

## Power to Change – Financial Capabilities pilot

### The opportunity

Power to Change wishes to explore approaches that can help improve financial capabilities across the community business sector. We want to hear about great ideas that will help transform the sector, making it more resilient and sustainable for the long term.

We are seeking innovative proposals from organisations with expertise in developing financial capabilities in the specific areas of: actively addressing weaknesses in financial management, moving from spreadsheets to cloud-based accounting, accessing grant funding from national trusts and foundations, and reviewing business models. The total budget available is £110,000 and we expect this work to begin in Q4 2021 and run until the end of Q2 2022.

We anticipate proposals of varying sizes to be submitted which could be an expansion of an existing successful programme, or completely new ideas. We anticipate we will commission up to a **maximum of three** proposals to be a pilot of a larger, scalable solution. In Q3 and Q4 of 2022 and once reflections and learnings from the pilots have been evaluated, **we expect to provide further funding (c.£500k in 2022) to those solutions we wish to scale up and reach a wider audience of Community Businesses.** Beyond 2022, we anticipate further funding of up to c.£1.5 million to be available until 2025.

### Timelines

<b>Budget for pilots</b>	<b>£110,000 inclusive of VAT</b>
<b>Deadline for questions and registering interest</b>	<b>12pm on Wednesday 13 October 2021</b>
<b>Deadline for proposal submissions</b>	<b>12pm on Wednesday 20 October 2021</b>
<b>Clarification / evaluation of proposals</b>	<b>Friday 29 October – Friday 5 November 2021</b>
<b>Decision on commissioned pilots</b>	<b>Friday 12 November 2021</b>
<b>Pilots commence</b>	<b>Late November 2021</b>
<b>Pilots completed</b>	<b>End of Q2 2022</b>
<b>Selected pilots scaled up and delivered</b>	<b>From Q3 2022</b>

### About Power to Change

Power to Change was set up by the National Lottery Community Fund in 2015 as an independent trust to support community businesses in England. Community businesses (CBs) can take many forms and deliver a wide range of services including shops, pubs, renewable energy, housing,

community hubs or sports clubs, all of which are accountable to their local community use the profits they generate to deliver positive local impact.

Power to Change identifies four characteristics as fundamental to the definition of community businesses:

1. **Locally rooted:** They are rooted in a particular geographical place and respond to its needs. For example, that could be high levels of urban deprivation or rural isolation.
2. **Trading for the benefit of the local community:** They are businesses. Their income comes from things like renting out space in their buildings, trading as cafes, selling produce they grow or generating energy.
3. **Accountable to the local community:** They are accountable to local people, for example through a community shares offer that creates members who have a voice in the business's direction.
4. **Broad community impact:** They engage with a variety of different groups in their community and deliver impact against a range of different community needs. They may have a specific focus on a disadvantaged group, for example, BAME people or disabled people, where this fits into the context of them also supporting the local community more widely. Their services and products should respond to community needs.

More information about Power to Change's community business definition can be found here:

<https://www.powertochange.org.uk/community-business/what-is-community-business/>

## 2015 - 2021

Power to Change has made a significant impact on individual community businesses and on the market as a whole during its first six years. This website shows a summary of that work:

<https://community-business.powertochange.org.uk/>

In our first five years and a half years we invested £86m in community businesses and provided more than 2,000 days of capacity-building support, two-thirds of which went to the 30% most deprived areas in England. We helped community business raise an additional £19m to keep local assets in community hands, and there are now 6,600 community-owned assets and 11,000 community businesses across the country.

Power to Change has achieved all of this impact through a unique approach that combines funding and capacity development support across the business life cycle with strong partnership working, a nuanced risk appetite, investment in data, research and advocacy, active exploration of new market opportunities, and support for innovations in finance, business model development and support infrastructure. But we know there is more work to be done.

## Our new strategy

In light of the Covid-19 crisis, the Power to Change Board approved a [new five year strategy](#) for the organisation to enable us to renew our mission to support community businesses to adapt through the ongoing crisis. This new strategy recognises that community businesses have provided vital support to communities during the pandemic and a strong community business sector is essential to a fair recovery for all communities, especially those that are most disadvantaged. Covid has shone a bright light on inequalities in this country and Power to Change is committed to tackling these on all fronts as a central priority over the next five years.

To ensure that the sector can fulfil its potential, it will need support not just to recover but to adapt to a changed operating environment, to open itself up to more diverse communities, capitalise on new opportunities and to equip itself to meet future challenges such as digital transformation and climate change.

Our new strategy will entail work across five core workstreams to deliver on a renewed vision of **Powerful communities, better places.**

1. **New and diverse audiences:** We want to open up community business to as wide an audience as possible and address the barriers that disadvantaged communities of all kinds face to adopting the community business model. We want to renew the leadership of the sector by bringing in younger people to carry it into the future.
2. **Capabilities:** Community businesses lack skills and expertise in key areas such as digital transformation, finance and risk management. We want to build their capabilities in these key areas and support the transformation the sector requires to adapt to a post-Covid environment.
3. **Enabling conditions for community business:** We want to build a strong case to influence government and other funders to increase their funding and support for community business and continue to strengthen the infrastructure that is a critical enabler of community business.
4. **New economic model:** We want to reinforce the role that community businesses have as engines of local economic development, building on our current place-based work. This includes supporting them to take on assets and contribute to the transformation of their high streets and town centres.
5. **New markets:** Covid-19 has created opportunities for community businesses to develop new income streams and play a bigger role in new sectors. We will continue our work in health and social care as a critical area of sector growth and explore other new market opportunities.

This brief is for work related to the Capabilities workstream.

### About the Capabilities workstream

We want to help community businesses to continue to adapt and thrive in the new normal. Over the next five years a key part of our work will be brokering the most appropriate support based on identified needs of community businesses. These could be short term needs relating to the impact of Covid-19, or medium and longer terms needs relating to adapting, pivoting and remaining resilient in an uncertain future shaped by socioeconomic instability, climate change and continual technological developments. These support needs could cover a wide range of capabilities, from HR to financial modelling, business planning or digital transformation.

We ran our first programme which focussed exclusively on capability support earlier in 2021, called [Powering Up!](#). Although this was initially part of our [Covid-19 Renewal Initiative](#), which ended in July 2021, we are now updating the programme to relaunch in Autumn 2021 as a foundation stone for building on the capabilities workstream.

Our evidence tells us that many CBs require more support with the technical and cultural skills to proactively manage their finances and business modelling, particularly in the economically turbulent times wrought by the ongoing pandemic. It is these **financial capabilities** that this piece of work is focusing on, and how they interact with the wider organisational systems rather than operate in isolation.

While Covid-19 has exacerbated these financial skills gaps, it has also revealed previously untapped assets, knowledge and innovation within the community business sector. This is why we refer to this workstream as 'Capabilities' – we are as equally concerned with the skills community businesses already possess as much as those they can further develop.

In parallel to delivering the Powering Up! programme, Power to Change commissioned Nissa Ramsey of [Think Social Tech](#) between March-May 2021 to complete discovery research to explore the

challenges and opportunities facing community businesses to improve their financial (alongside digital) position [Our Potential Becoming: Enhancing Digital & Financial Capabilities in Community Businesses](#).

The report included an in-depth literature review and sector interviews and identified 4 financial opportunities:

1. Actively addressing weaknesses in financial management
2. Moving from spreadsheets to cloud-based accounting
3. Accessing grant funding from national trusts and foundations
4. Reviewing the business model

Each financial opportunity has subsequent series of *how might we* (HMW) statements for improving financial capabilities. (see Appendix 1 How might we statements identified through Capabilities discovery research)

### Budget and timescale

The total budget for this pilot is **£110,000**. We anticipate pilots of varying sizes to be submitted, and we will commission **a maximum of three**.

We expect the delivery of the pilot proposals to take place between Q4 of 2021 and Q2 of 2022.

Once reflection and learning is gathered from these pilots, we expect to make **further funding available of up to £500,000** in Q3 and Q4 of 2022 to scale up the solutions and reach a wider audience of community businesses. **Beyond 2022, we anticipate funding of up to c.£1.5 million to be available until 2025**. Power to Change reserves the right to explore delivery options upon conclusion of the pilot phase and before committing further funding, including for example exploring the amalgamation of pilot initiatives, inviting new or additional pilot proposals or delivery partners.

### Scope of services being commissioned

We are not prescriptive in the specific services to be delivered, rather we are offering an opportunity for potential partners to offer collaborative, explorative activities into innovative solutions which can improve financial capabilities within the community business sector.

We anticipate the following targets will be covered by the commissioned pilot(s):

- Community businesses engaged and supported through the pilot phase
- Diversity of regions
- Diversity of developmental stage – e.g. start-up, early stage, established, long-established.
- High proportion of community businesses that are:
  - o Led by people from communities that experience racial inequity
  - o Led by or engage regularly with younger people (aged 18-40)
  - o From areas of highest economic deprivation (IMD 1-3)

We do expect proposals to take into consideration how we have prioritised the 'How Might We' statements in terms of most and least important, and to the perceived difficulty level in the outputs/outcomes section below.

We would particularly welcome submissions that follow the following principles:

- Accessible and inclusive – in line with our commitments to [Equity, Diversity and Inclusion](#)
- Collaboration, both with community businesses and sector stakeholders
- Capturing and sharing learning outcomes throughout the process
- User-centric design

- Asset Based Community Development (ABCD)
- Peer-learning
- Innovative

We would also expect you to demonstrate in your pilot how it could be scaled up to reach a wider audience, and delivered on a larger scale.

### Outcomes/outputs desired

The Power to Change Capabilities team have reviewed the How Might We (HMW) statements and prioritised them into a perceive difficulty & importance matrix. We are not prescriptive in the services to be delivered but we would expect proposals to prioritise using our review of the HMW statements – or if deviating from them, to explain their reasons why. Please note, there is some crossover between the HMW Statements, and we expect that this may be reflected in submitted pilot proposals.

Opportunities	How Might We statements (number)	How Might We statement	Most difficult (5) / least difficult (1)	Most important (5) / least important (1)
Actively addressing weaknesses in financial management	1	Help community businesses assess and identify weaknesses in their financial set-up.	2	5
	2	Ensure community businesses have the systems and processes they need to produce financial reports and forecasts, particularly when managing a loss of income.	5	5
	3	Upskill community business leaders, board members and key staff to engage meaningfully with accounts, financial reports and forecasts.	4	5
	4	Encourage community businesses to recruit more board members with financial skills.	3	4
	5	Incentivise all board members to play an active role in scrutinising finances.	4	4
	6	Influence funders to cover more core costs to help resource financial management.	5	3
Moving from spreadsheets to cloud-based accounting	7	Ensure community businesses can pay for cloud based accounting (and computers).	4	1
	8	Create capacity to review and implement the right option for them.	3	4
	9	Incentivise community businesses to make the move from spreadsheets and implement cloud-based accounting	3	3
	10	Enable community businesses to upskill staff, volunteers and board members.	4	5
	11	Help community businesses to make best use of cloud-based accounting.	4	4
	12	Partner with others offering support programmes.	3	5
	13	Help community businesses to identify the right funders and programmes for them.	3	2

Accessing grant funding from national trusts and foundations	14	Support community businesses to write strong funding applications.	2	1
	15	Support community businesses to review their business model and revenue streams.	3	4
	16	Advocate for community businesses when national trusts and foundations design funding programmes, particularly for COVID-19 response and recovery funds.	5	4
	17	Influence national trusts and foundations to provide greater contributions towards core costs alongside project costs.	5	4
Reviewing the business model	18	Support community businesses to identify potential revenue streams and assess their viability post-COVID (within a range of scenarios).	3	2
	19	Support community businesses to produce and review financial forecasts.	2	5
	20	Enable community businesses to make an informed decision about whether to convert to a registered charity and the simplest way to do so.	2	3
	21	Create capacity and headspace for community businesses to make key decisions about their business model and future.	5	5
	22	Learn from and build on similar support (see Locality and Lloyds Bank Foundation	2	4

### Risk tolerance

We are inviting proposals for small-scale pilots that offer innovative solutions to the identified challenges in Think Social Tech’s exploratory research. As we expect some of these solutions to be new or untested to the market, there will be a relatively high degree of risk associated with these proposals.

Once our findings from the pilot start to come through, we will then be able to form a better idea of which solutions we want to take forward and scale up for the community business market. At this stage and with an evidence base to build on, we expect the risk associated with these solutions to decrease.

### Learning/Evaluation

As part of your proposal, we will expect you to clearly outline how you expect to capture learning from your pilot, and the evaluation process that will take place.

If your proposal submission is successful, we will provide you with a criteria for delivery of reflective learning.

### Registering your interest and submitting a proposal

We’re encouraging prospective bidders to contact us to discuss their ideas first, explore whether it could be a good fit with our desired outcomes, and if so receive further details on how to submit a proposal.

If you're interested in finding out more about this opportunity, please contact [matt.fazal@powertochange.org.uk](mailto:matt.fazal@powertochange.org.uk).

We will particularly welcome applications from organisations that focus their support on communities that experience racial inequity, younger people and those working in areas of highest economic deprivation (IMD 1-3)

When you are ready to submit your proposal, please email this to [procurement@powertochange.org.uk](mailto:procurement@powertochange.org.uk) with the subject header: **Financial Capabilities Pilot**

The deadline for questions and registering interest is 12pm on Wednesday 13 October. The deadline for submitting your proposal is 12pm on Wednesday 20 October.

## Appendix 1 – How might we statements...

### Actively addressing weaknesses in financial management

1. Help community businesses assess and identify weaknesses in their financial set-up.
2. Ensure community businesses have the systems and processes they need to produce financial reports and forecasts, particularly when managing a loss of income.
3. Upskill community business leaders, board members and key staff to engage meaningfully with accounts, financial reports and forecasts.
4. Encourage community businesses to recruit more board members with financial skills.
5. Incentivise all board members to play an active role in scrutinising finances.
6. Influence funders to cover more core costs to help resource financial management.

### Moving from spreadsheets to cloud-based accounting

7. Ensure community businesses can pay for cloud based accounting (and computers).
8. Create capacity to review and implement the right option for them.
9. Incentivise community businesses to make the move and implement this.
10. Enable community businesses to upskill staff, volunteers and board members.
11. Help community businesses to make best use of cloud based accounting.
12. Partner with others offering support programmes.

### Accessing grant funding from national trusts and foundations

13. Help community businesses to identify the right funders and programmes for them.
14. Support community businesses to write strong funding applications.
15. Support community businesses to review their business model and revenue streams.
16. Advocate for community businesses when national trusts and foundations design funding programmes, particularly for COVID-19 response and recovery funds.
17. Influence national trusts and foundations to provide greater contributions towards core costs alongside project costs.

### Reviewing the business model

18. Support community businesses to identify potential revenue streams and assess their viability post-COVID (within a range of scenarios).
19. Support community businesses to produce and review financial forecasts.
20. Enable community businesses to make an informed decision about whether to convert to a registered charity and the simplest way to do so.
21. Create capacity and headspace for community businesses to make key decisions about their business model and future.
22. Learn from and build on similar support (see [Locality](#) and [Lloyds Bank Foundation](#))