

Research Institute Report No. 24

The Community Business Market in 2019

December 2019

Contents

About this report	1
Acknowledgements	2
Executive summary	3
The shape of the community business market in England, 2019	3
Outlook for the year ahead	5
1. Introduction	6
1.1 Methodology overview	6
1.2 Report structure	9
2. Community businesses in 2019	10
2.1 What community businesses do	10
2.2 The composition of community businesses	16
2.3 Financing community businesses	27
3. Size and scope of the market	30
3.1 Market size and sector evolution over the year	30
4. Outlook for the year ahead	38
4.1 Financial outlook for community businesses	39
4.2 Future structure of community businesses	46
4.3 Challenges and opportunities for community businesses	48
5. Conclusions	59
6. Bibliography	61
Appendix: Individual sector estimates for market size	64

About this report

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

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

Full details about our methodology can be found in the Supporting Analysis of the Community Business Market Report 2019, published on the Power to Change Research Institute webpages.¹



Founded in 1997, CFE Research is a highly regarded, independent social research company, providing research and evaluation services to government departments, public sector agencies, education providers, and local and national charities.

CFE is a not-for-profit organisation, employing a team of dedicated consultancy and research professionals, as well as an extensive network of quality-assured associates selected for their expertise. Our reputation for depth of knowledge, timely results, innovative research methods and flexible approach has seen us become a leading social research agency within the UK. Our services help customers to understand what works, in what context and why.

¹ See <https://www.powertochange.org.uk/research/>

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Executive Summary

The shape of the community business market in England, 2019

Size and purpose



9,000

community businesses operating in England in 2019

We estimate that there are 9,000 community businesses operating in England in 2019. This total is the highest recorded in the annual Community Business Market report. Nearly half (46%) of modelled community businesses are classed as either community hubs or village halls. This is a large increase from the figure of 33% modelled in 2018 due to the greater availability of data for the sector this year.

Community businesses are diverse. One in ten (900) community businesses provide a range of services categorised as business and employment support, guidance and training. A further 1,200 community businesses provide services that are aligned with, or used to be provided by, the public sector. This includes an estimate of 400 community businesses in each of the libraries, sports and leisure, and health, social care and wellbeing sectors. Taken together, these 2,100 business support and public service community businesses share common traits. They are large income generators and collectively account for nearly half (45%) of total market income. They also employ relatively large numbers of staff compared to other community businesses. We found that the proportion of community businesses offering a public-facing support service as their primary business activity has risen by six percentage points to a quarter (25%) compared to 2018.

Around two-thirds (63%) of community businesses offer more than one service. Nearly three in five (59%) offer a community hub as their primary or support activity. Over a third (34%) of community businesses provide training/education services and nearly three in ten (29%) operate a café. Given the range of services offered, it is unsurprising that community businesses aim to impact their local communities positively in a number of ways – mainly through reducing social isolation (85%), increasing community cohesion (82%) and improving health and wellbeing (81%). When asked to isolate the main impact, over a quarter (27%) choose improving health and wellbeing.

Volunteers, staffing and skills

 **33,900**
people are employed within the market

We estimate that 33,900 people are employed within the market. We found that an average community business employs 14 staff, five more than found last year. However, the *proportion* of paid staff working part-time has increased by nine percentage points to 64%. On average, each community business surveyed engages 32 volunteers who perform the same types of tasks as paid staff.

 **205,600**
volunteers which is an increase of nearly two-thirds from last year

The market engages an estimated 205,600 volunteers which is an increase of nearly two-thirds from last year. More than half of these (51%) support community hubs and village halls. The staffing of hubs and halls differ markedly. The 2,100 village hall community businesses are heavily reliant on volunteers, engaging 66,300 and accounting for half of the overall increase in total volunteer numbers. In comparison, the estimated 2,000 community hubs employ more staff, rely on fewer volunteers and generate much more income than village halls. Two in five paid staff (40%) work in the four business and public service sectors. More community businesses believe volunteer numbers will increase (65%) compared to those that believe paid staff numbers will increase (44%).

Community businesses identify some important skills gaps that may limit their impact. One in five businesses note skills deficiencies in 'advanced information technology/software' (21%) and 'communications and marketing' (20%). One in eight (13%) identify a skills deficiency for 'research and evaluation'. This is important in the context of the one in six businesses (17%) who deem the most important support to sustain their business as 'measuring impact'. The individuals interviewed in depth for this study described how grant funders request evidence of impact in funding applications, which is a challenge to some businesses.

Income and assets



£890m
estimated total market income

A third of the estimated total market income of £890 million is generated by community hubs. Across the market, surveyed community businesses generate a median² annual income of £140,554, which is around £33,000 more than last year. However, businesses surveyed this year are typically larger than those participating in 2018, so this difference could be down to representation. Fewer community businesses derive most of their income from grants this year: a fall of six percentage points to 33% from 2018. This fall may relate to changes in expected income sources. More than a quarter (27%) of respondents received less income than expected from grants over the last year, whereas one in five (21%) received more than expected from trading and/or contracts.

More data is available this year to measure **the market's total assets, which is an estimated £945 million in 2019**. More than three-quarters (78%) of these assets are held by village halls and community hubs. The increase in the number of village halls included in the market-sizing exercise explain the large increase in reported sector assets compared to £690 million estimate in 2018.

Outlook for the year ahead

Around three in five (58%) community businesses are at least 'slightly confident' in their future financial position, an eight percentage point fall from 2018. Lower confidence is reported in the context of greater reported concerns about securing future grant funding and external influences on the business. Some concerns were expressed in the survey regarding falling government policy and financial support in some sectors, especially childcare and energy.

However, community business representatives appear more confident than those participating in other business surveys. For example, just over a quarter of respondents to the Institute of Directors' Confidence Tracker had an optimistic outlook to the year ahead in the summer of 2019. Interviewees believe confidence is influenced by a number of factors. These include the legal status of community businesses enabling access to grant funding and/or benefits from the tax system. Interviewees also feel the balance towards social and community-based objectives over profit eases financial concerns.

² The median is the middle number of the dataset, identified by putting all the numbers in a dataset in order (e.g. highest to lowest) then selecting the middle number.

1. Introduction

This report is the fifth study for Power to Change that describes the community business market. It is the third conducted by CFE Research and continues to build on the revised approach introduced in 2017, and improved in 2018, for defining and then estimating market size (Diamond et al., 2017 and 2018).

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

- What is the composition and size of the community business market? (see '2.2 The composition of community businesses' and '3.1 Market size and sector evolution')
- What is the outlook for the community business market in the immediate future? (see '4.1 Financial outlook for community businesses' and '4.2 Future structure of community businesses')
- What are the opportunities and/or challenges to market growth? (see '4.3 Challenges and opportunities for community businesses')

Additional areas of interest to Power to Change in 2019 and therefore examined in this report are:

- workforce development considerations for community businesses, for both their paid employees and volunteers (see 'Workforce development' in Section 2.2)
- the type of support community businesses seek and value (see 'Business support' in Section 2.2)
- the drivers of community businesses' confidence in their financial outlook (see 'Financial confidence' in Section 4.1).

1.1 Methodology overview

Rapid evidence assessment and review of datasets

A light-touch review of relevant published research, grey literature and policy documentation in order to revisit the literature identified in 2018 to check for updates, and search for new secondary literature and datasets to inform the market assessment. The purpose of this is to continue increasing the data available on which to make estimates about the community business market (see Chapter 4 for an outline of the datasets we used in the market assessment).

Community Business Market 2019 survey

We continued to use the community business survey first employed in 2016.

The key changes we made in 2019 were adding questions to explore:

- drivers of confidence in the financial outlook of community businesses, as it has increased in recent years in spite of a challenging national economic context
- workforce development, because there is little research in this area and it has the potential to support the growth of local economies
- non-financial support needs, as research on this subject has been limited in the past.

The 2019 community business market survey was disseminated throughout May and June 2019 via two modes:

- **Online:** The survey was programmed into CFE's survey software Confrontit and disseminated directly to respondents of the 2018 survey willing to be surveyed again. It was also sent directly to Power to Change's grantees and grant applicants. It was shared by Power to Change's partners via direct emails, newsletters and social media pages.
- **Computer-Assisted Telephone Interviews (CATI):** Those businesses surveyed in 2018 and willing to participate in future surveying activity, but which had not completed the online survey, were approached to undertake it by telephone.

In total, we received 312 full valid survey responses in the 2019 study;³ 12 via CATI⁴ and 300 online. This is an increase of 12 complete survey responses in total compared with the number received in 2018. We only analysed complete survey responses.

Of the 312 respondents to the 2019 survey, 99 (32%) had also submitted a response in 2018.⁵ The fact that over two-thirds of the 2019 survey sample did not complete the 2018 survey means the scope of the community business market for which data is held on the profile and experiences of organisations in the sector has been broadened. However, the different composition of the survey respondents between the two years means it is difficult to determine whether any changes recorded in the survey results are evidence of changing views and/or experiences, or a reflection of the different types of respondents

³ An additional two survey responses were dismissed because the community businesses were located outside of England.

⁴ The vast majority of 2018 survey respondents who agreed to be re-contacted for future research had already completed the online survey, which meant the sample for the CATI survey was much smaller in 2019 than 2018 (only 20 community businesses).

⁵ This analysis is based on matching the postcodes of survey respondents to the two surveys.

surveyed. This, in addition to the relatively small survey samples involved, means we have not applied tests of statistical confidence to the analysis of the survey results. Comparisons between the survey findings from different years of the study are only presented where they indicate a noteworthy change in the structure or behaviour of community businesses.

We thoroughly checked and cleaned the survey data before analysing it.

Depth interviews with community businesses

We held 15 depth follow-up interviews with community business leaders who had completed the 2019 survey. This was based on a purposive sample to reflect:

- the range of sectors within the community business market
- frequently selected responses to questions on topics of interest to Power to Change in 2019.

This is the same number of interviews as the 2018 study, however the focus has moved from exploring representative bodies' perceptions of specific sectors of the community business market to gaining insights from community business leaders themselves. We identified potential interviewees with a re-contact question in the 2019 survey.

As in the previous Community Business Market studies, the interviews focussed on the opportunities and challenges community businesses had experienced over the previous 12 months, those they are likely to face in the future, and the changes they need to make to respond to them. We also invited this year's interviewees to share their views regarding the areas of interest outlined earlier in this chapter.

1.2 Report structure

The 2019 Community Business Market study findings presented in chapters two and four are based on the primary research undertaken by CFE Research, while those in chapter three and the appendix are principally drawn from our analysis of secondary datasets.

- **Chapter two** considers the structure of community businesses in 2019, their workforce considerations and business support needs, and their current income.
- **Chapter three** examines what can be learned from the evidence about the size of the total community business market.
- **Chapter four** examines the outlook for the year ahead for community businesses.
- **Chapter five** outlines the conclusions from the 2019 assessment of the community business market.
- The **appendix** summarises the key market metrics for each individual sector.

2. Community businesses in 2019

Community businesses surveyed in 2019 are most likely to be venues or provide public-facing support services. On average they each turn over £141,000 per year, employ 14 members of staff and are supported by a team of 32 volunteers, as well as more than 200 formal members.

Key insights

- Venues (hubs and village halls) continue to comprise the largest number of surveyed community businesses (31%).
- Improved health and wellbeing of local communities continues to be the most-cited primary impact (27%). While the community impacts of greater community pride and empowerment (20%) and greater community cohesion (13%) are again in second and third place, they have changed position since 2018.
- Cafés, training/education, and information, advice and guidance (IAG)/employability support remain the most common secondary activities.
- The median income across the sample has increased from £107,000 in 2018 to £140,554. This is because the community businesses surveyed in 2019 have more paid employees than last year: a mean⁶ of 14 compared to nine.
- The average number of volunteers engaged in community businesses is consistent with 2018 (32 compared to 31 respectively) and analysis of the workforce suggests volunteers are utilised across all areas in similar proportions to paid employees.
- The greatest skills deficiencies within community businesses are ‘advanced information technology/software’ (21%), ‘communications and marketing’ (20%), and ‘research and evaluation’ (13%). Similarly, the largest proportion of community businesses (17%) consider ‘measuring your impact’ to be the most important type of business support to ensure sustainability.
- There has been a drop in the proportion deriving most of their income from grants; 33% in 2019 compared to 39% in 2018. This could be explained by more than a quarter (27%) receiving less than expected income from grants, and a fifth (21%) receiving more than expected from trading and contracts.

2.1 What community businesses do

Business activities

The most common business activity for the community businesses surveyed is ‘community hub or facility’, which is consistent with previous years’ findings (Table 1). Three in ten respondents (30%) say their business’ primary activity is

⁶ Mean is the average, calculated by adding together all entities then dividing the total by the number of entities.

a community hub or facility and a similar proportion (29%) list this as a secondary activity. Community hubs provide an effective way to deliver multiple services to meet the needs of a local community.

Table 1: Business activities of community businesses (n=312)⁷

Original business activity category	Stated primary activity (%)	Stated secondary activity (%)	Grouped business activity category	Percentage of community businesses citing activity as <i>primary</i> business activity (%)
Community hub	30	29	Venue	31
Village hall	2	3		
Training/education	7	27	Public-facing support services	25
Health and social care	6	10		
Housing	4	5		
IAG/employability support	3	19		
Transport	2	2		
Childcare	2	7		
Youth services ⁸	2	0		
Shop	9	8	Retail	15
Pub	5	3		
Café	1	28		
Sports and leisure	4	7	Arts/Culture	12
Arts centre	5	13		
Library	2	7		
Food/farming	4	8	Manufacturing/production	7
Energy	3	1		
Craft	1	8		
Business support	2	10	Economic/business services	6
Environmental/nature	2	8		
Finance	1	1		
Digital	1	4		
Other	5	2	Other	5

⁷ The second and fourth columns in the table might not add up to 100 due to rounding.

The third column does not total 100 as it was a multiple choice survey question.

⁸ Youth services is a new sector derived from open survey responses this year.

The role of single or multiple activities

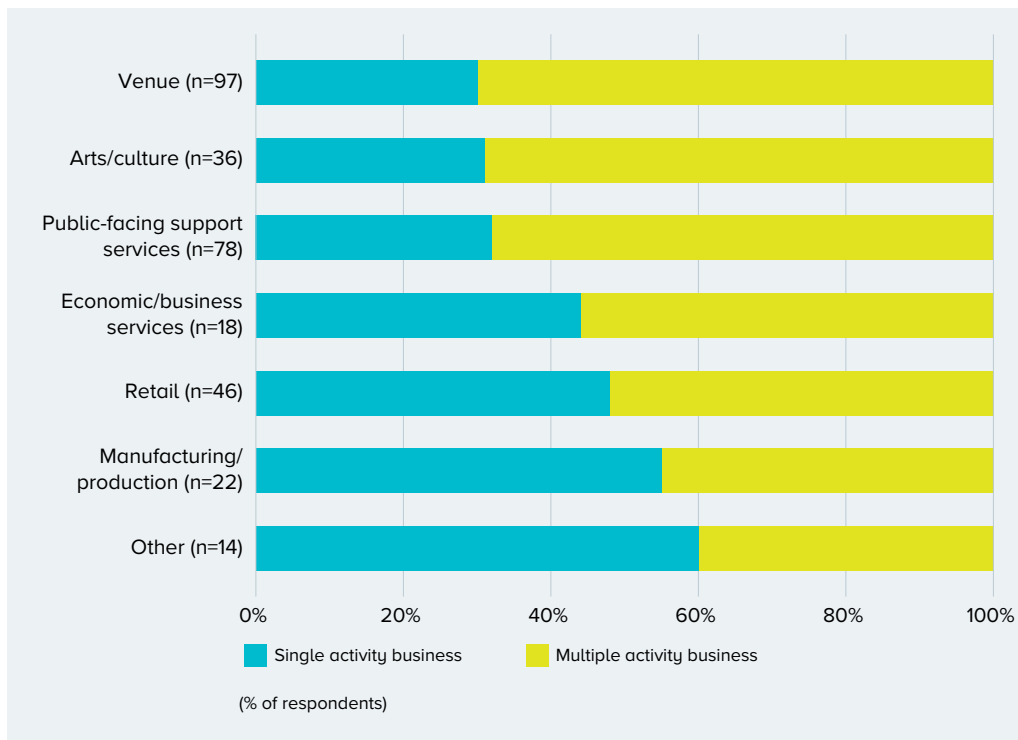
The proportion of businesses delivering a single activity appears to be increasing year on year; over a third of respondents (37%) in 2019, up from a third (33%) in 2018 and a quarter in 2017. This could indicate that community businesses are limiting the breadth of their offer in order to specialise in the delivery of a single business activity. A recently published study, *Community hubs: Understanding survival and success* (Trup et al., 2019) found that factors influencing the profitability of community hub organisations might include limiting the types of activity offered and not diversifying beyond three main income types. Alternatively, these differences may simply reflect changes in the survey sample profiles. Further research is required to understand if there is an actual change in the direction of community businesses, and if so, the drivers behind this.

In spite of this change, nearly two-thirds (63%) of community businesses in 2019 deliver two or more activities. The most frequently stated secondary activities for community businesses are cafés (28%), training and education (27%) and information, advice and guidance and employability support (19%). These reflect the findings in 2018 and are activities often delivered by community businesses managing venues.

Combining categories of community business

We have grouped business activities together (see Table 1) to enable some comparative analysis which would not be possible at the individual level given the small base sizes involved. The proportion of community businesses for which 'public-facing support services' is their primary activity has increased since 2018, from one in five respondents (19%) to one in four (25%). The findings illustrated in Figure 2 for whether certain categories of business are more likely to be involved in single or multiple activities are in general similar to those recorded in 2018. 'Venue' remains the most likely category of business to be delivering more than one activity (70% of respondents) and 'manufacturing/production' the least likely (45% of respondents).

Figure 1: Grouped primary business activity categories by single vs multiple community business activities (bases variable⁹)

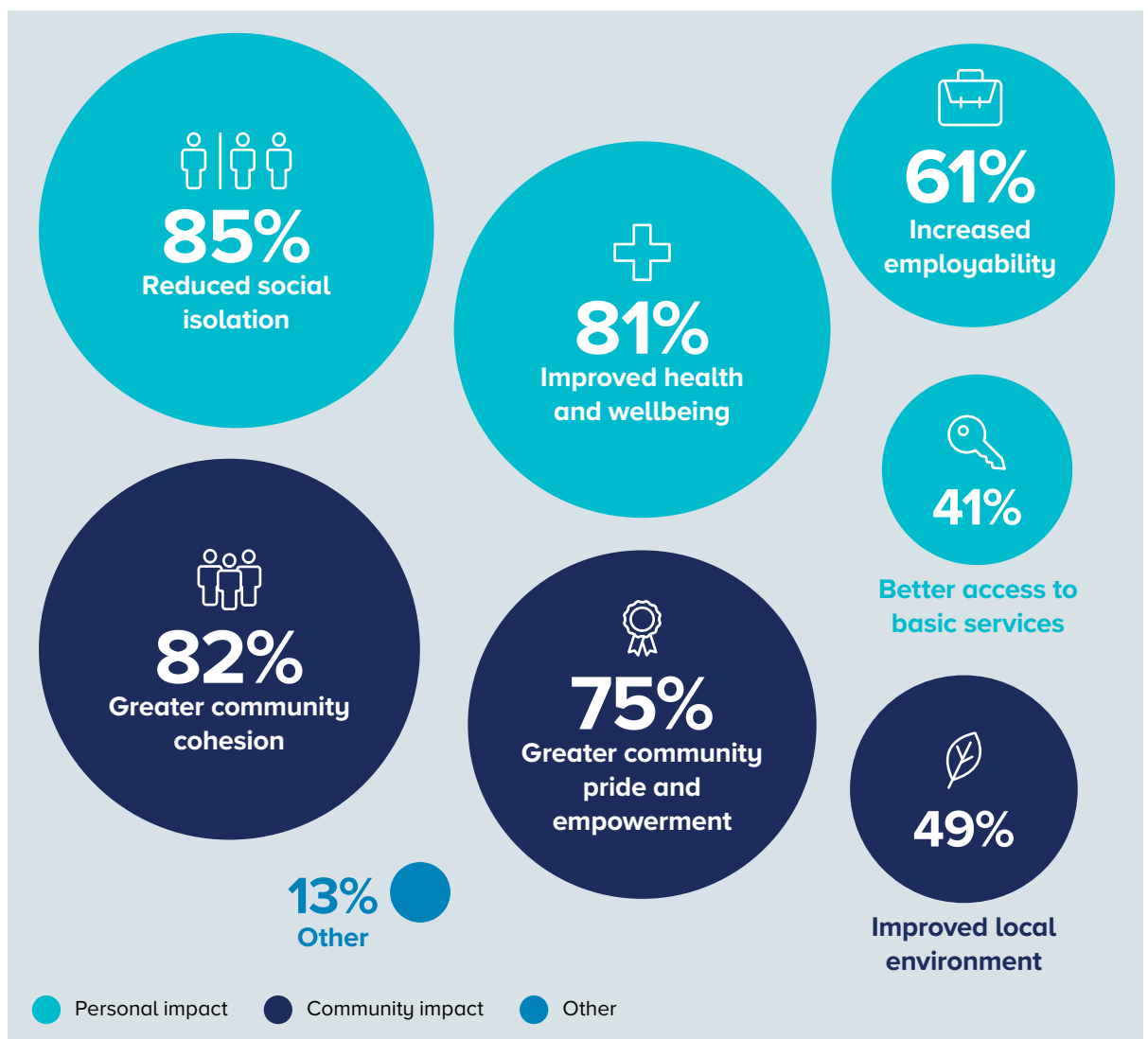


⁹ Note that aggregating data still results in low base sizes for most categories, which limits comparative analysis.

The purpose and impact of community businesses

The survey asked respondents to identify all the social impacts resulting from their business activities.¹⁰ Almost all (95%) identified more than one impact and almost two-thirds (63%) identified five or more. The social impacts are grouped into two categories; personal or community. Figure 2 shows all social impacts that community business say they achieved with 'reduced social isolation' and 'greater community cohesion' the most commonly reported personal and social impacts respectively.

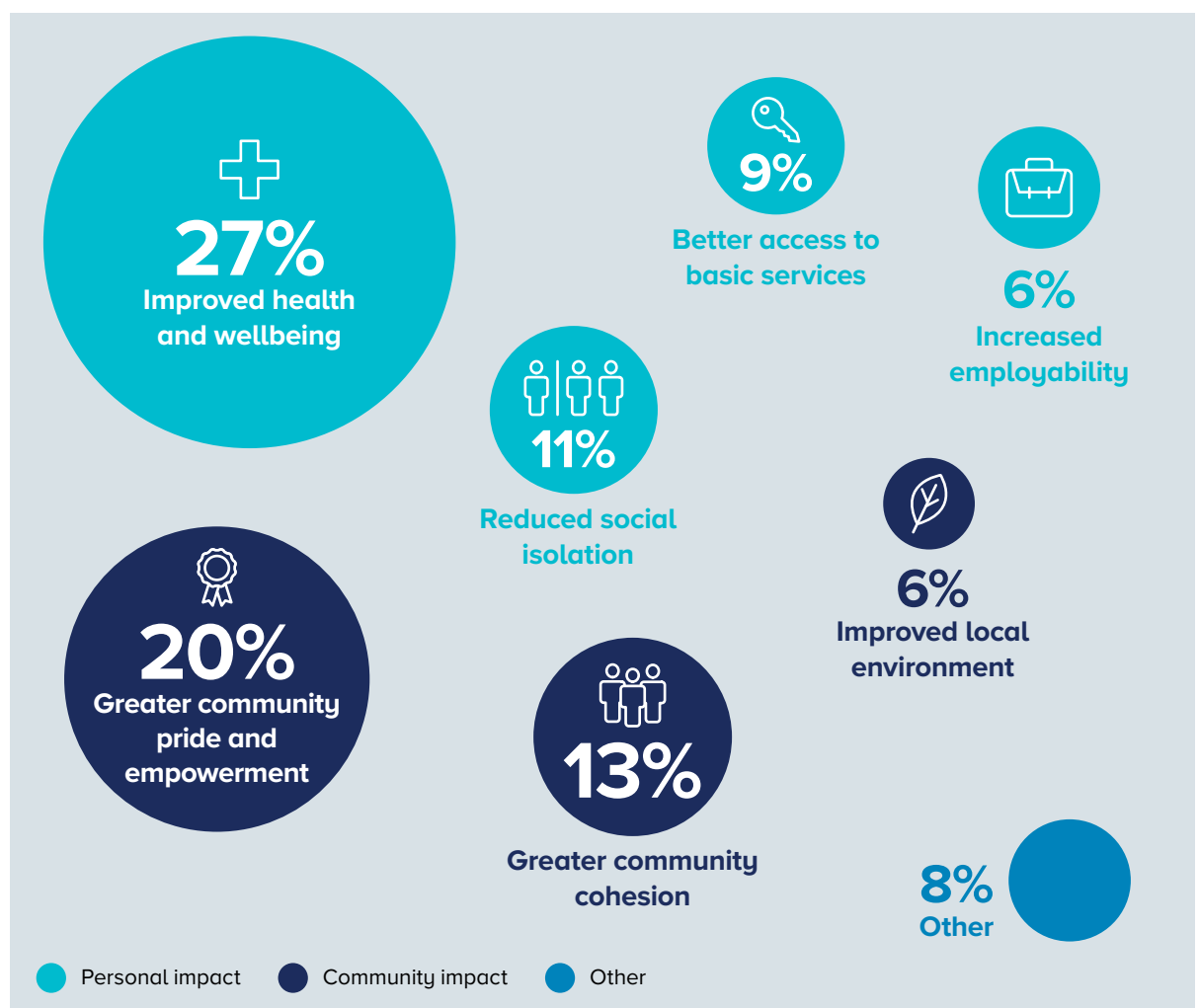
Figure 2: Community businesses' intended social impacts (n=312)



¹⁰ The survey question in 2019 differed slightly to that in 2018; 'A stronger economy' was removed from the list of options given only 2% of respondents selected it in 2018.

We then asked respondents which of their social impacts they considered to be their primary impact. Figure 3 identifies ‘improved health and wellbeing’ as the most common primary impact overall (27%). ‘Greater community pride and empowerment’ is the most likely social impact in 2019 (20%); last year ‘greater community cohesion’ was the most selected social impact.

Figure 3: Primary social impacts of community businesses (n=312)



Area of operation

We analysed the types of community, whether rural or urban, in which the community businesses are based.¹¹ Seven in 10 (72%) operate within urban classifications, three in 10 (28%) in communities classed as rural. This is a very similar split to the community businesses surveyed in 2018 and 2017 and indicates that at least among respondents there is a higher proportion of community businesses in rural areas relative to the size of the population; according to data from the Department for Environment, Food & Rural Affairs (Defra, 2019), 17% of the population in England live in rural areas.

2.2 The composition of community businesses

Workforce

The community businesses surveyed in 2019 (Table 2) are larger than those profiled in 2018 in terms of the average number of people they employ; with an average of 14 compared to nine paid employees. This is driven by the small to medium-sized community businesses where the mean number of employees is 44. This is much higher than the average recorded in 2018 and more similar to that noted in 2017 (26 and 37 respectively). These year-on-year changes are therefore likely to reflect the different profiles of the businesses surveyed. However, the government's most recent Longitudinal Small Business Survey (Department for Business, Energy & Industrial Strategy (BEIS), 2019, p. 2)¹² also found that the proportion of small and medium-sized businesses which had increased their number of employees in the last year was higher than that of micro-businesses (31% and 40% respectively compared to 20%).

Table 2: Organisational structure of surveyed community businesses – workforce

	<i>Base</i>	<i>All</i>	<i>Small/ medium</i>	<i>Micro</i>	<i>No employees</i>
Distribution by type (%)	309	-	28	49	23
Number of employees (mean)	310	14	44	4	-
Number of employees (median)	310	4	25	4	-
Mean proportion part time (%)	239	64	56	69	-
Number of volunteers (mean)	309	32	43	27	31
Number of volunteers (median)	309	17	25	15	12

¹¹ By appending the Office for National Statistics' rural/urban classification (ONS, 2017) to the postcodes provided in the survey data.

¹² The most recent publication of this survey relates to data collected in 2018 so is potentially outdated. It should also be noted that the sample for the survey is UK-wide and covers a broader range of businesses than the Community Business Market study, so is not directly comparable.

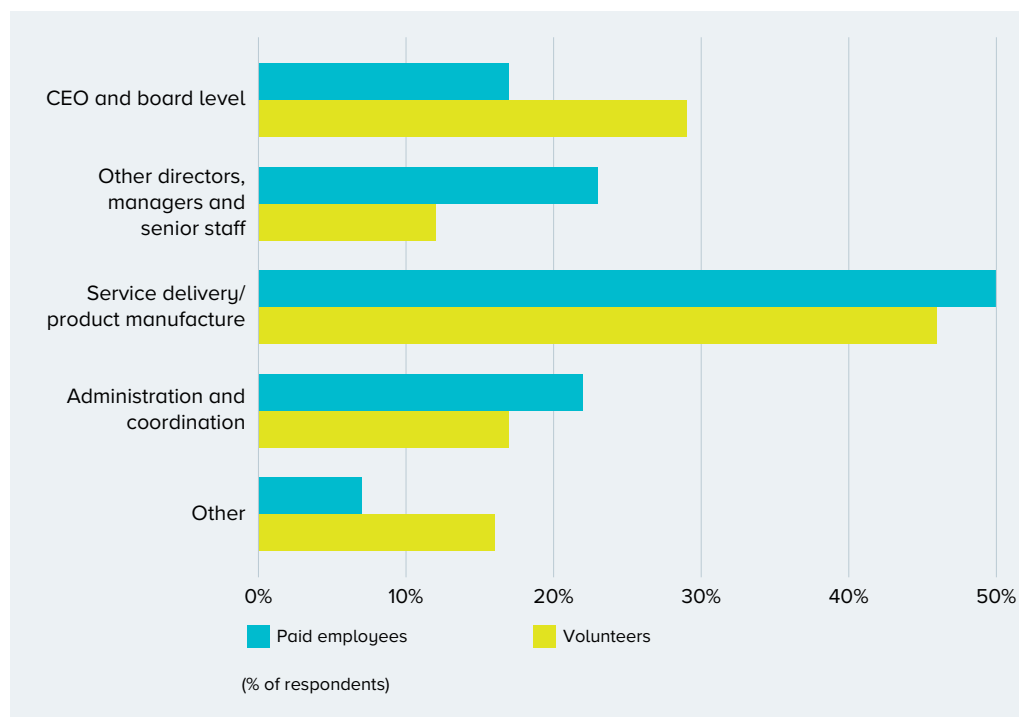
A larger proportion of the paid staff are employed on a part-time basis in 2019 compared to 2018 (64% versus 55%).

The average number of volunteers active in community businesses is consistent with 2018 (32 versus 31). Volunteers continue to be critical to the running of the organisations, given their larger number in relation to the average number of employees (32 compared to 14).

As seen in previous years, larger community businesses (with at least 11 employees) engage more people in their operations, in terms of employees and volunteers. However, in contrast to previous observations, micro community businesses (those with 1–10 employees) are likely to involve more shareholders on average than small/medium ones (59 compared to 41, see Table 3).

The 2019 Community Business Market survey included questions relating to the roles within community businesses played by both paid employees and/or volunteers. Figure 4 indicates that the largest proportion of the workforce, whether paid or voluntary, are engaged in delivery roles ('service delivery/product manufacture').

Figure 4: Roles of workforce in community businesses (base sizes vary)¹³



¹³ 'Other' is the remaining proportion of staff not attributed to the four specified categories.

The findings demonstrate that community businesses utilise volunteers across all areas of their operations in similar proportions to paid employees; except for ‘other directors, managers and senior staff’ – where they are less likely to hold positions – and ‘CEO and board level’ – where they are more likely to be present. The Heseltine Institute’s study of community businesses in the Liverpool City Region reiterates the importance of volunteers to the community business market (Heap et al., 2019). According to its survey, 86% of community businesses see volunteers as ‘very important’ or ‘important’ (p. 5).

The interview findings suggest that in the ‘CEO and board level’ category, volunteers are more likely to be trustees on boards than CEOs. This important role volunteers play on the boards of community businesses, particularly during their early development, was also reflected in the success factors identified in Power to Change’s ‘What works’ series of publications.¹⁴ As we found, over a fifth of surveyed community businesses (23%) have no paid employees which further indicates the sector’s reliance on volunteers.

Other stakeholders engaged by community businesses

The 2019 survey for the first time sought to identify the number of different stakeholders involved in community businesses (Table 3).¹⁵ An overview of the distribution of members and shareholders indicates that community businesses tend to engage members more often (71%) in their activities than they do shareholders (28%) and involve more of the former than the latter on average (203 versus 49). The incorporation of more members than shareholders in business models could be an indicator of the value they place on achieving social objectives rather than a return on investment for shareholders. According to the State of Social Enterprise Survey 2019 findings, a fifth (21%) of social enterprises generate income through their members. This could be an effective approach for community businesses to adopt in order to grow if they are not doing so already (Social Enterprise UK (SEUK), 2019, p. 25).¹⁶

The analysis of customer and service user engagement suggests that a larger proportion of community businesses (76%) consider themselves to have customers rather than service users (67%). Community businesses engage with more customers than service users on average (2,444 compared to 1,173). The terminology anticipates that customers are more likely than service users to pay for the activity provided by a business. This suggests that community businesses with customers are potentially more financially sustainable than those with

¹⁴ These can be accessed at: <https://www.powertochange.org.uk/research/works-community-businesses-share-success-factors/>

¹⁵ Q10. How many of the following types of stakeholders are involved in your community business? Members (that can be specifically identified as formal members), Customers (those purchasing goods or services), Service-users (those paying for or freely accessing services, often related to health and social care related activities).

¹⁶ The SEUK survey covers enterprises across the UK whose operations are not limited to local geography as per Power to Change’s criteria for funded community businesses.

service users, unless the latter group's activities are subsidised as part of a service level agreement via a commissioning body. Larger community businesses have greater reach in terms of their average number of customers and service users.

Table 3: Organisational structure of surveyed community businesses – stakeholders

	<i>Base</i>	<i>All</i>	<i>Small/ medium</i>	<i>Micro</i>	<i>No employees</i>
Distribution by type (%)	309	-	28	49	23
Have shareholders (%)	309	28	16	34	30
Number of shareholders (mean)	309	49	41	59	36
Number of shareholders (median)	309	-	-	-	-
Have members (%)	309	71	77	66	74
Number of members (mean)	309	203	434	92	159
Number of members (median)	309	9	12	7	9
Have customers (%)	309	76	87	82	50
Number of customers (mean)	309	2,444	6,493	1,151	219
Number of customers (median)	309	100	340	100	1
Have service users (%)	309	67	78	71	43
Number of service users (mean)	309	1,173	2,466	655	690
Number of service users (median)	309	60	300	59	-

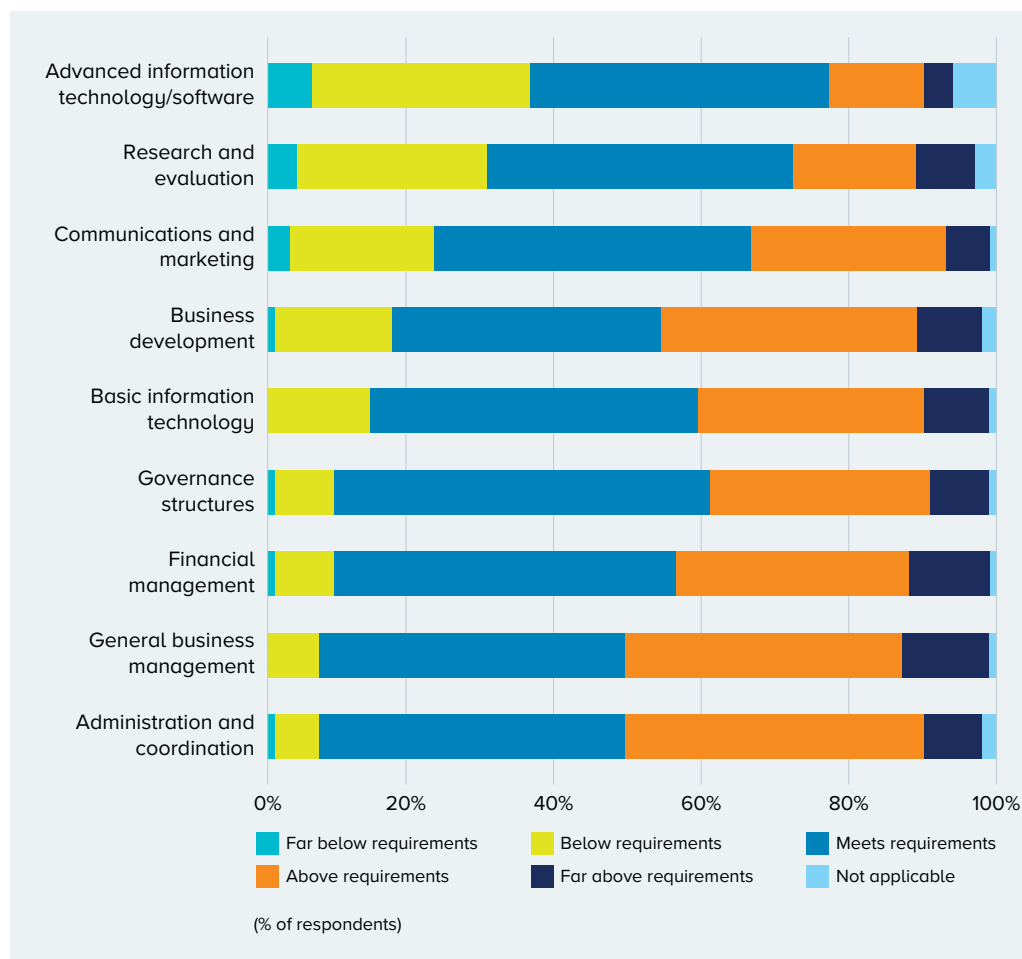
Workforce development

The 2019 survey was the first time we asked respondents about the skills of their workforce (both employees and volunteers) within their community businesses.¹⁷

Figure 5 illustrates that there are three key skills which at least a fifth of community business representatives rate 'below' or 'far below' requirements: 'advanced information technology/software' (37%), 'research and evaluation' (29%) and 'communications and marketing' (23%). This reflects one of the business support needs identified in the 2018 study; digital marketing was a skill lacking for several community businesses that sought to compete against other businesses to communicate effectively with customers.

¹⁷ Q13. How would you rate the skills of your workforce (employees and volunteers) in the following areas? and Q14. In which one of the following areas does your community business face the greatest deficiency in the skills of its workforce?

Figure 5: Skills rating of community businesses' workforce (employees and volunteers) (n=312)

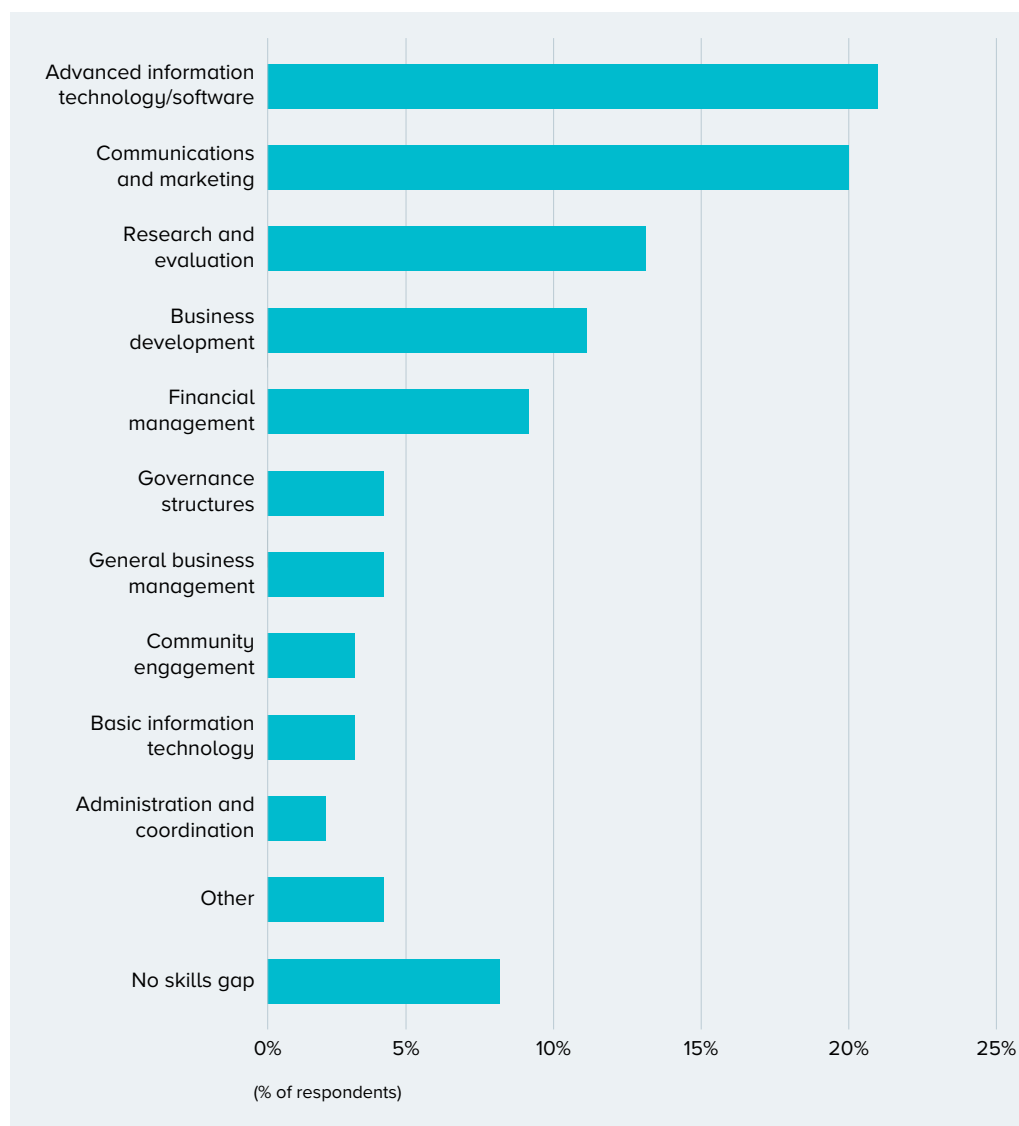


Respondents reported similarly when selecting the greatest skills deficiency in their workforce (see Figure 6); the top two skills gaps identified by at least one in five respondents were 'advanced information technology/software' (21%) and 'communications and marketing' (20%). 'Research and evaluation' was the third most frequent skills deficiency but was only selected by 13% of respondents. Fewer than one in ten (8%) indicated that their workforce did not have any skills gap.

The depth interview findings provide some useful context to the survey results regarding skills gaps. In terms of 'advanced information technology/software' a few reported how their workforce, whether paid or voluntary, had very limited information technology experience and knowledge. Some perceived this to be a very specialist area of expertise which their small workforce in many cases are

unlikely to possess. This means it can at times be challenging to use information technology effectively, or integrate new systems into their business. Some interviewees however did indicate they were introducing software to make their back-office functions more efficient. One community hub had recently introduced some online software to centralise its human resources policies and the information it held about its workforce, and used QuickBooks to manage financial accounts.

Figure 6: Greatest skills deficiency among the workforce of community businesses (employees and volunteers) (n=312)



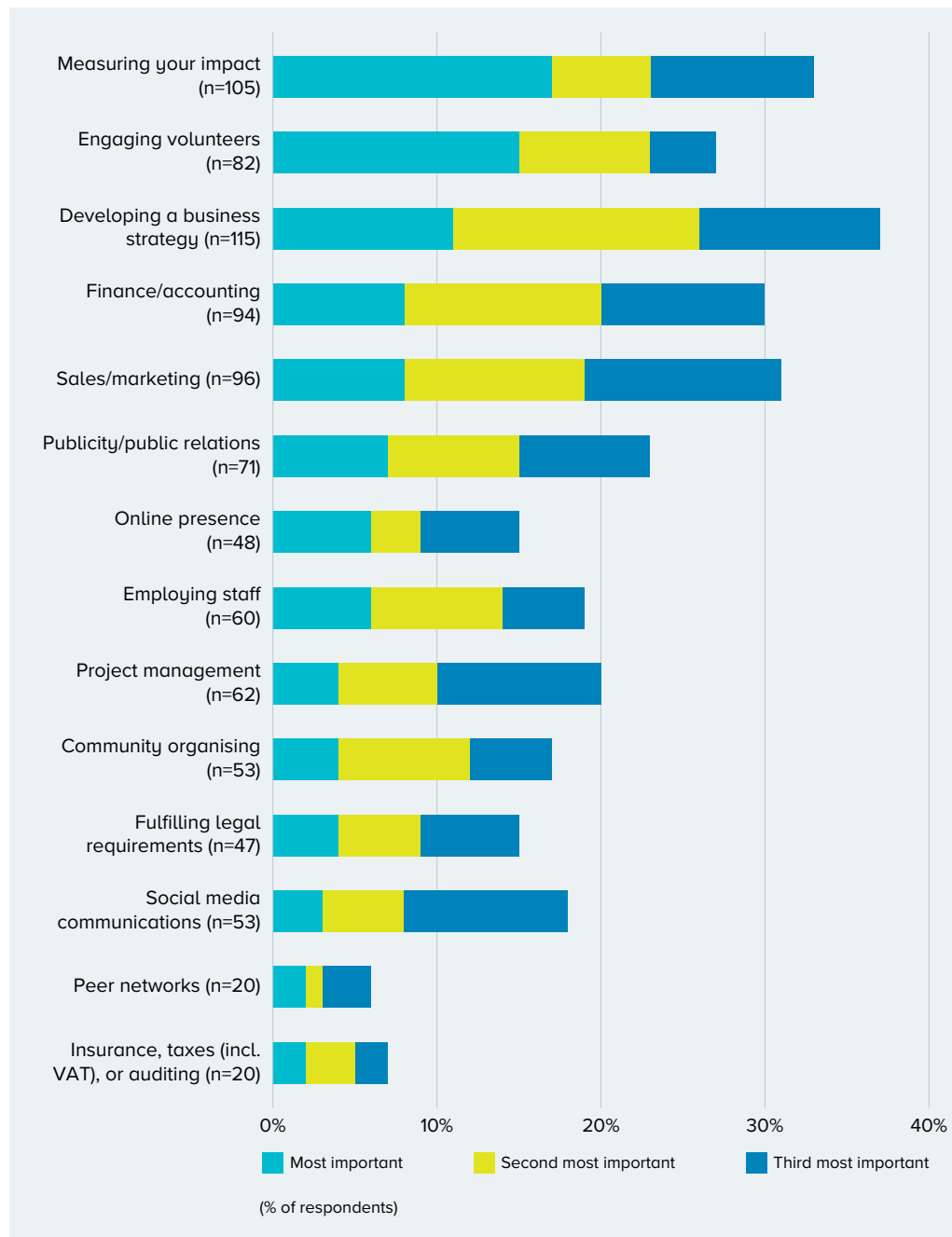
Many of the other frequently identified skills deficits, from ‘communications and marketing’ to ‘research and evaluation’, cross over with the business support needs of community businesses. These are covered in the following section.

Business support

The 2018 survey included an open-response question about the type of financial business support community businesses would like to access to help run their community business. However, a proportion provided answers relating to non-financial business support. In a continual effort to improve the Community Business Market survey, the 2019 version presented respondents with a list of business support options based on the coded responses to the 2018 question. From this list they were asked to select the top three types of business support they considered most important to ensuring the sustainability of their business. Figure 7 illustrates the results.

The top five ‘most important’ types of business support for the sustainability of community business are: ‘measuring impact’ (17%), ‘engaging volunteers’ (15%), ‘developing a business strategy’ (11%), ‘finance/accounting’ (8%) and ‘sales/marketing’ (8%). The same five are also the most frequently reported when considering the proportion of respondents who selected them as first, second or third most important.

Figure 7: Types of business support considered most important to businesses' sustainability (n=312)



The types of business support identified as most important to sustainability in the survey were also reported in the depth interviews. Interviewees said that demonstrating impact has become a key criterion for grant funders but that many community businesses find it challenging to measure their impact themselves. Businesses reported that softer outcomes for service users, such as developing friendships or reducing isolation, were particularly difficult benefits to measure as well as attribute to the activities or services they deliver.

One interviewee noted how measuring impact tends to be one of the things that gets overlooked while trying to run a community business. This is especially pertinent for community businesses with limited staff time to draw on.

... it's become increasingly important to not only know what you do and why you do it, but to demonstrate the consequences ... For funders in particular, it's important to be able to show what the difference you make is ... We've always known what we do and that we do it well but we've never really thought about it in terms of quantifying it and describing it for external consumption ...
Interviewee, sports and leisure community business

One respondent explained how they are increasing their capability to measure their community business' impact by partnering with a university who will help them to demonstrate the benefits they deliver. They have invested in this business support to help them compete for public sector contracts.

We are working with a local university who are researching the effectiveness of our interventions in order to provide us [with] hard, academic data demonstrating the benefit of our work. We anticipate that this will increase [the] opportunity for contracted work from the NHS.
Survey respondent – community hub

Several interviewees identified developing business strategies as an area of support they required, which reflects findings from the survey. As with measuring impact, the key challenges appear to relate to finding the time and resource for such activity and the skills to complete the task effectively. Some interviewees recognised the importance of a business strategy or plan to satisfy conditions for public sector contract tenders which could help them generate income.

... I'll look at a potential contract that might be out for tender by [a] local authority, and it might ask for a sample of our business plan ... but we don't have that very formally written document that people advise you is really important ... I'm more a 'do it' kind of a person ... I've got it but it's all in my head, it's not on paper, and I don't have time because I've got other priorities to sit down and do that kind of stuff.
Interviewee – community hub

Many community businesses interviewed recognise the important role volunteers play in their business, but some struggle to recruit and retain them. A similar finding was reported in the Heseltine Institute's study of community businesses in the Liverpool City Region (2019). Such organisations seek support to help them engage a wider variety of people, provide them with the necessary skills to add value to the organisation, and identify ways in which they can help maintain their engagement.

A few community businesses feel that their marketing strategies are a weakness that limits their sustainability and therefore a business area in which they require support. Several have set up websites, Facebook pages and Twitter accounts but lack the resource and know-how to maximise their potential to promote their business effectively. A few community hub leaders we interviewed noted how they were reliant on the communication and marketing skills of their volunteers. One has a volunteer who is a marketing student part-way through a degree course who is able to assist them in developing communications strategy and potentially train their workforce, while a retired journalist volunteer is helping another to improve their marketing communications.

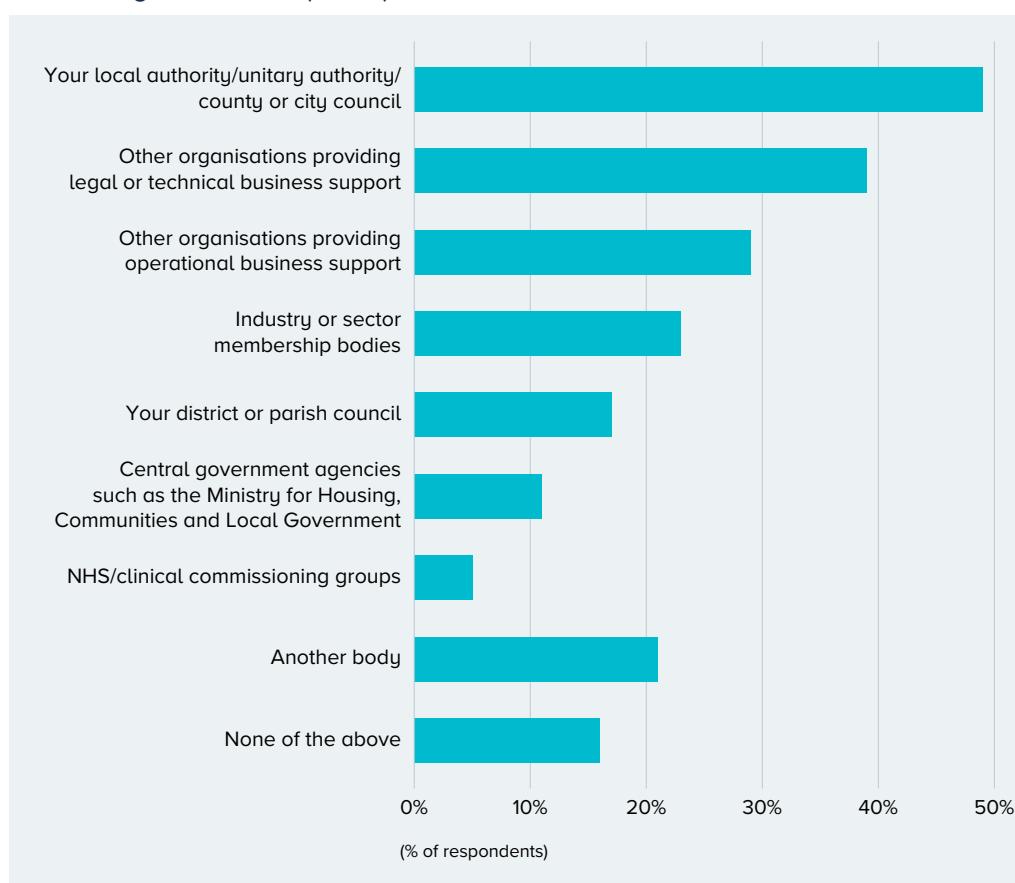
A retired journalist who's been helping out a bit ... he's been doing the things like press releases, which is great, because we're [not good] at that ... the kind of social media and publicising we do, we use Facebook and Twitter, I don't have the time or headspace to really promote what we're doing really well ... [We haven't] necessarily been able to get that message out very clearly.

Interviewee – community hub

Organisations who support community businesses

We asked our 2019 respondents which types of organisations have provided them with important support when setting up or running their community business. The findings shown in Figure 8 mirror those in 2018 in terms of the order of the support organisations most valued by community businesses. Local authorities are the organisations most valued for the support they provide (49%) followed by those providing legal and technical support (39%).

Figure 8: Organisations perceived to have provided important support to community businesses (n=312)



The depth interviews provide a range of examples about the type of useful support community businesses receive from the organisations rated highly by survey respondents. The leader of a business support facility highlighted the helpful role played by their local authority's neighbourhood network support manager. The officer attends the organisation's board meetings and shares learning from other local community organisations with which they are involved, and also puts them in touch with key individuals in these businesses for further advice. Another interviewee from a community housing-related business specified how valuable accountants are to their business in providing specific professional support. The accountant manages the bookkeeping and ensures their compliance with financial regulations, which enables the community business manager to focus on the operational side of the business. There is evidence from the interviews that community businesses also derive legal and technical business support from the membership organisations to which they subscribe. Support on offer tends to include telephone helplines to address technical questions or online portals to access template policies. This support is often included in the membership subscription fees.

... most of the membership organisations have little perks of being members so you can get a free legal advice phone line with a solicitor, access to a load of resources online, model policies, that kind of thing. [So] you can pick up the phone and say, 'Hi, can you help us with this?' or 'What shall we do about this?' or 'What have other people done about that?' so that's all really good.

Interviewee – sports and leisure community business

Community businesses also value the networking opportunities offered by membership organisations, where similar businesses are put in touch with each other to share learning and support. A peer learning network of larger organisations facilitated by Locality was one example from the interviews.¹⁸

They've got a good network and they do these skills and knowledge exchanges and I've benefited from those [a] couple of times, for example, when we moved to this building ... it was using ERDF money and I have never really had European money before. Locality said, 'Get one of these skills and knowledge exchanges,' and I went and visited another organisation in [location] and it was worth the travel because they told me about all the things you've got to know ... Getting that [information from] somebody who has the same, lived experience, sharing that ... was just really good.

Interviewee – community hub

One in five community businesses (21%) received support from 'another body' which is similar to the 23% reported in 2018. These include local organisations and a range of grant funders which are insufficient in number to provide an additional category. However, the frequency of references to 'community voluntary services' indicates that this might warrant inclusion as a separate category in future surveys.

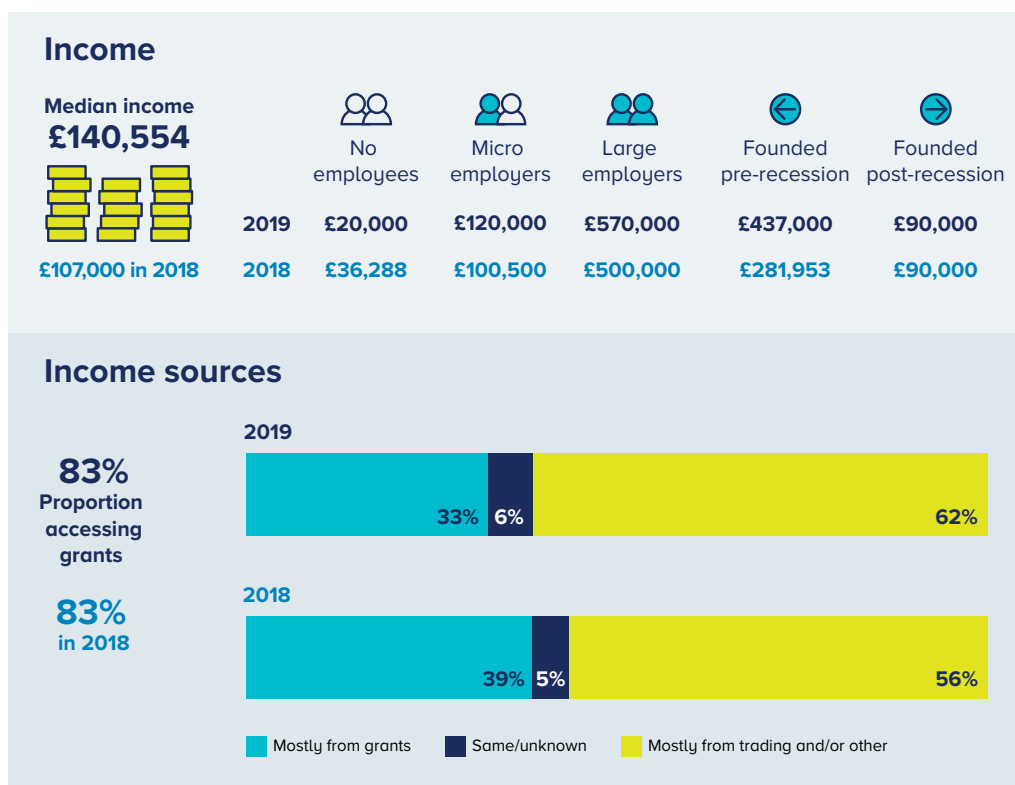
2.3 Financing community businesses

The key financial characteristics of community businesses are summarised in Figure 9. The median annual income of surveyed businesses is £140,554, up from £107,000 in 2018. The higher median income recorded this year might be a reflection of the survey sample; for instance the larger size of the community businesses, in terms of the number of paid employees, and the larger proportion of small/medium-sized organisations surveyed in 2019 (see 'Workforce' in Section 2.2). However, growth in the turnover of community-focused businesses has been reported elsewhere this year. SEUK's 2019 survey findings, for example, where over half of social enterprises reported increased turnover in the last 12 months (SEUK, 2019, p. 8). Yet growth in sales was only reported by 34% of small and medium-sized enterprises (BEIS, 2019, p. 3).

¹⁸ Locality is a membership body supporting local community organisations. For more information see: <https://locality.org.uk/>

Some analysis by the age of a community business was conducted. The rationale prompting such analysis was the potential influence of austerity on decisions and reasons to start a community business. A cross-break was derived based on when a business founded creating two classes. The first is the pre-recession group of community businesses founded before 2009. The second group of post-recession businesses are those founded from 2009 onwards.

Figure 9: Summary financial position of community businesses



The median income increases markedly with the number of paid employees. As seen last year, the median income for businesses with no employees continues to decrease. Again as in the 2018 findings, businesses that began trading prior to 2008 had higher incomes.

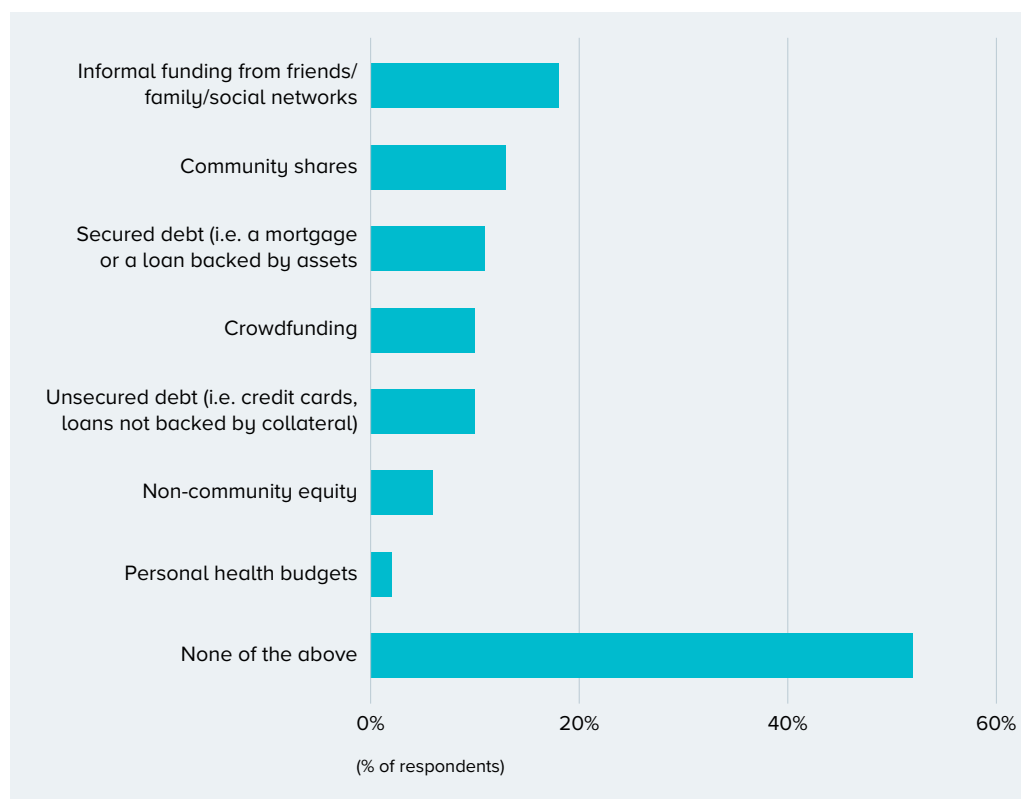
The role of grant funding

Community businesses' access to grant funding appears to have remained on a par with 2018. The same proportion, 83%, of survey respondents indicated they had accessed grant funding in the last year. However, the proportion of businesses reporting their income is mostly drawn from grants has decreased by six percentage points. Whereas the proportion of income drawn mostly from trading and/or other sources increased in 2019 to 62% from 56% in 2018.

This initially suggests that grant dependency in the community market is reducing. However, findings discussed later in this report indicate that over half the community businesses surveyed anticipate their income from grants increasing in the coming 12 months (see ‘Future income expectations’ in Section 4.1).

The proportion of funding from sources other than grant funding is displayed in Figure 10. The results are consistent with the findings in previous years; ‘informal sources including friends, family or social networks’ is the most popular alternative source of investment. Over half of businesses did not use any of the sources listed in Figure 10.

Figure 10: Finance (other than grants) accessed in the last complete financial year (n=312)



3. Size and scope of the market

This chapter collates data from a range of different sources to estimate the size of the overall community business market in 2019.

Key insights

- An estimated 9,000 community businesses are operating in England in 2019. This total is the highest recorded in the annual Community Business Market reports going back to 2015. Nearly half (46%) of businesses are classed as community hubs or village halls. This is a large increase from the figure of 33% modelled in 2018 due to the greater availability of data for the sector this year.
- Community businesses that offer business support and public services share common traits. They are large income-generators and collectively account for nearly half (45%) of total market income. They also employ relatively large numbers of staff compared to other community businesses.
- An estimated 33,900 people are employed within the market which also engages an estimated 205,600 volunteers. Reported volunteer numbers have increased by nearly two-thirds from last year and a half of the total volunteer workforce support community hubs and village halls.
- The staffing of hubs and halls differ markedly. The 2,100 village hall community businesses are heavily reliant on volunteers, engaging 66,300 and accounting for half of the overall increase in total volunteer numbers. In comparison, the estimated 2,000 community hubs employ more staff, rely on fewer volunteers and generate much more income than village halls. Two in five paid staff (40%) work in four business and public service sectors.¹⁹
- A third of the estimated total market income of £890 million is generated by community hubs. The market's total assets are estimated at £945 million. More than three-quarters (78%) of these assets are held by village halls and community hubs.

3.1 Market size and sector evolution over the year

Estimating the size of the community business market remains a challenge. Power to Change uses an overall definition of the sector which articulates the attributes of a community business. The measures for identifying constituent businesses are inclusive (defining what they are) and exclusive (defining what they are not). Importantly, Power to Change's measures are necessarily subjective as one of their uses is to make decisions about funding allocations. The definition is

¹⁹ Business and employment support, guidance and training; libraries; sports and leisure; health, social care and wellbeing.

therefore purposive and not designed to empirically assign a community business to a consistent standard industrial classification²⁰. Furthermore, the data available in any given year influences the method used to estimate the size and shape of the market. Although some advances have been made towards a replicable method, we cannot be sure what data will exist, and in what form, each year. As described below, it has been necessary to adapt the model this year. This means we do not recommend making comparisons with last year's findings. Rather, this year's figures should be seen as an update on our best estimate of the size and shape of the market and its component sectors.

Triangulating data for estimation

A variety of methods and data sources have again been used to estimate market size for individual sectors and for the market as a whole. The process is described fully in the Supporting Analysis report and involves making the most of all different published data available, which is summarised here.

Databases from Power to Change grantee and other organisations

When businesses make an application to one of several Power to Change funds, detailed data is collected on the structure, financial position and purpose/objective of the business. Furthermore, some organisations have supplied data to Power to Change for the purpose of secondary analysis. Unlike previous years, CFE Research received data from individual funds and some related datasets. The Supporting Analysis describes how the architecture of each dataset is different, as are some units of measurement and categorical descriptors for some variables. The following data was merged to form a single secondary dataset for analysis:

- **Community Business Fund²¹ data (Power to Change)** Only data on grantees was used. Data on unsuccessful applicants was excluded. Some businesses are listed more than once. In these cases the business was only counted once and the most recent data on income, assets, and paid staff and volunteer headcounts was used.

²⁰ As per sectors assigned by the Office for National Statistics in the Standard Industrial Classification. See: <https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities>

²¹ Aimed at existing community businesses needing funding to make their organisation more sustainable. Grants between £50,000 and £300,000 available. For more information see: <https://www.powertochange.org.uk/get-support/programmes/community-business-fund/>

- **Bright Ideas Fund²² data (Power to Change)** Again, only grantee data was used. No data on assets is included in this dataset and many businesses have no data on workforce numbers. This is primarily because many of those recorded are start-ups or new businesses.
- **Trade Up²³ data (Power to Change)** Only successful applicants were included. The main data recorded is on employee and volunteer numbers. No financial information is provided in the data.
- **MyCake dataset (Power to Change)** Power to Change's own dataset maintained by an external organisation. The paid staff numbers provided are full-time equivalents and no volunteer data is provided. Overall net asset values are provided, a minority of which are negative values.
- **Land-based assets dataset (Shared Assets)** A list of environmental and farm/production businesses produced from a survey by Shared Assets. No values for assets is held in the dataset.

A common dataset of unique businesses was created from these five sources. Where we found duplicates, the most recent data available for a given financial or workforce variable was selected where known. The combined data provides more on known grantees than earlier reports. This means that data is now available for a number of sectors that hitherto had limited observations. Where enough observations in the dataset exist (around 15 or more), medians are derived for sectors for overall income, assets and paid staff/volunteer numbers.

Primary survey data

The Community Business Market Survey 2019 (CBMS19) alone provides useful sector-size data, comprising 312 community businesses. However, to improve estimates, records from the CBMS19 and CBMS18 were used to create a larger market estimation dataset. All responses received this year were used and compared with those from CBMS18. Where duplicates were found, records from CBMS18 were removed; all remaining unique records were then joined to create a larger file of staff and volunteer numbers, and total income. This resulted in a single file of 491 community business records surveyed in 2019 and 2018. As with the grantee data, this file is larger than that used previously and improves sector estimates through increasing the data points available for analysis.

²² Aimed at local groups with a community business idea but need help turning it into a reality. Business support and advice as well as grants of up to £15,000 are available. For more information see: <https://www.powertochange.org.uk/get-support/programmes/community-business-bright-ideas/>

²³ Helping community businesses to grow by increasing their sales and providing match trade grants. For more information see: <https://www.powertochange.org.uk/get-support/programmes/community-business-trade/>

It is important to note that **the market metrics (staffing, volunteers, income and assets) are derived from the combined survey records of 2018 and 2019. This data differs to that presented from solely this year's survey in Chapters 2 and 4.**

Other secondary data sources

Some of the most accurate sector market size estimates are derived from secondary data sources. Some reports are updated year on year, including that from Plunkett Foundation covering community pubs (Plunkett Foundation, 2019a) and shops (Plunkett Foundation, 2019b). Official government data sources estimate the number of community businesses in the library and transport sectors. Other sector bodies also produce estimates of varying quality that can help to calibrate other methods of estimation for relevant sectors. In addition, Sheffield Hallam University's data on the financial health of community assets on behalf of Power to Change (Archer et al., 2019) has been a useful source for the village hall sector. The sources used are identified in the relevant sector estimates.

Estimating the number of community businesses in England

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

This year, we used two types of data to estimate sector sizes:

1. Data from external reports can be used to gauge the number of community businesses in seven sectors:
 - cafés and shops
 - food, catering and production
 - libraries
 - transport
 - energy
 - housing
 - pubs
2. The number and distribution of community businesses by sector found in the CBMS19 and aggregated grantee dataset are also used for estimating the size of individual sectors.

Furthermore, better data on village halls is available from Action in Communities in Rural England (ACRE) which supports their estimate of 10,000 village halls in England. However, the proportion of village halls that meet the definition of a community business remains unknown. A conservative figure of 9% was agreed in last year's report. Anecdotal evidence from research in two separate small districts suggests 50% to 60% of the village halls operated

as a community business (Scott and Probert, 2018). In agreement with Power to Change, we have increased the estimate of all village halls operating as community businesses to 20%, or 2,140 in total.

The estimation model

We used a simplified version of the model from last year to estimate the sector and total market. The estimation process follows four steps.



²⁴ The average, rather than the maximum is used, to smooth variation between sector distribution in the survey and grantee datasets.

²⁵ Village halls are excluded from this calculation as the number recorded in the survey/grantee data is much smaller than the likely overall population.

This model is reliant on strong assumptions. The strongest is applying the smoothed proportional response for all known businesses to every other sector. This calculation for each *known* sector shows a range from 2% for libraries to 37% for pubs. The data on pubs and shops is typically good as these sectors have been recently researched in detail. Coding the sector of a business is also open to interpretation, especially where that business delivers multiple services. The prime example is the community hubs sector. Some hubs will be self-classified by the individual responding to a survey and this classification may differ should a different representative from the same business respond. Each grantee dataset coded main business sector differently. Whilst a consistent manual code was applied as part of the data processing method, there is similar room for misclassification depending on who completed application or monitoring in relation to Power to Change grants.

Community Business Market metrics

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

1. **Number of organisations:** This is an estimate of the total number of community businesses operating in that sector as derived via the process above and rounded to the nearest hundred. The model and, most importantly, a series of underlying assumptions is summarised below and described in detail in the Supporting Analysis.
2. **Median income:** Median (rather than the average) income is used to address outliers and is derived using the following priority method:
 - a. secondary comparable income data if the external source is based on a larger number of observations than that collected in the survey or grantee dataset, or
 - b. from survey or grantee data where 15 or more separate organisations responded from a given sector. Where there are more than 15 organisations in both datasets, the data sources with the most observations is typically chosen.
3. **Median assets:** Assets are derived from grantee records except for village halls, which come from Sheffield Hallam's community business asset dataset (Archer et al., 2019).
4. **Total sector income:** The total income for the sector as a whole. This is recorded in millions. Income is typically derived by multiplying the median for the sector by the estimated number of community businesses in the sector.

5. **Total sector assets:** As per total sector income, median assets (where known) are multiplied by the estimated number of sector organisations.
6. **Staff numbers:** The headcount of staff estimated to work in the sector. This is a headcount where known, although some data only records the full-time equivalent figure. The total number is again the median multiplied by the estimated number of organisations in the sector. Overall, staff numbers are likely to be an under-report as some grantee and secondary data only lists full-time equivalent figures.
7. **Volunteer numbers:** As per staff.

As the sector size estimates are reliant on a series of strong assumptions, total numbers in Table 4 are rounded to the nearest hundred for business, staff and volunteer estimates, and to the nearest million pounds for total income and assets. A fuller market description of the individual sectors is provided in the appendix.

Table 4: Market size estimates for community businesses, 2019

Sector	Number of organisations	Income (£m)	Assets (£m)	Income (£m median)	Assets (£m median)	Staff	Volunteers
Village halls	2,100	17	642	0.01	0.30	3,200	66,300
Community hubs	2,000	247	98	0.13	0.05	7,900	39,500
Business support; employment; IAG; training and education	900	148	40	0.16	0.04	4,600	11,600
Arts centre or facility	400	50	9	0.13	0.02	1,800	11,900
Cafés and shops	400	63	19	0.15	0.05	1,300	10,500
Health, social care and wellbeing	400	123	47	0.30	0.11	4,900	8,200
Libraries	400	7	-	0.02	-	400	17,600
Sports and leisure	400	118	62	0.29	0.15	3,700	9,400
Environment or nature conservation	300	9	-	0.03	-	1,000	8,700
Housing	300	17	15	0.06	0.06	1,000	4,200
Transport	300	-	-	-	-	-	-
Energy	200	36	8	0.15	0.03	200	1,900
Food, catering and production	200	21	1	0.09	0.00	2,400	9,600
Childcare	100	-	-	-	-	-	-
Craft, industry and production	100	3	-	0.05	-	300	300
Digital services, consultancy or products	100	3	-	0.05	-	400	1,500
Pubs	100	14	4	0.17	0.06	300	1,300
Finance	-	-	-	-	-	-	-
Other	300	15	-	0.05	-	900	5,200
Total	9,000	890	945	0.11	0.05	33,900	205,600

4. Outlook for the year ahead

This chapter examines the outlook for the coming year for community businesses by exploring the attitudes of their representatives towards financial confidence and future income sources, the likely changes to the size and operations of community businesses, and the opportunities and challenges affecting their sustainability.

Key insights

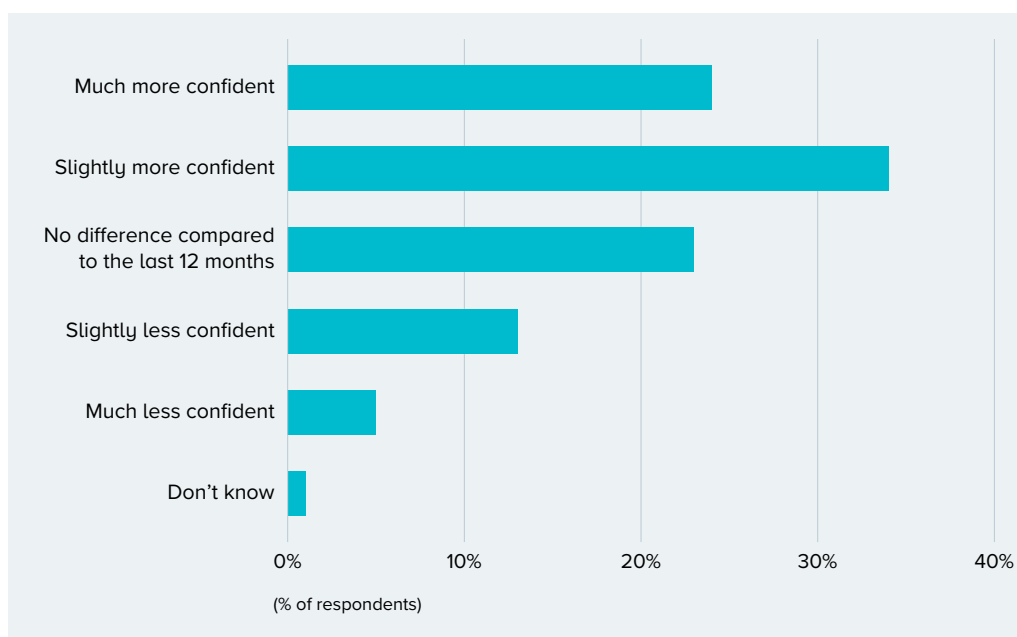
- Community business confidence regarding future financial positions is more subdued in 2019 than in 2018; 58% feel at least ‘slightly confident’ compared to 66% in 2018. Confidence among community businesses appears guided by their ability to generate income in future, despite average income being higher this year.
- Survey respondents are more confident in their financial prospects than business leaders in general. Interviewees believe this is because their legal status enables them to access grant funding and/or benefit from a more favourable tax system, not being profit-driven and attracting custom because of their social and community-based objectives.
- Similarly to 2018, just over seven in ten anticipate income increasing in the coming 12 months. The proportion anticipating more grant income has grown (54% compared to 48% in 2018) while those expecting more from trading or contracts has fallen (66% versus 75% in 2018).
- Expectations for taking on volunteers and/or paid employees in the coming year are slightly lower than 2018 but still demonstrate a greater reliance on volunteers; 65% anticipate increasing the number of volunteers in 2019 compared to 70% in 2018, and 44% expect to employ more staff (53% in 2018).
- Previously reported trends for sector growth persist and are likely to be underpinned by new trading initiatives and acquiring new assets. Innovation in community businesses is similar to social enterprises (62% of social enterprises plan to develop new products and/or services in the next year compared to 56% of community businesses) and much higher than SMEs (36%).

4.1 Financial outlook for community businesses

Financial confidence

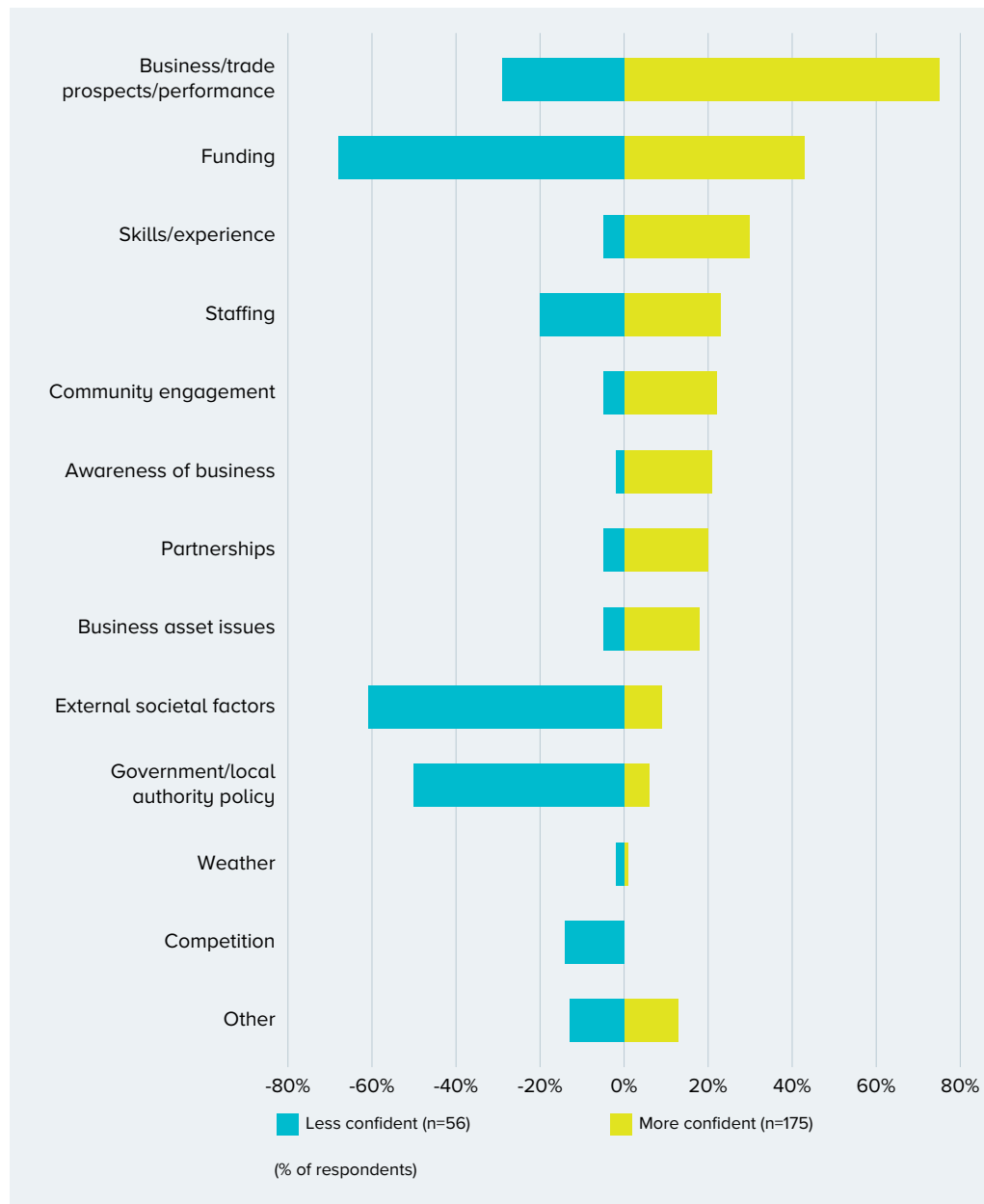
Community business respondents in 2019 are slightly less confident than in 2018 about their financial prospects for the coming year (see Figure 11); nearly three in five feel at least slightly more confident (58% in 2019 compared to 66% in 2018 and 63% in 2017). The proportion feeling pessimistic about their community business' outlook has also increased this year (18% are 'slightly/much less confident' on this measure compared to 13% in 2018) and is similar to the 20% who were 'slightly/much less confident' in 2017.

Figure 11: Community businesses' confidence in the financial prospects of their businesses over the next 12 months (n=312)



For the first time, this year's survey asked respondents to list up to three factors which influence their level of confidence in the financial prospects of their community business in the next 12 months. These have been analysed to determine the influences on respondents who are more confident (selected 'slightly/much more confident') or less confident (selected 'slightly/much less confident') in their community business' financial outlook (see Figure 12).

Figure 12: Factors influencing levels of confidence in financial outlook



For survey respondents more confident in their community business' financial outlook, nearly three fifths (57%) referred to their organisation's future performance. Analysis of the depth interview responses indicates that several factors make community business leaders confident in their future performance.²⁶ These include:

- **High demand for their business activities** – e.g. a community hub and a business support centre which are at full capacity, an arts centre which is seeing footfall and the number of community activities in their space increase week on week, and a community children's nursery which has twice already had to increase the number of spaces it provides and is again nearing full capacity.
- **Generating more income and via multiple routes** – e.g. a housing services community business is increasing its consultancy work for other housing-related community businesses seeking advice about planning and project management aspects of community housing development, and a training and education provider which is gaining income from customers in the café it runs, rent from the space above the café, and running team-building courses.

The second most frequently cited reason for business confidence by those more confident in their organisation's financial outlook was 'funding' (32%). The interview findings indicate community business leaders who are confident about their prospects for the coming 12 months due to funding have been successful in securing grants to cover this period.

... in September [...] we got a grant from Santander, we had another grant in November from A Life Less Lonely and we've literally got thirty grand coming in in the space of two months. Now, we've just got a much bigger Prince's Countryside fund grant for two years [and] we've got a huge partnership project with Age UK ... so suddenly from having £17 in the bank we are really financially solvent for the next two years now.

Interviewee – community hub A

In addition, some interviewees represent community businesses in sectors like housing services, where they recognise a lot of grant funding opportunities are available. This brings a more confident financial outlook for the coming year.

There are some indicators that interviewees are not being complacent about their current situation and are seeking alternative funding options for the medium-term.

²⁶ The analysis draws on the interviews from all fifteen community business representatives interviewed.

I'll be worrying next year. Some of the grant funding will be coming to an end so we're already talking to [our main grant funder] about continuation funding [and] I've already told [our] directors that we need to practise some risk management. We need to look at a position if the [grant funder] didn't come up with the money or what amount of funding could we continue that service with and money that we would plough into it ourselves.

Interviewee – community hub B

Among respondents who are less confident in their community business' financial outlook the most commonly cited factors influencing confidence are: funding (16%), external societal factors (15%) and government/local authority policy (12%). These were echoed in the interviews with three community business leaders who were less confident about their financial outlook. In the main, funding concerns relate to grant funding coming to an end and/or opportunities to access it reducing, and uncertainty about whether alternative sources could be secured.

... there's no more funding around ... and we've possibly been lucky, in one of the funds we applied for [but] we don't really want to rely on luck ... I'm spending more and more time trying to get funding in, when I should be running the place.

Interviewee – community hub C

External societal factors cover the perceived impact of the national political and/or economic context on community businesses. These include the challenges facing the retail sector more widely and the potential implications of Brexit on operating costs and consumer confidence. This factor was also noted in the 2018 study but is even more pertinent now given the current political context.

I think the potential impact of Brexit may be a recession ... that is something that we are mindful of. [We will need to] look at being effective with our pricing and things like that.

Interviewee – community hub D

While levels of optimism among community businesses are slightly lower than those seen in 2018, they are still higher than those observed across other business sectors. The Institute of Directors' (IoD) Confidence Tracker (2019b) indicates that 27% of business leaders were optimistic about the economic outlook of their business in summer 2019²⁷. This figure is the net result of optimistic responses minus pessimistic ones. The equivalent figure for the 2019 Community Business Market Survey, although relating to differently-worded

²⁷ Data is based on monthly surveys with members of the Institute of Directors. The survey question is: 'How optimistic are you about your organisation over the next 12 months?' The May/June 2019 survey, conducted between 22 May and 5 June, had 893 respondents.

questions, is 40% (58% 'more confident' minus 18% 'less confident'). Similarly to the findings of this year's Community Business Market Survey, the IoDs' Confidence Tracker (2018) has declined in the last year (27% in 2019 versus 37% in 2018). The principal factors reported by directors were the UK's economic conditions and ongoing Brexit uncertainty (IoD, 2019a). Again, these drivers are akin to those reported by community business representatives with less confidence in their financial outlook.

Given the high reported levels of confidence in recent years, interviewees this year were asked to consider why community businesses might be more positive about their financial outlook than for-profit businesses. In summary, the reasons community business differ from for-profit businesses in ways that enable them to be more confident, despite the current context of economic and political uncertainty, are:

- The legal status afforded to community businesses, such as for charities and community interest companies, provides more options for business finance than many other types of business. Community businesses are able to access grant funding and benefit from reduced taxes relating to their business activities. The former point is reiterated by the external forms of finance accessed by SME respondents to the Government's Small Business Survey (BEIS, 2019, p. 28); only 6% were currently using government/local authority grants or schemes compared to 83% of community businesses who had accessed grant funding in the last year (see 'The role of grant funding' in Section 2.3).

... we couldn't have done all of the things that we've done with this building and the club, had we not been a charity and been able to access the grant funding that we have been able to access ... we enjoy 80% mandatory rate relief, as a charity. We also get 12% or 15%, depending on the year of discretionary relief. If we didn't, then we'd be facing a £30,000 rates bill every year. If we're paying £3,000 and not £30,000 then that's a massive difference ...

Interviewee – sports and leisure community business

- The objectives of community businesses tend to be broader than making a profit so there is less pressure on their financial success. Other factors such as meeting people's needs and providing a high-quality service are of greater concern to their perception of success.

We've got no shareholders breathing down our neck. There's no temptation to cut corners ... We give our customers [in the] community the absolute best that we can do for them, or give to them. If we were profit-driven, you just wouldn't be able to give the same service because your focus is on spending less.

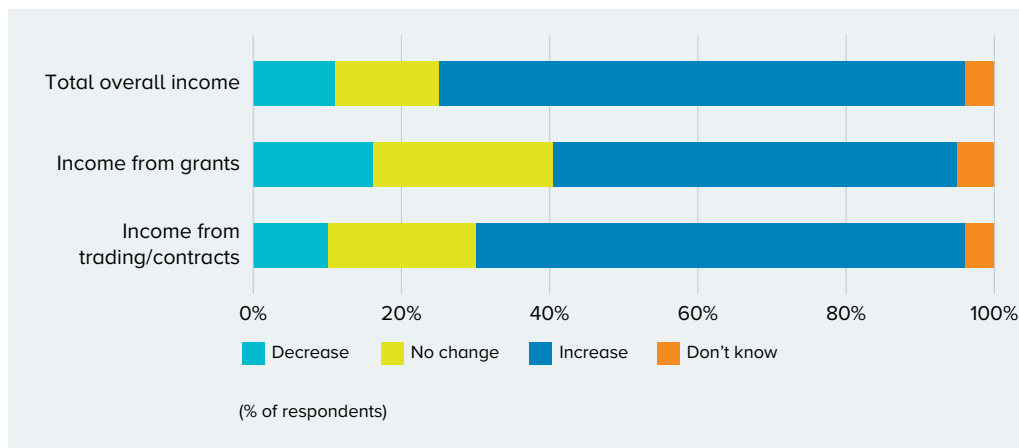
Interviewee – community hub E

- Some community businesses believe they will continue to attract custom because clients value the fact they are not for-profit businesses and that their income is reinvested in the organisations to better meet the wider outcomes for service users.

Future income expectations

Figure 13 shows the extent to which survey respondents anticipate their sources of income changing in the coming year.

Figure 13: Anticipated change in income over coming 12 months (n=312)



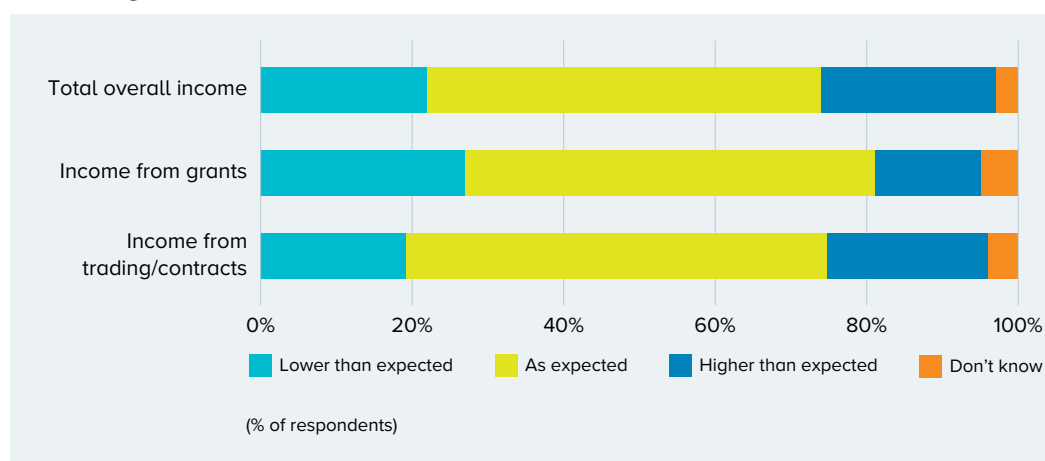
Seven in ten respondents (71%) expect their overall income will increase over the next 12 months. The anticipated increase in overall income is 59% on average when considering increases and decreases, slightly down on 64% in 2018. The community businesses surveyed are slightly more optimistic about income growth than social enterprises and much more optimistic than SMEs. Sixty-seven per cent of social enterprises expect their turnover will increase over the next 12 months (SEUK, 2019, p. 29) while only around 39% of SME employers in the Small Business Survey expect their turnover to increase in the coming year (BEIS, 2019, p. 4)

As already reported, more than four in five community businesses accessed grant funding in the last year (see 'The role of grant funding' in Section 2.3). Despite some of the challenges of accessing grants reported by community businesses in both the survey and interviews in 2019, the proportion of survey respondents expecting their income from grants to *increase* in the next 12 months has increased from 2018 (54% versus 48%), back on a par with the figures reported in 2017 (55%). The proportion expecting grant income to reduce in the coming year has also decreased; 16% in 2019 compared to 20% in 2018.

The increase in the proportion of respondents anticipating an increase in grant income in the coming year is reflected in a smaller proportion of those expecting their income from trading or contracts to increase (66% in 2019 compared to 75% in 2018). In terms of the proportion of income anticipated from grants and trading or contracts, when considering both increases and decreases, survey respondents on average expect to receive 62% more income from grants in the coming 12 months compared to 39% more income from trading or contracts. This compares to 45% and 51% in 2018 respectively. These findings demonstrate that community businesses anticipate being more grant dependent in future despite over a quarter of respondents having received less grant funding than anticipated in the last year (see 'The role of grant funding' in Section 2.3).

To understand whether community businesses are effective at predicting their future income, survey respondents were asked for the first time in 2019 to reflect on the extent to which their income for their last financial year compared to their expectations (see Figure 14). The findings show that the majority of community businesses are accurate judges of their future income, despite the current uncertainty in the wider economy. Only a fifth (22%) of community businesses surveyed received less income than expected in the last financial year.

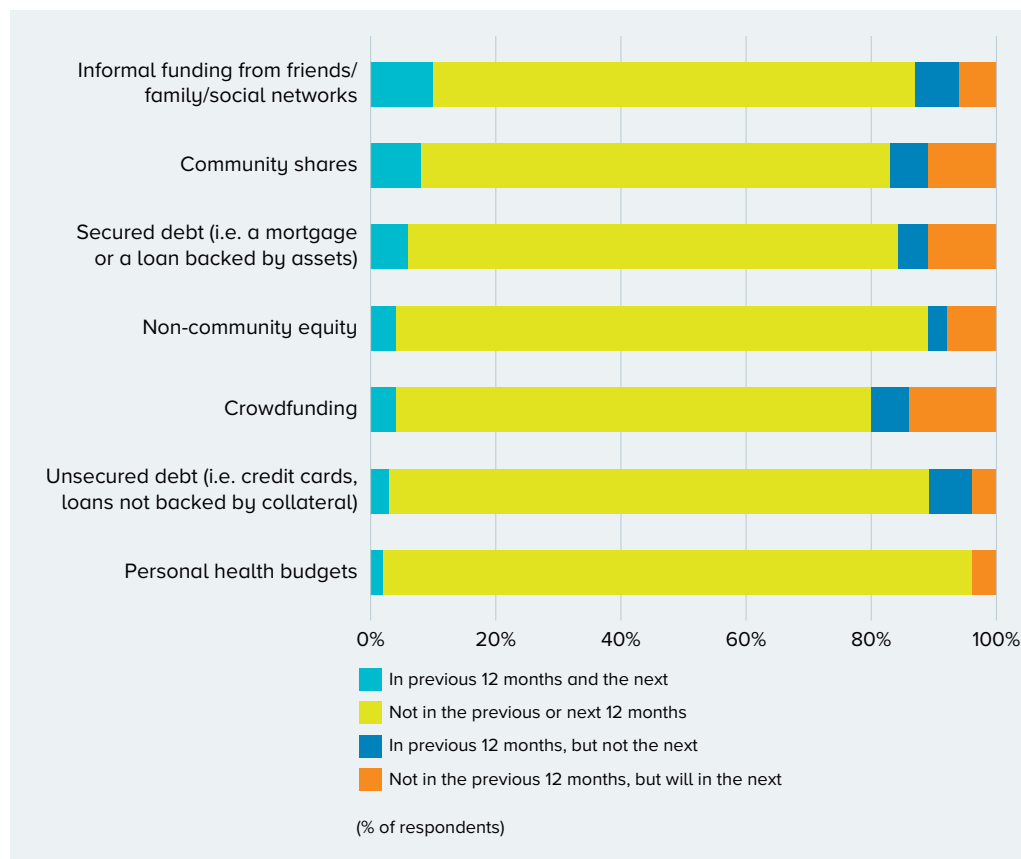
Figure 14: Comparison between actual and anticipated income over last financial year



Respondents were asked which sources of finance they plan to access over the next 12 months and this was compared with the sources of finance accessed over the previous 12 months (Figure 15). As we found last year, the majority of respondents who did not previously access funding from other sources do not plan to do so this year, which suggests relative stability. Of those sources not accessed in the previous 12 months but likely to be accessed in the next 12 months, crowdfunding scored highest, with 14% looking to explore this avenue.

The proportion of community businesses planning to access secured debt in the next 12 months having not done so in the previous 12 months has grown since last year's survey from 7% to 11%.

Figure 15: Anticipated changes in access to finance (other than grants) over the next 12 months (n=312)

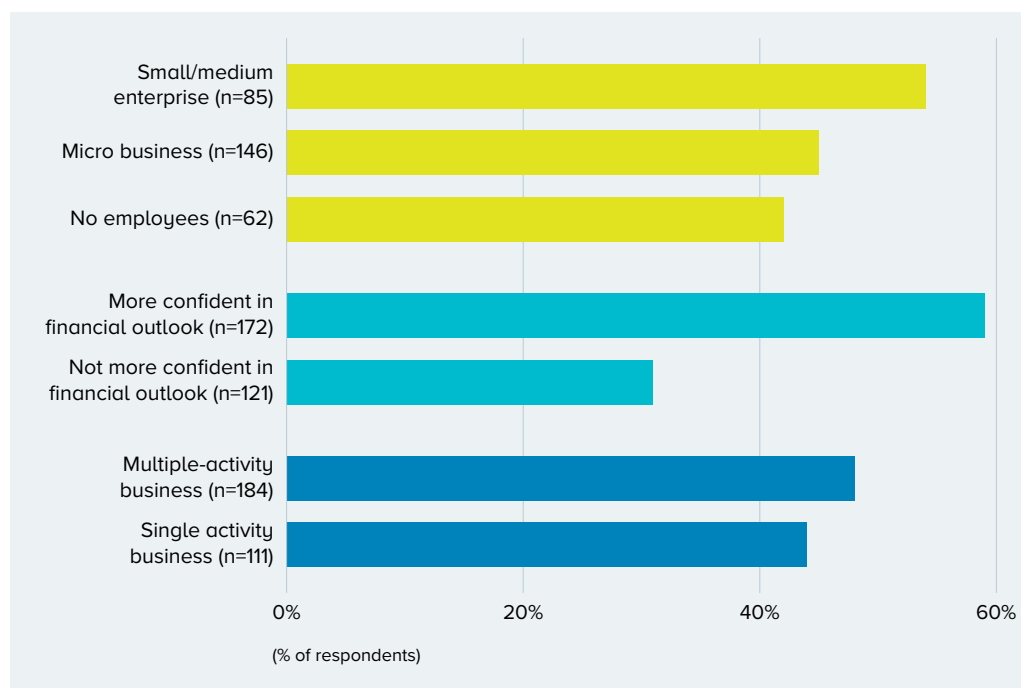


4.2 Future structure of community businesses

The trend for community businesses relying on volunteer staff observed in previous studies continues in 2019. Two-thirds of survey respondents (65%) anticipate increasing the number of volunteers in contrast to just under half expecting the number of paid employees to increase (44%). Community business respondents' expectations about employment growth are on a par with social enterprises, where 49% of respondents to SEUK's survey (2019, p. 42) expect the number of people they employ to increase in the next 12 months, and much more optimistic than SMEs; only about 25% of SME employers in the Small Business Survey expect to employ more staff in a year's time (BEIS, 2019, p. 2).

Figure 16 highlights that those businesses we surveyed which have a more confident financial outlook (59%) and provide multiple activities (48%) are more likely to plan to take on more employees. Larger businesses are most likely to anticipate taking on more employees (54%), a trend also reported in the Small Business Survey (BEIS, 2019, p. 2).

Figure 16: Proportion of community businesses planning to take on more employees by different groups (variable bases)



Changes in operations

Our study explored the changes to the operations of community businesses made in the previous 12 months, in addition to changes they expect to make over the next 12 months (see Figure 17). The most likely operational activity which community businesses will continue in the next 12 months, as they have for the previous 12, is seek new sources of grant funding (63%). The proportion doing so has reduced, however, from the high of 73% in 2018. More interestingly, 18% of survey respondents will seek new sources of grant funding in the next 12 months having not done so in the last year, up from 9% in 2018. This appears to reflect the larger proportion of community businesses expecting to increase their income from grant funding in the next 12 months compared to 2018, as reported earlier in the report.

Figure 17: Changes to business operations over the previous and future 12 months (n=312)



In terms of undertaking new operational activities, the most likely actions community businesses plan to carry out in the next 12 months which they did not do in the previous 12 months are ‘opening up a new line of trading activity or diversifying their services’ (23%) and ‘acquiring new assets or making a capital purchase’ (22%). Levels of anticipated innovation within community businesses appear to be on a par with social enterprises. Sixty-two per cent of social enterprises plan to develop new products and/or services in the next year (SEUK, 2019, p. 28) compared to 56% of community business respondents (inclusive of both those which did and did not do so in the previous 12 months). Both are much higher than SME employers, only 36% of which plan to develop and launch new products or services in the next three years (BEIS, 2019, p. 46).

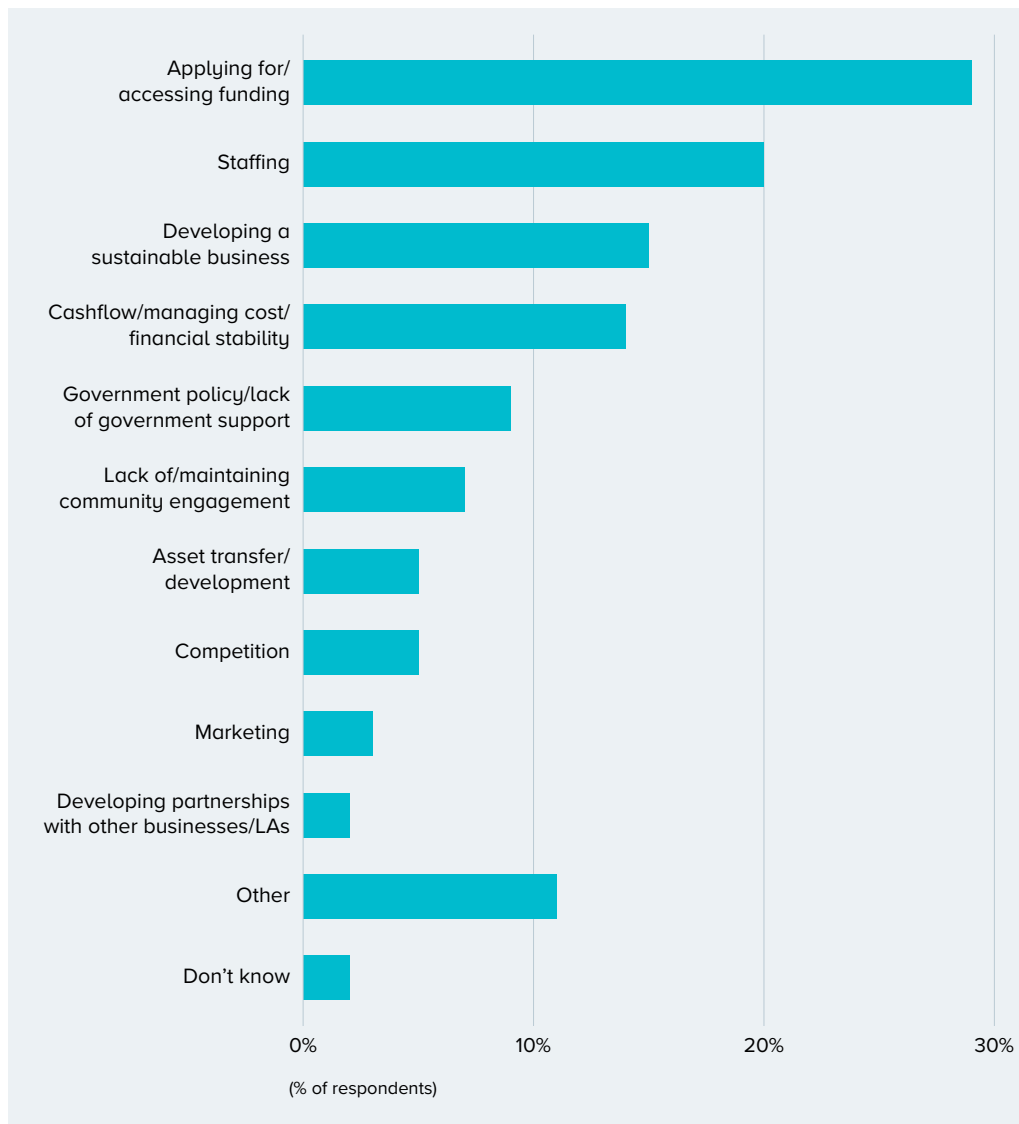
4.3 Challenges and opportunities for community businesses

In the survey community business representatives shared the challenges their organisations face as well as the opportunities they believe can assist them to develop in the future. In the following section, we use examples from the depth interviews to elaborate on the survey findings and illustrate ways in which community businesses can overcome challenges and realise their opportunities.

Challenges

The coded open responses from the 2019 survey on the main challenges community businesses face in the coming year are illustrated in Figure 18. The key issues in previous years of the study, such as financial sustainability, resources and changes to government policy, persist. These factors also reflect those negatively affecting some survey respondents' confidence in their financial outlook (see 'Financial confidence' in Section 4.1).

Figure 18: Main challenges facing community businesses over the next 12 months – coded from open responses (n=312)



Financial sustainability

Difficulties in accessing grant funding (29% of respondents), identifying ways to make their organisations more sustainable (15%), and managing costs and cash-flow (14%) continue to concern community businesses.

The main issues about accessing grant funding relate to securing or maintaining funding to support existing business activity or to expand, whether through more paid employees, reaching more customers or acquiring new assets. A few respondents highlighted limitations in their experience and skills to complete funding bids effectively. This links to the skills deficiencies and business support needs raised earlier in the report regarding measuring impact (see ‘Workforce development’ and ‘Business support’ in Section 2.2).

Findings from the depth interviews indicate that some community businesses are trying to broaden the range of funding streams they can access to minimise the risk of solely depending on grant funding. One community hub interviewee is exploring crowdfunding, corporate sponsorship and philanthropy to increase the potential sources from which they draw income.

Issues reported by survey respondents and interviewees about developing a sustainable business range from being able to financially support current levels of activity, due to increasing operating costs or reduced funding streams, to developing the capacity to meet growing demand.

... whilst we have been quite successful with funding, it is quite a competitive market and certainly the grant funding element, it's more and more people seeking the same or potentially less money... [So we're] trying to be not too reliant on external funding to make things work and having a business model that works both ways in terms of providing something that works financially but also that delivers something that's useful to local people.

Interviewee – community hub D

Managing costs and cash-flow issues, as identified by survey respondents, include balancing changes in trading or funding income, and covering anticipated costs. Several stated that cost issues were compounded by external pressures like changes in national policy, for example the reduction in nursery subsidies or increase in the minimum wage.

The challenge of maintaining the nursery income as funding rates reduce and costs (particularly minimum wage) increase.

Survey respondent – childcare community business

The challenge for community businesses in balancing the conflicting priorities of meeting community needs while being financially sustainable is highlighted in Durham University's *Striking a Balance* study of community businesses (Chapman and Gray, 2019).

Human resources

Staffing is a challenge identified by one in five (20%) respondents. Survey respondents cited a variety of concerns including: recruiting trustees and staff with the appropriate skills, maintaining volunteers, many of whom have additional professional and personal commitments on their time and are at risk from participation fatigue, and providing their paid employees or volunteers with the necessary training to undertake their roles effectively.

... volunteers are involved with their ideas and spare time but all work or have other commitment[s] so time is a constraint.

Survey respondent – community hub

Challenges in terms of paid employees reflected in the depth interviews include:

- recruiting employees with the necessary skills, e.g. a housing services community business which is in demand from other organisations seeking to develop community housing schemes but lacks staff with the necessary technical skills to meet their needs.
- retaining employees and the associated business costs of time and money to recruit and train new employees.

We offer what we think are decent rates of pay but we struggle to get staff to stay with us. When we have recruited people, they've only stayed for a few months and that investment of time and effort to getting those people up to speed, has then meant we've got to go through it all again ...

Interviewee – community hub D

Several challenges related to the use of volunteers revealed in depth interviews are particularly pertinent, given the extent of reliance on them. These include:

- trying to find and engage the number of volunteers required to help run activities.
- attracting trustees to boards who have the requisite skills to provide a strategic steer to the organisations

We've only got six trustees in our board [with positions for nine]. It's hard to get trustees because it's a voluntary position and people that do want to do that [have their own agenda]. It's easy for me to sit here and tell you what our opportunities and challenges are but really the trustees should be doing some of this. I think it needs to be more than just me [offering this strategic direction].

Interviewee – community hub E

- encouraging voluntary members of the workforce to behave in a professional manner and undertake their specified role, while appreciating the fact that they are giving their time free of charge.

... people say, 'Yes, I'll volunteer,' but they aren't the ideal person to have, to welcome people into the building ... I don't want to turn them down ... but they're locals who want to sit, maybe do their knitting which is great, but they're not the person that you'd ideally like sitting in reception to direct somebody. You need someone more professional, who knows what's going on, knows the services we offer.

Interviewee – community hub C

The reliance on volunteers, and challenges regarding their engagement, is not new and has been identified in other recent studies such as *Our assets, our future: the economic, outcomes and sustainability of assets in community ownership* (Archer et al., 2019) and *Village halls, rural community hubs and buildings* (Scott, N. and Probert, Y., 2018).

However, some of this year's interviewees provided examples of ways in which they have overcome their challenges in providing their workforce with the requisite skills. For example:

- A childcare provider now recruits assistants for the business and then provides them with the bespoke training they have designed with their local further education college, enabling employees to move through early years education qualifications while working in their setting.
- A community business sports centre was unable to access coaching qualifications for its employees as the waiting list was so long. The organisation therefore became a centre for excellence for the sport in question and is now able to host on-site the courses its workforce requires. This has also enabled the community business to generate more income from offering the courses to other sports clubs.
- A community hub undertook a skills assessment which identified gaps in the skills of its current trustees, and has enabled them to target potential trustee recruits with the skills and experience they require.

Influence of government policy and support

Nearly one in 10 representatives of community businesses (9%) surveyed indicated that government policy or lack of support from government was a challenge for them.

In general these concerns convey uncertainty about the impact Brexit might have on the economy as a whole, and the implications for consumer confidence and spending. A number of survey respondents expressed disappointment in the current focus of government policy and the less than anticipated public funding available for their particular sectors, including childcare and energy. One community energy business, for example, lamented the lack of government policy support for the community renewable energy sector.

We could manage without feed-in tariffs. We're clever enough to be able to create business models that are commercially viable. But ... political neglect, even derision, towards small-scale either private or community generators ... community energy is ... not even paid any attention, in terms of the additional social value that it brings in addition to de-carbonising the atmosphere.

Interviewee – community energy business

On the other hand, as noted last year, the community housing sector continues to have a variety of grant funding streams open to it. One community housing organisation is looking to take advantage of this situation by drawing on its own experience to assist other local groups to access funding, and charging for this service in order to generate further income.

... the opportunities in [the community housing] sector right now are around the government funding that's available, so it's a good time for groups to be thinking about trying to do something. So that's a big opportunity for us, because we can help groups apply for that money and all the different pots of money that are available, including the Power to Change 'Homes in Community Hands' programme.

Interviewee – community-led housing business

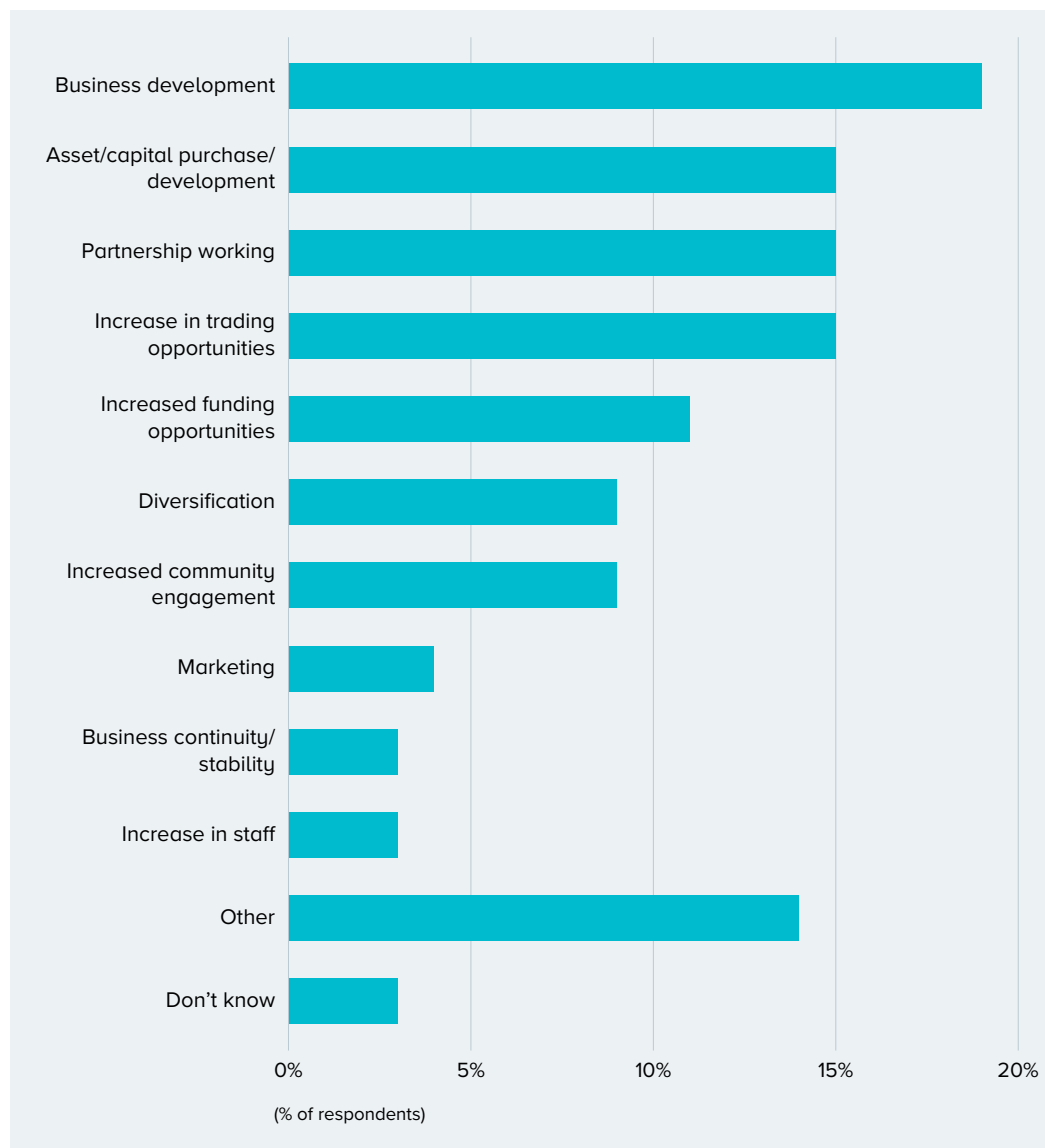
Another interviewee running a business support centre was hoping to benefit from the government's Future High Streets Fund,²⁸ to which their local council had applied, to help fund the refurbishment of their own community business property and subsidise their expansion into a neighbouring building.

²⁸ HM Treasury and Ministry of Housing, Communities & Local Government (2018) Policy Paper – Future High Street Fund. Accessed at: <https://www.gov.uk/government/publications/future-high-streets-fund/future-high-street-fund> Accessed on 5 September 2019.

Opportunities

Community businesses continue to seek opportunities to develop and grow. Figure 19 shows the coded results of the open responses survey respondents provided to describe the opportunities for their community businesses in the next 12 months. Similarly to previous years, the key opportunities relate to income generation and asset acquisition. Increasing community engagement was also an important opportunity, noted by one in ten respondents (9%).

Figure 19: Main opportunities for community businesses over the next 12 months – coded from open responses (n=312)



Business development and income generation

One in five survey respondents (19%) indicated that business development was an opportunity for their community business in the coming year and many are planning to take advantage of a variety of opportunities to increase income in the next 12 months. These include: partnership working (15%), increasing trading (15%) or funding opportunities (11%), and diversifying their line of business (9%).

In general these respondents were outlining their potential for growth in the next 12 months. The opportunities include:

- expanding their market either geographically or in terms of customer-type
- opening new venues or retail units
- rolling out their services to more people
- utilising their existing assets more efficiently
- improving their services to attract more customers.

Register for Ofsted and expand our provision – for example holiday provision for a wider age range from existing term-time customers.

Survey respondent – training and education

Community businesses are working with partners in a range of ways to generate additional income. Examples cited in the survey include:

- leasing out space in their venues for other organisations to deliver services to their customer base
- building relationships with the local authority so they can potentially deliver services on their behalf, e.g. training and work experience opportunities for young people
- providing training on behalf of educational institutions.

Greater potential of the use of the library by other organisations to deliver community service[s] with potential income, e.g. water or energy companies using the library to deliver customer advice to social housing tenants.

Survey respondent – library

Recently published research by Durham University suggests that partnership working is successful when organisations identify mutual benefit, whether of economic or social value, from their relationship (Chapman and Gray, 2019).

The opportunities identified by survey respondents to increase their trading potential include:

- attracting more customers via social media marketing
- increasing the number of spaces or venues the businesses have available for hire
- extending opening hours so more customers can use the services on offer.

Many community business representatives in the survey were optimistic about securing funding in the next year, although many do not provide further information about how this would be achieved. One example shared by a survey respondent is for their community business to register as a social housing provider in order to access existing funding streams.

To become a registered provider of social housing, secure grant from Homes England and increase our property portfolio.

Survey respondent – housing services

Survey respondents stated a variety of ways in which they were planning to increase their income by diversifying their current community business activity. For example:

- offering new services
- providing existing services through new channels such as online
- developing new products
- expanding into new sectors.

We are diversifying our property portfolio into light industrial units to complement our office space offer. We are working with our community partnership to develop new ways of delivering and new referral routes for poor health prevention activities. We are establishing a community energy co-op in the district.

Survey respondent – community hub

A community hub leader explained how they had created an online reward scheme to provide local people seeking employment with opportunities to develop their CV and receive incentives for their time. The activities include gardening for a local resident who cannot afford a gardener, and participants earning points for such activities that can be exchanged for vouchers donated by local businesses.

There were several examples among those seeking to expand the reach of their current activities to new audiences, to grow business through diversifying. For example:

- to engage the local tourist market, one community hub planned to market its annual fête and upcoming farmers' market to visitors staying at the local camping and caravanning sites and bed and breakfast establishments.
- a community business whose theatre shows were already popular with local children and older residents branching out into hosting comedy nights to attract customers in other age groups.

Asset acquisition

The development of assets and/or capital purchases continue to offer community businesses opportunities, with 15% of survey respondents referencing this in 2019. Examples include:

- a community hub taking over the management of a community sports facility via an asset transfer
- a housing organisation converting a redundant building into flats and a community centre
- several organisations planning to purchase new sites or adjoining buildings to expand their delivery or acquiring the buildings they currently rent to deliver their services.

Community engagement

A key theme in the 2019 survey, referred to by 9% of respondents, is the opportunity provided by community engagement for the sustainable future of community businesses. Examples include:

- increasing the number of customers or service users
- providing a source of volunteers and paid employees
- gaining support from the local community.

Respondents recognised this is an under-utilised source of resource and custom which could strengthen the sustainability of their organisations, and are seeking to increase it in the coming year.

One of the interviewees from a community hub successfully acquired funding from Power to Change to support the development of a community engagement strategy, as they had realised this was an area of weakness for their organisation. The business now involves local residents in peer evaluation, where they undertake research to gain feedback from users on the effectiveness of their services and impact on their lives.

Holding an open event and participating in other local events are two ways in which one leader from a housing-related community business effectively raises their profile in the local community and engages more residents.

We had last year an open event, which we utilised to promote our plans to engage with the community and that was quite successful. This year we're just currently planning a summer fête for the village where we will also have a stall available with information, what [we're] doing, where the money is coming from, what we want to do with the community centre and so on.

Interviewee – community-led housing business

5. Conclusions

As with previous years, estimating the size of the community market remains an art as much as an empirical process. Data across the sector is imperfect and changeable between years. Small differences in assumptions can have large impacts on estimates. We would not recommend making cross-year comparisons.

A couple of improvements in the data this year are welcome. Firstly, only data from successful Power to Change grant applicants is used this year as opposed to all applicants in prior years. In this way, we think that the quality of some estimates is improved as successful grantees will be community businesses as defined by Power to Change.

Secondly, for the market size assessment we have pooled survey data from two years, combining those that participated in 2018 with those surveyed this year, excluding duplicates. Both these changes mean we have more data to use in our model.

The 2019 estimate for the overall size of the market is 9,000 community businesses, including 2,100 village halls and 2,000 community hubs. The estimate for village halls has trebled due to the influence of newly available data. The model's estimates of size for other sectors produces similar results to last year.

The number and quality of records from which estimates for income and assets are derived has increased. This improves the quality of the estimate although a series of assumptions are still needed to derive it. The estimated total market income and assets are £890 million and £945 million respectively. We hope the model can be replicated next year to provide measures of change.

The survey shows that levels of confidence in community businesses' financial outlook remain relatively high, albeit slightly lower than last year. Many community businesses continue to see high demand for their services and are increasing the income they generate through expanding or diversifying their activities. Examples include a community theatre company known for its children's shows hosting comedy nights to attract an older audience and a library approaching utility companies to hire its venue in order to provide advice to customers living locally. Unlike many traditional enterprises, community businesses are also able to take advantage of grant funding, and using their social and community objectives to attract customers. Support is required, however, to develop evaluation skills within community businesses. This will assist them in demonstrating their impact, to enable stronger grant applications and tender submissions. As identified in the 2018 study, they also require assistance with their communication and marketing abilities to promote their businesses more widely.

The majority of survey respondents anticipated an increase in income in the next 12 months, but the proportion of survey respondents expecting their income from trading or contracts to increase has reduced, while the percentage of those predicting an increase in income from grant funding has grown. The short-term nature of grant funding means that community businesses require support to develop business strategies which are sustainable, and incorporate opportunities for expanding or diversifying their activities.

Sustainability and growth in community businesses continues to depend on the engagement and goodwill of volunteers, particularly at the strategic level where 'CEO and board level' positions (according to survey respondents in 2019) are over-represented by non-paid staff. Engaging, recruiting and training a voluntary workforce is therefore a critical area of support for community businesses.

Designing support for community businesses is challenging, given their variety and, in many cases, limited financial and human resources. However, the 2019 primary research findings indicate that several community businesses appreciate the following forms of support: knowledge exchanges with organisations of a similar nature or context who can provide support and advice, and technical support like financial or legal advice via helplines and online portals. Securing this support is likely to be challenging. The community businesses surveyed most value the support provided by local authorities, but they have limited budgets following years of austerity.

Since 2017 a growing proportion of community businesses surveyed define themselves as undertaking a single activity rather than multiple activities. Given the changing profile of the survey sample over the last three years, however, it is unclear whether this is a market trend or simply a difference in the composition of the survey respondents. Research to explore whether there is a driver of this change would be valuable. Equally, 'advanced information technology/software' is the greatest skills deficiency for one in five survey respondents and further research could usefully explore this specific need in more depth.

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Appendix: Individual sector estimates for market size

The composition of a sector estimate table

For each sector, a data table is presented that fulfils two functions. Firstly, it provides an estimate for a variety of market indicators for that sector. Secondly, the main data sources for estimates are shown.

Table 5: Example market size data table

Market descriptor	2019 estimate	Data source
Number of organisations	900	
Income (£m)	142	
Assets (£m)	110	
Income (£m median)	0.11	
Assets (£m median)	0.08	
Staff numbers	4,000	
Volunteer numbers	9,900	

 CBMS19  SHU assets  Grantee data  Secondary data

Venues

Community hubs

The number and scope of community hubs is particularly difficult to estimate because they often deliver more than one service from the same location and hence defy easy classification. Locality defines a community hub as a suite of services that operate out of a specific location. They benefit from co-location, use local assets and are led by the community they serve (My Community, 2016).

Estimating the number of community businesses

Through pooling data, a better estimate of community hubs can be provided this year. As noted earlier, unique records from the CBMS19 and CBMS18 created a single file with 491 records. Combining data from numerous Power to Change databases created a grantee population dataset of 597 organisations. The average proportion of community hubs present in these datasets is 29%. There is a connection between this data as the majority of contacts from the survey were derived from Power to Change records. The model estimates that 2,000 community hubs operate in England.

Estimating the market characteristics

Estimates for community hubs are based on the largest number of observations of any sector: around 140 in the survey for staff and volunteer numbers and 100 in the secondary data for income and assets. To maintain consistency with last year, survey data on median staff (4) and volunteer (20) numbers have been used to estimate the sector totals this year. However, equivalent numbers in the secondary data are higher at 6 and 28 respectively. If secondary data was used, estimated sector staff and volunteer numbers would increase.

Table 6: Market size for community businesses in the community hub sector

Market descriptor	2019 estimate	Data source
Number of organisations	2,000	 
Income (£m)	247	
Assets (£m)	98	
Income (£m median)	0.13	
Assets (£m median)	0.05	
Staff numbers	7,900	
Volunteer numbers	39,500	

 CBMS19  SHU assets  Grantee data  Secondary data

Village halls

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

Estimating the number of community businesses

ACRE was able to provide a count of the number of village halls within England to support the 10,000 estimate it publishes (see Action with Communities in Rural England, 2018). However, the proportion of halls operating as community businesses remains unclear. Scott et al. (2018) estimate the proportion of village halls operating as community businesses as high as 60%, albeit based on small sample sizes.

A survey of village halls is planned for later in 2019 which will derive a more robust estimate of the proportion operating as community businesses, from an appropriate sample. Until then, the authors and Power to Change have drawn on anecdotal evidence suggesting a higher proportion of village halls are likely to operate as community businesses than the 9% used in previous reports, to inform a working assumption that 20% of village halls currently operate in this way.

Estimating the market characteristics

Sheffield Hallam University's report into community-owned assets for Power to Change (Archer et al., 2019) provides the best source of data on village hall income and asset data available. Survey data is used for all other metrics. Based on the current estimation model, village halls engage the largest numbers of volunteers of any sector, and have one of the smallest median unit income figures (£8,000 per village hall). The village hall sector accounts for around a third of all volunteers in the whole market and has by far the largest ratio of volunteers to staff of all sectors at 20.7:1.

Table 7: Market size for community businesses in the village halls sector

Market descriptor	2019 estimate	Data source
Number of organisations	2,100	 
Income (£m)	17	
Assets (£m)	642	
Income (£m median)	0.01	
Assets (£m median)	0.30	
Staff numbers	3,200	
Volunteer numbers	66,300	

 CBMS19  SHU assets  Grantee data  Secondary data

Public-facing support services

Business and employment support

The sector is a grouping of five separate areas: employment information, advice and guidance; training and education; youth services, and business support. Youth services (for those aged 16 or older) are placed within this grouping to align with the support concepts of the few businesses who self-identify as such. Business in this sector are exemplified by support services that are public- or business-facing and there is a strong inter-relationship between these activities and community hubs: seven in ten community businesses offering business and employment services in CBMS19 also say they are a community hub.

Estimating the number of community businesses

As an aggregated sector, business and employment support has the largest number of sub-sector CBMS18 and CBMS19 responses after community hubs (66). The same applies for the grantee data, where 71 businesses are found. In both cases, business and employment support sector businesses account for 13% of the business population.

Estimating the market characteristics

The business and employment support sector generates the second largest amount of income after community hubs and employs the third highest number of staff. The ratio of volunteers to staff is, however, relatively small at 2.4:1.

Table 8: Market size for community businesses in the business and employment support sector

Market descriptor	2019 estimate	Data source
Number of organisations	900	 
Income (£m)	148	
Assets (£m)	40	
Income (£m median)	0.16	
Assets (£m median)	0.04	
Staff numbers	4,600	
Volunteer numbers	11,600	

 CBMS19  SHU assets  Grantee data  Secondary data

Housing

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

Estimating the number of community businesses

Revisiting the sources used to estimate numbers last year, there are now 255 community land trusts in England and Wales²⁹ and the number of English cohousing³⁰ schemes is now estimated to be 20. However, we have removed self-help housing groups from our estimate this year because the source data has remained unchanged for six years. This means this year's estimate for the number of businesses may be an under-report.

Estimating the market characteristics

Table 9 also provides estimates for income, staff and volunteer numbers. The latter are based on 16 observations in the combined survey for staff and volunteer numbers. Income and asset figures are derived from 20 and 16 grantee records respectively. These are small bases although larger than those used last year.

Table 9: Market size for community businesses in the housing sector

Market descriptor	2019 estimate	Data source
Number of organisations	300	D
Income (£m)	17	G
Assets (£m)	15	G
Income (£m median)	0.06	G
Assets (£m median)	0.06	G
Staff numbers	1,000	C
Volunteer numbers	4,200	C

C CBMS19 **H** SHU assets **G** Grantee data **D** Secondary data

²⁹ <http://www.communitylandtrusts.org.uk/what-is-a-clt/about-clts> Accessed on 16 September 2019

³⁰ <https://cohousing.org.uk/information/uk-cohousing-directory> Accessed on 16 September 2019

Health and social care

The range of services and activities grouped in the health and social care sector is large and includes: statutory public services for physical and mental health and social care; user-funded health and wellbeing services; childcare; leisure, sports and physical fitness, and vocational and volunteering activities for therapeutic and rehabilitation purposes (Stumbitz et al., 2018; Bedford and Harper, 2018). There is some clear potential cross-over with the sports and leisure sector discussed later in this report, although many sports-focused health community businesses provide mental health and wellbeing services. Childcare remains a separate sector.

Estimating the number of community businesses and their market characteristics

Community health and social care businesses are estimated to represent nearly 6% of the market. All data bar assets is estimated from a median of combined survey returns and is based on approximately 30 observations. Asset data is drawn from 15 grantee records. Based on estimates from these observations, the health and social care sector generates the largest median income per community business and has the third largest median asset figure. Businesses in this sector also employ the most staff per business (12).

Table 10: Market size for community businesses in the health and social care sector

Market descriptor	2019 estimate	Data source
Number of organisations	400	 
Income (£m)	123	
Assets (£m)	47	
Income (£m median)	0.30	
Assets (£m median)	0.11	
Staff numbers	4,900	
Volunteer numbers	8,200	

 CBMS19  SHU assets  Grantee data  Secondary data

Childcare

Childcare services include crèches, nurseries and pre-school groups operating in community venues. It may also include support and pastoral services offered to support older school-age children. Additional work is required to understand this sector in more detail, as crossover with other sector categories is likely, especially for venues such as community hubs and village halls.

The number of childcare businesses is derived from the estimation model and represents about 1% of the total market, or around 100 community businesses. There is no secondary data available to validate this estimate.

Estimating the market characteristics

Too few observations were available in the combined survey or grantee data to estimate any market characteristics for childcare businesses.

Transport

Transport is a well-developed community sector covering a variety of schemes. The Department for Transport used to publish annual data on the number of grants supplied to community transport operators in England. However, this has not been updated by the Department since we reviewed it last year (March 2017) so we retain an estimate of 300 businesses based on correspondence with the Community Transport Association (CTA) last year. The impact on 2018's legislative change relating to driver licensing and permits in the transport sector (House of Commons Transport Committee, 2018) remains unknown.

Estimating the market characteristics

As with childcare, too few observations were available in the combined survey or grantee data to estimate any market characteristics for transport businesses. Last year's estimates were based on data on applications for Power to Change funds; this year such data only covers known grantees, of which there are too few from which to estimate staffing or financial data.

Arts/culture

Sports and leisure

This year, the land-based assets data was available for analysis which contained some detailed figures on sports grounds and clubs. Similarly, a relatively large number of surveyed community businesses classed sports and leisure as their main sector.

Estimating the number of community businesses

The combined survey and grantee data suggest that the sports and leisure sector accounts for around 6% of the market, or 400 businesses when modelled.

Estimating the market characteristics

The inclusion of land-based assets data to the combined dataset has increased the number of observations used to estimate business characteristics compared to last year (around 25 for all measures bar volunteers). The reported median income and assets for sports and leisure businesses is amongst the highest for any sector.

Table 11: Market size for community businesses in the sports and leisure sector

Market descriptor	2019 estimate	Data source
Number of organisations	400	 
Income (£m)	118	
Assets (£m)	62	
Income (£m median)	0.29	
Assets (£m median)	0.15	
Staff numbers	3,700	
Volunteer numbers	9,400	

 CBMS19  SHU assets  Grantee data  Secondary data

Arts centre/facility

The grantee data for arts centres or facilities covers a range of businesses from general arts centres to cinemas, theatres, music venues and arts production organisations. The data to describe such community businesses is greatly improved compared to what was available for prior reports.

Estimating the number of community businesses

The combined survey and grantee data delivers an estimate of around 400 community arts centres, around 5% of the total estimated community business market.

Estimating the market characteristics

Prior sector estimates relied on a limited number of observations for staffing and financial data. However, the combined 2018 and 2019 survey data provides a larger sub-sample from which to estimate staff and volunteer numbers. The grantee-only data used to estimate income and assets in this sector (and others) is also an improvement from the mix of applicant and grantee data previously. The larger number of grantee records (28) used this year accounts for the change in reported income in the sector.

Table 12: Market size for community businesses in the arts centre sector

Market descriptor	2019 estimate	Data source
Number of organisations	400	 
Income (£m)	50	
Assets (£m)	9	
Income (£m median)	0.13	
Assets (£m median)	0.02	
Staff numbers	1,800	
Volunteer numbers	11,900	

 CBMS19  SHU assets  Grantee data  Secondary data

Libraries

Since last year, data on the current ownership model of libraries has been made available by the Department for Digital, Culture, Media & Sport (DCMS). The updated data (valid from 2016) records the type of management structure for which two are relevant to a community business model: community-run libraries and independent community libraries.³¹

Estimating the number of community businesses

A total of 350 libraries in England are recorded in the DCMS data. The data also records the staff hours paid for each library, but not headcounts.

Estimating the market characteristics

By combining the 2018 and 2019 survey data, observations from 15 libraries were used to estimate the number of staff, volunteers and income for the sector. Although still a small base size, the numbers are an improvement on the data available previously. The income made by each community library is amongst the least within any sector, and the volunteer to staff ratio by far the highest at 44:1.

Table 13: Market size for community businesses in the libraries sector

Market descriptor	2019 estimate	Data source
Number of organisations	400	D
Income (£m)	7	C
Assets (£m)	-	
Income (£m median)	0.02	C
Assets (£m median)	-	
Staff numbers	400	C
Volunteer numbers	17,600	C

 CBMS19  SHU assets  Grantee data  Secondary data

³¹ See <https://www.gov.uk/government/publications/public-libraries-in-england-basic-dataset>, Accessed on 17 September 2019.

Retail

Community pubs

The data quality for community pubs is good and is derived from a number of sources, the CBMS19, Plunkett Foundation's 2019 annual report on pubs (Plunkett Foundation, 2019a), and combined grantee data. Data from Plunkett was also used in prior reports, so any changes where this source is used compares like with like.

Estimating the number of community businesses

Plunkett Foundation's 2019 annual report records 84 pubs in England.

Estimating the market characteristics

Twenty-four respondents to the CBMS19 stated their main activity as a pub. This total represents just under a third of the sector as a whole. Median income for pubs is towards the middle of the range reported across sectors (£130,000). Table 14 reports the mean figure from Plunkett's report, which is higher.

Table 14: Comparison of market size for community pubs

Market descriptor	2019 estimate	Data source
Number of organisations	100	D
Income (£m)	14	D
Assets (£m)	4	G
Income (£m median)	0.17	D
Assets (£m median)	0.05	G
Staff numbers	300	C
Volunteer numbers	1,300	C

 CBMS19  SHU assets  Grantee data  Secondary data

Community shops and cafés

Plunkett collects data on community shops in addition to pubs. Furthermore, the manual coding process highlighted that many shops operated cafés, or vice versa. This made it challenging to assign a single sector code in many cases. For this reason, cafés have been combined with shops in the data this year.

Estimating the number of community businesses

Plunkett Foundation (2019b) estimates 363 community shops in England. The survey and grantee data also identifies a small number of cafés that does not warrant it a separate sector identifier, but it can be combined into this grouping. For every café in the survey and grantee data, there are six shops. This ratio is used to estimate a total sector of around 500 shops and cafés operating as community businesses.

Estimating the market characteristics

This year's estimates are broadly an improvement from prior reports as the number of observations are larger. Median per business income and assets in this sector is towards the middle of the range. The ratio of volunteers to staff in this sector is relatively high at 8.3:1.

Table 15: Comparison of market size for community shops and cafés

Market descriptor	2019 estimate	Data source
Number of organisations	400	D
Income (£m)	63	G
Assets (£m)	19	G
Income (£m median)	0.15	G
Assets (£m median)	0.05	G
Staff numbers	1,300	C
Volunteer numbers	10,500	C

 CBMS19  SHU assets  Grantee data  Secondary data

Manufacturing/production

Food catering and production/farming

This sector covers farms and organisations that produce or process food, including for catering purposes. Note that not all farms are included here as some offer mental health and wellbeing services rather than agricultural production, and are therefore classed under the health sector.

Estimating the number of community businesses

On its website, Community Supported Agriculture lists 75 farms (excluding Scotland and Wales, 2019) a slight fall from 88 in 2018, while Sustain³² (2019) has not added to its list of 163 active food co-operatives reported last year. The combined estimated figure of 238 (rounded for reporting purposes) is in line with the size of the sector in 2018.

Estimating the market characteristics

The combined grantees data provides the best estimates of the sector's characteristics. This is because the data included in the land-based assets dataset increases the number of businesses used for estimation. The large number of staff employed per business (10) marks this sector out compared to most others.

Table 16: Market size for community businesses in the food catering and production/farming sector

Market descriptor	2019 estimate	Data source
Number of organisations	200	D
Income (£m)	32	G
Assets (£m)	4	G
Income (£m median)	0.13	G
Assets (£m median)	0.02	G
Staff numbers	2,600	G
Volunteer numbers	7,200	G

 CBMS19  SHU assets  Grantee data  Secondary data

³² A campaigning membership organisation for food and farming: <https://www.sustainweb.org/>

Energy sector

The energy sector covers aspects of energy generation and supply delivered by community businesses. The majority of the estimates for this sector are derived from the Community Energy State of the Sector 2019 report (Community Energy England, 2019). This is the definitive source of data on the sector. In addition, asset data is drawn from Power to Change's dataset of grantees.

Estimating the number of community businesses

In its State of the Sector report, Community Energy England (CEE) lists 235 community businesses in England³³ and this figure is used in the overall estimate for the sector. As with all sectors, estimates are rounded to the nearest hundred.

Estimating the market characteristics

CEE's report also provides figures for staff numbers and overall sector income, which are listed below in Table 17. No estimate for volunteer numbers is provided by CEE, so the survey data is used instead. CEE reports that income from grants has increased for community energy businesses (Community Energy England, 2019, p. 17).

Table 17: Market size for community businesses in the energy sector

Market descriptor	2019 estimate	Data source
Number of organisations	200	D
Income (£m)	36	D
Assets (£m)	8	G
Income (£m median)	0.15	D
Assets (£m median)	0.03	G
Staff numbers	200	D
Volunteer numbers	1,900	D

 CBMS19  SHU assets  Grantee data  Secondary data

³³ This is based on an estimate of the businesses identified on a map and excluding 40 in Wales and Northern Ireland.

Craft industry and production

Very little primary or secondary data exist describing this sector. In CMBS19, five organisations self-classified into this sector and no organisation regarded themselves as craft businesses in Power to Change's grantee dataset.

In order to estimate a potential size, as per our 2018 study, the figure of 150 from the 2017 Community Business Market report was used as a base. The estimate was adjusted using the proportion of businesses classifying in this sector in the last two Community Business Market surveys. This year, an estimate of 100 businesses is given for this sector.

Economic/business services

Finance

Given the limited number of observations in the combined survey data (four organisations) and secondary data sources available, we have not included the finance sector within our community business market size estimate model in 2019. Potentially, more work is required to understand community businesses providing finance services. The Supporting Analysis explains why data from the Liverpool City Region was not used to supplement the secondary dataset. However, the accompanying report shows that 12 of the 84 community businesses identified were credit unions or financial businesses (Heap et al., 2019). It is therefore possible this sector is large, depending on the criteria used to define a financial community business.

Digital

As stated in the previous Community Business Market reports, no secondary data and too little primary data exists to create an estimate for a sector which is very hard to define precisely: digital services could form the basis for service offers in any other sector. Only six businesses self-classified as digital in the combined CBMS18 and CBMS19 data and four grantees in Power to Change's dataset.

Environmental/nature conservation

The businesses included in this group are a mixture of consultancies, recycling organisations and organisations managing protected environments such as woodlands and wetlands/marine environments.

Estimating the number of community businesses

The combined survey and grantee data suggest that the environmental sector accounts for around 5% of the total market, or 300 businesses when modelled.

Estimating the market characteristics

The market characteristic data for the environmental sector is derived from all grantee data, supported by the addition of land-based assets this year, increasing the total number of observations to 22. However, coverage of asset data was too small to use in estimates.

Table 18: Market size for community businesses in the environmental sector

Market descriptor	2019 estimate	Data source
Number of organisations	300	 
Income (£m)	9	
Assets (£m)	-	
Income (£m median)	0.03	
Assets (£m median)	-	
Staff numbers	1,000	
Volunteer numbers	8,700	

 CBMS19  SHU assets  Grantee data  Secondary data

Power to Change

The Clarence Centre
6 St George's Circus
London SE1 6FE

020 3857 7270

info@powertochange.org.uk

powertochange.org.uk

 [@peoplesbiz](https://twitter.com/peoplesbiz)

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