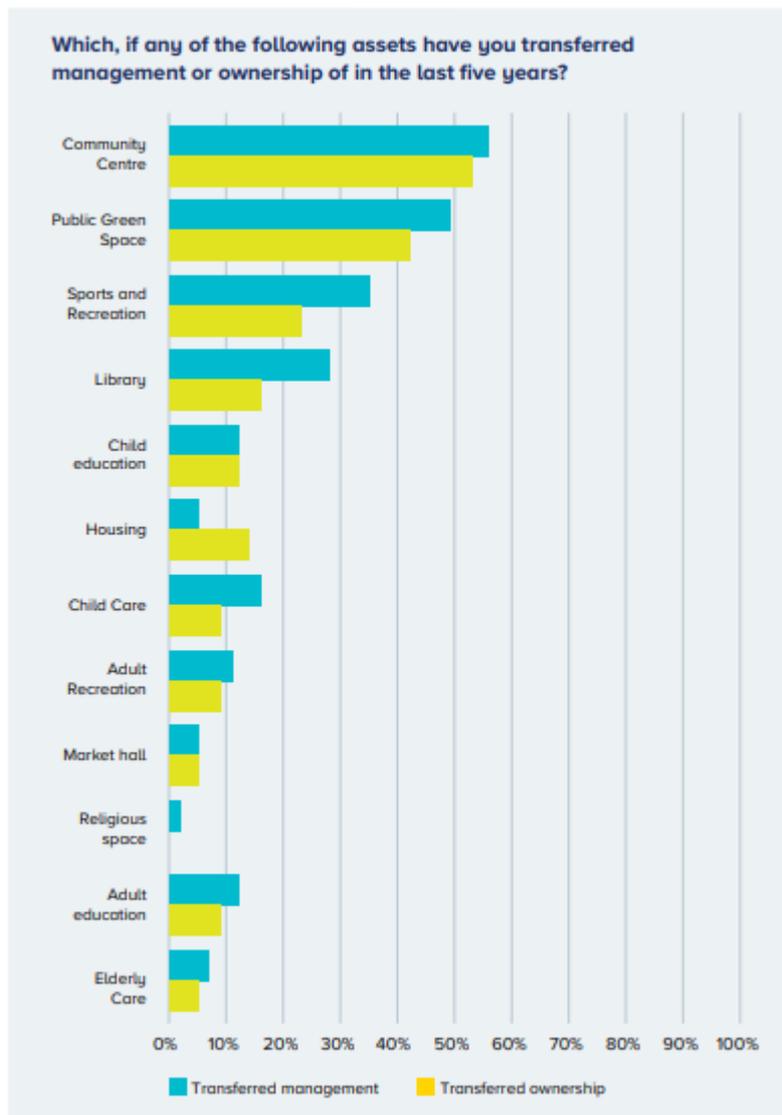
We know that asset-owning community organisations and businesses are more financially sustainable – research has shown that the organisations which have best adapted to the impact of the recession have assets which generate revenue (NCVO et al. 2015). The evidence shows that this is not without its challenges; there are maintenance costs to consider as well as patchy support around asset transfer from local authorities (Gilbert, 2016). However, the research also shows that having tangible assets is beneficial to community business sustainability as well as being a contributing factor to the growth of the community business sector as a whole (Perry et al. 2018:13).

<sup>5</sup> KIITC is a new website funded by MHCLG and PTC that brings together all ACV listings in England

The community pub sector has seen strong growth in recent years, with 30% growth in community-owned pubs in 2018. The number of incorporated community-owned pubs has risen from 9 in 2008 to 85 in 2017, and there are circa 300 more in the pipeline of the 'More Than A Pub' programme. In 2018, community pubs had a 100% survival rate (Plunkett Foundation 2018). Activity in this sector has been supported by the **Community Right to Bid** legislation and communities have made frequent use of community share offers to fund acquisitions.

There has been rapid growth in some sectors, some of it driven by **local authority asset transfers**. In 2017, Hull et al. reported a continuing momentum behind the transfer of assets from local authorities to community groups. The research reported that this was a key driver of growth for community business – transfers of parks, hub buildings, sports facilities, brownfield sites, arts centres, libraries and heritage buildings to community ownership were found to be driving growth in the number of community businesses in these sectors. (Harries et al. 2018:17). In the sport and leisure sector, for example, our research indicates there has been a rapid growth that stemmed from the reduction in local authority funding, impacting their ability to run core community facilities (Richards et al. 2018:3). Research we funded in 2016 sought to map the scale and type of local authority asset transfer activity – see Figure 5 below.

**Figure 5: Assets transferred by local authorities to community ownership**



Source: Gilbert 2016:22.

### **Q3. What do communities want national and local government to do more, or less of to support communities who want more control over issues affecting their local areas?**

#### **Asset ownership**

Our responses to Q1 and Q2 above refer to the demand for community assets. Our research has highlighted a desire amongst community business leaders for greater transparency and proactivity from local government around Community Asset Transfer. Gilbert (2016) highlights a number of issues:

- CAT remains largely reactive rather than proactive. Only half of the local authorities surveyed reported an active pursuit of opportunities to transfer assets into community ownership.
- There are rarely designated staff dealing with community asset transfer in local authorities.
- Approaches to CAT vary significantly between local authorities.
- Most authorities have a preference for transfer of leasehold over freehold in CAT policies.
- The need to generate capital sales receipts is still a leading barrier to asset transfer (for 88% of respondents) suggesting a conflict between asset management strategies which yield revenues immediately, and asset management strategies which yield social value over time.

Despite these barriers, many local authorities recognise the potential of CAT to achieve their objectives, such as reducing the cost of service provision (85%), protecting a service that would otherwise be lost (81%) or improving service user engagement (81%). A small handful of councils are beginning to very proactively engage with asset transfer, as a means of rebalancing the balance of responsibility between citizen and state. We have worked with councils in places such as Bristol, where the city council is pursuing asset transfer to communities as part of its overall strategy, and we have funded a large number of community businesses where a CAT was involved.

Based on the evidence, we have developed a set of **recommendations for local government:**

- Be transparent: use the [Keep It In The Community](#) platform to share data on Assets of Community Value (ACV).
- Take the lead: develop a clear policy on community asset transfer, with proper consideration of social value in asset disposal decisions. Have dedicated staff to support the process and coordinate across Council departments.
- Be responsible: don't transfer liabilities, support the reparation of poor-quality assets, provide transitional funding or support from the Council legal team where necessary. Don't ask community groups to pay both parties' legal fees. Provide early stage financial support (for feasibility studies, technical advice, development of business plans).
- Be realistic: whilst not ideal, shorter leases and more restrictive arrangements are still welcome if they help a community on its journey towards asset ownership.
- Be ambitious: investigate multiple asset transfers as a strategic option to ensure sustainability of a community-owned portfolio of assets.

And for **central government:**

- Implement the recommendations of the [2016 Select Committee report](#) to increase the impact of the Localism Act (in particular the improvements to the ACV process).
- Invest in continued data and evidence on community asset ownership, e.g. by supporting [www.KeepItInTheCommunity.org](http://www.KeepItInTheCommunity.org) and projects to generate assets data.
- Incentivise the concept of community asset transfer to local authorities.
- Promote nationally recognised exemplars of CAT, with funding for 'seeing is believing' visits.

- Consider whether the process of administration for a community-owned business or asset is appropriate; consider safeguards to ensure a community-owned asset stays in community hands.

## **Procurement and commissioning**

Procurement and commissioning are also common themes in our research, and this relates usually to local government. Commitments to including smaller organisations in tendering processes are seen as valuable by community business leaders, so that they can be supported to provide services to the community (Diamond et al. 2018:14). One positive example we have encountered is of a local authority that revised health and social care commissioning materials to specify that prime contractors must subcontract with local organisations to provide services. This change enabled community businesses to access service delivery contracts in the area and provided a stable financial footing for them to grow (Diamond et al. 2018:42-43).

In 2017 we published research on the salience of the Public Service (Social Value) Act for community businesses (Jones and Yeo, 2017). Based on the research evidence, we have a number of **recommendations for government:**

- **Lower the financial threshold:** Reduce the threshold to encourage commissioners to consider social value when tendering lower value contracts. A lower threshold should be selected by analysing contracts tendered by local authorities and choosing an appropriate level that would bring in commissioners such as District Councils.
- **Extend the Act to apply across all public procurement:** The application of the Act to services contracts has proven successful, and we see no reason for Government not to now extend the Act beyond services to include goods and works, thereby increasing the opportunities for social value to be generated within public procurement. Continue to implement the new provisions relating to central government.
- **Provide more support, guidance and monitoring:** More support and guidance, highlighting successful practice, could boost take-up of the Act. For commissioners, this could be examples where commissioners have made savings or demonstrably improved outcomes through commissioning with social value in mind. For small voluntary or community-led organisations, this could be examples of similar organisations that successfully engaged with the commissioning process.
- **Make data on the progress and effects of the Act more readily available:** We recommend the introduction of an open-source, central dataset on the use of the Act across English local authorities and including monitoring data on social value outcomes.
- **Think about supply chains:** Community businesses that are not in a position to bid for larger contracts should consider becoming part of the supply chain, working with ‘first-tier’ contractors who may have more bid-writing capacity. Local authorities could play a role in brokering some of these new relationships.
- **A place-based approach to value:** An overarching place-based approach to social value could yield better results. Commissioners need to set out their local strategy and their social impact priorities, engaging with their local VCSE sector to improve capacity to respond to their priorities. There is a role here for the VCSE sector and for private sector providers too, as any one of these can take a lead in convening local discussions around a strategy for better outcomes in a place.

## **Local strategic planning**

As the public evidence sessions of the Localism Commission heard, the democratic distribution of power at the lowest possible level supports positive social outcomes: greater individual wellbeing and community cohesion. We hear from community businesses that they feel they are contributing

significantly to their local economies, but do not always feel they are recognised as such by local or combined authorities. They are keen to be recognised and valued within local strategic and economic plans.

Organisations like [Nudge Community Builders](#) in Plymouth are working from the local community to regenerate deprived areas and improve life chances for local residents. In rural Norfolk, the regeneration of the village of Great Ryburgh has been community-led. Between 2005-07, the village lost its school, pub, and shop, becoming a dormitory for the larger town of Fakenham. Residents raised community shares and other funding to open a [community-run shop](#) (with Post Office), employing four local people. The shop now has turnover of c.£180K, nearly ten times that of the old shop, and in 2016-17 made its first profit. Since the opening of the shop, other businesses have started in the village.

Our research on local councils' use of Public Works Loan Board (PWLB) finance to support local community-run ventures in sectors such as housing, energy and leisure, showed that councils can become 'impact investors' supporting community initiatives for sustainable social benefit (Pagura et al, 2018).

To ensure that the role of small, community-led businesses is harnessed in local economic planning, our recommendations for **local government** are:

- Develop local economic strategies that embrace an inclusive growth approach with communities at the heart
- Involve community sector organisations in development of Local Industrial Strategies because they bring knowledge of local need, skills and weaknesses
- Create parish councils and neighbourhood forums where there is local demand
- Become local impact investors: consider balance sheet or Public Works Loan Board lending to support community initiatives for sustainable social benefit

And we believe that **central government** can also contribute to making sure local strategic and economic planning engages the community better:

- Ensure LEP membership represents the views of local small businesses, including community businesses - monitor the implementation of the 2018 LEP Review
- Strengthen local governance by making it easier to establish parish councils and extending the powers designated to neighbourhood forums in non-parished areas
- Reinvigorate the Community Rights agenda: champion greater use of existing rights by communities and local authorities
- Consider a preferential rate for PWLB lending that delivers social value

## Appendix A: The community business market in England in 2018

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

**Source:** Dr Abigail Diamond , Professor Tim Vorley, John Higton, Rachael Archer, Dr Rebecca Steer and Irshad Mulla (2018). *The Community Business Market in 2018*, London: Power to Change.

## Appendix B: Case studies (community assets focus)

Netherton Community Centre <https://www.powertochange.org.uk/wp-content/uploads/2018/03/Netherton-Community-Centre-Case-Study-1.pdf>

BS3 Centre, Bristol <https://www.powertochange.org.uk/wp-content/uploads/2018/03/BS3-Community-Development-Case-Study.pdf>

The Old Co-Op, North Yorks <https://www.powertochange.org.uk/wp-content/uploads/2018/03/The-Old-Co-op-Community-Building-Case-Study.pdf>

Aspire Ryde Centre, Isle of Wight <https://www.powertochange.org.uk/wp-content/uploads/2018/03/Aspire-Ryde-Case-Study-1.pdf>

The Cheese and Grain, Frome Somerset <https://www.powertochange.org.uk/wp-content/uploads/2018/03/The-Cheese-and-Grain-Case-Study.pdf>

Bristol Community Land Trust <https://www.powertochange.org.uk/research/bristol-community-land-trust-case-study-1/>

Alt Valley Community Trust, Liverpool <https://www.powertochange.org.uk/wp-content/uploads/2017/06/Alt-Valley-Community-Trust-Case-Study-DIGITAL.pdf>

Brighton Open Market <https://www.powertochange.org.uk/wp-content/uploads/2017/06/Brighton-Open-Market-Case-Study-DIGITAL.pdf>

Croydon Saffron Central <https://www.powertochange.org.uk/wp-content/uploads/2017/06/Croydon-Saffron-Central-Case-Study-DIGITAL.pdf>

South Tynedale Railway <https://www.powertochange.org.uk/wp-content/uploads/2017/06/South-Tynedale-Railway-Case-Study-DIGITAL.pdf>

## Appendix C: References

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Heap, H., Nowak, V., Schwaller, E., Southern, A. and Thompson, M. (2019) *Growth, sustainability and purpose in the community business market in the Liverpool City Region*, London: Power to Change [forthcoming March 2019]

Jones, N. Yeo, A. (2017) *Community business and the Social Value Act*. London: Power to Change. Available at: <https://www.powertochange.org.uk/wp-content/uploads/2017/08/Report-8-Community-Business-Social-Value-Act-1.pdf>

NCVO, Locality, SCC, IoF, NAVCA and CFG (2015) *A financial sustainability review of the voluntary sector.*, London: NCVO.

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