




power to
change

business in
community
hands

A MANIFESTO FOR THE AGE OF LOCALISATION





Hastings Commons are transforming derelict buildings in Hastings. They turned an iconic town centre building left empty for over 30 years into a place for people to live and work.

FOREWORD

TIM DAVIES-PUGH



As the next election comes into view it is easy to get swept up in the day-to-day events of politics. While all of us who work to strengthen communities must keep abreast of what is happening in Westminster, we must not lose focus of what is important. For us at Power to Change, that means community business and the transformative change that communities can drive when they are enabled and supported to tackle issues like the green transition, the cost of living, and decline on our high streets.

We know that community business strengthens local communities. Over the past eight years as a funder, innovator, advocate, and champion, we have seen community business in action and we have built the evidence to show that community business works.

Now, as we look to the future, we will demonstrate that strong local economies - in which community businesses play a key role - can form the bedrock of a stronger and fairer national economy. We will use this insight to influence change and create the conditions for community business to thrive.

This manifesto sets out what the next government needs to do to create those conditions. It situates community business within a new political economy that appreciates and values the local, pinpointing what more needs to be done so that community businesses have the right powers, resources, and backing to thrive.

Whoever forms the next government, Power to Change will be ready to bring our expertise and experience of community business to the table. The next government will face a multitude of challenges. They will find, in community business, a willing and able partner in tackling these challenges.

WHAT WE ARE CALLING FOR

To build better spaces and stronger communities, the next government should unlock the power and potential of community business.

Power



Give communities the power to control the spaces, services and spending decisions that impact their local area, by:

- ◆ Introducing a Community Power Act with three new powerful community rights

Resources

Ensure communities have the resources to protect valued local assets and drive regeneration on their high streets by:



- ◆ Extending and expanding the Community Ownership Fund
- ◆ Supporting the creation of a British High Street Investment Vehicle to unlock private investment in community-led high street revitalisation

Backing



Back enterprising community businesses in the same way as other types of business by:

- ◆ Ending the practice of 'box shifting' to collect an additional £250 million in business rates each year, to finance a 75% business rates relief for community business
- ◆ Incentivising investment in the social economy by introducing a successor scheme to Social Investment Tax Relief

A MORE LOCAL POLITICAL ECONOMY

The last time the country went to the polls for a national election in December 2019, inflation sat at 1.3%¹, there had not been a global pandemic for 55 years, and the security of our supply chains was taken for granted.

Since the last election, successive shocks – from the Covid-19 pandemic to the invasion of Ukraine, plus long-term shifts such as the rise of China – have highlighted the risks of a global system in which we are all interconnected, including with countries that may not share our interests or values. Continued disruption to food systems – in part due to climate change – is affecting prices, and shows that this is not a passing phase but a new reality.

These events and long-term shifts, and the challenges they present us with, have forced a reassessment of globalisation and of the way our politics and economy function.

The Age of Localisation

This reassessment has rightly focused on national economic resilience.² But the events and shifts of recent years have ushered in not just a greater focus on national resilience, but a new age in which there is a greater preference for the local: the scale which feels relevant to people's lives and where policy change – whether that is on the green transition, the cost of living, or revitalising the high street – is tangibly delivered. We have entered an Age of Localisation.

The Age of Localisation is one in which people desire a politics and economy that is less distant from their lives. It is an age in which people want decisions to be made closer to where they are – not just in Westminster – so they have more control over their lives and are not just 'done to' by the state or market forces.

It is an age in which people can find work in local businesses that respond to the needs of local people, on thriving high streets, keeping money in the community. That this is not the reality in too many places shows that the political and economic model of recent years is no longer fit for purpose.

We need a new political economy that appreciates and values the local, and disperses political and economic power into the hands of communities through locally rooted and accountable organisations that people can trust.

Putting power into the hands of communities

Community business can meet this demand and tangibly deliver on the priorities of the next government.

Community businesses operate in areas where there are broken markets, thus helping to spread opportunity everywhere:

48%
of community businesses operate in the

30%
most disadvantaged areas of England.³

They employ and are accountable to local people -

86%
of paid staff live locally

and community businesses disproportionately employ those who have experienced long-term unemployment.

Community businesses lead local economic development. They improve the physical fabric of their place by owning assets that are accessible to local people, and act as 'destination spaces' that drive footfall to other businesses.⁴

They create and keep wealth in the local economy, supporting other local businesses.

Community-owned spaces contribute

£220m
to the UK economy and

56p of every £1
they spend stays in the local economy, compared to just 40p for larger private sector firms.⁵

They combine the social productivity of charities with the economic productivity of other forms of business, with

83%
of community businesses generating earned income through trading.⁶

Community businesses are also tackling global challenges at a local level.

7 in 10
community businesses contribute to tackling climate change, while

3/4
have a positive impact on tackling inequality.


But currently community businesses are often overlooked as political and economic actors that can deliver the change this country needs – and that people want to see, at a scale that feels tangible to them. This is despite the fact that community businesses are already working against the grain to tackle climate change at a local level, combat the effects of the cost of living crisis in their communities, and address vacancy on our high streets.

At odds with the system

Too many barriers prevent community businesses from realising this potential. Devolution of power out of Westminster has focused on empowering the regional level and it is likely that any new government will continue in this direction of travel. While necessary, given this country's high level of centralisation, it is unlikely to address the disempowerment many people feel over the decisions that affect their lives and their local area.⁷

As economic actors, community businesses do not have equal recognition with other types of business. This is an oversight from policymakers not just because of the contribution community businesses make to the economy, but also because of where this impact is felt – in places that are not seen as viable by traditional businesses.

Access to the right types of resources remains challenging for community businesses. Beyond the well documented issues with how public funding is administered (most recently in the various levelling up funds) community businesses miss out on the subsidies and incentives that government uses to nurture other forms of business.⁸ The anticipated establishment of community wealth funds from dormant assets presents a welcome opportunity to unlock long-term funding and support for communities in the most deprived parts of the country. But further action is needed to ensure community businesses can access the patient capital they need to thrive.



Seizing the moment

The next government will face a daunting combination of crises. In all this, the Age of Localisation demands a new approach to how the country is governed and how our economy functions. This new approach, with community business at its heart, will be crucial to delivering on the priorities of the next government in a way that feels tangible to the public.

Power to Change have long been working to create the conditions for community business to thrive. Our work has led us to develop policy proposals that we believe would provide the powers, resources and backing to enable community businesses to realise their potential. Should the next government make the required changes, they will find community business to be a willing and able partner as they grapple with the green transition, the cost of living, and revitalising the high street.



Wolves Lane Horticultural Centre is a community-led food growing hub in the heart of North London promoting education and enterprise.



Nudge is building a strong local community and economy by bringing empty buildings back into use on Union Street in Stonehouse, Plymouth, providing spaces for local people and businesses to grow.

WHAT COMMUNITY BUSINESS **NEEDS**

In the Age of Localisation, we need a new political economy that appreciates and values the local, and that disperses political and economic power into the hands of communities in order for policy change to feel tangible to the public. Community businesses are ready partners in this. The question remains: will the next government provide the powers, the resources and the backing that communities need?

We have worked with community businesses to develop a suite of policy changes that the next government should adopt to ensure community businesses can continue and expand their transformative work.

These realistic and deliverable proposals aim to ensure that community businesses can play their full role in a new political economy that is suited to the Age of Localisation. By implementing these policy changes, the next government can demonstrate that it understands the moment we are in, and the willing partners it has at its side.

Powers

The next government should give communities the power to control the spaces, services and spending decisions that impact their local area, by introducing a landmark Community Power Act.



1

Introduce a Community Power Act with three new powerful community rights:

◆ A Community Right to Buy:

Giving communities the right of first refusal once buildings and spaces with significant community value come up for sale.

A Community Right to Buy would enable communities to buy an Asset of Community Value (ACV) if it came up for sale, without competition and at an independently set market price. It would extend the moratorium on the sale of ACVs to 12 months, allowing adequate time for community organisations to raise the necessary funds and prepare to take on and run the purchased asset. It would also broaden the scope of assets that could be considered as ACVs to encompass privately-owned vacant and derelict buildings and land.⁹

◆ A Community Right to Shape

Public Services: Encouraging greater collaboration between communities and public institutions when designing, commissioning and delivering local services.

A Community Right to Shape Public Services could be used by local communities to trigger a joint review of a local service run by the local authority or other local public body. This review would be conducted alongside local organisations, service users and the provider, and would mandate a set period of community consultation and co-design with the option to trigger a full commissioning exercise, which may result in a decision to insource a service.

◆ A Community Right to Control

Investment: Increasing community control over the key spending decisions which affect their neighbourhoods.

A Community Right to Control Investment would give accountable community-level institutions (such as a Community Covenant or parish council) control of a significant proportion of all public regeneration and local economic devolution funds allocated to that area. This would allow communities to shape how funds such as the UK Shared Prosperity Fund and Community Infrastructure Levy are spent in their place. This right could also be used to trigger an open book accounting process of council spending and could lead to decisions being devolved directly to the community in some areas of spending, or to the use of methods such as participatory budgeting.

2

Enable and encourage the formation of Community Covenants

Community Covenants would provide a structure or mechanism through which local people and community organisations could take on power to shape their places. They would be established as neighbourhood-level joint working and power-sharing arrangements between local people, community organisations, and local authorities and other public bodies. Covenant partners

would be able to draw down a range of powers from an agreed menu of options and would receive resources and capacity-strengthening support to allow them to exercise these powers effectively. Covenant partners would be required to demonstrate their intention and ability to work alongside and involve broader networks of community organisations and local people.

3

Establish an independent Community Power Commissioner

The Secretary of State for Levelling Up, Housing and Communities should appoint an independent Community Power Commissioner, charged with steering and promoting cross-governmental action to unlock the power of communities. The Commissioner's office would evaluate the government's performance in unlocking community power and would oversee the formation and development of Community Covenants. It would also support Ministers and officials to consider how working with and through Community Covenants and unlocking the power of communities might enable them to achieve their goals.

Resources

The next government should ensure communities have the resources to protect valued local assets and drive regeneration on their high streets.



1

Extend and expand the Community Ownership Fund

The next government should facilitate more community ownership by committing to the continuation of the Community Ownership Fund using anticipated underspend. Based on allocations so far, the Fund has distributed only around a quarter of the £150 million total, so any remaining funds should be ringfenced for community ownership in the next parliament. In addition to funding community ownership, a portion of these funds could be used to provide capacity-strengthening support to help community organisations to develop their business plans and run their assets effectively.

The next government should go further to put more assets into community hands, by extending the quantum available for community ownership to £300 million. Extending and expanding the Community Ownership Fund to

£300m
over four years would put

1,300
assets and spaces into stable
community ownership,
representing a

20%
increase in community owned
assets that could create at
least

5,000
jobs and

30,000
volunteering opportunities.

2

Support the creation of a British High Street Investment Vehicle to unlock private investment in community-led high street revitalisation

Community businesses play a central role in reimagining our high streets by repurposing vacant and underutilised spaces to offer services and activities that benefit the community and local economy. The next government could supercharge community-led high street regeneration by establishing and backing an agile investment vehicle that would purchase vacant high street property to transfer into community ownership over time.

Investing £100 million in the form of government subsidy in a British High Street Investment Vehicle could leverage a further £250 million in commercial and social investment, which could purchase and restore a diversified portfolio of around 200 properties across

England.¹⁰ This would provide a much-needed source of patient and flexible capital for community ownership and meet demand for an impact investing opportunity on a scale attractive to institutional investors.

The investment vehicle would be run and managed by combining commercial property expertise with on-the-ground community intelligence, with high street property purchased according to local demand. Government subsidies could provide revenue support and help community groups to build their skills and business plans to ensure purchased assets are transferred into sustainable and long-term community ownership.

Bristol Energy Cooperative develops renewable energy and energy efficiency projects in Bristol and directs revenue from its energy generation into supporting other local community organisations.



Backing

The next government should back enterprising community businesses in the same way as other forms of business.



1

End the practice of ‘box shifting’ to collect an additional £250 million in business rates each year to finance a 75% business rates relief for community business

Each year, local authorities lose out on £250 million in revenue due to business rates avoidance.¹¹ The most common method of rates avoidance is through repeated short-term periods of reoccupation to trigger a rates-free period, often termed ‘box shifting’. This cost councils an average of £396,000 in lost rates collection a year.¹²

To ban box shifting, the next government should introduce legislation amending the Continuous Occupation clause (5) of the Non-Domestic Rating (Unoccupied Property) (England) Regulations 2008, increasing the period of reoccupation required to trigger vacant property relief from six to 26 weeks, as has already been adopted in Wales.¹³

The additional revenue that could be generated by closing this loophole would not only help to fund vital public services but could also be used to support community businesses in their mission to take on and repurpose vacant high street spaces. The next government should introduce a

75%.....
business rates relief for Community Interest Companies (CICs) and Community Benefit Societies (CBSs) – among the most common legal forms for community businesses – to help them reinvest an additional

£169.5m.....
into their local communities each year. This should not supersede a higher discretionary relief where available.

CICs and CBSs are regulated forms of social enterprise with profit and asset locks, which would ensure that any savings on business rates would be reinvested within the community. CICs and CBSs currently pay an estimated £226 million in business rates annually so a 75 per cent tax relief represents a saving to the sector of around £169.5 million each year.¹⁴ This relief is aligned with the 75 per cent relief currently offered to retail, hospitality and leisure businesses.

2**Incentivise investment in the social economy by introducing a successor scheme to Social Investment Tax Relief.**

To help community businesses thrive, the next government should work with the social enterprise sector and social investors to test and develop new incentives to investment, including a successor to Social Investment Tax Relief (SITR).

Incentives for investment in community businesses and the wider social economy remain far less attractive compared to those for the private sector. Despite commitments from the current government to introduce a stronger scheme upon the expiry of SITR, no alternative has yet been advanced – leaving a significant gap in investor-focused tax reliefs for the social economy. Meanwhile other venture capital tax reliefs, such as the Seed Enterprise Investment Scheme and Enterprise Investment Scheme, remain inaccessible to the majority of community businesses due to their focus on equity-based investment.

A successor scheme should learn from and address the challenges of Social Investment Tax Relief. It should expand eligibility to include a wider range of social business types (such as cooperatives) to fully capture the potential of the community shares market; as well as a wider range of venture types, to better capture the spread of activities that social enterprises provide – including in high-growth sectors such as community renewables and housing.

The next government should work with the sector to explore how incentives for investment could be better aligned to those available for private businesses. This could include reducing the burden of accessing tax relief, enabling organisational investors to utilise the scheme (as with Community Investment Tax Relief) and providing a more generous incentive to align with the risk profile – such as the 50 per cent relief on new investments offered through the Seed Enterprise Investment Scheme.

Such changes would help to attract more investors to back their local enterprising community business, enabling community businesses to raise the finance they need to scale and thrive sustainably and with genuine community buy-in.



Based in an iconic neighbourhood bakery in Anfield which was saved from demolition, Homebaked Bakery provides quality, affordable food and good jobs and training for local people.

OUR OFFER

Whoever forms the next government will face a multitude of challenges. But in community businesses they will find a willing and able partner in tackling these challenges.

With the right powers, resources and backing, community businesses will be on hand to solve the challenges that government is grappling with and to help build a new political economy that values the local.

Partnership between government and community businesses can unlock a huge well of untapped potential:

- **Resilient businesses:** community businesses will continue to be accountable, locally rooted and resilient, helping to drive a fairer and stronger national economy from the local level up.

- **Strong communities:** community businesses will build stronger and more connected communities who are equipped to meet the challenges our country faces.

- **Productivity:** community businesses will combine the social productivity of the charity sector with the economic productivity of other forms of business.

- **Innovation:** community businesses will innovate today to shape the economic and societal solutions of tomorrow.



At Power to Change we have used our expertise and experience of community business to convene and build partnerships between community businesses, funders and investors, local and regional government, and the central state; and to inform the development of interventions such as the Community Ownership Fund and High Street Accelerators. We invite the next government to build on this partnership, and join us to:

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- ◆ **Back community business:** we will get behind community businesses as they test innovative mechanisms and models.
 - ◆ **Develop practical solutions:** we will continue to collaborate with partners to develop solutions in partnership with community businesses.
 - ◆ **Use evidence to influence change:** we will work with community businesses to test and learn, amplify what works, and understand what needs unblocking.



The refurbishment of the historic Stretford Public Hall, funded by the Friends of Stretford Public Hall CBS, helped ensure the hall could continue to provide a range of activities and services for the local community.

ENDNOTES

- 1 ONS. (2023). Consumer price inflation, UK: May 2023. Available at: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2023>
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- 3 Power to Change. (2022). Community Business Market Report. Available at: <https://www.powertochange.org.uk/impact/market-report-2022/>
- 4 Lee, N. and Swann, P. (2020). Saving the high street: the community takeover. Available: <https://www.powertochange.org.uk/wp-content/uploads/2020/10/Saving-the-HighStreet-thecommunity-takeover-Report.pdf>
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- 7 Westerling, J. (2022). Empower communities, don't just tinker with Westminster. Available at: <https://www.powertochange.org.uk/wp-content/uploads/2022/12/Empower-communities-dont-just-tinker-with-Westminster-Power-to-Change.pdf>.
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- 9 We're Right Here (2022). Introducing the Community Power Act. Available at: <https://www.right-here.org/wp-content/uploads/2022/05/The-Community-Power-Act-Were-Right-Here.pdf>.
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- 11 Local Government Association (2020). Business rates avoidance: Summary of survey findings and recommendations. Available at: <https://www.local.gov.uk/sites/default/files/documents/5.70%20Business%20rates%20avoidance%20survey.pdf>.
- 12 Ban Box Shifting campaign. Available at: <https://banboxshifting.org/#our-mission>.
- 13 Through the Non-Domestic Rating (Unoccupied Property) (Wales) (Amendment) Regulations 2021.
- 14 Calculations by Social Enterprise UK for the Business Rates Review in September 2021. Based on the assumption that the social enterprise sector pays £756 million in business rates annually, with CICs and CBSs comprising 30 per cent of the market.

ABOUT POWER TO CHANGE

We know community businesses strengthen local communities and we're here to back them whatever the challenge. With our partners, we dismantle barriers, unlock funding and support, amplify innovative practice, and make the case for change.

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

Registered charity no.
1159982