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Community hubs

Understanding survival and success

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Local Trust

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Foreword: Matt Leach

Local Trust

Big Local is one of the most radical and exciting grant programmes ever launched by a major Lottery funder, putting significant spending decisions directly in the hands of local residents in communities across England.

Between 2010 and 2012, the National Lottery Community Fund identified 150 areas that had historically missed out on lottery and other funding. Each of those areas was allocated £1m of Big Local funding. This could be spent in any way local residents chose, provided they organised themselves locally to plan and manage that funding, involving the wider community in the decision-making process.

Beyond that, the rules, constraints and priorities that define Big Local have been for local people to decide. By design, the programme is bottom-up and community led; there are no top-down targets or centrally imposed delivery models. The timeframe for Big Local extends over fifteen years, allowing communities to take their time, build confidence and skills, make decisions and deliver change, without the usual pressures to meet end-of-year spend targets or other arbitrary, bureaucratic deadlines.

The activities and initiatives that Big Local areas have chosen to support reflect the diversity of the communities themselves – from building affordable homes to tackling anti-social behaviour; promoting health and wellbeing; working to rebuild local economies; and supporting families and young people.

One thing Big Local has highlighted is that for all this to happen, communities need to have shared space where people can gather, plan, organise and run activities. Where access to a building or other space has not been possible, many Big Local areas have initially struggled to make the most of their opportunities; by comparison, where Big Local areas have been able to secure community space, they have often been able to make fast progress in building levels of civic activity and developing new partnerships to make a difference to their area.

Two thirds of Big Local areas now own or lease a community building or have access to space in one, and more are expected to have one by the end of the programme in 2026. For many areas, making that community hub financially viable will be an essential part of their legacy. This is not just a challenge for Big Local areas, but for communities around the country; something recognised in Dan Gregory's recent report for Local Trust *Skilled Out*; the work of the Community Wealth Fund Alliance; and OCSI's analysis for Local Trust of the factors that define "left behind" areas.

That is why we have teamed up with Power to Change to fund this research and the guidance Locality is producing for us; we hope it supports communities across the country in securing the space they need to make a difference to their local areas.

Matt Leach
Chief Executive
Local Trust

Foreword: Vidhya Alakeson

Power to Change

Power to Change is an independent trust, established in 2015, to accelerate the growth of community businesses across England. Over the last five years, we at Power to Change have been privileged to support the work of over 800 community businesses and have seen the impact they can have on local people and on the places they live in.

Community businesses are addressing some of our country's most pressing societal issues. They are transforming run-down neighbourhoods and high streets, building permanently affordable housing, developing renewable energy schemes and improving the health and wellbeing of their communities.

Local people are at the heart of what community businesses do and how they operate. They respond to local need and operate to maximise benefit for their communities. They shift power over decision-making and ownership of wealth to local people for the long term.

At Power to Change, we support the growth of the community business market in a range of ways. We support individual businesses to start up and grow; improve the market conditions within which community businesses operate; build a strong evidence base for the impact they can have; and influence policymakers, corporates, the media and other stakeholders of the important role community businesses can play in creating economic and social change.

Community hubs are a vital part of the community business market. Our latest market analysis shows that community hubs make up over a third of the market. Given the breadth of activities they enable in their local area – from hosting

community groups to health initiatives, providing workspace to hosting council services – they are critical in connecting local people, addressing social isolation, building community cohesion and improving health and wellbeing. A community with a strong community hub is a vibrant, thriving community for the long term.

The Greenway Centre in the Southmead area of Bristol is an impressive example. Run by Southmead Development Trust and based on a former school site, it provides a community gym, café, and snooker hall, and is the venue for many different clubs and classes. It hosts a GP surgery, some council services, the Bristol Community Church and Southmead Rugby Club, as well as a diverse range of other local businesses and charities.

A significant amount of our funding and support at Power to Change goes to community-owned and -managed buildings and land, including £17.5m for community hubs between 2015 and 2018. We strongly back community ownership because we understand the contribution that owning property can make to the long term resilience and impact of community businesses.

We also recognise, as this report shows, that running a community building effectively can be tough. For this reason, we are really pleased to support this report alongside Local Trust to enable existing and new organisations running community hubs to learn from best practice across the country.

Vidhya Alakeson
Chief Executive
Power to Change

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Note on terminology

'Community hubs', for the purposes of this study, are buildings (or parts of buildings) that are multi-purpose, open and accessible to the local community, and that provide services that the local community need. They also have a community-led governance structure, that is, the formal decisions about running and managing the building are taken by people who come mainly from within the community itself.

Throughout this report, the term **'community hub organisation'** is used to refer to organisations which are local, community-led and not for private profit, and which own or manage one or more community hubs.

Summary of findings

1.1 Characteristics of community hub organisations

Our survey identified the following characteristics of community hub organisations:

- They have a very local area of benefit: 58% are hyper-local (small neighbourhood).
- Most operate from just one building: only 11% have more than one community hub.
- Most have been operating for more than five years, and 41% for ten years or more.
- Most own their building (41%) or have a long lease (30%). Only 29% have a short lease.
- They operate a very wide range of activities: most commonly, the provision of a community hall or other meeting space, health and well-being activities, offices or workspace for local community/voluntary groups, arts and cultural activities, sports and fitness activities, and educational activities.
- Not all activities are delivered by the community hub organisation: in many cases they are delivered wholly or in part by others who make use of the building (or adjacent land) for that purpose.

1.2 Community hub organisations walk a financial tightrope

1.2.1 They have had to adapt fast to a loss in grant income

Our survey revealed that community hub organisations have multiple types of income source. We asked which their main funding source was, and the three most common responses were: a) meeting room or hall hire; b) grants from trusts, foundations and lottery funders, and Big Local; and c) office or workspace rental.

Analysis of accounts shows that overall, across the full range of community hubs, income rose slightly (by 6%) over the five years to 2017/18. This compares to (RPI) inflation of 11% over this period and is hence a decrease in real terms. During this five-year period, income dipped (in 2015/16 and 2016/17) and subsequently recovered. The strongest growth was among larger community hub organisations with an income over £750k, and these achieved an average 34% increase over the five years. Conversely, however, there was a 38% reduction for those with income under £100k.

Moreover, the types of income have changed in this five-year period. Overall, grant income has declined from 37% (2013/14) to 30% (2017/18). For the larger community hub organisations there has been a sharp upward shift in contract income. For medium, smaller and micro community hub organisations, increases in rental, fees and social enterprise income have in part (but not wholly) compensated for the loss of grant income.

These findings indicate a high degree of ability, at least among those which have survived, to adapt their business models to rapidly changing circumstances.

1.2.2 They have had to control costs with an iron fist

Staff costs (e.g. wages, PAYE, National Insurance and pensions) typically make up the largest cost for community hubs. The larger organisations tend to have a larger staff-cost base (representing 61% of income) reflecting more complex staffing structures and service delivery requirements. Smaller organisations tend to rely more heavily on the trustees and volunteers, and so staff costs are much lower, at 25% of income (in some cases they operate without any paid staff).

The second major type of costs relates to the building. These include rent (where applicable), maintenance, insurances, utilities, security, and meeting health and safety requirements. Such costs vary significantly between organisations but will often represent 20% to 40% of total costs.

The community hub organisations are more likely to survive if they scrutinise costs with great rigour. They need to be prepared to take painful decisions to reduce staff if funds are not there. They need to be willing to negotiate hard, and change suppliers if necessary. They need to build a culture where everyone realises 'this is not our money, it belongs to our community', and so whatever money there is should always be used well.

1.2.3 They have had to operate on very tight margins

Among those who responded to our on-line survey there was a remarkably high level of optimism:

- 51% expect to make a surplus this year and 38% expect to 'just about break even'. Only 11% expect to make a loss this year.

- 45% are 'very confident' that they will still be operating in five years' time and 40% are 'quite confident'. Only 9% are not very confident and even fewer, 5%, say that they are not at all confident.

However, the reality is that community hub organisations operate on very tight margins, and even in good years profitability is low. Our analysis of accounts showed that average surpluses over the five years from 2013/14 were just 1.2%, with the highest recorded average only 2.8% (in 2017/18). In two of these years (2014/15 and 2015/16), most community hub organisations were unable to produce a surplus, showing small losses on average of 0.1% and 0.2% respectively.

1.2.4 They have had to work with inadequate reserves

Community hub organisations operate with a low level of reserves. Average unrestricted funds were 72% of annual expenditure in 2013/14 and 71% in 2017/18. However, free reserves (the element of unrestricted funds which excludes buildings or other fixed assets) were on average only 14% in 2013/14, falling to 12% in 2017/18. Across the sample, only 43% had free reserves of at least three months or more. Worryingly, just under a quarter had negative free reserves, whilst a further 20% had less than one month's reserves.

1.3 Asset ownership improves income and impact, but can increase risk

Every community hub requires a building to operate from, and managing the building successfully is a difficult task:

- At one end of the spectrum, buildings can be an asset in every sense, providing a long-term and reliable source of revenue from rentals and room hire, attracting large numbers of people, building community connectivity and

pride, strengthening the balance sheet and offering collateral for investment, with low running costs and requiring little maintenance.

- But, at the other end of the spectrum, buildings can be a liability, with out-dated or even dilapidated facilities; high running costs; the need for major repairs and refurbishment to achieve acceptable and safe standards; limitations on space which restrict community uses and income-generating potential; a negative balance-sheet position, where the commercial value is less than the money raised to improve the building; and with short or encumbered leases which make it impossible to attract investment.

Our research suggests that most community hubs are closer to the latter end of the spectrum than to the former.

Those who own their building are usually able to generate more income. The ownership of an asset (freehold ownership, or long leases over 25 years) is associated with a level of income three-times higher than those who do not own the building they operate from. This is not just about income from the building; having an asset increases capacity and the ability to deliver contracts and wider services, and therefore not only to grow income but also enhance and widen impact.

However, the ownership of an asset does not necessarily mean an increased ability to generate surpluses. Indeed, our analysis of accounts showed that in 2017/18 only 58% of asset-owning organisations were able to produce a surplus, compared to 67% of those without an asset. Furthermore, while organisations which own an asset are sometimes able to generate higher surpluses, they are also sometimes likely to generate higher losses. In terms of profitability therefore, asset ownership can introduce greater volatility.

This may be in part a consequence of organisations taking on buildings which

are expensive to run and in poor repair. If loans are taken out to acquire or refurbish a building, this may also be a factor. Social investment can sometimes be a viable option for community hub organisations, helping them build an asset base with a viable and surplus-generating business model. However, poor due diligence by investors, or changes in the operating environment, can mean that profitability is impaired over a long period by the need to make onerous loan repayments, and we found examples of this in our study.

On a day-to-day basis, every community hub struggles to a greater or lesser extent to balance the costs of running the building with the income derived from the building or activities associated with it; and while many just about succeed in that endeavour, few are able to generate sufficient surpluses to provide against major repairs, or for significant capital improvements, or to repay large-scale loans.

1.4 There is no single sure-fire business model for financial success

Financial success and sustainability do not depend primarily on business models. We have found no evidence that any particular business model, or combination of business models, is the best way to achieve success. The quality of leadership and governance, and local contextual factors, are always significant, and often these are more important than particular income-generating or cost-controlling strategies.

Our survey indicated that community hub organisations are more likely to do well financially if they own their building (although this can be associated with higher risk, as set out above), and do not allow too many activities to take place in or from it. These observations were generally

supported in the focus group discussions, although several people suggested that a broad range of activities only becomes problematic if it means that people in the organisation are stretched too thin or venture beyond their areas of knowledge and skill. Their view was that a lively mix of complementary activities, centred strongly on core mission, can be attractive to the local community and to funders alike, and therefore enhance the prospects for long term viability.

Our survey suggested that community hubs that have been operating for ten years or more are more likely to be doing well financially. In one sense, this is self-evident: only those that are capable of doing well are likely to survive long-term. But this finding may also indicate something else: that, provided an organisation can keep going, over time it will be more likely to build up the reservoir of skills and experience necessary for financial resilience and success.

In examining the accounts of ten community hubs which have increased income by at least 40% over a five-year period, the following characteristics were observed:

- They were especially successful in winning restricted grants (large one-off grants, or a series of smaller grants).
- They were especially successful in winning contract income.
- They were especially successful in managing the cost base in line with income.

In a minority of cases they were also especially successful in building trading income through social enterprise activities.

As set out in the 'tactics and tips' which emerged from the on-line survey, focus groups and case studies (which are presented in section 6.8 of the report), those running community hubs believe they are most likely to do well and be

around for the long term if they can do all, or at least most of the following:

- Involve large numbers of people from across their community;
- Build up a pool of reliable volunteers;
- Provide things which people value and will pay for;
- Ensure that their community hub is attractive, welcoming and well-used;
- Run a tight-ship with excellent financial data and an eagle eye;
- Build positive relationships with others;
- Build a positive team and embrace change.

1.5 There is an abundance of know-how and skill within the community sector itself

A conventional stereotype of community hub organisations, especially those operating in low-income areas, is that they are amateurish or even incompetent—in other words, that they suffer from a deficit in the core knowledge and skills required to manage an organisation well, and are beset with weak governance, poor financial controls and an inability to think strategically and plan ahead.

We found no evidence of this. On the contrary, it became clear that many community hub organisations are very well managed, with tight financial controls, a high level of capacity to identify and manage business risk and opportunity, and effective leadership and governance.

Even taking account of the fact that our research was inevitably biased towards the more successful community hub organisations (see 2.5 below), it is nevertheless evident that there is a considerable reservoir of insight and skill among the people who are managing

community hub organisations across the country.

Put simply, they often know better than anyone else how to keep their show on the road. As discussion in our focus groups revealed, it is a source of intense frustration to many of them that others, notably local authorities, larger national charities and voluntary sector infrastructure agencies, sometimes treat them as if they were lacking in basic competence.

Indeed, the only evidence of systemic failure we encountered was among their professional accountants and independent examiners. The quality of audited/examined accounts of community hub organisations was variable in nature, with many of poor standard, with basic errors in how restricted and unrestricted funds are presented in accounts, and a common failure to distinguish free reserves. While it is the legal responsibility of trustees and directors to comply with accounting requirements, reliance is placed on external experts. These failings mean that it is more difficult than it should be for the organisations to develop a clear and full picture of their financial health, and for funders and stakeholders to have a clearer understanding.

This is not to say that everything is run as well as it could be within all community hub organisations. This is obviously not the case: there are some which are run badly and fail as a result. There are others which are run well but nevertheless struggle to respond to difficulties and challenges not of their making. And the best-run organisations are well aware of the dangers of complacency: they know they always need to adapt to changing circumstances and to push themselves to do better.

While this research is confined to the more successful organisations (i.e. those that were still operating at the time of this report), it is also the case that a significant

number of community hubs have had to close or merge in recent years. Many of the factors identified above, such as the impact of reduced grants (especially core grants) and the shift towards contracts, have been part of the challenges to survive. However, it is also the case from the experience of the authors and others who work in the sector and who support organisations in difficulty, that ineffective financial controls, and the level of reporting and understanding of finances among trustees, are large contributors to not acting early and not making the decisions needed to protect the organisation.

Most community hub organisations will at times turn to others (e.g. VAT specialists, health-and-safety experts, building surveyors, accountants, lawyers) for technical expertise. For those in difficulty, skilled turn-around assistance may be necessary. For those with a major development opportunity, the use of an external consultant can be useful, although some community hub organisations report that they found it difficult to find consultants with real expertise. There is a plethora of toolkits and guidebooks (and, in some instances, interactive online resources) and these have been helpful in some cases, especially if they have been kept up to date, but our evidence (section 7.2 below) suggests that they are not widely used.

It would be a mistake to think that a primary solution to the financial challenges faced by community hub organisations would be to import professionals from the corporate world or from large public institutions into the leadership of community hub organisations. Clearly, a range of competences is required, not least managing money, meeting regulatory requirements, and assessing and managing risk and opportunity; but it is also clear that these can nearly always be found from within or close to the local community, including from local businesses and professional services. Moreover, other

types of leadership attributes are equally important: entrepreneurial energy, local knowledge, the ability to build partnerships and generate trust, persistence and resilience, and empathy and insight into the lives of people within the community; and not all of these are easily imported.

The primary implication of our research is that the most effective strategy for enhancing the financial and other competencies of community hub organisations is to start with the skills and insights which already exist in abundance within the sector, thus making it easier for learning to be transmitted horizontally between practitioners, locally, regionally and nationally; and to supplement this with training activities (including for board members) with, wherever possible, peer-based action learning.

About this study

2.1 Policy context

The idea of place and associated ideas of belonging, localism and community ownership have received considerable prominence in recent public policy discussions. As the Civil Society Futures inquiry found, 'local places matter to many of us, perhaps even more in a digital age.'¹ The Commission on the Future of Localism concluded that, 'strengthening localism offers the potential to tackle disadvantage, rebalance our economy, and revitalise democracy.'² And the New Local Government Network has called for a shift towards a 'community paradigm' in public service delivery, which sees 'the transfer of power from the public service institution to the community as its key goal.'³

At the same time, the availability of buildings and spaces for community use has received new attention, not least because of a perception that these are under threat. There has been 'significant disinvestment' in social infrastructure, including physical assets, which 'supports prevention and early action, helping to create the resourcefulness and resilience that prevent problems in the first place and providing support networks, services and activities that stop any problems from getting worse.'⁴ Indeed, research by Locality shows that more than 4,000 publicly owned buildings and spaces in England are being sold off every year.⁵

As a Local Trust report in 2018 pointed out, 'There is now an emerging consensus that we must address the fragility of our social infrastructure and rebuild institutions and spaces that enable participation and association, rebuilding social capital.'⁶

While community hubs are only one type of social infrastructure, they are nevertheless seen to have a particular importance. Potentially, community hubs can achieve a variety of high-value benefits, including, for example:

- The building of trust and 'social capital' in communities facing stress and fragmentation;

¹ Civil Society Futures, (2018), The Story of Our Times: Shifting power, bridging divides, transforming society, 16.

² Locality, (2018), People Power: Findings from the Commission on the Future of Localism, Summary Report, 7.

³ Lent A. and Studdert, J., (2018), The Community Paradigm: why public services need radical change and how it can be achieved, New Local Government Network (NLGN), 33.

⁴ Civil Exchange, (2018), Valuing Social Infrastructure, Community Links for the Early Action Task Force, 2

⁵ Locality, (2018), The Great British Sell Off: How we're losing our vital publicly owned buildings and spaces, forever, 3.

⁶ Gregory, D., (2018), Strong resourceful communities: The case for a community wealth fund, Local Trust, 8.

- The building of community confidence and self-determination in places where people often feel 'done to';
- An improved approach to local services, breaking down a 'them and us' culture, with an emphasis on local insight, human relationships, service integration and open access;
- Earlier intervention to tackle social problems and to build on local strengths;
- The stimulation of local economic and social activity, helping to generate wealth in a place and keeping it there.⁷

The significance of community hubs was indicated by the government's 2018 civil society strategy, which committed to 'design a programme to look at the barriers to and opportunities for more sustainable community hubs and spaces where they are most needed.'⁸

Alongside the policy attention, funders, too, are taking greater interest in place-based interventions, with recent examples including the Place Based Social Action fund, established by the National Lottery Community Fund together with central government. Demands are growing for greater levels of investment: for example, Locality has called for a £1bn community-asset investment plan⁹ and Local Trust has created an alliance of over 90 organisations to make the case for a community wealth fund, a multi-billion national endowment to support deprived communities.¹⁰

Given this policy context, an understanding of the business models used by community hub organisations and, in particular, how community hub organisations can achieve long-term sustainability, has increasing significance for policy makers and funders.

2.2 Limitations of previous research

Some basic elements of effective business models for community hubs have been described and, indeed, sometimes acted on over the last two decades: for example, efforts to bring assets into community ownership and also to diversify income with the aim of increasing trading and reducing grant dependency.¹¹

However, the research evidence is not always strong. For example, the 2018 Power to Change community business survey pointed out that, 'the current research findings provide little evidence explaining how community businesses approach the opportunities (and challenges) of managing and/or owning assets.'¹²

A 2016 report for Power to Change argued that, for an asset-based community business (such as a community hub) to be resilient, it must engage its community and build a common vision; it must adopt a co-operative risk-management approach through partnerships with the council, public bodies and businesses; it must be creative and inventive when seeking out ways to bring in resources; and it must find innovative ways to deliver services at a lower cost. However, this research was based on a very small sample (five case-studies).¹³

⁷ See, for example, <https://mycommunity.org.uk/help-centre/resources/local-services/community-hubs/>.

⁸ Cabinet Office, (2018), Civil Society Strategy: Building a future that works for everyone, 54.

⁹ Locality, (2016), Places and Spaces: The future of community asset ownership.

¹⁰ Dan Gregory, (2018), Strong resourceful communities: The case for a community wealth fund, Local Trust.

¹¹ Richards, L., et al, (2018), What works: Successful community hubs, Power to Change, 5.

¹² Diamond, A., et al., (2018), The Community Business Market in 2018, Power to Change, 42.

¹³ Gilbert, A., (2016), A Common Interest: The Role of Asset Transfer in Developing the Community Business Market, Power to Change, 7.

2.3 Aims of this research

This study was commissioned by Local Trust and Power to Change and the primary research question was 'How can community hubs be financially viable?' Secondary research questions were as follows:

- What types of business models are community hubs in England using?
- How are these business models being combined in community hubs, and what is the impact on their financial viability?
- What are the approaches that appear to best support financial viability and resilience, and in what contexts?
- What barriers to viability have community hubs encountered? How have these been overcome?
- How do successful social enterprises balance the inherent tension between viability and social aims?
- How do community hubs move towards achieving long-term sustainability?

One further objective of this research was to inform a subsequent piece of work which has been commissioned by Local Trust and Power to Change: to produce guidance and tools for setting up and maintaining viable community hubs.

2.4 Research methods

Our research was undertaken from February to May 2019. It included:

- An online survey which received 103 responses, of which 83 met our definition of community hub organisations (appendix A).
- Analysis of the accounts over a five-year period of 106 community hub organisations (appendix B).
- A series of three focus groups which engaged 18 community hub organisations (appendix C).
- The production of eight case studies (see section 8 below).

We also collected a set of 'tactics and tips' from community hub practitioners, and these are set out in section 6.8 below.

2.5 Limitations of this study

While our study was able to reach a mix of types of community hub organisation (large and small, urban and rural, operating in different regions of England, long established and relatively new), it was inevitably confined to organisations still operating today. Moreover, those which responded to our online survey are unlikely to have been organisations currently in crisis. We therefore recognise a bias in our research towards organisations which are capable of surviving and those which are relatively stable, and we have taken account of this in our analysis and conclusions.

Our findings: characteristics of community hub organisations

3.1 Scale and scope

There are no reliable figures for the overall number of community hubs in England. However, it is known that a large proportion of community businesses see themselves as community hubs: nearly three in five select community hub as their primary or secondary business sector, according to the latest Power to Change study¹⁴, which also estimates there are now 1,900 community hubs across England that can also be classed as community businesses, with £371m income and £161m assets, 7,600 staff and 37,800 volunteers. This does not include the many community hubs which operate under the radar and which may not meet the Power to Change criteria for community businesses.

Community hub organisations are highly various in scale and scope. At one end of the spectrum, they are entirely volunteer-run, or perhaps employ just one member of staff, and operate with minimal resources, with an emphasis on informal associational activity. At the other end of the spectrum, they employ a significant team of paid staff, are less reliant on volunteers, and raise funds or run social enterprises which allow them to deliver local programmes at a much greater level of scale and formal organisation.

In order to understand the different operating models across this spectrum, we have applied the following distinctions in our analysis, where useful:

- Micro: turnover less than £100k
- Small: turnover £100k to £250k
- Medium: turnover £250k to £750k
- Larger: turnover more than £750k

3.2 Characteristics of our survey sample

Our online survey revealed the following characteristics:

3.2.1 Most community hub organisations have a very local area of benefit

- 58% are hyper-local, and their primary area of benefit is a local neighbourhood or Big Local area¹⁵.

3.2.2 Most organisations which run a community hub have just one building

- Only 11% owned or managed more than one community hub.

¹⁴ Diamond, A., et al, (2018), The Community Business Market in 2018, Power to Change, 46.

¹⁵ There are 150 Big Local areas, neighbourhoods which have each received an allocation of £1m National Lottery Community Fund grant funding. See: <http://localtrust.org.uk/our-work/big-local>.

3.2.3 Most have been operating for more than five years

- 39% had been operating less than five years, 20% between five and nine years, and 41% ten years or more.

3.2.4 Most own their building or have a long lease

- 41% own their building, and 30% have a long lease (25 years or more). Only 29% have a short lease (less than 25 years).
- 39% say they are responsible for repairs. Given that 41% own their building and

also that some leases, both short and long, will include responsibility for repairs, the true figure is presumably higher. This discrepancy suggests that some respondents may not be fully aware of their responsibilities for repairs.

3.2.5 Community hubs provide a wide range of activities, facilities and services

- Nine types of activities take place at community hubs on average. The range of activities, facilities and services include the following:

Type of activity, facility, service	% (both primary and secondary activities)
Community hall or meeting space	93%
Health or well-being activities	57%
Office or workspace for local community/voluntary groups	55%
Other arts or cultural activities	45%
Sports or fitness activities	41%
Educational activities	41%
Advice and support for other community/voluntary groups	35%
Skills and employment training	34%
Community café	30%
Office or workspace for local public sector agencies	27%
Community festival	23%
Heritage activities	22%
Office or workspace for local private sector companies	20%
Online/digital services	20%
Workshop or makerspace	19%
Allotments or community garden	17%
Community library	14%
Advice or legal services	14%
Community shop	12%
Food bank	10%
Community cinema or theatre	8%
Community pub	2%
Community-led housing	2%

- The most common *primary* activities are:
 - Community hall or meeting space (59%)
 - Health or well-being activities (17%)
 - Educational activities (13%)
 - Skills and employment training (12%)
 - Community café (11%)
- Not all activities are delivered by the organisation which manages the community hub; in many cases they are delivered wholly or in part by others, notably:
 - Health or well-being activities (42%)
 - Educational activities (42%)
 - Sports or fitness activities (40%)
 - Other arts or cultural activities (34%)
 - Skills and employment training (30%)

3.3 Business models of community hub organisations

The term 'business model' can be confusing, because it can be applied in different ways. It is often used, at the simplest level, to refer to the different types of income of an organisation. However, the term can also be used in a broader sense, to include the various factors which can determine business success or failure, including, for example, the 'value proposition' (the things which the business offers which it hopes people will want); the 'customer base' (the characteristics of the people who will pay for or use its services); the 'infrastructure' (e.g. the staff, equipment, buildings, and investment required for delivering the business); and the 'revenue model' (how the money works, including whether a surplus can be generated).¹⁶

The following general points should be noted in relation to the business models of community hub organisations:

- For a community hub organisation, the value proposition is what it can provide

that benefits its local community. In practice, this will be a mix of different things, some of which can be given monetary value (rooms for hire, or a service to enhance skills and employability, for example). However, ascribing monetary value is very difficult or impossible in other cases (the building of personal relationships which help to overcome isolation, for example). Moreover, it is often the combination of activities which produces the greatest community benefit, and the effects of that combination can also be difficult or impossible to value in monetary terms.

- The customer base for a community hub organisation is, first and foremost, its local community. But community hub organisations are also community led, to a greater or lesser degree. This means that local people can play multiple roles, not just as customers or users of services, but also as volunteers, as trustees, as paid staff, as donors or (where there has been a community share issue) as shareholders.
- Many community hub organisations have very low levels of resources available to them, and therefore need to become especially resourceful in how they make best use of what they have and in how they attract additional support, including in-kind assistance. Moreover, some own the building they operate from (or have a long lease) and others do not, and, as we shall see (section 5), this can make a difference to both income levels and business risk.
- The revenue model is inherently challenging. A community hub organisation will aim to make its services available to all sections of its community, but not all local people will have the means to pay for the services

¹⁶ See for example: IETM, (2016), To sell or not to sell: an introduction to business models (innovation) for arts and cultural organisations, 12-15.

on offer. Most community hub organisations therefore need to apply a cross-subsidy model, generating income from people who can pay or from external funders, and applying any surpluses to activities where subsidy is required (see section 6.3).

In order to achieve sustained community benefits, all community hub organisations require a revenue model which can generate sufficient income to maintain their activities over time.

As will be seen in section 4.1.3 below, the revenue model tends to be different for community hub organisations operating at different levels of turnover, and this helps to explain the wide variety of activities undertaken by community hub organisations, and therefore the variation in their value proposition. The activities they can undertake and the benefits they can produce are not only a response to specific local circumstances; they are also shaped by financial constraints and opportunities.

It is therefore possible to identify typical business models adopted by community hub organisations, categorised according to size of turnover:

- **Micro organisations (turnover less than £100k)**

These tend to be heavily reliant on grants and donations, and to a smaller extent on income generated from the building, such as hall hire. Other types of trading income are likely to be at a low level. (For more detail see section 4.1.3 (d)).

As the examples of MoorEnd Development Trust (8.2) and The Welcome (8.8) illustrate, organisations in this category can be highly adept at running community buildings (often with significant volunteer input), and at delivering activities which enhance associational life, as well as taking action in response to community needs.

- **Small organisations (turnover £100k to £250k)**

These are also usually reliant on grants and donations, but are likely to have increased their building income. Other trading income may also have increased but as a general rule this still tend to be at a low level, as a proportion of overall income. (For more detail see section 4.1.3 (c)).

As the examples of Ripon Community House (8.4), Brockweir and Hewelsfield Village Shop Association (8.6) and Colindale Communities Trust (8.7) illustrate, organisations in this category can be capable of delivering community facilities which are highly responsive to local needs and aspirations, with a combination of distinctive and valued services.

- **Medium organisations (turnover £250k to £750k)**

Grants and donations and building income generally remain the most significant revenue streams, but trading income, including social enterprise activities and fees and sales, is likely to have increased, and the organisation may also be generating some income from service contracts. (For more detail see section 4.1.3 (b)).

As the example of Meadow Well Connected (8.5) illustrates, organisations in this category can deliver a wide range of activities directly, as well as providing a base for others to operate from, producing an important focus for social welfare and community development.

- **Larger organisations (turnover more than £750k)**

The main source of income is likely to be from service contracts, with lower proportions from grants and donations or hall hire, office rentals, or other forms of trading income. (For more detail see section 4.1.3 (a)).

As the examples of Colebridge Trust (8.1) and Heeley Trust (8.3) illustrate, organisations in this category can deliver activities at greater scale, with a well-integrated service offer, and (in some cases) a portfolio of community buildings and land which can serve as a foundation for wider community renewal.

While these categories are generally applicable, it is important to note that in practice there can be considerable variation in income mix, types of activities, and community benefits among community hub organisations operating at each level of turnover.

Moreover, over time business models can shift, not only for individual organisations, but also across the sector more generally. These shifts are often caused by changes in the operating environment, including the availability of different types of finance, over which community hub organisations have little or no control. This has certainly been the case in recent years, as described in section 4.1.3.

Therefore, it would be wrong to expect that all community hub organisations should conform to the typical business models we have identified above, either now or in the future.

Our findings: the finances of community hub organisations

4.1 Income

4.1.1 Income source

Our survey revealed that community hub organisations have a variety of types of income source. Those in our survey sample were as follows:

Type of income source	% (both primary and secondary income sources)
Meeting room or hall hire income	89%
Grants from trusts and foundations or Lottery funders	50%
Office or workspace rental	46%
Donations from local people	41%
Sales of food or drink	40%
Public sector grants	38%
Income generated by activities beyond the building	30%
Other sales of goods or services	29%
Public sector contracts	23%
Grants from Big Local/Big Local £1m	21%
Loans	13%
Grants from businesses	11%
Membership fees	11%
Crowd-funding or community shares	4%
Income from an endowment or investments	1%

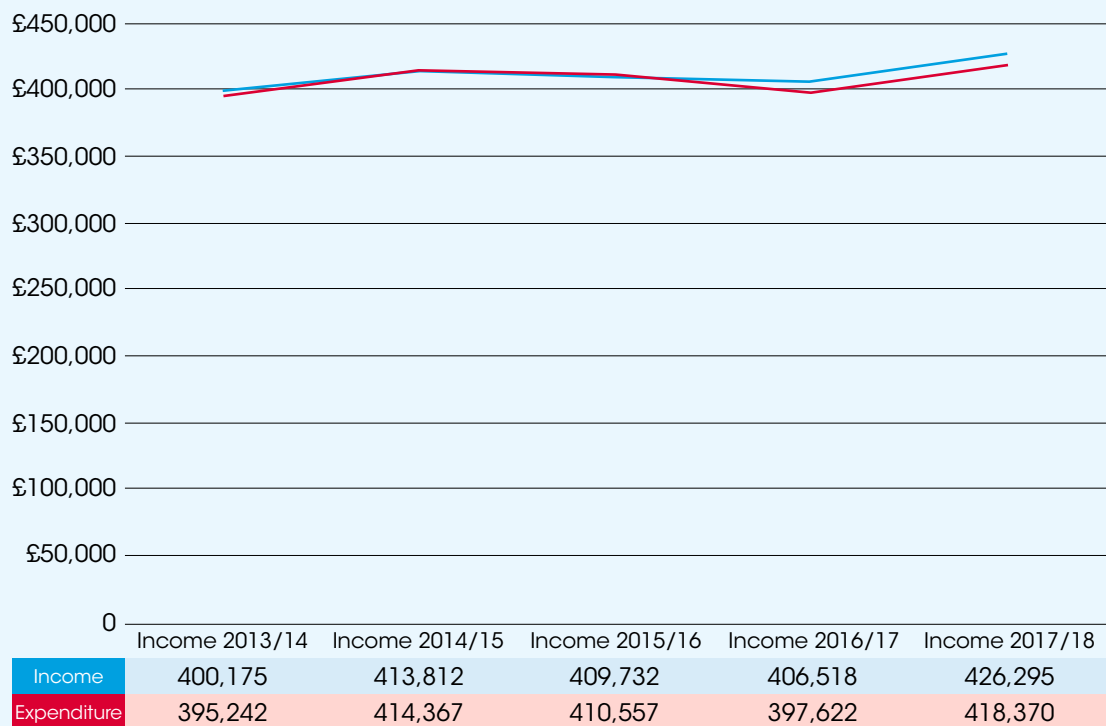
While some of these might be frequent sources, the level of income they produce may be quite small (for example, while 41% of community hub organisations said that they received donations from local people, our analysis of accounts showed that this was very rarely a significant element of

their overall income). So we also asked about their main income sources. The three most significant were: meeting-room or hall hire income (40%); grants from Big Local/Big Local £1m; grants from trusts and foundations or lottery funders (25%); and office or workspace rental (16%).

4.1.2 Changes in income over the last five years

Across our sample of accounts, income remained relatively flat over the five years to 2017/18. Overall income increased by 6% over this period, although it dropped in 2015/16 and 2016/17. This compares to (RPI) inflation of 11% over the same period. Expenditure closely followed income, although margins have improved in the last year (see section 4.4 below).

5 year income
Average across the sample cohort



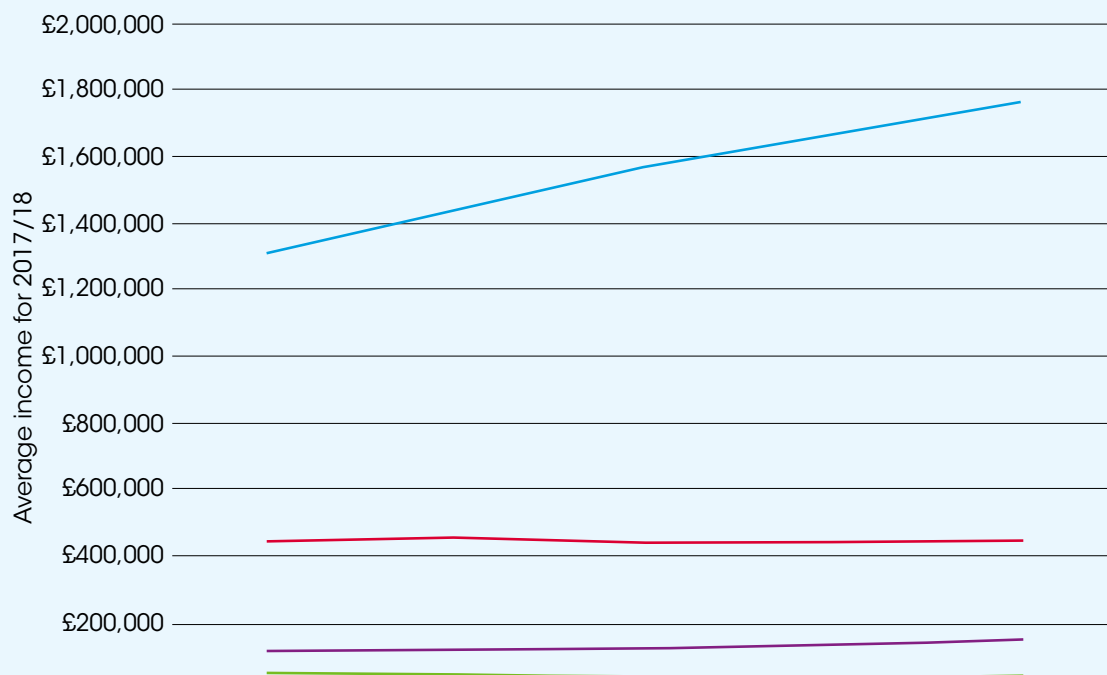
The income trend varies according to size of organisation, as can be seen in the chart below:

- The larger organisations (income over £750k) have, on average, grown significantly (by 34%, an average of £450k) over the five-year period.
- The medium sized organisations (income £250k to £750k) have seen no growth (-1%, a reduction of £2k).
- The smaller organisations (income £100k to £250k) have seen an increase of 29%, although in terms of actual income, this increase was £34k.

- The micro organisations (income under £100k) suffered a 38% reduction, amounting to £23k.

This is reflective of the lower level of resilience of smaller organisations; the difficulty of adapting to a significant shift from grants to contracts, particularly from local authorities; and the move away from core funding to project funding.

Average income by organisational size

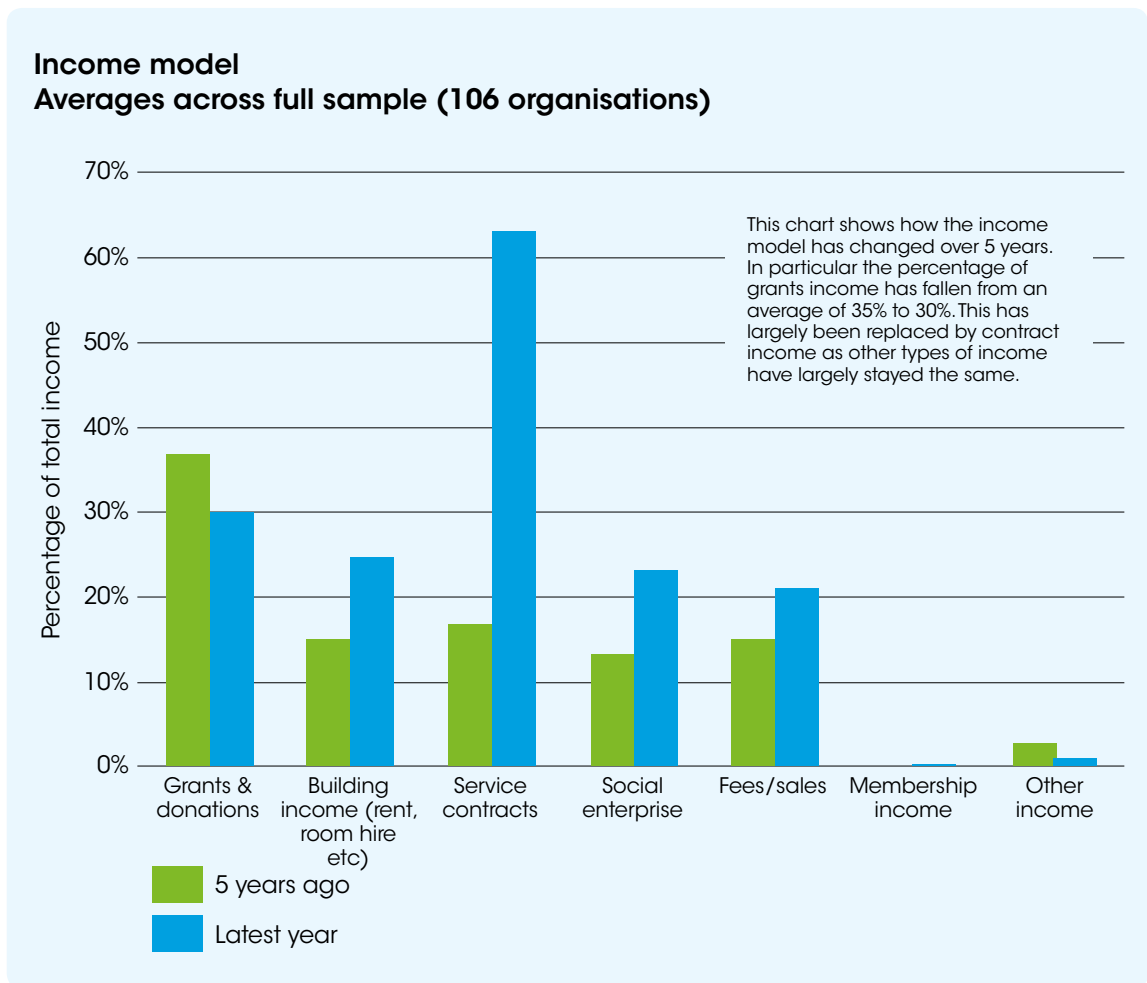


	Income 2013/14	Income 2014/15	Income 2015/16	Income 2016/17	Income 2017/18
Hubs with income above £750k	1,311,714	1,441,715	1,565,444	1,662,746	1,761,154
Hubs with income £250k to £750k	447,849	457,032	444,605	439,705	445,110
Hubs with income £100k to £250k	118,185	126,667	126,011	132,766	152,464
Hubs with income below £100k	52,344	46,226	41,753	34,430	39,170

4.1.3 Changes to income models over the last five years

The analysis of the sample shows a significant change in the average income model over the five-year period (2013/14 to 2017/18). In particular, there has been

a reduction in grant income from 37% (2013/14) to 30%, and a corresponding upward shift in contract income from under 17% to 63%. Other types of income have largely stayed the same (see chart below).

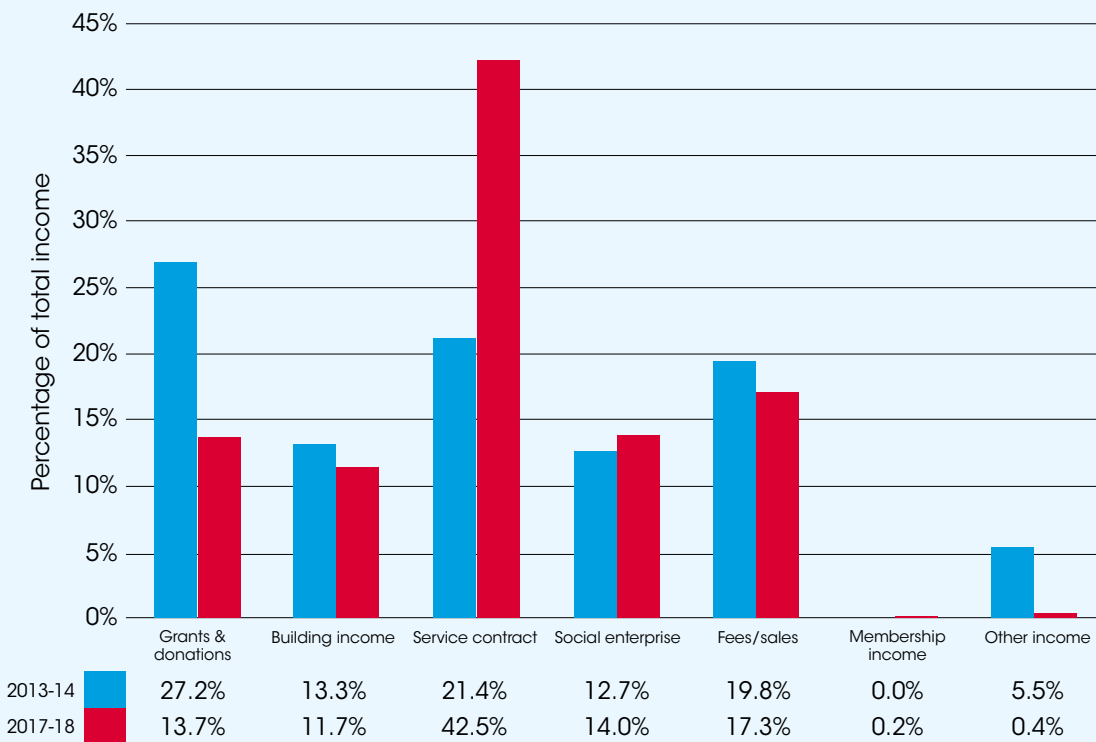


The above chart covers the whole sample cohort. However, when broken down by size of organisation, as follows, it becomes apparent that the changes to business models are significantly impacted by the scale of the organisation's activities.

a) Larger organisations (over £750k)

Larger organisations have seen significant shifts from grants to contracts over the last five years. These organisations are more likely to have the skills and capacity to respond to tenders and meet often onerous requirements. Social enterprise income has also grown slowly. In overall terms, income in this group has increased by 34%.

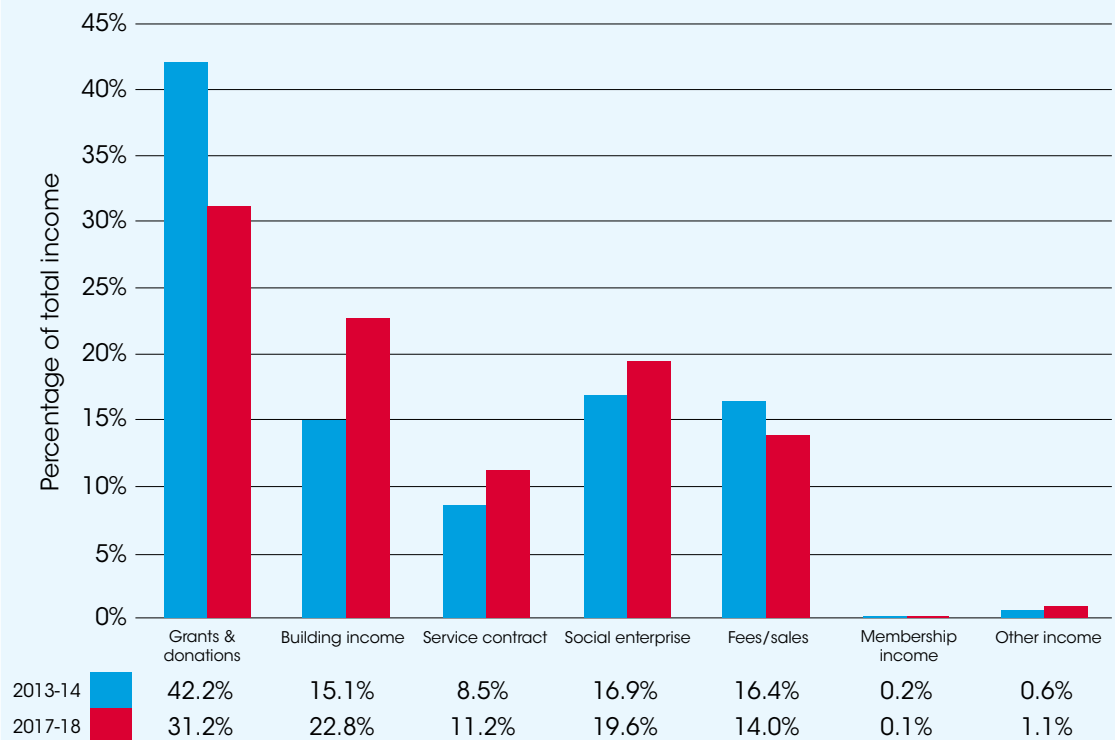
Income model - changes over 5 years
Organisations with income above £750k



**b) Medium sized organisations
(£250-£750k)**

While medium sized organisations have seen grants fall from 42% to 31%, increases in the proportion of income have largely come from rental and room hire, as well as smaller increases in contract and social enterprise income. Overall income has largely remained at the same level.

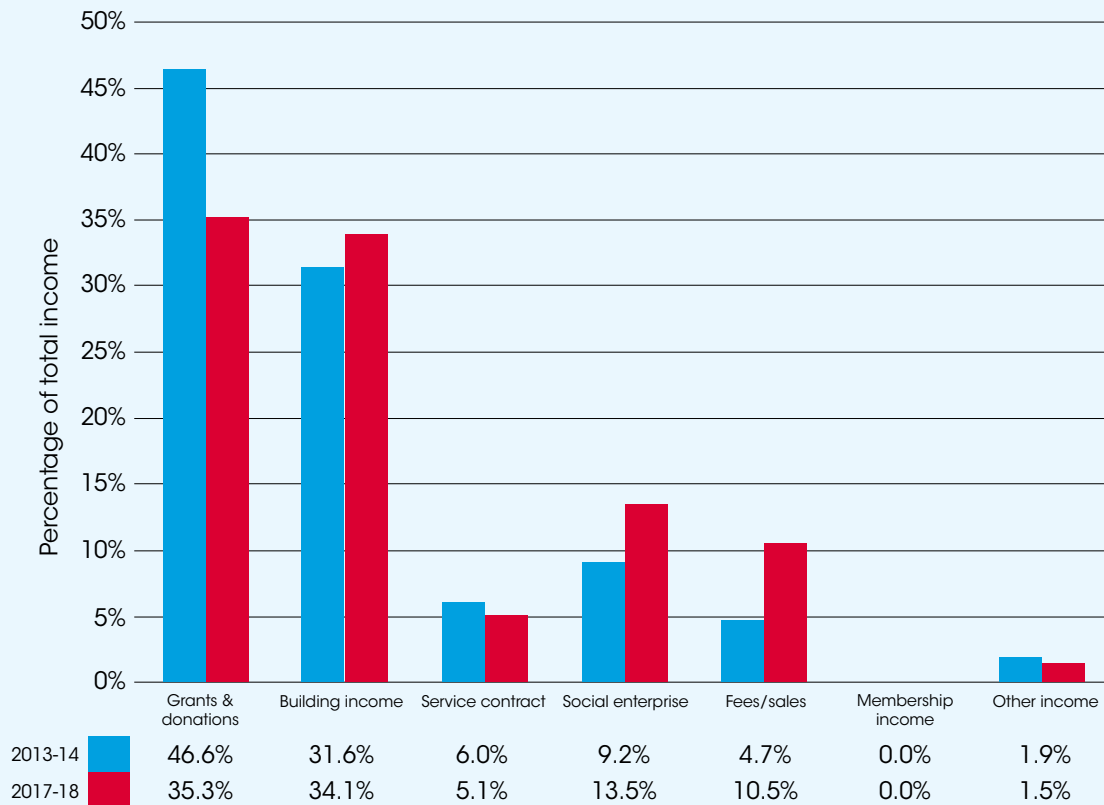
**Income model - changes over 5 years
Organisations with income between £250k and £750k**



c) Smaller organisations (£100k to £250k)

As with the medium organisations, the reductions in the proportion of grant income have been offset by increases in rental, fees and social enterprise income. This is a positive response to the reduction in grant income and is responsible for the overall increase of an average £23k income in this group.

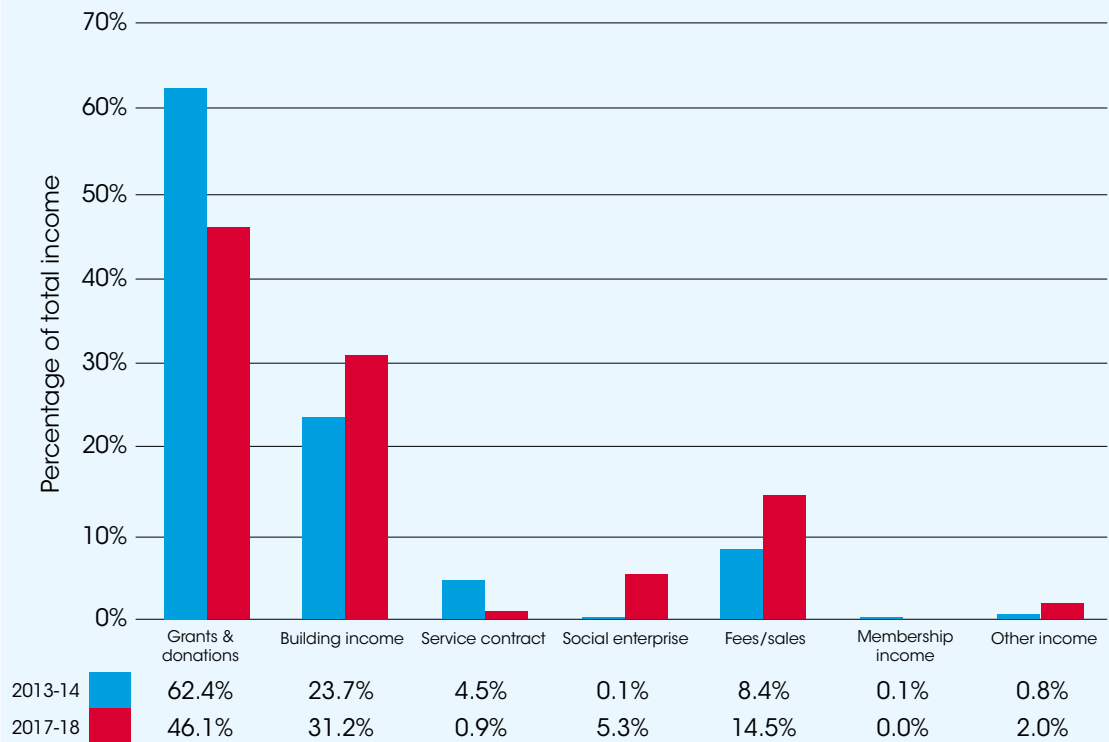
Income model - changes over 5 years
Organisations with income £100k to £250k



d) Micro organisations (under £100k)

Micro organisations have been significantly impacted by the reduction in the levels of grant. Whilst some of this has been offset by modest increases in building income and fees for services, in overall terms income for micro organisations has on average fallen by 38% over this period.

Income model - changes over 5 years
Organisations with income below £100k



4.1.4 Difficulties faced by community hub organisations

Our focus groups identified some of the difficulties which community hub organisations, not least the micro organisations with income under £100k, face when trying to increase their income:

- In low-income communities, it is often impossible to set prices which will allow business self-sufficiency.
- Public sector contracts are not allowing full-cost recovery. In some cases, they require annual re-tendering.
- Many public services take the view that community hubs can provide services for free because 'that's what they do', and are happy to refer people for support, or as part of a social prescribing scheme. But this increases pressure without bringing any new funding.
- It can be hard to find out what grants are available, especially in the start-up phase, and competition for grants is high, resulting in much wasted effort.

- A major funding source is appreciated (for example Big Local) but can generate an illusory security which will vanish when the funding ends.
- The loss of a key tenant can produce income challenges from which it takes a long time to recover.

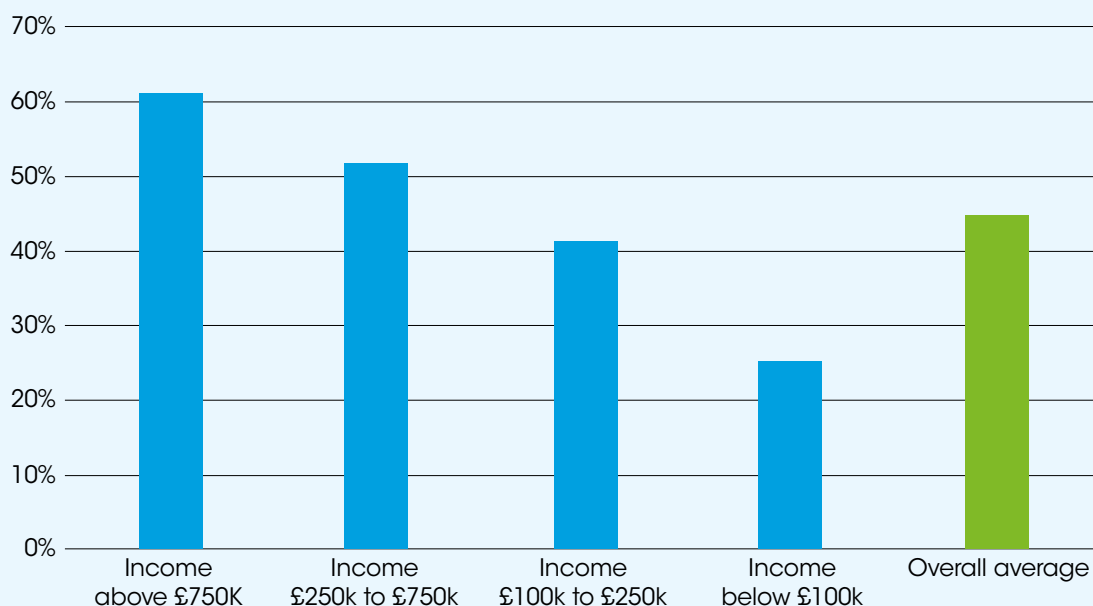
4.2 Costs

4.2.1 Staff costs

Staff costs (e.g. wages, PAYE, National Insurance and pensions) typically make up the largest costs for community hub organisations in our sample of accounts. Across the sample as a whole, staff costs represent 45% of income, but vary depending upon organisational size.

The larger organisations tend to have a larger staff cost base (61%) reflecting more complex staffing structures and service delivery requirements. Smaller organisations tend to rely more heavily on the trustees and volunteers and hence staff costs are much lower at 25% (or there are no staff).

Staff costs as a % of income by size of organisation



Smaller organisations often operate at minimal staffing levels, and while this can keep expenditure within affordable boundaries, it also frequently means that skills and capacity are limited, impacting fundraising, tendering for contracts, financial management, strategic planning, service levels and potential for sustainability and growth.

4.2.2 Other costs

The second major type of cost relates to the building. These costs include rent (where applicable), maintenance, insurances, utilities and security, and meeting health and safety requirements. Such costs vary significantly between organisations but will often represent 20% to 40% of total costs.

Repayment of debt can become a significant item of expenditure. Taking on loan finance is not necessarily a bad thing in itself: we are aware of examples in the community sector of successful social (or even commercial) investments, which have helped organisations acquire or refurbish property, or expand business operations, and where the costs of repaying the investments have been outweighed by enhanced ability to generate surpluses. However, as our focus groups noted, social investment has too often been problematic in the community sector: some did not need it, and some should not have received it and could never repay the loan. Many are struggling with the consequences of the debt burden, as illustrated by the example of Ripon Community House, at section 8.4 below. Where profitability is marginal, as is so often the case with community hub organisations, an especially high quality of due diligence and investment decision-making is needed, as well as blended models which combine grant and loan and support, and which are properly attuned to the circumstances of the organisation. All of this has often been lacking.

4.3 Confidence levels

Overall, the community hub organisations that responded to our survey displayed a high level of confidence in their current and future financial positions:

- 51% expect to make a surplus this year, and 38% expect to 'just about break even'. Only 11% expect to make a loss this year.
- 45% are 'very confident' that they will still be operating in five years' time and 40% are 'quite confident'. Only 9% are not very confident and even fewer, 5%, are not at all confident.

These high levels of confidence might in part reflect the possibility that community hub organisations which responded to the survey are more likely to be those which are relatively stable and successful.

It is possible that the high confidence levels may also reflect a particular strength of the prevailing business models used by community hub organisations. As shown in section 4.1.1 above, the two primary earned-income sources are meeting room/hall hire income and office/ workspace rental, both comparatively secure and long-term forms of income.

As with small businesses, those working in the community sector often operate on the basis that 'things will work out' or 'something will turn up'. Indeed, many have a track record of 'pulling a rabbit out of a hat' when it seemed unlikely. Optimism bias can lead to innovation and success but can also lead to disappointment and failure; and, as we shall see in the next section, high confidence levels are not always justified in a sector where margins can be low or non-existent.

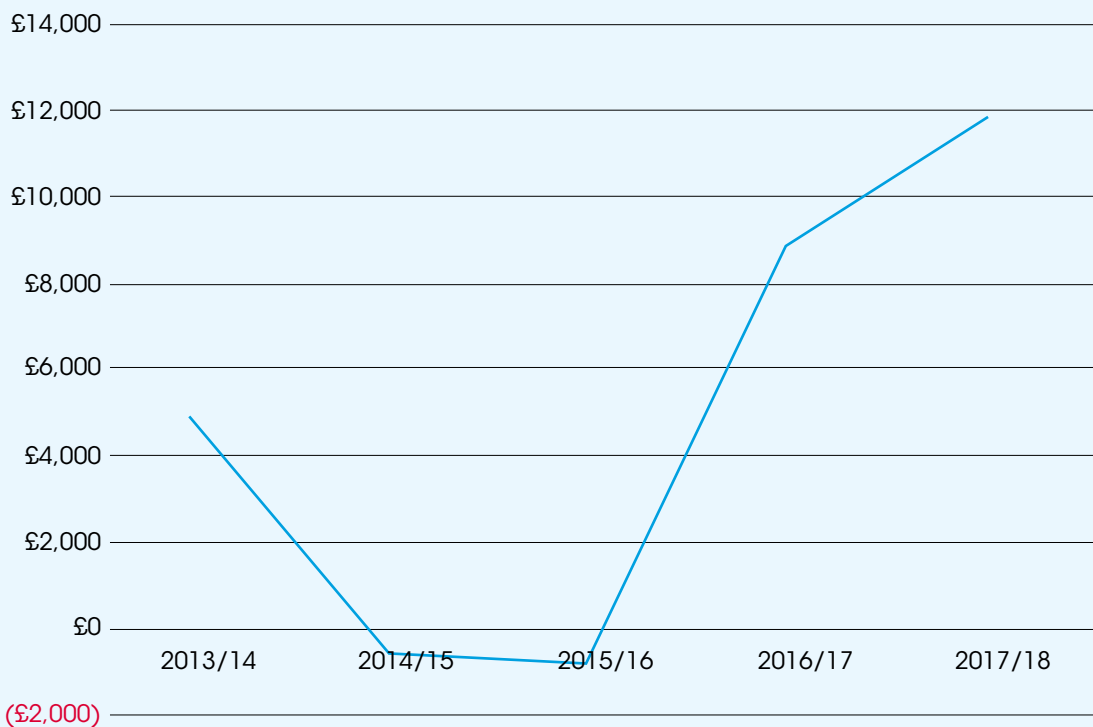
4.4 Profitability

4.4.1 Levels of surpluses achieved over the last five years

Looking at the profitability over a five-year period can be a good indicator of the ability of organisations to operate within their means and resource levels. Across the sample of accounts, community hub organisations were making a minimal surplus of less than £4k in 2013/14 (1.2% as a proportion of income). This had

somewhat improved to almost £12k by 2017/18 (2.8% as a proportion of income). In 2014/15 and 2015/16, however, most community hub organisations were unable to produce a surplus, showing small losses (on average -0.1% and -0.2% of income respectively). This could indicate that it has taken time to adjust to challenging issues and changes in funding. For example, contracts can be expensive in the initial stages. The chart below shows how surpluses and deficits have changed.

Average surplus / deficit across the cohort



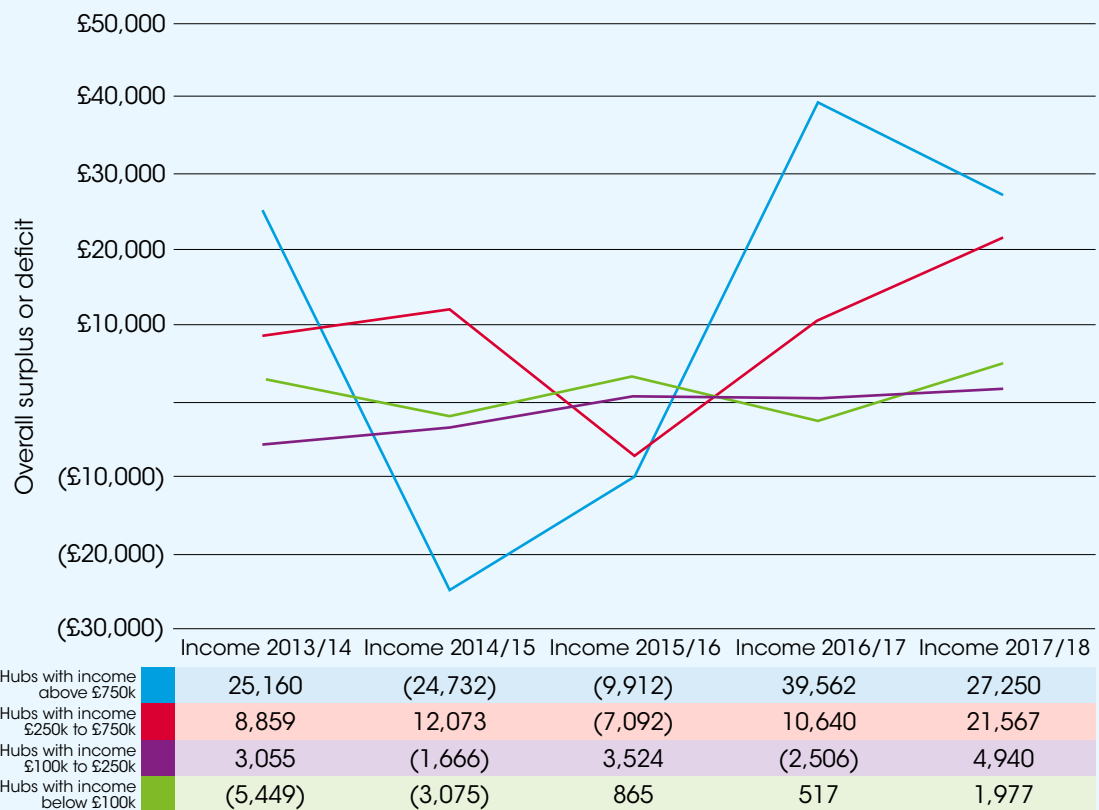
4.4.2 Profitability according to size of organisation

The pattern of profitability among community hub organisations over the last five years varies according to size of organisation. As can be seen in the following chart, the dip in 2014/15 and 2015/16 was more pronounced in the larger and medium organisations (as they are more impacted by risk), but an overall dip and improvement is seen across the cohort.

By their very nature, community charities are not simply focussed on profit maximisation: they also have to balance their financial return with their charitable priorities and the needs of the community

they serve. For example, a community hub organisation might seek to achieve financial sustainability by giving priority to those who can afford commercially priced room hire. But this might risk squeezing out other forms of activities which are unable to pay commercial rates, but which have community benefits. Hence financial return is not in itself a full measure of overall performance. Having said that, the lack of a consistent, annual revenue surplus reduces confidence in, and capacity for, forward planning and new development, and is therefore an impediment to achieving greater community impacts.

**Overall surplus or deficit over 5 years
Shown by size of organisation**



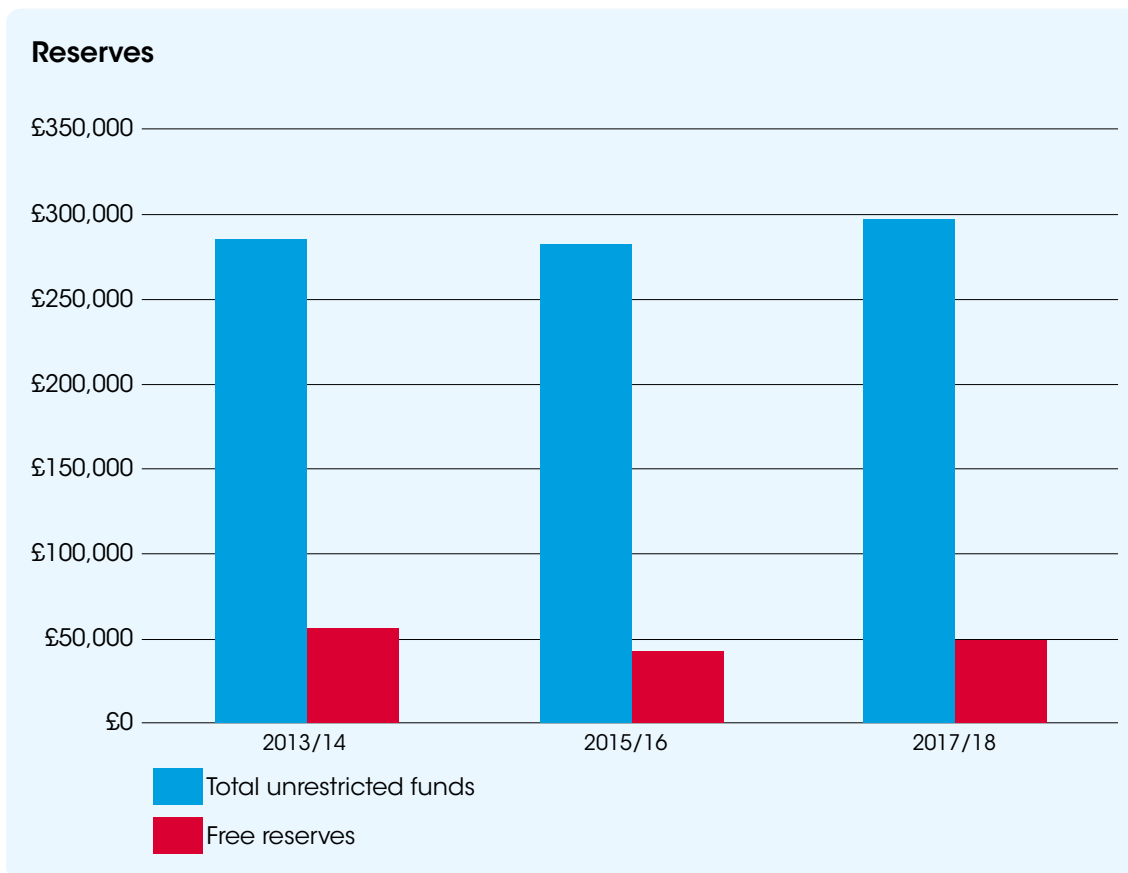
4.5 Reserves

Community hub organisations, in common with other types of social sector organisations, have a range of capital needs. These can typically include operating reserves (to cover unforeseen events as well as known liabilities); working capital (to cover a gap between funds committed and funds received); opportunity capital (to support experimentation); change capital (to support growth or downsizing); and recovery capital (to recover from damaging financial shortfalls, reduce debt, or finance building repairs).¹⁷

Reserves are therefore essential for organisational resilience, particularly to help manage risks and a challenging environment. Unrestricted reserves are

those which can be applied to any of the organisation's purposes, and free reserves are the unrestricted funds which are readily available or 'liquid' (that is, excluding land and buildings or other tangible assets).

Community hub organisations operate with low levels of reserves. Average unrestricted funds were 72% of annual expenditure in 2013/14 and 71% in 2017/18. However, free reserves were on average only 14% in 2013/14, falling to 12% in 2017/18. For the 78 organisations in the cohort where information on free reserves was available, the overall average fell from £60k in 2013/14 to £55k in 2017/18, although the recent year does show a recovery from a dip in between. This is consistent with the deficit-making years (as shown in section 4.4 above).

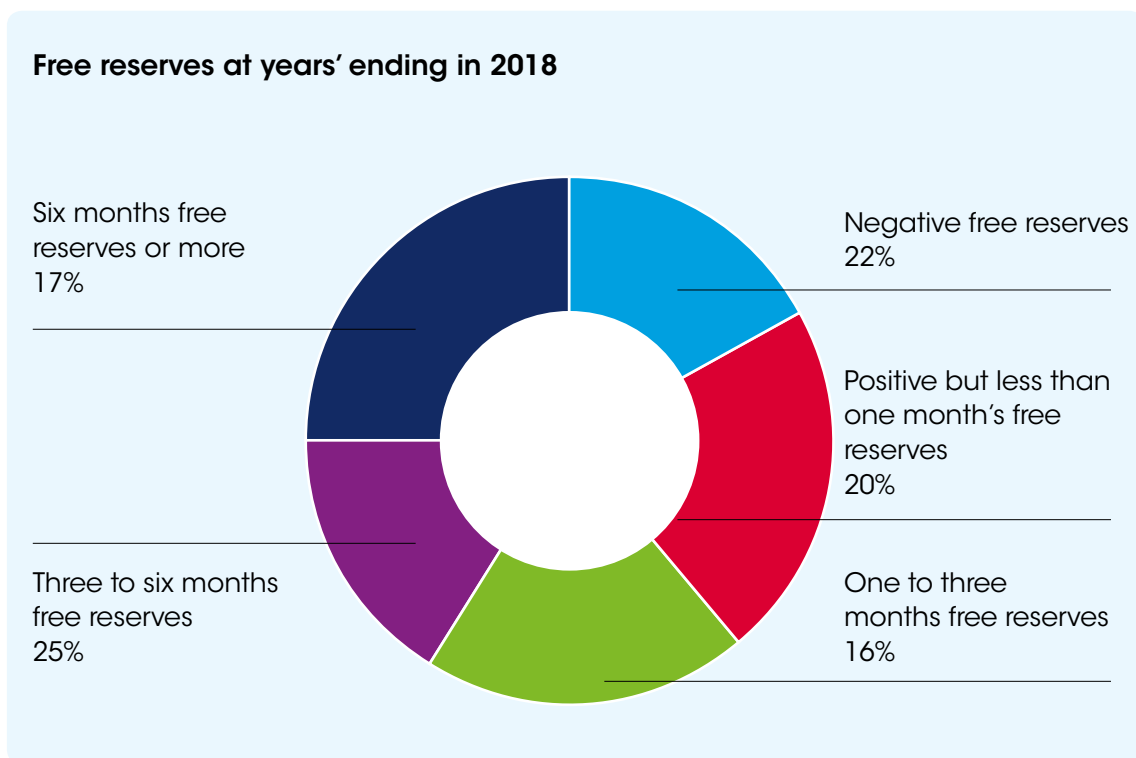


¹⁷ See for example The Nonprofit Finance Fund, 2014, *Kinds of Capital*, available at <https://nff.org/sites/default/files/paragraphs/file/download/NFF-Fundamental-Kinds-of-Capital.pdf>.

Charities should hold sufficient free reserves to meet their continuing needs and to cover specific areas of risk. It is the responsibility of trustees to establish a policy for the level of reserves to be held, and to review and monitor these on a regular basis. Many organisations in the charity and community sector have stated

policies for holding three to six months of operational expenditure.

However, across the cohort in this research, only 43% held reserves of at least three months or more. Worryingly, just under a quarter had negative free reserves, whilst a further 20% had less than one month. This split is reflected across the size categories.

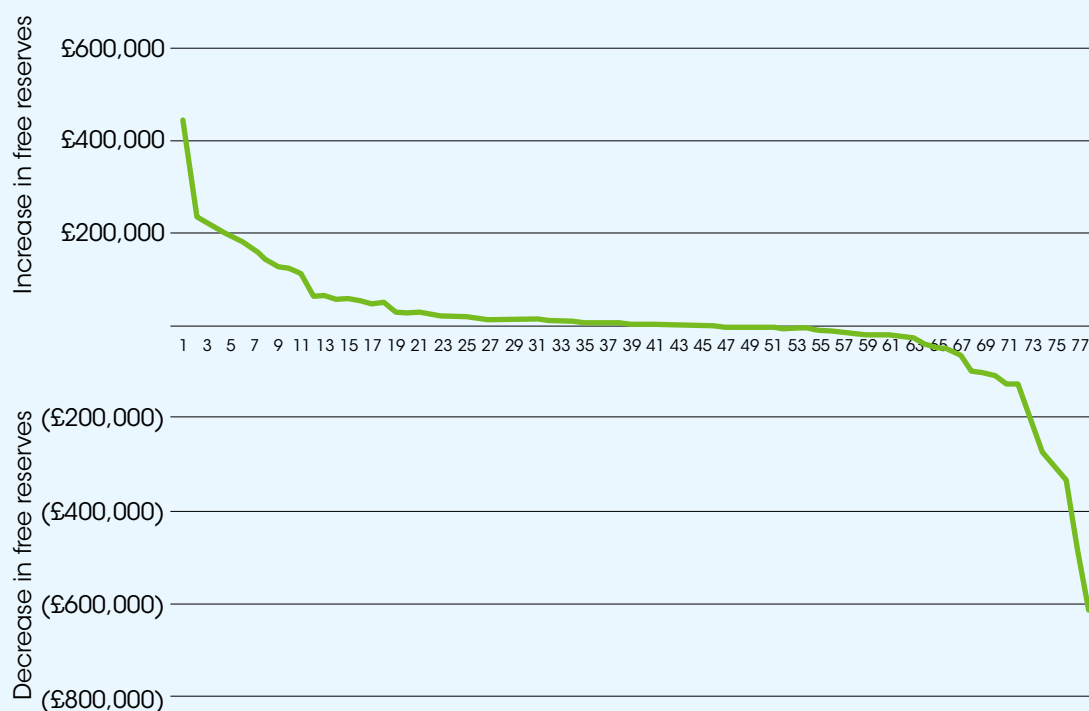


This relatively low level of reserves is indicative of a poorly capitalised sector, with organisations often working from hand to mouth and struggling through on a continuing basis. Across the accounts sample over a five-year period, only 24 saw increases above £20k, while 20 saw reductions of £20k or more. 34 organisations experienced limited changes in their levels of reserves over the five-year

period. This pattern was similar across the size groupings. The chart shows the changes in free reserves over the five-year period across the 78 organisations. As can be seen, most experienced little change, with only around 25% seeing significant changes (about half positive and half negative). Overall, 55% have seen free reserves improve or stay similar, whilst 45% have experienced reductions.

Free reserves

5 year change (increase or decrease)



In terms of the analysis it is also important to point out that the quality of the annual accounts varied considerably, and that less than 20% actually stated their free reserves (as they are required to do). Hence, for the purpose of this research, the free reserves often had to be calculated using other information in the accounts. While this can usually be done by someone with a detailed understanding of financial accounting, it does make this important figure far less visible to readers and users of the accounts than it should be.

Discussion in focus groups revealed the difficulties many community hub organisations face as a result of their inability to build up reserves:

- Some community hubs have been operating for long periods (e.g. ten years) with inadequate reserves or none, and significant cashflow problems.
- Organisations without reserves use overdrafts as working capital, and this is precarious and energy-draining.
- Some community hubs are managing to keep going but have been unable to build up reserves and have no provision for major repairs.

Our findings: asset ownership

5.1 Benefits of ownership of community hub buildings

Asset ownership, when successfully accomplished, can strengthen the balance sheet of an organisation, increasing long-term resilience and providing a buffer against future shocks. It can also provide collateral to attract investment for future growth. Moreover, successful asset ownership can help to grow confidence, changing the relationship with other organisations and institutions in the area, and building a collective sense of pride within a community.¹⁸

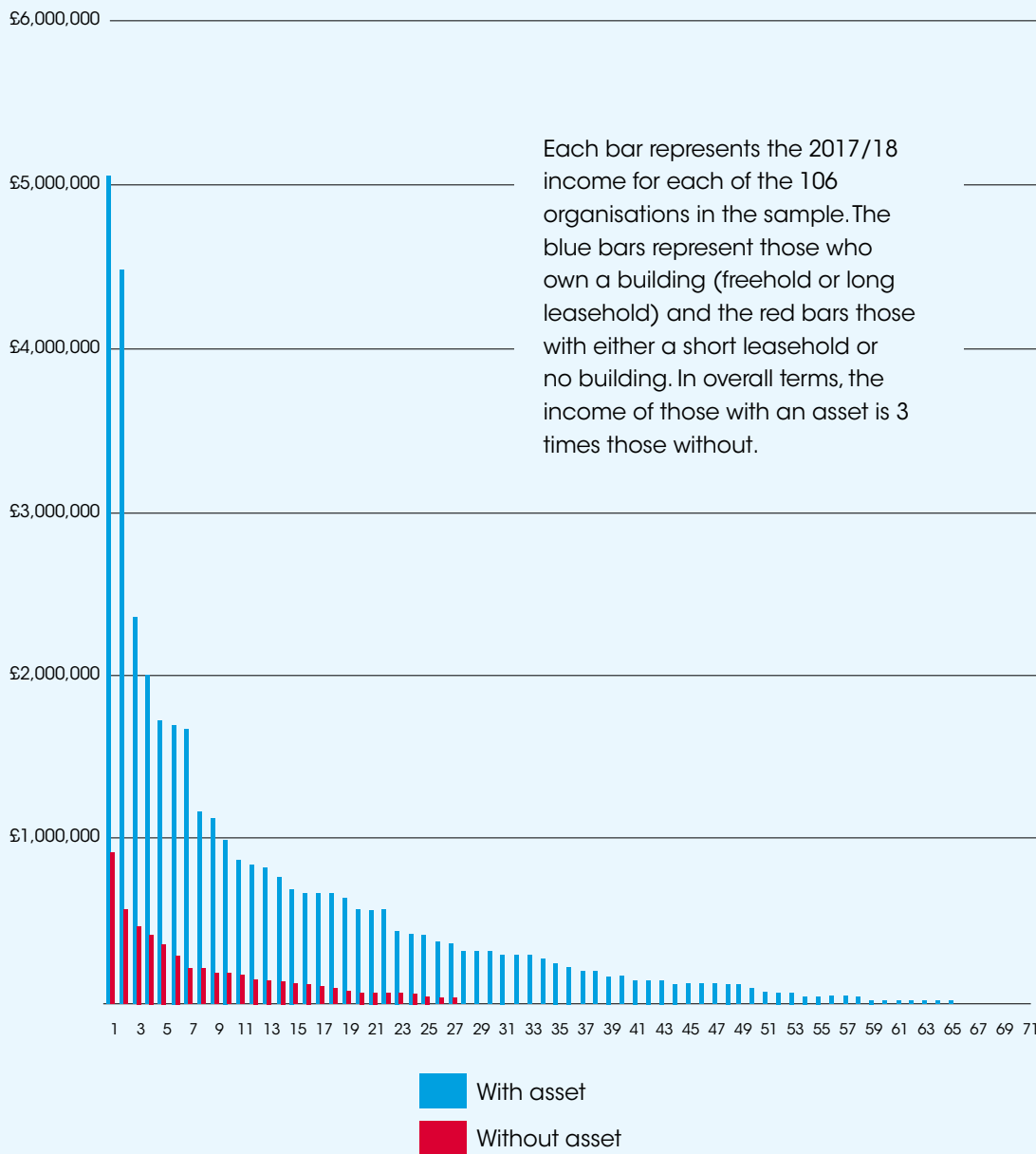
As the 'stories of survival and success' at section 8 illustrate, ownership of one or more community buildings can make a big difference to the ability of a community hub organisation to deliver and expand its activities, to plan for the long term, and, in some cases, to generate unrestricted income for the benefit of the community.

5.2 The impact of assets on income

Across the accounts sample, 72 organisations (67%) had ownership of at least one community building. For the purposes of this analysis, ownership means either freehold or a long leasehold (at least 25 years). As can be seen from the chart below, the income level of those who own such an asset is three times of those who do not. This is in part because the building can generate income from rents and room hire, but also because long-term ownership of a building increases the capacity and ability to plan for and deliver contracts and wider services.

¹⁸ See, for example: Quirk, B., (2007), Making assets work; Aiken, M., at al. (2011), Community organisations controlling assets: a better understanding, Joseph Rowntree Foundation; Locality, (2016), Places and Spaces: The future of community asset ownership.

Income for 2017/18
Shown by whether a community hub owns a building
(freehold or long leasehold)

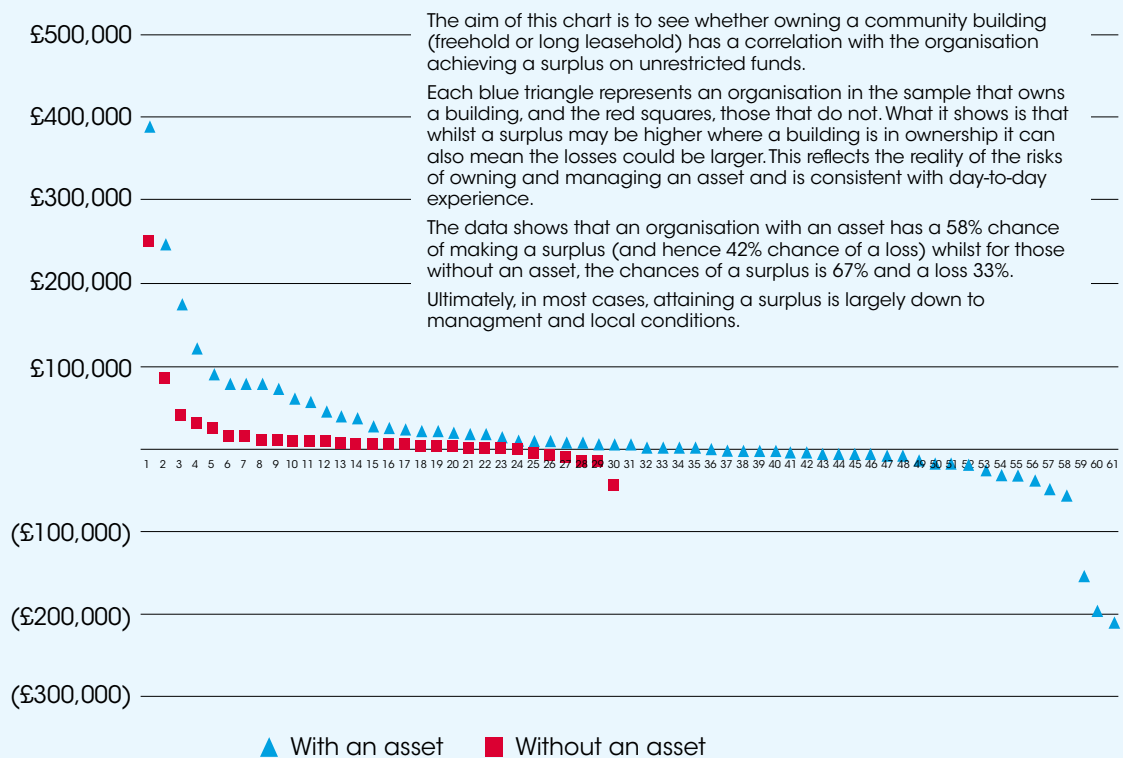


5.3 The impact of assets on profitability

While, as we have seen, ownership of a building has a significant impact on income levels, a key question is whether such ownership increases sustainability and the likelihood of making an unrestricted surplus. The chart below explores whether such a correlation exists, and it reveals that the ownership of a building actually increases risk: it can lead to higher surpluses but also increases the potential for higher losses.

The potential for higher levels of loss is often a consequence of organisations taking on buildings which are expensive to run and in poor repair, or of taking on ill-advised loans to acquire or refurbish a building. Where both of these apply, the risk of making a loss is especially high. Other factors can also turn a community building from an asset to a liability, and these are explored further in the next section.

Does owning a building impact the likelihood of a surplus?



5.4 Difficulties with asset ownership

While community hub ownership can be highly desirable for the reasons set out at 5.1 above, it is rarely completely easy or straightforward. Some community hub buildings are too small or have other restrictions, which mean that activities are limited and there is little scope to generate income. As one participant in our research noted: 'Our hub is on a very short (two-year) lease and it is a small unit. It has strict planning restrictions limiting the times and uses and we can't see how we could generate rental income to sustain it. The small groups using it do not have resources to pay meaningful rent.' Where buildings are listed, this is a further challenge, and usually means that the building is inefficient for modern purposes.

Our focus groups noted other difficulties:

- Buildings transferred into community ownership were often loss-making when they were run by the council, but the transfer was not accompanied by a funding agreement, endowment, or counterweight asset to compensate for this.
- Sometimes there are strings attached to asset transfer (e.g. a requirement that space must be provided to maintain a service on a rent-free basis).
- Buildings can be blighted by short leases, or by the uncertainty produced by large-scale regeneration plans over which the community hub may have little or no influence. In particular, in such circumstances it is very difficult to persuade funders or investors to release finance for work on the building, and in the meantime, service developments are held back, refurbishments are put off, services suffer and attempts to grow income streams are frustrated.

- Some community hubs have a lack of capacity to manage their building. This is particularly difficult when the buildings are in poor repair, and can be further exacerbated when there are difficulties over leases with local authorities, or other bureaucratic challenges.
- Where loans have been taken on to acquire or refurbish a building, this can leave the organisation with a long-term burden of debt which can be difficult or even impossible to repay when organisations are operating with tight margins (see 4.2.2 above).

5.5 Addressing the capital needs of community hubs

There is growing recognition that funders have not always acted effectively to address the chronic undercapitalisation of the social sector, especially where small community-based organisations are concerned. As we have seen, social investment has not always operated to the benefit of small community organisations (section 4.2.2) and grant-making and contracting models have made it very difficult for community hub organisations to generate and retain surpluses (section 4.4). As a consequence, most community hub organisations have not been able to build up adequate levels of free reserves (section 4.5), and where they have acquired a building, they often find it hard or impossible to attract further suitable investment needed to carry out necessary refurbishment or repairs (as illustrated by the Heeley Trust example at 8.3). A recent report by the Esmee Fairbairn Foundation noted that funders have made organisations 'take small steps' and use up 'a lot of their resources' instead of being able to focus on their mission and asks the question 'can we capitalise organisations better?'¹⁹

¹⁹ Esmee Fairbairn Foundation, (2018), Evolution, not revolution: Insights from 10 years of social investment, Insight Report 3, 7.

Our findings: business models for community hub organisations

6.1 Factors which influence profitability and sustainability

As set out below, our online survey provided some indications of the factors which may contribute to profitability and sustainability of community hub organisations, but these findings should be treated with caution. Other factors are also likely to be influential, for example leadership qualities, relationships with the local council and other public bodies, the extent of community engagement and involvement, local competition from other community hubs or similar agencies, and so on. These

are outside the scope of the research but may be as important, if not more so.

As we have seen (section 4.3 above), confidence levels are fairly high, with 51% of community hub organisations believing they will make a surplus this year. However, as the following table shows, our survey suggests that various factors can increase or decrease the likelihood of achieving a surplus: for example, how long the community hub has been operating, whether or the organisation owns the building, how many types of activities take place in the building, etc.

Community hub organisations more likely to achieve a surplus this year	
Factor	% more likely to achieve
Owning/managing the community hub for ten years or more	+5%
Ownership of building (freehold or long lease)	+4%
Between one and five types of activity take place from the building	+26%
Between one and three types of income	+6%
Receiving income from activities beyond the building	+7%
Benefiting from business volunteers	+4%
Not needing help from others to manage finances	+19%

Community hub organisations less likely to achieve a surplus this year	
Factor	% less likely to achieve
Owning/managing the community hub for less than five years	-8%
Short lease or licence	-6%
Six or more types of activity take place at the building	-6%
Four or more types of income	-6%
Receiving grants from trusts/lottery	-11%
Receiving donations from local people	-10%
Receiving free (pro-bono) professional advice or support	-6%

The table therefore suggests that possible success factors for profitability of community hub organisations may include:

- Already operating for a long period (at least ten years);
- Owning the building;
- Not allowing too many different types of activity to take place;
- Not diversifying income beyond three main income types;
- Building income-generating activities beyond the building itself;
- Recruiting volunteers from the business sector;
- Not needing help to manage finances.

The table also indicates that reasons why some community hub organisations might struggle to generate a surplus may include:

- They are too new (less than five years old).
- Their lease or licence is too short (less than 25 years).
- They are allowing too many types of activity to take place.
- They have too many different types of income (more than three).
- They are raising funds from trusts and foundations and the Lottery, and also local donations, but these are not helping them produce a surplus.
- They are relying too much on free (pro-bono) professional advice or support.

Our survey shows that a very similar set of factors may also influence sustainability (i.e. whether or not community hub organisations are 'very confident' that they will still be operating in five years' time). It is interesting to note that long-term survival may itself be an indicator of future survivability: provided that an organisation can keep going, over time it is more likely to build up the reservoir of skills and experience necessary for future financial resilience.

However, further insights emerged from our focus group discussions and analysis

of accounts, some of which modify the conclusions from our survey, in particular:

- Building ownership is likely to improve levels of income and can sometimes produce larger profits, but can also carry the risk of generating larger deficits, especially where building acquisition brings with it a high cost in maintenance or repairs, or high levels of debt. See sections 5.2 and 5.3.
- High levels of diversification, either of activities or of income, are not necessarily associated with problems in generating surpluses or achieving financial sustainability. See section 6.4.

One further point needs to be made. In cases where community hub organisations do not have effective management accounts and reports, they are unable to exercise good financial management and take decisions to control costs and steer the organisation's financial strategy. While this research did not examine the quality of management accounting in the sector, the authors of this report know from our wider experience that, where such problems exist, they are a significant factor in undermining the ability of community hubs to generate surpluses and to survive over time.

6.2 Activity levels

Buildings work best when a lot goes on inside them, when there is no dead time. The easiest financial model is when the organisation running the community hub is providing a space for other people to organise activities, rather than trying to deliver too much itself. But this does not happen of its own accord, and it requires effort and skill to build up a critical mass of activity, especially at start-up stages in low-income communities.

The desire to maximise use of a building can result in low rental charges, which can undermine business viability. Moreover,

there are costs of keeping a building open for longer periods, especially when it is only partially used, or if the whole building needs to be opened up and if insurers require that a paid member of staff needs to be on site. Even when insurers do not require this, it is not always possible to rely on volunteers. However, in some cases (e.g. for wedding parties) it is possible to introduce an agreement which requires that the hirer provides security.

Pursuing income-generating activities beyond the building can sometimes work (as shown in the example of the Colebridge Trust set out in section 8.1) but there are risks of distraction and diversion of energies. Most activities outside the building will not generate income but might have other community benefits, and might raise the profile of the community hub, attract people to it, or encourage people to support it or work with it.

6.3 Cross-subsidy

Cross-subsidy, where surpluses from one part of the business are used to cover losses from another part, is a common feature of the business models of community hub organisations.

The practice of cross-subsidy carries risk, especially where financial knowledge is weak or management accounts are inadequate. In some cases, loss-making activities outweigh those which are capable of generating a surplus, and if that is not spotted and dealt with urgently the finances of the organisation can quickly become unviable. There is a particular danger if restricted funds are diverted to be used for purposes other than those permitted by the restrictions. Tensions and resentments can develop across the team, if it is felt that income-generating activities are valued more highly, or indeed less highly, than other parts of the operation.

However, when managed successfully, cross-subsidy can enhance the impact, reputation, and long-term viability of community hub organisations. Those which are able to generate surpluses in one or more areas of activity are well placed to redeploy them to fund work where the state has retreated (e.g. youth work and advice work, funded by profits from a trading subsidiary), or where people cannot afford to pay (e.g. breakfast clubs in school holidays, funded by surpluses generated by a café attracting wealthier people).

6.4 Diversification

In our focus groups it was suggested that over-diversification of income sources or activities is not in itself a problem. The problem arises when organisations start chasing the money, operate beyond their knowledge or skills base, and lose focus, sacrificing reputation and quality. Individuals should be wary of spreading themselves too thin by taking on too many activities. However, if the organisation can expand the number of individuals involved, then this does allow scope to have a wider horizon, take on new things and manage them successfully. It is therefore likely that larger organisations cope better with diversification.

It is best to build enterprises which are within mission, and within existing skills sets. Diversification out of desperation rarely works.

Where there is a mixed economy of activities (as is usually the case) it is important to investigate what the true costs/income of the different elements are, in order to make decisions about viability. One organisation suggested that it can be useful to apply the following distinctions, and make sure that everyone understands them:

- **Funded:** activities which are fully funded (by grants, contracts, trading);
- **Freebies:** activities which are provided on a discount or for free, because they really matter to the community;
- **Innovation:** activities into which the organisation is investing its own funding, because it is seeking to develop something new.

6.5 Volunteers

Our research indicated that the effective use of volunteers can be a critical success factor in achieving long-term financial success, and this is highlighted in comments from practitioners (section 6.8.3) and in examples such as that of the MoorEnd Development Trust (section 8.2).

However, building a reliable pool of volunteers can be challenging, especially in the context of a low-income community:

- Wealthy people don't come into low-income neighbourhoods or estates to use facilities, rent space, or act as volunteers.
- Volunteers are increasingly older as people retire later and working people often don't have as much time to give.
- It takes a lot of effort and investment of staff time to support volunteers, especially when they have support needs themselves.

In a community hub, the distinction between volunteers, staff and service users is often blurred. While this can be very positive for personal development and for building a positive collective spirit (and indeed is one of the distinguishing factors of a good community organisation), it can produce stresses at times of change: for example, when a volunteer becomes a paid member of staff (as illustrated in the Meadow Well Connected example at section 8.5).

6.6 Competitors

As our focus groups revealed, some community hub organisations face local competitors (including other local community hubs, as well as private or public sector competitors) which offer venues or other services more cheaply. In some cases, the community hub organisation will decide not to compete but rather to collaborate and support, especially where the local competitor is regarded as a contributor to a thriving local community (as shown in the Brockweir and Hewelsfield Village Shop example at section 8.6).

Competitors from outside for local funding contracts can be especially problematic. National charities can present an offer which is attractive to local commissioners and politicians (perhaps because of a well-known brand, or royal connections, or an ability to attract business sponsorship). But if they fail to enter into meaningful local partnerships, or even find out what local people actually want, they can divert resources and opportunities from existing community-run organisations, who are in it for the long term and have a depth of local knowledge and commitment (see the Colindale Communities Trust example at section 8.7).

6.7 Learning from successful organisations

In order to understand more about the organisations that have been especially successful in improving their income and profitability, the accounts of ten were analysed in more detail. All of these organisations have increased their income by at least 40% over the five-year period (equivalent to 7% average annual growth) and achieved an overall unrestricted surplus.

Apart from one, all had income of between £100k and £750k in 2017/18, although four had incomes below £40k just four years ago. Hence, although a small sample, the ten reviewed include a mix of smaller and medium-sized community hub organisations. The main characteristics were:

- **Significant success in winning restricted fund grants.** Some had won a single major three-year grant (£100k plus) or a capital grant, whilst others appeared to have an effective grant fundraising strategy, raising several (e.g. five to 15) smaller grants of £5,000 to £30,000. It should be noted that this performance is in marked contrast to the trend of the wider cohort, where grants have fallen sharply. It demonstrates, however, that fundraising strategies can potentially work where opportunity, resources and expertise are available. On the other hand, focus group discussion noted that the use of paid bid writers is often a mistake: it can lead to bidding for the wrong things and can jeopardise relationships with funders.
- **A shift to contracts.** The slightly larger organisations in this group (income above £250k) have been successful with contract income and this has been the main reason that income has grown, even against a background of falling grant income.

- **Social enterprise** was at the core of income growth and profitability for two of these organisations. One is a community shop/café in a rural area. It is a community benefit society and raised over £25k in a share offer three years ago. It has a very close connection with the residents in the village and this makes a significant impact on its use and performance. The other has an arts focus, and improved programming and marketing has increased attendances and, in particular, trading income from the bar.
- One organisation has significantly increased its income by charging modest fees to users. Whilst these fees are below cost (and hence subsidised), they do bring in almost 25% of total income, hence reducing the wider dependency on grants.
- **Maintaining a cost base in line with income** was a key part of the performance across this group of organisations.

There are clearly some lessons here: an effective fundraising strategy, having a close link with the community, and making modest charges where appropriate can be part of a sustainable approach. However, having the right leadership, management and staff is key to making it happen.

6.8 Tactics and tips for survival and success

The following 'tactics and tips' for survival and success emerged from the online survey, focus groups and case studies. As will be seen, these extend well beyond management of finances to other areas: community involvement, operating cultures, relationship building, governance and leadership.

6.8.1 Involve large numbers of people from across the community

Extensive involvement of local people from all parts of the community can provide a base of support for the community hub, not least when times are tough.

What practitioners say:

...First, build massive community involvement, and let people know their support is absolutely fundamental. Only after the local members have piled in do you go for grant/loan support. ...A strong base of community support can make a big difference in overcoming the inevitable challenges community hubs will face. ...Constantly check that you are still providing relevant local services that people need and want ... Look to the community for the passion for their projects and then support them to make it happen either in your community hub or somewhere else—this builds relationships, new volunteers and if they don't use your building now they may use it in the future. ... Get the community behind you so that the activities are well used and the organisations continue to rent the space.

6.8.2 Build up a pool of reliable volunteers

Volunteers are essential for business viability. It can be difficult to build and sustain a pool of volunteers, but the time and effort required can be a worthwhile investment.

What practitioners say:

...Volunteers you can rely on. ...Engage volunteers to perform fundraising and gala activities that give them ownership of the project ...Our entire process is volunteer-led to ensure sustainability in the long run, using the skills and knowledge gained by the present group of volunteers, to be transferred and replicable. ...The volunteers play the most important part of the sustainability in our organisation due to the time they give us. The worry is that the younger volunteers need paid work and can only volunteer for so long and if we can't afford to keep them, then we lose them.

6.8.3 Provide things which people value and will pay for

It is necessary to provide things which people really want, and therefore important to listen and research to find out what those things are.

6.8.4 Ensure that the community hub is attractive, welcoming and well-used

Immediate impressions count, and the community hub must feel like a welcoming and lively place as soon as someone walks through the door.

What practitioners say:

...Have a good 'offer' which people will pay for. ...Offer the community the space that they need on their doorstep. ...Keep trying to increase activities and as more people find out about the building they start to use the building for birthday parties and other events, thereby increasing revenue. ...Listen and react, and provide demand-driven activities and opportunities. ...Beware of trying to go 'up market' and not taking your community with you. ...Keep things simple, don't over-reach. ...Don't jump simply because one person has complained. ...The best organisations will look beyond their current users, and carry out community research to identify further unmet needs and aspirations and work with local people to take actions accordingly—the cost of this research is not high and exercises like this will position the organisation well for funding opportunities.

What practitioners say:

...Don't always try to be the cheapest, be the best. This includes being friendly, welcoming, warm. ...Provide an appropriate and well-maintained facility. ...Keep up appearances. ... Make sure the hub is attractive and welcoming. ...Excellent reception staff. ...We make our hall available to many groups at a low cost. ... Any groups, at any time, on any day, is the best way forward. ...As long as we can have one member of staff there to unlock and lock up, we can do 24/7 if required, which suits everybody and increases the amount of people using the hub. ...Create rent-generating assets that people actively want to pay for—in our case, low-cost rented housing and small work units. ...Be firm with tenants about regular, timely payments. ...We have local firms using us and paying, also a lot of funded health groups which pay to use us. ...Keep the place busy, footfall is vital—a lot of smiling people make a place welcoming. ...A library or café can bring life to a whole centre.

6.8.5 Run a tight-ship with excellent financial data and an eagle eye

Running a community hub is a marginal business, and so it is vital to keep close track of the money, keep costs down and keep the money coming in.

What practitioners say:

...Make sure every single penny counts, in larger as well as smaller organisations. Community hubs are using public funds, which don't belong to the organisation, they belong to the community. ... Beware of optimism bias. ... Be business-like and make sure things that can pay do pay. ... Grants for running things are almost non-existent now, we must be a successful business (shop and café in our case) to generate an adequate surplus to fund the community activities. ... We ensure that we charge for all hiring and rental. ... Balance expenditure against income. ... Budget pessimistically and beat the budget. ... Develop good financial models—e.g. use of a live cash-flow forecast, updated monthly to address issues before they impact. ... Tight financial reporting and modelling to monitor and spot danger/pinch points. ... Understand the costs of staff time as well as financial costs. ... Reduce costs, share occupancy with other organisations that complement your services. ... All community hubs need to develop a willingness to make the hard decisions to cut spending, even where that means the loss of cherished services or valued staff. ... It is often the case that more can be done to reduce operating costs, e.g. utility bills—and even small reductions can make a very worthwhile difference over time. ... It is sometimes possible to invest to save, for example, by replacing standard lighting with LED lighting to reduce electricity bills, by installing a new boiler to reduce heating costs. ... Keep an eye on things constantly.

6.8.6 Build positive relationships with others

However difficult the local operating environment may be, it will always be possible to find allies and partners, and community hubs can achieve more if they build good and trusted local relationships.

What practitioners say:

... Understand what is distinctive about the 'offer' of a community hub. This can reduce unhealthy competition by encouraging mutual appreciation among local agencies, and can produce more positive collaboration (for example in social prescribing consortia). ... Face outwards, develop good networks, encourage others to use the space. ... Network with others and use and build their ideas to fit your community. ... It is possible to build up relationships with local businesses and sometimes they will undertake work (e.g. repairs to the building) for low cost or without charge. ... Seek support from local and national organisations. ... Know when to ask for help and advice. ... Find support from advisors and networks such as Locality. ... The local authority is very important but increasingly difficult to access. ... If there are difficult neighbours, go out of your way to listen, always be polite, and build a relationship. ... Community hubs are more likely to thrive if they maintain and build public support, as volunteers, users, customers.

6.8.7 Build a positive team and embrace change

A successful community hub needs a team which has a positive culture and is always open to challenge and change.

What practitioners say:

...Leaders should remind themselves of achievements and successes—if they become downhearted everyone else will too. ...Make sure everyone is on board. Even one person who is difficult can make things go wrong, a community hub is only as strong as its weakest link. ...Build a board where people listen to each other, and where there is space to step away and reflect. ...The board needs to provide challenge. It regularly needs to attract new people, who can bring fresh energy and a fresh pair of eyes. ...A community hub has to be innovative and deal with the pressure of demand—it is important for trustees to understand that. ...Community hubs need the courage to stop doing things which are not working. ...Look and plan ahead and do scenario-planning ... Undertake market research and provide what is wanted. ...Make decisions quickly and be open to change and development. ...At the beginning of every year, start with a new motto for the organisation, for example, 'Be bold, dare to say it.' ...Hold strong, hold your nerve, hold to account.

6.9 Particular advice for those starting out

Much of the advice set out in section 6.8 above applies to those starting out. One of our focus group discussions suggested that the following would be especially useful for those starting out:

- Be prepared for how hard it will be in the first few years.
- Don't be scared to take risks.
- Follow your instincts.
- Tell yourself to be brave.
- Understand the difference between value and price.

Previous guidance from Locality²⁰ sets out eight steps to establishing a community hub, and these include the following:

- Understand local needs and demand.
- Establish a clear vision and mission with your community.
- Develop partnerships and build relationships.
- Develop your strategic objectives.
- Develop a business model for your hub.
- Secure support and resources to make it happen.
- Acquire any assets required.
- Establish an appropriate governance structure.

It was not the intention of our research to produce guidance and support materials for those starting out, or continuing on, the journey of managing a community hub. Local Trust and Power to Change have commissioned further work by Locality to address this. However, we suggest that the practitioner advice which has emerged from our research, including that set out in this section and in section 6.8 above should be taken into consideration in the production of any new guidance and support resources.

²⁰ Community Hubs: How to set up, run and sustain a community hub to transform local service provision. Locality [nd]. Available at <http://mycommunity.org.uk/wp-content/uploads/2016/10/Community-Hubs-FINAL.pdf>

Our findings: support needs of community hub organisations

7.1 Levels of financial competence

Our focus group discussion noted concerns about financial competence in the community sector. Two comments were made in particular:

- It was felt that some organisations are 'robbing Peter to pay Paul' without fully understanding what is going on, and that this can lead to financial disaster.
- It was noted that a lack of financial expertise can store up problems—in one case in the past, a loan was shown simply as income in management accounts, producing a false sense of security.

This mirrors a widespread view that the community sector is lacking in basic competence in managing money. However, our research did not in fact come across instances of this, beyond the comments cited above. On the contrary, it became clear that many community hub organisations are very well managed, with tight financial controls, a high level of capacity to identify and manage business risk and opportunity, and effective leadership and governance.

Even taking account of the fact that our research was inevitably biased towards the more successful community hub organisations, it is nevertheless evident that there is a considerable reservoir of insight and skill among the people who are managing community hub organisations across the country. It is a source of intense frustration to many of them that others, notably local authorities, larger national charities and voluntary sector infrastructure

agencies, sometimes treat them as if they were lacking in basic competence.

This is not to say that everything is run as well as it could be within all community hub organisations. This is obviously not the case: there are some which are run badly and fail as a result. There are others which are run well but nevertheless struggle to respond to difficulties and challenges not of their making. And the best-run organisations are well aware of the dangers of complacency: they know they always need to adapt to changing circumstances and to push themselves to do better.

Effective management accounts and reports are essential in order to help organisations plan and implement their strategies and business plans, and control and manage financial performance. The scope of this research did not cover detailed analysis of the effectiveness of management reports among community hub organisations; however, among members of the research team, up to half the cohort were known in some way. Also, based on our experience, there is a wide variation in the quality of internal information. Indeed, when organisations experience significant financial difficulty, it is often a surprise (especially to trustees) when they see the information set out more clearly than they are used to.

In addition, one notable problem which has become very apparent during the course of this research is the significant variation in the quality of published annual accounts. Some provide the minimum information possible, while others include every detail and long trustee reports. Many do not even comply fully with the relevant

accounting standards, and very few stated their free reserves. This can have a real impact on trustees', stakeholders' and funders' understanding of the organisation, and indicates a lack of competency among auditors and independent examiners working with this sector.

7.2 Types and sources of support used

Our survey revealed that community hub organisations have sought various types of support to take on and run their community hub:

Fundraising support	35%
Setting up financial management systems	23%
Business planning support	22%
Tax advice	20%
Feasibility studies	14%
Help in tackling financial crisis	4%
None—we haven't needed any help	37%
Other	10%

The survey also provided an indication of the relative usefulness of different sources of support:

Support from a trustee or volunteer	64%
Advice and tips from other community organisations or groups	46%
Written guidance or tools	37%
Support from a local or national support or membership body	33%
Support from an accountancy firm	31%
Support from a paid consultant	17%
None—we haven't found any useful sources of support	11%
Other	10%

Where written guidance and tools had been used, the following were mentioned as helpful:

Choosing a Legal Structure ²¹	8
Simply Start-Up ²²	3
The Building Calculator ²³	3
To Have and To Hold ²⁴	1
Pillars of the Community ²⁵	1
Other	9

The 'other' category included tools accessed through internet searches, ACRE guidelines, Plunkett Foundation guides, the Charity Commission website, NCVO guidance, and materials on the Locality website.

Given the full sample size was 83 organisations, this suggests that published guidance and tools do not have a wide reach in the sector. This suggests that any new guidance and tools produced for Local Trust and Power to Change should be designed in ways that can improve reach.

²¹ Locality with Russell-Cooke Solicitors. (2015) Choosing a legal structure: A toolkit for community organisations.

²² Co-operatives UK. (2011) Simply Start-Up: A guide to the process of starting a Co-operative or Community Enterprise.

²³ Locality in association with Davis Langdon. (No date) The Building Calculator. Online tool providing 'whole life costing' for community buildings, available at <https://www.buildingcalculator.org.uk/>.

²⁴ Hart, Lorraine. (2010) To Have and to Hold: The Development Trusts Association guide to asset development for community and social enterprises, second edition.

²⁵ Locality. (2015) Pillars of the Community: The Transfer of Local Authority Heritage Assets, revised edition. English Heritage.

7.3 Professional expertise

Discussion in focus groups acknowledged that there are cases where a view from an external consultant (especially where technical knowledge is required (e.g. VAT, fire-risk assessments) can be money well spent.

There was scepticism about professional fundraisers and very mixed experience of using them. It was generally felt that the best people to write funding bids are the people on the ground, but that critical friends with experience of raising money from trusts and foundations, or of submitting tenders, are needed before bids are submitted.

The use of pro-bono professional advice or support may work well but may also be an indicator that the organisation does not have the necessary skills itself or is over-reliant on one or two people.

Generally, attempts to professionalise the community sector, by bringing onto boards, or into other leadership roles, people with a background in the corporate sector or managerial roles in large public institutions, were unhelpful. The key quality of successful community hubs is not professionalism but rather 'stubbornism', it was felt. As well as core business skills, entrepreneurial energy, local knowledge, ability to build partnerships and generate trust, persistence and resilience, and empathy and insight into the lives of people within the community, are all significant leadership qualities for community hub organisations, and can usually be found from within the community, or at least close to hand. Board members can be

drawn from local businesses or other local institutions (e.g. schools), as well as from the local community more broadly. 'Those from large corporates are less likely to work successfully, they often bring a mentality which is too narrow.'

7.4 What is needed

In focus group discussions it was noted that many organisations produce business plans that, once written, are never referred to again. It was suggested that guidance on preparing a simple strategic plan which people can use in their work might be a useful resource.

It is important to ensure that all trustees 'get' the business requirements, understand the finances and play an active scrutiny role: 'no secrets any more'. It is important to produce really good management accounts, not just income and expenditure, and cashflow forecasts, but also including liquidity levels²⁶ and profitability ratios²⁷, for example, and making sure that everyone on the board understands the accounts and can take action, e.g. reducing the ratio of debts to income to a safe level.

The primary implication of our research is that the most effective strategy for enhancing the financial and other competencies of community hub organisations is to start with the skills and insights which already exist within the sector, and to make it easier for learning to be transmitted horizontally—between practitioners locally, regionally and nationally—and to supplement this with training activities (including for board members) which include, wherever possible, peer-based action learning.

²⁶ A liquidity level is found when net current assets are divided by net current liabilities. This gives trustees and management an understanding of the organisation's ability to meet its financial commitments.

²⁷ An example of a profitability ratio is a profit margin ratio, which is found when net surplus is divided by net income. This shows how profitable the income is. This is important to know because sometimes an organisation can grow its income and believe it is doing well financially, but if at the same time its profitability ratio falls, that means its business activities have become less profitable, and it may need to take action accordingly.

Stories of survival and success

The following case studies are stories of survival, often in the face of significant challenges. They encompass a range of scale and activities, and operate in different parts of the country, in both urban and rural settings. But they all demonstrate that it is possible for community hub organisations to manage their finances well, keep true to their core purpose, and deliver sustained benefit for their community.

8.1 The Colebridge Trust

About the Trust

The Trust was set up in 2002 and is a charity dedicated to community and enterprise development in Solihull and beyond. It has a wholly owned subsidiary, Colebridge Enterprises, which delivers employment and skills and inclusion activities. The Trust rents space for its central office and also operates from two other buildings:

- Junction, which is the base for an employment and skills service and for other community facilities, including a social supermarket. In 2012, the Trust rescued this building, which had been standing empty after an arson attack, by merging with the local youth charity which owned it.
- A light manufacturing unit, which operates as part of the Jaguar supply chain as well as supplying assembly and packing services to other companies. The Colebridge Assembly is based here and employs a diverse workforce, including people with learning disabilities and people with mental health conditions. It also offers work placements for young people at risk of exclusion, and to those

who are considered to have special educational needs (SEN).

The Trust is the 'Local Trusted Organisation' (LTO) for the Cars Area Together Partnership of local people in the Smith's Wood area, which was awarded £1m of Big Local funding. It also provides an accountancy service to the not-for-profit sector.

Seven trustees manage the organisation and employ 29 staff, of whom ten are full-time. In 2017/18, income was £768k and spend was £742k. Its main sources of income were public sector contracts (71%) and social enterprise activities, as well as fees and charges (27%). Colebridge Enterprises contributed its £16k surplus as revenue to the Trust. Income from grants and buildings (rents, room hire) was low (2%). The Trust's liquidity ratio was 1.9%.

Over a five-year period, the income of the Trust has increased (from £660k in 2013/14). It has successfully managed a transition away from grant income (78% in 2013/14) and, impressively, it has been able to generate surpluses each year. As a result, its free reserves have increased from a dangerously low level of £27k in 2013/14 to a healthier £170k in 2017/18.

The challenges

The Trust has faced three big challenges in recent years:

- The Junction building presented a series of difficulties. While the Trust owns the building, the local council owns the land on which the building sits. Because the council had plans for a wider development of the area, it initially withheld permission for the refurbishment to go ahead and, as a consequence, the building stood derelict and empty. A basic refurbishment was finally undertaken, with the Trust drawing from its own reserves for the purpose, and the building reopened in 2016. However, the problem has not been resolved. The lease on the land expired in 2018 and the council has only been prepared to roll it over on an annual basis, which makes long-term investment impossible. The building itself is cramped, and not fit for purpose. It has no value on the balance sheet of the Trust.
- Until March 2019, the Trust received council funding to provide CVS-type services, but, following a tendering exercise, the contract for these services was awarded to an agency with no local track record. This was unfortunate, not only for the finances of the Trust (the CVS income had contributed to administrative overheads), but also for the quality of the service: only one of the Trust's staff took the option to transfer employment to the new provider, and much of the local knowledge accumulated over years was lost.
- Council funding to contribute to support people with a learning disability at the Colebridge Assembly was withdrawn in April 2018, leaving a funding gap of £85k. It was suggested that personal budgets (direct payments) could be used instead. Unfortunately, the Trust has only been able to attract £17k of this type of funding to date.

How the Trust met the challenges

The Trust has worked hard at local relationships, even where that has been difficult. For example, at one point the council hinted at the use of a compulsory purchase order to take control of the Trust's building. The Trust has had to stand its ground, insisting on a suitable space and a minimum 25-year lease for any future relocation. Despite such difficulties, it continues to work, mainly successfully, at building positive relationships.

The Trust has managed its finances robustly, ensuring costs are kept to a minimum, and always operating within budget. It has been prepared to consider different options and act entrepreneurially. For example, although it lost its CVS contract, it expanded its community accountancy service, attracting 45 paying customers, providing a valuable service, and generating a surplus. It is also exploring the use of social investment to help it acquire a more suitable asset.

The Trust has never lost sight of its primary objective, which is to build a stronger local community. Its employment and skills work is especially highly regarded and has become the go-to service of its kind in the area. This is because the service provides a high level of personal attention, and the different elements (the industrial unit and the social supermarket, as well as a series of employment fairs and links with local employers) all add value to the experience of the people the Trust works with and the outcomes they achieve. The quality and success of this suite of activities has allowed the Trust to attract and retain funding for this important work.

Plans for the future

The Trust is hopeful that it will be able to maintain and expand its employment and skills activities, extending its ability to combine them with health and well-being support.

It is also developing plans for a new coaching service for community groups across the region to help them improve their bid-writing skills.

It is determined to negotiate a suitable site and win investment for a fit-for-purpose enterprise centre, which can benefit the community and become a genuine asset to support the charity's work.

In conclusion

The Trust is not complacent, but it does take pride in what it has achieved. It sees itself as a solid organisation with capable people, a real depth of knowledge and skill, and a track record of achievement. And it continues to look forward with hope and determination: 'We are still here, and we've got ambitions.'

More information:
www.colebridge.org

8.2 MoorEnd Development Trust

About the Trust

The Trust was incorporated in 2003 and registered as a charity in 2006. It was set up to 'support community groups, sponsor cultural events, preserve historic buildings and help to preserve and protect the environment.' It serves several Pennine villages centred on Littleborough, within the Metropolitan Borough of Rochdale.

The Trust operates two community hubs:

- In 2004 the local council transferred the Butterworth Hall in Milnrow to the Trust on a 999-year peppercorn lease. A feasibility study gave the community confidence to take on the project, and council officers were able to argue that an £85k grant to make the necessary repairs and cover the cleaning costs for two years would be money well spent, as the council would save money within three years. The

Trust was able to increase the number of groups which use the hall, despite the necessary increase in charges. It also raised funds for the purchase of new furniture and equipment and to refurbish the interior. The transfer was regarded as a success: it featured in the landmark Quirk report on community asset transfers.

- In 2008 the Trust embarked on a campaign to take ownership of Hare Hill House in Littleborough (an 18th century residential building which became the District Council Town Hall in 1901, and the Neighbourhood Office in 1974 on local government re-organisation). It eventually secured a licence to occupy (rolled over on a monthly basis) and has negotiated a 125-year lease. Since 2015, the building has been gradually brought back into use and is operational as a community, arts and enterprise centre.

The Trust also provides an organisational umbrella for the Pennine Business and Tourism Forum, a collaboration between community, business and the local authority, which promotes new business and tourism across the township.

The Trust has ten trustees, and no paid employees. Its activities are delivered entirely by volunteers.

In 2016/17 income was £86k. This included grant income of £32k, and rental income from Butterworth Hall and Hare Hill House of £43k (up from £29k in 2016). Spend was £54k. Following a change in accounting policy as guided by the independent examiner, free, unrestricted funds fell to less than £1k, although the fixed assets including the Butterworth Hall were valued at £399k.

The challenges

Butterworth Hall has not presented major challenges. Although plans to create additional space for a community theatre did not get off the ground, it has operated well as a community hub and the building

is sound. The Trust believes 'it has done well to keep it going' and that this was 'a good investment by the Council'.

Hare Hill House, on the other hand, has been a much more challenging project. When the council decided to relocate its services (apart from a library, which it wished to retain in the building), the Trust produced a feasibility study outlining the case for community ownership. Despite pressure from some council officers, who argued that the building should be converted into flats, the council leader agreed in 2012 to hand the building over to the Trust. With the vacant building continuing to be vandalised, it then took a year before the Trust actually received the keys to the building.

How the Trust met the challenges

The Trust has been successful in engaging local volunteers. When it opened the doors of Hare Hill House to the public in December 2013, 30 people turned up to find out what was going on. Slowly, the Trust has brought different parts of the building into community use. While funds have been raised to pay contractors, most of the refurbishment work has been undertaken by a team of up to 100 local volunteers (the Hare Hill Heroes) who come together twice a month. Now, eight offices are let to local organisations and two community rooms are in use seven days a week (including evenings).

A bid to the Heritage Lottery Fund for a major refurbishment grant was not successful. In hindsight, says the Trust, this may not have been entirely unfortunate. It meant they had to find other ways to proceed. By engaging a large number of people from the community as volunteers and working more slowly, a five-year plan for restoration was prepared. The Trust has been able to adapt along the way, tailoring the refurbishment as it went along to the requirements of the community and tenants. 'Yes, it is taking longer, but

we are getting there, and we have created a centre that the community can truly take pride in.'

Plans for the future

Littleborough faces a difficult future, with plans for major housing developments but a lack of local infrastructure. It will be important for the community to feel 'we can do things for ourselves'.

The Trust is about to sign the long lease on Hare Hill House in 2019. With help from Locality and a small grant from the Power to Change/central government Bright Ideas Fund, it has produced a business plan and design proposals for improving access within the building with a lift to the first floor, as well as a ground floor café. This, it is hoped, will improve the trading revenues from the building and increase its financial sustainability, as well as increase its usefulness to the local community. Once the lease is in place, the Trust hopes to raise the necessary finance to take forward these developments.

In conclusion

A licence to occupy, for the early stages of the Hare Hill House project, has been preferable to taking on a long lease from the outset, with the liabilities and responsibilities that entails. It has allowed for a period of learning by doing, and this has increased the prospect for long-term sustainability.

The involvement of the community in the work of the Trust has been a significant factor in its survival and success. Local people who have contributed in different ways can stand back and say, 'we've done that'.

More information:

www.moorendtrust.org.uk

8.3 Heeley Trust

About the Trust

In 1996 a community group in Sheffield took over some derelict land that had been set aside for a highway project that never happened. The group became the Heeley Development Trust, later renamed the Heeley Trust. The four hectares of derelict land were secured by the Trust on a 125-year lease from Sheffield City Council in 1997. It became the Heeley Millennium Park (now called Heeley People's Park) and is managed by the Trust for the public benefit within the area of Heeley and Lowfield in Sheffield.

The Trust describes itself as 'a community-led anchor organisation, working hard to improve the environment, opportunities and prospects of our neighbourhood.' It works with residents, local groups, schools and agencies to strengthen community cohesion through youth, training, community and environmental projects to 'link people, land and buildings and make a sustained change to the place we live and to the people in our community.'

The management of the People's Park remains a major Trust activity, but the Trust also now has a 25-year lease (from 2001) for the Heeley Institute, a refurbished Grade II listed Wesleyan Chapel, which provides space for community activities. In 2012, the Trust took a 125-year lease on the former Anns Grove School in which it created Sum Studios, a managed workspace for creative and digital businesses. The Trust also manages Meersbrook Hall on a licence to occupy (in partnership with the Friends of the Hall) former council offices, which are now home to Sheffield Online and a variety of events and activities. The Trust has also set up ReCycle Bikes to mend and maintain bicycles and train young people. It also runs a bike lending scheme.

The Trust has 11 Trustees and 28 staff (22 full time equivalent). In 2017/18 total income

was £867k and spend was £823k. The major part of the income (£622k) was from public sector contracts, including adult learning, public health, and promotion of cycling. £182k came in rental income, and only £52k in grant income. Over the last five years it has generated a surplus each year, increasing free reserves from a negative position of -£50k in 2013/14 to a positive position of £131k in 2017/18.

The challenges

The most significant challenge has been to raise finance to invest in the property the Trust has taken over to improve the neighbourhood and the lives of its inhabitants. The poor state of the building portfolio at the point of handover meant that significant repairs and improvements are needed to fully realise its potential. Capital grants for this purpose have become increasingly scarce, and the Trust took on social investment, including a loan of £545k from the Social Investment Business (SIB). However, the poor state of the buildings in the Trust's portfolio has meant that the level of investment required is greater than the market valuation of the buildings once restored and cannot be entirely repayable by income generated from the buildings. Freehold property is valued at £295k and leased property is valued at £2.1m, but this largely represents the level of investment made so far and is unlikely to reflect true market value. At present, income from the buildings is insufficient to fully service the loans. SIB has been a patient lender and has been willing to forego the interest repayments. It has also agreed that the Trust can make capital repayments only.

The result of this is that the Trust's original business model, that it would generate the main part of the income it needs for community development from its property portfolio, has not been realised. Instead, it has had to turn to bidding for and delivering public sector contracts. While

it has been able to undertake worthwhile activities in this way, this has been a difficult path to follow. Many contracts are short term (some as little as ten months), the processes are bureaucratic, and the contract prices do not allow full cost recovery. The Trust has been required to operate in a competitive market where it has to absorb all the risk with little protection from predatory behaviour; in one case a delivery model designed by the Trust was handed by public sector commissioners to competitors.

This strategy has reduced the proportion of the Trust's income which is independent. As a consequence, the Trust feels it has become harder to make the right choices in favour of the local community and to speak out when services need to be improved or damaging policies need to be challenged.

How the Trust met the challenges

The Trust has renewed its efforts to increase independent income from its buildings and 2018/19 saw an increase in rental income.

It has built up a strong reputation for service delivery so was able to retain contracts, even though these have been set at a lower price in order to accommodate public sector spending cuts. It has designed a suite of learning and health and well-being activities which in combination are more than the sum of their parts. For example, the Trust's 'learning champions' have become the first point of contact for older people experiencing loneliness and isolation, thereby developing a positive model which 'turns people from patients to learners'.

It continues to seek positive relationships with the public sector, appreciating those within the local council who are trying to improve commissioning and procurement methods, despite the restructuring and the pressures on public finances.

Plans for the future

For now the Trust's strategy is to continue to win public sector contracts provided it can do so without compromising its values.

But it believes that its ultimate goal of building a whole neighbourhood can only be achieved by recovering and bringing back to life the buildings in the neighbourhood which are rich in heritage but poor in condition. If they can be restored and turned into a financial asset, they can generate income which can be applied for community benefit - not least to improve the local landscape and open spaces in the neighbourhood, and so 'linking people, land and buildings'. The Trust continues to seek national and local partners who might be able to help achieve this.

In conclusion

The Heeley Trust is an example of a community hub which has had to operate against the odds, but continues to operate successfully year on year, bringing improvement to its community, and maintaining and building community ambition.

It holds a firm view that it needs to manage all its resources well 'because they don't belong to us, they belong to the community'. However, it is a continuing source of frustration to the Trust that many in the public and private sector, and in large charities, regard those operating in the community sector as lacking in professionalism or management proficiency. Certainly, it concedes, there are some in the community sector who are not managing their money well, and who over-claim their impact. But there are also many who are doing a good job in difficult circumstances, and those in other sectors could do well to recognise and learn from that.

More information:

www.heeleytrust.org

8.4 Ripon Community House

About the Community House

Ripon Community House is a community facility for the benefit of Ripon and the surrounding area. It is owned and administered by a charitable company incorporated in 2002, Ripon Community House Limited.

It is a listed building, formerly the workhouse hospital wing adjacent to the Workhouse Museum, and is part of an historic site. It was renovated in 2006.

- The building provides office space for hire for local charities and public sector agencies. Current tenants include: Dementia Forward, Harrogate and Ripon CVS, Carers Resource, and St Anne's Community Services. A local health services clinic also operates within the building and a 'warm phone' offering free connection to several organisations such as the job centre, benefits service and the tax office, has been provided by Harrogate Borough Council.
- The building also hosts adult education classes, exercise classes and community groups on a regular basis, daytime and evening.

There are five trustees and four part-time staff. The reception, open every weekday, is run by volunteers.

Total income in 2018/19 was £108k (of which rental and room hire was over 90%) and spend was £99k, producing a surplus of £9k. A similar operational surplus was achieved in each of the previous five years. While unrestricted funds stood at £995k, these were almost entirely locked into the building, and free reserves stood at just £1k in March 2018.

The challenges

The charity was able to raise an impressive £1.3m in grants and donations towards the costs of the 2006 restoration of the Community House. However, this left a £250k funding gap, which was met through a Charity Bank loan on a 25-year term.

When the loan was taken on, turnover was higher, because at that point the charity had a contract from the local council to provide CVS services for the Ripon area. Subsequently the council decided that this contract should be subsumed within a combined Harrogate and Ripon CVS service in order to save money, and the result was a reduction in income for the Ripon Community House.

By 2013 the future of the charity seemed very uncertain and when a new chief executive was appointed, the trustees initially felt unable to offer more than a six-month contract.

How the Community House met the challenges

Difficult decisions had to be made, not least to close down a loss-making community café. Efforts were also made to increase income from the building, and this raised the level of room hire income from £14k in 2012/13 to £30-40k in recent years.

The space is used for board meetings of local charities, local planning events, business meetings, Pilates courses, coffee mornings, a weekly pop-up café, and so on. It is now open 8am to 9pm every weekday and by arrangement at weekends.

The reception is run by volunteers until 4pm, and after that time there is a 'self-service' arrangement whereby key fobs are provided to trusted local community users. The charity does not require deposits up front. Operating on trust has worked for six years, and the charity has found that if they treat people well, they keep coming back: 'No-one has ever let us down.'

Plans for the future

Financially, the organisation is just keeping its head above water. The debt remains a long-term challenge: there are 12 years left to repay the loan, and the annual cost is equivalent to more than half of the total annual salary bill.

It has proved impossible to plan ahead for more than 12 months. For example, if a tenant charity loses its funding or finds itself in financial difficulties for other reasons, this produces an unforeseen loss in rent income. Every time this happens, energies have to be diverted into a short-term struggle for survival. So far, the Community House has always found a way, but the experience can be exhausting.

The organisation has always had to work hard to get the best possible deals on repairs and building renewals, which can be much more costly in a listed building (for example sash windows have to be repaired and cannot be replaced with alternatives which are cheaper to maintain).

It is however a 'beautiful building', according to the chief executive. It is adorned with local artwork. The informal relationships and networks make it warm and welcoming: a 'nice place to be'. If this can be maintained into the future, that will be a success in its own right.

In conclusion

'There is no magic recipe,' says the chief executive. 'The best community hubs are deeply rooted, with a strong feel of community ownership.' Where nearly all the income is earned, as in this case, and there is no day-to-day reliance on grants, that can make a big difference to long-term success.

More information: www.riponcommunityhouse.co.uk

8.5 Meadow Well Connected

About the organisation

Meadow Well Connected serves the two most deprived wards in North Tyneside: Riverside and Chirton. The organisation has a simple but potent vision of 'a thriving community that's a great place to live, work and play.' It works with the local community to identify needs and to develop programmes of support to enable people to 'flourish and become more independent, both economically and socially.'

The charity was established in 1994 and runs a community centre and community garden. About 65% of the activities at the centre are provided directly by the charity and include:

- Connected Pathways, a programme to support and build confidence among local people;
- Wise Steps to Employment, to support people facing barriers to work;
- Digitally Connected, a free IT suite offering training and online access;
- Affordable after-school provision to support children aged 8-13 and their parents;
- Gardening and joinery programmes to support adults and young people;
- Specialist alcohol support for treatment-resistant drinkers.

The centre hosts a mix of partner agencies including the Bay Foodbank, Dyslexia NE, Anxious Minds, DWP, and Citizens Advice. Other activities include a community café, martial arts training, summer activities and community-led workshops, and an arts programme for older people.

There are nine trustees, with seven core and 11 project staff together with over 50 volunteers supporting the IT suite, reception, café, and garden. In 2018/19, total income was £482k. Around one third of this derived from income-generating

activities, including a café (run as an independent business by a local resident from the estate), as well as room hire for conferences, training and office space. Spend was £466k, of which around half was on delivery staff.

The charity holds its main building on a long peppercorn lease from the council to 2062. However, the lease for the land it sits on expired in 2017. The charity also has a lease to 2023 on a smaller building nearby, which is rented to a food bank. No property is listed among the assets of the charity in its published accounts. Free reserves at March 2018 were £25k, and at March 2019 unrestricted funds stood at £59k.

The challenges

In 2018/19 the charity achieved a surplus of £16k, following a surplus in 2017/18 of £71k. But things have not always moved in a positive direction: back in 2013/14 and 2014/15 there were losses in both years, amounting to £130k.

Trustees at the time had to devote considerable energy to managing finances, and a necessary reduction in the staff team was difficult to manage. Some staff worked additional unpaid hours to keep the show on the road, and some even covered small expenses from their own pockets, demonstrating the high levels of personal commitment within the team. But it was also important to introduce more business-like measures, and initially these met with some resistance. Several staff had started as community volunteers, and the transition to operating as paid members of staff with more formal expectations was not always easy.

How Meadow Well Connected met the challenges

One of the founders of the organisation had operated as chief officer, but in 2016 a new chief officer was appointed who came from outside the neighbourhood and was able to take a fresh look at what was needed.

Lottery funds were raised to build internal capability, and an organisational strengths review was applied to every part of the organisation, as well as a benchmarking exercise which provided quality comparisons against similar agencies elsewhere. The board was renewed—it now has two local resident trustees to ensure it keeps its feet on the ground, while other trustees have been recruited from further afield for specific skills—and, as a result, is more business-minded.

An online impact-management system (Evide) was introduced to collate and analyse client data. This was developed as a result of a funding opportunity, but staff felt it was an imposed solution and not always useful. While it is still in use for some purposes, the organisation has reviewed its approach to monitoring and evaluation, identifying which outcome measures are most useful and, in some cases, making use of easier methods to gather data, such as Google Form surveys.

The organisation has learned the value of good financial reporting to ensure it achieves its income targets and controls costs and is 'not spending on stupid things'. As well as income and expenditure reporting, it uses profitability and liquidity ratios as warning flags for its board.

A great deal of effort has been made to reduce overhead costs, not least by renegotiating deals with suppliers and by investing in LED lighting and room sensors to save money. At the same time, the organisation invested in a community fundraiser, and was able to build relationships with local business networks and appoint a business patron to improve its profile in the business community. Consequently, Meadow Well Connected has been adopted as charity of the year by several companies operating in the area. It has found that external networking can produce important benefits but that it needs to be done with confidence. As the chief officer says, 'Take a deep breath, walk into a room, and just do it.'

She has also found that it is important to involve people, to 'keep everyone engaged in some way, and then it isn't just one or two people doing everything, but all of us.'

Plans for the future

The plan for Meadow Well Connected is to continue to deliver the best possible range of activities for and with its local community. It would like to increase the income it can self-generate for these purposes as much as possible, bearing in mind that ability to pay in the immediate neighbourhood is limited. It would also like to provide more support for others operating locally, for example, by offering financial or other back-office services. There is land adjacent to the Centre which could be used more productively for community benefit and perhaps to increase income for the charity's operations, so that raises possibilities for new developments in the coming years.

In conclusion

The experience of Meadow Well Connected in recent years demonstrates it is sometimes necessary to make hard decisions, and always important to understand the finances, so that the right choices can be made. In some cases when the funding is not there, things have to close. But sometimes, as with the Centre's after-schools club, the service is felt to be so important that, even if the necessary grant funding were to be lost, the charity would find some other way to keep it going, through applying surpluses generated elsewhere. But it can only do that if it is truly in control of the money.

More information: www.meadowwellconnected.org.uk

8.6 Brockweir and Hewelsfield Village Shop Association

About the village shop

Brockweir and Hewelsfield are neighbouring villages in the Wye Valley on the edge of the Forest of Dean. Brockweir used to have a shop but by 2000 it had closed. In 2001, local people responded by forming a co-operative (now trading as an industrial provident society) to create a community-owned village shop and café.

With grants from DEFRA and other agencies as well as funds raised by local people, the shop opened in 2004. In response to strongly held community views, the building was constructed to a high standard environmentally, using locally sourced oak, and generating power through solar energy and a ground-source heat pump, soon to be upgraded to an air-source heat pump to further improve energy efficiency.

The shop is open seven days a week and sells local produce, bread, general groceries, newspapers and greeting cards by local artists. It also offers basic postal services, photocopying, a free book exchange and refills for Ecover products. The licensed café has free Wi-Fi. Within the building, the Loft is available for hire as a training and conference space.

More than 50 volunteers support the enterprise. The co-operative has 74 paid-up members and a management committee of eight local people, and employs a full-time business manager. The shop and café made a net profit in 2017 of £92k on sales of £236k. Rental and other income totalled £3k. Administration and running costs totalled £90k, so the end-of-year surplus was just under £5k. In the previous year, results were nearly identical, and by December 2017 free reserves reached £55k.

The challenges

One challenge has been the growth of internet shopping and delivery vans, as has happened in many rural areas. At the same time, poor internet connectivity limits the ability of people to work from home, thereby diminishing the customer base for local shopping.

A further challenge is the widespread availability of low-cost supermarket food. Consumer sensitivity to prices remains high, not least when many people have seen a decline in their income in recent years.

Furthermore, income from the Loft has been less than originally envisaged. It was intended to be a training centre for silver surfers, but the need is no longer there. So the space has now become a venue for those seeking a business-like and comfortable space. However, its ability to generate income is constrained: car parking is limited, and during shop opening hours priority needs to be given to customers. In addition, the co-operative does not want to undermine the viability of other local amenities, so it will not take bookings for parties or children's events but instead refers inquiries to the nearby village hall.

How the village shop met the challenges

From the outset, the co-operative organised its activities according to four central aims:

- To be financially sustainable;
- To be a place for people to meet;
- To support local food and drink suppliers and producers;
- To be as ecologically friendly as possible.

These continue to serve as core operating principles for the co-operative, although tensions between them can arise. For example, the co-operative wanted to use eco-friendly napkins in the café, but these are more expensive. Which mattered most,

financial sustainability or environmental aims? In this case, a way forward was found by purchasing smaller napkins which came to the same price as the larger, less eco-friendly alternatives, and which worked perfectly well.

The co-operative has had to keep awareness high about the benefits of buying local. In order for the business to prosper, and for the co-operative to achieve its long-term goals, it seeks to play an educational role, for example, by encouraging people to understand why buying a higher-quality £12 chicken from the village shop and making several meals from it might be better than buying three, £4, battery-farmed, supermarket chickens for the same price.

At the same time, costs have been kept as low as possible, and, as the business manager says, in a marginal business like this, it is vital 'to make every pound we spend count.'

Plans for the future

The volunteers are central to the success of the co-operative. But increasingly, as work and life patterns change, they are drawn from an older section of society. And the more successful the shop becomes, the more strain and stress this generates for the volunteers. So the co-operative is considering whether it can find a way to employ more paid staff, as it is now reaching crisis point and has to decide whether to increase its capabilities or reduce its offerings.

In conclusion

'Things can always come along and knock you for six,' says the business manager. But the co-operative has learned that it is possible to plan ahead, for example, by steadily building up reserves in anticipation of a time when the building will need attention.

It is also possible to look to others for advice. 'It is never necessary to reinvent the wheel,' as the business manager points out. Community enterprises are better connected than in the past, she feels, and there is a network of over 400 community-run village shops, run by the Plunkett Foundation. 'There is always someone, somewhere, with the experience or ideas which will help.'

More information:

www.bandhvillageshop.co.uk

8.7 Colindale Communities Trust

About the Trust

Colindale Communities Trust is centred on the large Grahame Park estate in north-west London, which was built in the 1970s on the site of Hendon Aerodrome. The charity was set up in 2013 as a result of a merger between the Wright Trust (formed in 2003 by social housing landlord Genesis, now Notting Hill Genesis (NHG)) and the Grahame Park Community Development Group. The Trust now also works beyond the estate, in Colindale and Burnt Oak.

The Trust's activities include management of the following premises:

- A One Stop Shop in Grahame Park. This was taken on by the Trust in 2013 and provides a resource for local groups and organisations. It also provides a drop-in for information, advice and guidance for local people, managed by volunteers, and hosts four other charities/CICs.
- The Pulse community flat/office, on an estate developed by Fairview Homes. This was brought into community use in 2015, and hosts events, various services and community groups.
- A community centre, which was transferred to Trust management in 2017. This building was previously managed by Barnet Homes and used as a base

for a local mosque and a church, as well as Home Start Barnet, and Wingfield Children's Centre and Independent Living (older people).

- The former Grahame Park Library. This vacant property was transferred to Trust management in 2018 and currently supports three youth organisations. Funding from the Greater London Authority Good Growth Fund will allow refurbishment for an enterprise, employment and a cultural hub.

The buildings are all held by the Trust on short-term (five-year) leases with peppercorn rents, with renewal subject to the development plans for the estate.

From the buildings, the Trust delivers physical and mental health and wellbeing activities, skills and IT training, and employment support services. Its work with young people includes after-school and holiday activities; and the Trust seeks to provide a universal youth offer which combines the 4Front Project on violence reduction and empowerment; Youth Realities and Art Against Knives supporting young women; and The FUSE Youth Project's youth club. The Trust also delivers the annual summer festival.

The Trust has built up a community research service which recruits and trains local residents to carry out local research projects, both to inform and steer the Trust's own work and as an income generating service for other agencies.

The Trust has ten trustees and five staff (full time equivalent 3.4). There has been significant growth in income in recent years (apart from a dip in 2016/7), with income growing from £28k in 2013/4 to £201k in 2017/8. Spend in 2017/8 was £171k, up from £117k in the previous year. Grants totalled £154k, of which NHG Housing Group provided £95k (contributing to the costs of the CEO and two project workers for two/three years). Unrestricted income of £47k came from hire charges. Free reserves

at March 2018 were £33.5k, up from £23.5k at the end of the previous year.

The challenges

It has always been difficult to attract wealthier outsiders into the estate, whether as volunteers or as paying customers. While the Trust has been successful in attracting volunteers from within the estate itself, many of them need support with managing their own lives. On the one hand, this means that volunteering can produce additional community benefits by helping people in difficult circumstances progress in their lives. On the other hand, it means that supporting volunteers is a more resource-intensive exercise.

The buildings are neglected, and the Trust has responsibility for decoration and general repairs. The short leases make it impossible to make long-term plans or attract investment to improve the property. The council does not provide core funding and its fees for commissioned work are set at levels which do not allow surpluses to be generated. The council and its social housing partner, Barnet Homes, are happy to refer people to the Trust for support but do not provide funding alongside the referrals, although commitment from the council to provide peppercorn leases indicates recognition of the Trust's work.

There are many people on the estate with mental health and substance-abuse problems. It can take two to three years to build the quality of relationships that will engage people and help them progress in their lives, but most funders look for projects which can deliver high participation rates and quick results, and that is often simply unrealistic. The local GP surgery refers people to the Trust's activities but does not provide funding alongside referrals.

A high-profile national youth charity, OnSide Youth Zones, which benefits from royal patronage and can attract significant business sector support, is establishing a

Barnet Youth Zone in the neighbourhood, with £4.2m funding from the council. While recognising that this is a much-needed investment in the area, the Trust feels that valuable local insight and experience have been side-lined.

Whilst Barnet is considered a wealthy and healthy borough, the area which the Trust supports is a pocket of extreme deprivation. However, this is rarely recognised by national funders and fundraising has been made much more difficult as a result. However, NHG Housing Group's commitment to the area has ensured the Trust can continue to grow.

How the Trust met the challenges

The Trust has worked to encourage a spirit of collaboration among local agencies, believing that more can be achieved for local people by working together rather than in isolation.

It hosts the Grahame Park Consortium, which brings together more than 30 local organisations, and in 2017 it produced a Neighbourhood Theory of Change model. This was developed with residents, local groups and voluntary and statutory organisations, and sets out a common vision for the area, with four shared outcomes:

- An increase in community-led holistic approaches to improve health, social and economic wellbeing;
- Ensuring opportunities for diverse communities to engage and influence public spaces and community facilities and services;
- An increase in enterprise, employment, education and training opportunities by having more robust, inclusive and coordinated platforms that enhance and empower community aspirations;
- Collaborative approaches between the community and agencies in sharing responsibility to identify and deliver community safety solutions.

A recent evaluation has shown that this model is already producing benefits. It gives stakeholders a structure to give their work focus, and partners feel more able to align their organisational priorities to those of the neighbourhood. There is increased trust among consortium members, with joint funding bids and more sharing of information. Residents have already noticed some positive changes, for example, in health and well-being activities, with improved outcomes for physical health, improved mental health and decreased isolation.

The Trust hopes that by working in this collaborative way, and by providing evidence of the added benefits, it will be able to build a better case for funding for its work and for that of its partners.

Plans for the future

As the estate is developed, its demography will inevitably change, with greater shared ownership and more private-sector housing. While this will bring greater wealth into the area, it will bring challenges too. After years of consultation and raised expectations, followed by delays and disappointment, many residents have become disillusioned. So fresh ways will be needed to re-engage them, and the Trust will have to work hard to build positive and productive relationships between the newcomers and the long-term residents. The Trust believes that a long-term and high-quality community facility should be a central element of the estate redevelopment and is working with planners and architects in pursuit of this goal, with the support of the NHG Housing Group, which will be the post-regeneration landlord.

In conclusion

The Trust has learned that it is sometimes important to stand firm. As the CEO says, it can be necessary to 'be honest, and pull people to task.' The Trust has welcomed

those from elsewhere who are capable of adding value for local residents, but it has also learned to say 'no' to outside organisations whose motives are simply to hit their targets and so maintain their income streams. In its own work, it has learned to recognise when it is time to stop an activity, for example where there is insufficient benefit to residents, or it is not possible to generate surpluses or at least break even. It is not always easy to deal with the large local institutions, when their decisions adversely affect the lives of local people. 'Stay strong,' says the CEO. 'Identify the need, and the best response, and work with others as much as possible—and stick to what you know is needed.'

More information:

www.colindalecommunity.org

8.8 The Welcome

About the community hub

The Welcome serves the Longridge and Shaw Heath estates in Knutsford, Cheshire. Its aim is to 'inspire and support our community by providing everyone with a welcoming hub to eat, learn, share and grow.'

The community centre is formed from two shop units at the end of a parade of shops on the Longridge estate. Here, The Welcome runs a weekday café with affordable, good quality, home-cooked meals. It provides support and guidance for local people, for example, with budgeting and employment and training opportunities. It also distributes food hampers and finds furniture for those in need.

Space at the centre is hired out to a variety of groups and local services, including a parent and toddler group, an over-60s group, adult education, a job club and a drop-in CAB service. On Sundays it is used by the Welcome church.

The Welcome has achieved national recognition. It was awarded the Prime Minister's Big Society Award in 2011 and the Queen's Award for Volunteers in 2013. Its patron is George Osborne, former Chancellor of the Exchequer, who has been a supporter and advocate for the centre since his time as MP for Tatton.

Originally set up in 1995 by the local Methodist church, it became a registered charity in 2011. It now has a board of nine trustees and employs three staff: a centre manager, a café cook and a community support worker who co-ordinates a pool of around 15 volunteers.

Income in 2017/18 was £90k and expenditure £93k, producing a small overall £3k loss but including a £2k surplus on unrestricted funds. The Welcome generated £25k from sales (mainly from the café), while donations from individuals and local companies were £14k. Efforts by a part-time fundraiser helped to raise £50k from trusts and foundations, and £1,400 came from the local council. Its reserves at March 2018 stood at £45k, of which £32k were free reserves, a modest but significant increase from £11k five years ago. It does not own property but rents the shop units on a 15-year lease, which is due for renewal next year.

The challenges

While two thirds of the estate residents are in work, most of those are in low-paid occupations, so poverty is a persistent problem and demand for the centre's welfare services is high. But deprivation in this part of Cheshire is not always well-recognised, and so it can be especially hard to raise funds.

Longridge and Shaw Heath are situated on the edge of a prosperous town. 'To get to us, you turn off at the Bentley car showroom,' says the Welcome's centre manager. But it has been difficult to attract people from the town to the centre's café,

which cannot compete with nearby up-market café and restaurants.

It has also been difficult to increase income from the building itself because it is not fully fit for purpose. Access to the toilets for café users is via the meeting room space, and this limits the ability to generate meeting-room income.

How the community hub met the challenges

The local housing association, Great Places, which owns much of the local housing stock, has played a supportive role. When, in 2018, the charity failed to recruit a new centre manager, the housing association agreed to second an experienced member of staff to take on the role, providing a £6k salary contribution to make the appointment affordable.

Excellent relationships have developed with local companies. Last winter, when the centre's boiler broke down, Oliver Valves, a local firm, and the Knutsford Lions pledged the funds to get it replaced. The Knutsford Lions are a big supporter, constantly raising money for various hardship schemes administered by the centre. And the Bentley car showroom does its bit too: when people buy a Bentley, they are invited to make a donation to The Welcome.

The organisation works hard on these relationships, producing a bi-monthly newsletter for local companies and other partners, and using Instagram and Twitter to spread the message and attract new donors and supporters. And it seizes every opportunity to attract more people into the centre, for example, acting as a polling station on election days.

Plans for the future

The community hub is responding to immediate needs but wants to do more than that. 'We want to progress from a food bank to a community shop,' says the centre manager. The centre has excellent

kitchen facilities and the manager sees the possibility of establishing a social enterprise, with local people producing food products on the estate and marketing and selling them far and wide, generating surpluses which can be applied for community benefit.

However, raising funds will continue to be a challenge. To help with this, the charity aims to build up more evidence of the difference it makes to the lives of local people. But it will be important that the story it tells does not simply focus on the negative. 'This is a vibrant, proud and strong community,' says the centre manager, 'and we need to find ways of attracting investment without doing local people down.'

In conclusion

Running a community hub is demanding, requiring constant gear changes, for example, meeting a funder, helping a distressed local resident, sorting out a building repair and reviewing the centre's monthly management accounts, all in a single morning. 'For the first three months,' says the centre manager, 'it felt like I was being hit by a bus every day—a different bus each time! But it's never dull, and it's certainly the most interesting and rewarding job I've ever done.'

More information:

www.thewelcome.org.uk

Appendix A

On-line survey

About the survey

The survey took place over a three-week period from 18th February to 8th March 2019. It was promoted through newsletters and/or social media by Local Trust, Power to Change, Locality, Plunkett Foundation, HACT, Charity Bank, Key Fund, Social and Community Capital, UK Community Foundations, Good Things Foundation, and Clarion Housing Group.

We received 103 responses, of which 83 met the following research definition:

Community hubs are buildings (or parts of buildings) that have a community-led governance structure. They are multi-purpose, open and accessible to the local community and they provide services that the local community needs.

Of the 83 responses which met the criteria, the geographic spread was wide, but uneven:

East of England	3
East Midlands	3
London	5
North East	3
North West	13
South East	8
South West	22
West Midlands	5
Yorkshire & Humber	19
Wales	2

The survey findings should be regarded as illustrative rather than fully representative. Those who responded to our online survey are unlikely to have been from organisations which are currently in crisis.

Survey template

Community hubs—the financial models which can lead to success

Hi,

This survey should take about 15 minutes to complete. By sharing your experience and ideas you are helping to build a stronger community sector. Thank you!

Why are we doing this survey?

This survey has been commissioned by Local Trust and Power to Change. Our aim is to find out about the financial models which can lead to successful community hubs.

What do we mean by community hubs?

Community hubs are buildings (or parts of buildings) that have a community-led governance structure. They are multi-purpose, open and accessible to the local community and they provide services that the local community needs.

Who should take part in the survey?

This survey is for local community-led organisations or groups in England, which own or manage one or more community hubs.

What will we do with the information you provide?

Insights from the research will be shared with you and will also inform the production of practical guidance on this topic.

By completing this survey, you're giving consent for us to use the data for the purposes of this research, and also to send you a summary of our research. We won't

share your data with others, and we won't identify you in any published report, without asking for your consent first. You can see our data protection policies here <https://www.nealhoward.co.uk/our-gdpr-policy>.

Our contact details

If you would like to find out more about this research, please contact Steve Wyler at steve@wyler.demon.co.uk

First, we'd like to know a bit about you and your organisation or group.

1. Your name: [text box]
2. Your email: [text box]
3. The name of your organisation or group: [text box]
4. Which region are you based in?
 - East of England
 - East Midlands
 - London
 - North East
 - North West
 - South East
 - South West
 - West Midlands
 - Yorkshire & Humber
 - Other (please specify) [text box]

5. Which of the following best describes your organisation or group? (Please tick any that apply):

- A community group
- A social enterprise
- A charity
- A co-operative
- A community benefit society
- A community interest company
- A housing association
- Other (please specify) [text box]

6. Which of the following best describes your main geographical area of benefit?

- A local neighbourhood or Big Local area
- A rural district
- A town
- A city
- A region
- A nation
- Other (please specify) [text box]

7. Do you own or manage a community hub (ie a multi-purpose community building, or part of a building, used by a mix of local people)?

- Yes – we own or manage one community hub
- Yes – we own or manage more than one community hub
- No – we don't own or manage any community hubs [NB if this is your answer you don't need to complete the rest of the survey – but thank you anyway!]

If you own or manage a community hub, please answer the following questions. If you have more than one community hub, please give answers for the main one.

8. How long have you owned or managed your community hub?

- Less than five years
- Between five and nine years
- Ten years or more

9. How is your community hub building owned or managed? (Please tick any that apply)

- We own the community hub building
- We have a long lease on the building (25 years or more) and manage what happens in it
- We have a short lease or licence on the community hub building (less than 25 years) and manage what happens in it
- We are responsible for all repairs to the community hub building
- Other (please specify): [text box]

10. Who uses the community hub?

- It is used by a wide cross-section of people from our local community
- It is used mainly by a particular group of people but others use it as well
- It is used exclusively by its members

11. If your hub is used mainly by a particular group of people please specify which group.

- Young people
- Older people
- People from an ethnic minority community
- People with disabilities
- Other (please specify) [text box]

12. What are the community activities or services which take place at the community hub? (Please indicate your main activity/service in the first column and any other activities/services in the second column)

	Main activity/ service	Other activities/ services	We deliver the activity/ service ourselves	Another organisation delivers the activity service
	(Please tick one only)	(Please tick any that apply)	(Please tick any that apply)	(Please tick any that apply)
Community hall or meeting space	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Advice and support for other community/voluntary groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Office or workspace for local community/voluntary groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Office or workspace for local private-sector companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Office or workspace for local public-sector agencies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community pub	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community shop	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community café	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community library	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community cinema or theatre	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community festival	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Heritage activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other arts or cultural activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Main activity/ service	Other activities/ services	We deliver the activity/ service ourselves	Another organisation delivers the activity service
	(Please tick one only)	(Please tick any that apply)	(Please tick any that apply)	(Please tick any that apply)
Sports or fitness activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health or well-being activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Educational activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Skills and employment training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Advice or legal services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Online/digital services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Workshop or maker-space	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allotments or community garden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community-led housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Food bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify): [text box]

Next, we'd like to ask you about the income and other support you receive for your community hub.

13. What income do you receive which supports the running of the community hub building and any community activities which you deliver from it?

	This is our main source of income	This is also a source of our income	Over the last five years this income has increased	Over the last five years this income has decreased
	(Please tick one only)	(Please tick any that apply)	(Please tick any that apply)	(Please tick any that apply)
Meeting room or hall hire income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Office or workspace rental	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sales of food or drink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Public sector contracts (e.g. local or national government, NHS funders, etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	This is our main source of income	This is also a source of our income	Over the last five years this income has increased	Over the last five years this income has decreased
	(Please tick one only)	(Please tick any that apply)	(Please tick any that apply)	(Please tick any that apply)
Other sales of goods or services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Public sector grants (e.g. local or national government, NHS funders, etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grants from Big Local/Big Local £1m				
Grants from other trusts and foundations or Lottery funders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grants from businesses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Donations from local people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crowdfunding or community shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Membership fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Loans (from banks or social lenders or private individuals)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Income from an endowment or investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Income generated by activities beyond the building	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify): [text box]				

14. What non-financial support do you receive? (Please tick any that apply)

	We benefit from this source of non- financial support (Please tick any that apply)	Over the last five years has this support has increased (Please tick any that apply)	Over the last five years has this support has decreased (Please tick any that apply)
--	--	--	--

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| Volunteers from the local community | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Volunteers from businesses | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Free ('pro-bono') professional advice or support | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Access to networks/membership bodies | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Other (please specify): [text box]

15. What types of help have you needed in order to manage the finances of your community hub? (Please tick any that apply)

- Feasibility studies
- Business planning support
- Setting up financial management systems
- Fundraising support
- Tax advice
- Help in tackling financial crisis
- None - we haven't needed any help

Other (please specify): [text box]

16. Which sources of help have been useful to you in managing the finances of your community hub? (Please tick any that apply)

- Advice and tips from other community organisations or groups
- Support from a local or national support or membership body
- Support from an accountancy firm
- Support from a paid consultant
- Support from a trustee or volunteer
- Written guidance or tools

- None - we haven't found any useful sources of support for managing our finances

Other (please specify): [text box]

17. If you have found any written guidance or tools helpful please tell us which ones

- To Have and To Hold
- Pillars of the Community
- Simply Start-Up
- Choosing a Legal structure
- The Building Calculator
- Other (please specify): [text box]

Nearly there now - just a few more questions we hope you can help with.

18. How is your organisation/group doing financially in your current financial year?

- We expect to make a surplus this year
- We expect to just about break even this year
- We expect to make a loss this year
- We don't know

19. Do you feel confident that you will be able to continue to run your community hub in five years' time?

- Very confident
- Quite confident
- Not very confident
- Not at all confident

20. What are your top tips? From your experience what is most important for achieving a financially sustainable community hub?

[comment box]

21. Do you have any further comments - eg questions or suggestions about the research, or anything else?

[comment box]

And finally...

As part of our research we are planning to review the published accounts of a sample of community organisations/groups which own or manage a community hub, in order to build up a more detailed picture of what types of business model are most likely to be successful over time. Are you happy for us to do this (and just to be clear we won't identify individual organisations in any published report, without contacting you again to ask for your consent beforehand)?

- Yes
- No

We will be arranging a series of focus groups in April (some face to face, some online) to share experience of financial models for community hubs. There will be a small fee paid to those who participate. Would you like us to send you further details?

- Yes
- No

That's it - you're done!

Thank you for taking the time to complete the survey - we really appreciate it and we look forward to sharing our research findings with you in the summer.

Appendix B

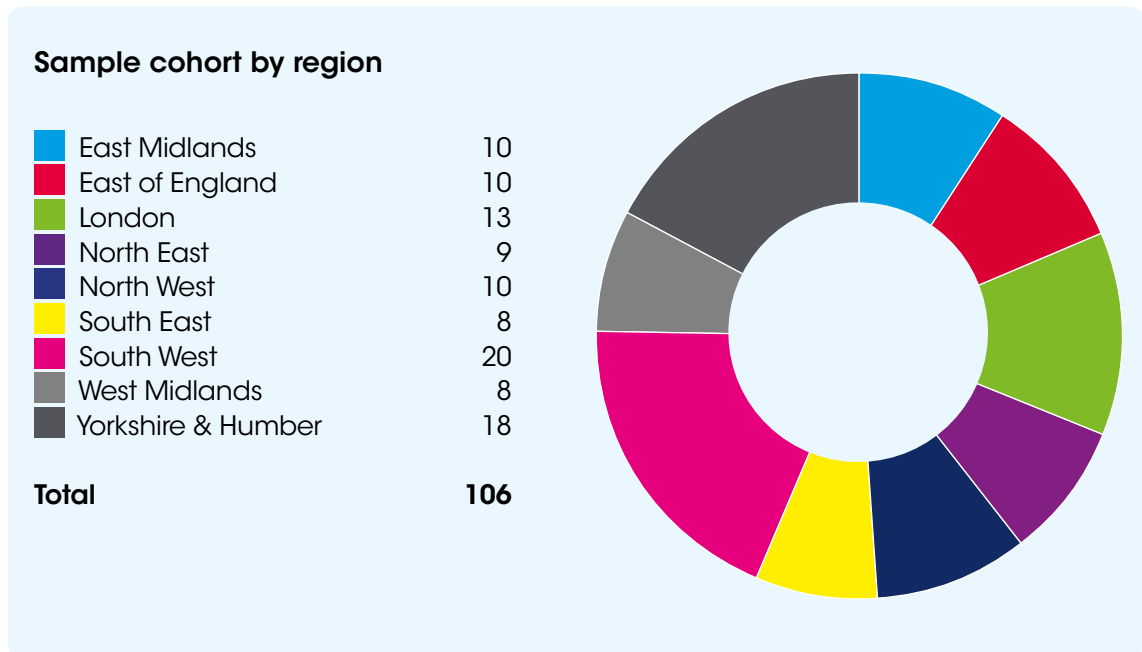
Analysis of accounts

About the analysis

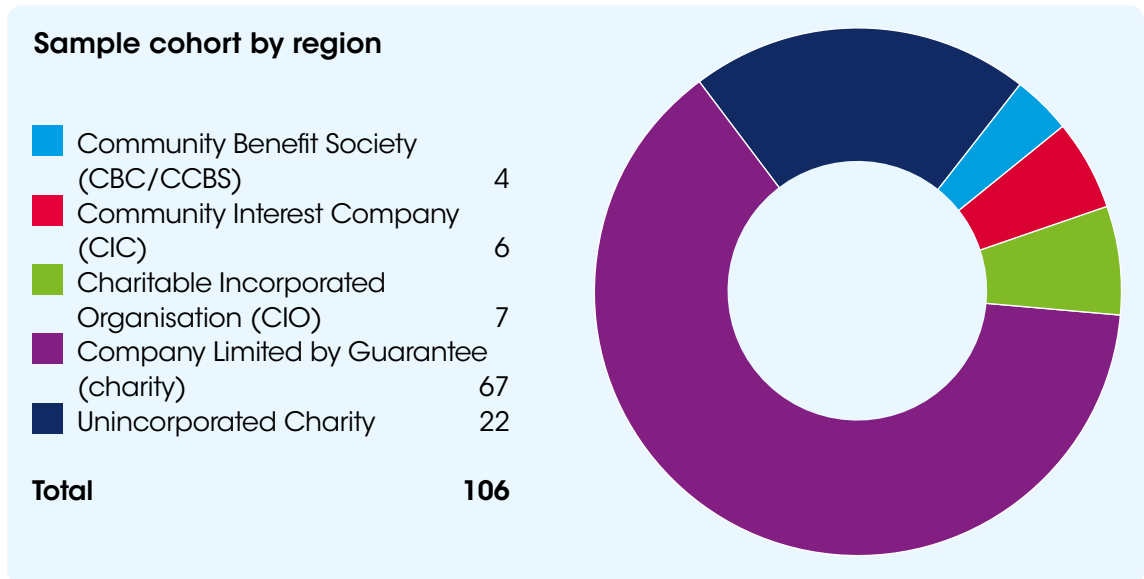
The analysis was carried out in April and May 2019, drawing on published accounts available at the websites of the Charity Commission (for registered charities), Companies House (for companies), and the Financial Conduct Authority (for community benefit societies).

Where available, we analysed the accounts over a five-year period, up to the most recent available.

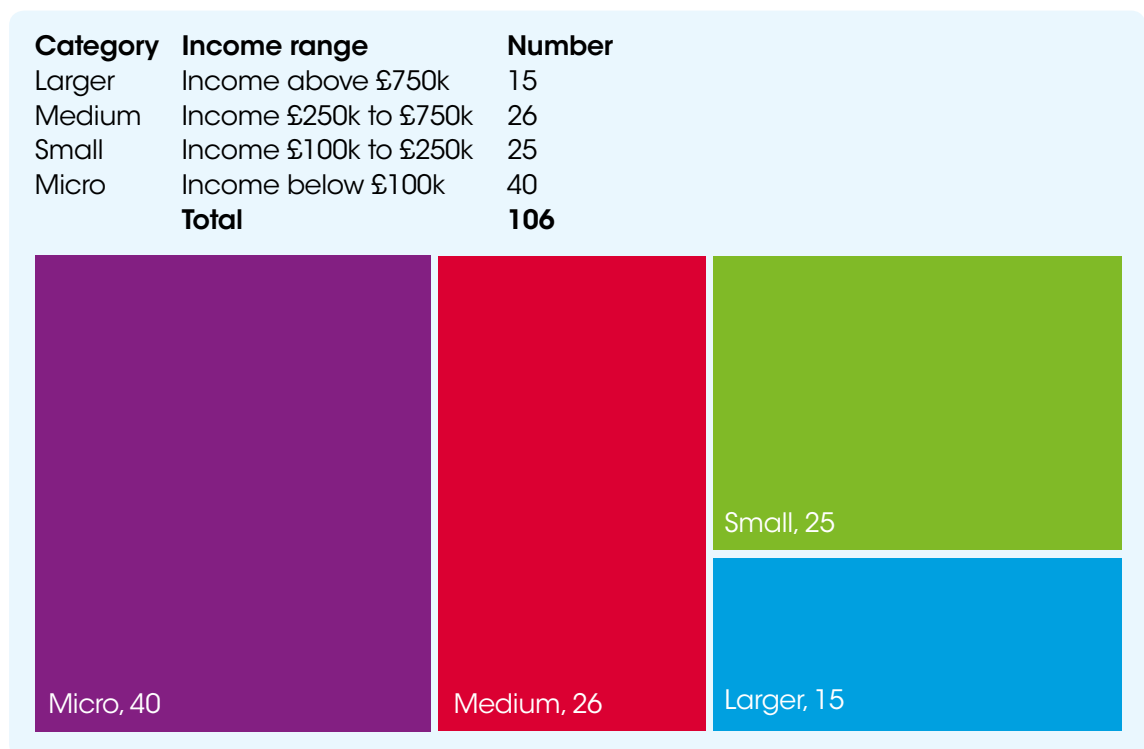
The community hub organisations we analysed are distributed across England as follows:



In terms of legal structure, 64% were companies limited by guarantee and registered charities, and 21% were unincorporated associations/village halls.



The organisations have been categorised into four sizes, based on 2017/18 income. For some of the analysis, this helps to highlight differences between these groups.



List of organisations analysed

1	George Ward Centre	East Midlands
2	Highfields Community Centre	East Midlands
3	Kirk Hallam Community Hall Association	East Midlands
4	Mansfield Woodhouse Community Development Group	East Midlands
5	Medway Centre Community Association (Bakewell)	East Midlands
6	Saffron Resource Centre (Leicester)	East Midlands
7	Shepshed Glenmore Community Association	East Midlands
8	The Stanhope Hall	East Midlands
9	Vibrant Warsop CIC	East Midlands
10	Westfield Community Development Association	East Midlands
11	Abbots Langley Community Centre	East of England
12	Arbury Community Association	East of England
13	Braintree & Bocking Community Association	East of England
14	Catton Grove Centre	East of England
15	Centre 81	East of England
16	Fenland Area Community Enterprise Trust (FACET)	East of England
17	Grange Fellowship Community Association	East of England
18	Keystone Development Trust	East of England
19	Ramsey Neighbourhoods Trust	East of England
20	Southgate Community Partnership	East of England
21	Ackroyd Community Association	London
22	Blackfriars Settlement	London
23	Bootstrap Company	London
24	Cambridge House	London
25	Chats Palace	London
26	Colindale Communities Trust	London
27	Katherine Low Settlement	London
28	Kingsgate Community Association	London
29	Oxford House	London
30	The Mill @ Coppermill	London
31	Upper Norwood Library Trust	London
32	Vauxhall Gardens Community Centre	London
33	Yiewsley Cornerstone Centre	London
34	Acumen Community Buildings	North East
35	Berwick Community Trust	North East
36	Glendale Gateway Trust	North East
37	Greater Morpeth Development Trust	North East
38	Meadow Well Connected	North East
39	Ouseburn Trust	North East
40	Prudhoe Community Partnership	North East
41	Redcar Development Trust	North East
42	Wheatley Hill Community Association	North East
43	Alt Valley Community Trust	North West
44	Barrow Island Community and Sports Trust	North West
45	Brampton and Beyond Community Trust	North West
46	Christians Together Calderdale (The Gathering Place)	North West

47	Kirkgate Arts	North West
48	Lister Steps	North West
49	MoorEnd Development Trust	North West
50	Neston Community Youth Centre	North West
51	The Welcome (Knutsford) Ltd	North West
52	Trawden Forest Community Centre	North West
53	Bechange	South East
54	Castle Connections	South East
55	Haslemere and District Community Centre	South East
56	Ore Community Association	South East
57	Sandford Talking Shop	South East
58	Sunlight Development Trust	South East
59	Training For Work In Communities (TWICS)	South East
60	Wecock Community Association	South East
61	Barton Hill Settlement	South West
62	Brockweir and Hewelsfield Village Shop Association	South West
63	Bradworthy Memorial Hall	South West
64	Bridestow Village Hall	South West
65	Butcombe Village Hall	South West
66	Dalwood Recreation Trust	South West
67	Exeter Community Centre Trust	South West
68	Holbeton Village Hall	South West
69	Ipplepen Village Hall	South West
70	Knowle Village Hall	South West
71	Peninsula Trust	South West
72	Sidbury Village Hall	South West
73	Sidford Social Hall	South West
74	Southern Brooks Community Partnerships	South West
75	St Werburghs City Farm	South West
76	Swimbridge Jubilee Hall	South West
77	The Lodge Action Sports Club	South West
78	Windmill Hill City Farm	South West
79	Worle Community Association	South West
80	Wylde Coyotes Afterschool Club CIC	South West
81	All Saints Action Network	West Midlands
82	Balsall Heath Forum	West Midlands
83	Birmingham Settlement	West Midlands
84	Brereton Big Local CIC	West Midlands
85	Colebridge Trust	West Midlands
86	Longbridge Childcare	West Midlands
87	North Smethwick Development Trust	West Midlands
88	Old Chapel Works CIC	West Midlands
89	Altofts Community and Sports Foundation Ltd	Yorkshire & Humber
90	Arch-Way Project	Yorkshire & Humber
91	Barca-Leeds	Yorkshire & Humber
92	Burton Street Foundation	Yorkshire & Humber
93	Friends of Wombwell Cemetery	Yorkshire & Humber
94	Halifax Opportunities Trust	Yorkshire & Humber
95	HEART - Headingley Enterprise and Arts Centre	Yorkshire & Humber

96	Hebden Bridge Community Association	Yorkshire & Humber
97	Heeley Trust	Yorkshire & Humber
98	Luddenden Foot Community Association	Yorkshire & Humber
99	Marsden Community Trust	Yorkshire & Humber
100	Netherton Community Centre CiC	Yorkshire & Humber
101	OPAL	Yorkshire & Humber
102	Riccall Regen 2000	Yorkshire & Humber
103	Ripon Community House	Yorkshire & Humber
104	SOAR Community	Yorkshire & Humber
105	Todmorden Community Resource Centre	Yorkshire & Humber
106	Wincobank Village Hall Trust	Yorkshire & Humber

Appendix C

Focus groups

About the focus groups

Three focus groups were held in April 2019: in Sheffield on 9th April, in London on 12th April, and via a phone conference on 17th April. In all, 22 people participated from 18 organisations, from the following regions: East Midlands, London, North East, South East, South West, West Midlands, Yorkshire & Humber. A small fee was offered to participant organisations as a contribution to time and participation costs.

Appendix D

Insights from Neal Howard Ltd

Neal Howard Ltd has been working with community hub organisations for the last decade. The following is a digest of what has been learned:

Reasons community organisations get into difficulty

- Trustees/boards not really understanding the organisation's business model
- Lack of up-to-date and viable strategy
- Strained, or breakdown of, internal and external relationships, including between board and CEO and organisation and external stakeholders
- Weak governance and boards not working effectively
- Loss of a stable source of funding and contracts but without a strategy for new income sources and/or making savings, or not understanding new types of contracts and the financial implications
- Ineffective governance and management of a major capital project (leading to overspends and disputes)
- Management/staff without the needed skills/expertise
- Unclear, or lack of, financial reporting (such as cashflow forecasts, management accounts and balance sheet) impacting decision-making
- Build-up of debt, including PAYE and VAT, and not understanding VAT
- Over-reliance on one or two people with financial knowledge
- Slow to take action

Strategies to reduce risk

- Regular board development, including on how to read the financial information and to give confidence
- Developing clear and concise management reports, including budgets and cashflow forecasts
- Scenario planning sessions
- Strengthening the board
- Maintaining and managing relationships and recognising that sometimes you need to find a compromise.
- Resolving differences and issues amicably
- Having effective HR policies in place in order to deal with issues as they arise (e.g. performance, grievances etc)

How can community hubs be financially viable?

There are an estimated 1,650 community hubs in England, each of them providing an open and accessible space and vital services for local people. They vary in terms of size, ownership model, assets, staffing and income. Yet there is little information on how these facilities achieve viability and sustainability.

Community hubs: Understanding survival and success attempts to fill this gap. Drawing on research with over 120 hubs and exploring the topic through 8 detailed case studies, this report provides useful insights into how those who run community hubs can achieve long-term financial sustainability.

About Power to Change

Power to Change is an independent charitable trust that supports and develops community businesses in England. They work to revive local assets, protect the services people rely on, and address local needs.
powertochange.org.uk

About Local Trust

Local Trust was established in 2012 to deliver Big Local, a unique programme that puts residents across the country in control of decisions about their own lives and neighbourhoods. Funded by a £200m endowment from the Big Lottery Fund - the largest ever single commitment of lottery funds - Big Local provides in excess of £1m of long-term funding over 10-15 years to each of 150 local communities, many of which face major social and economic challenges but have missed out on statutory and lottery funding in the past.
localtrust.org.uk

About Neal Trup, David Carrington and Steve Wyler

The authors of this report were commissioned via Neal Howard Ltd who have been working with community hub organisations for the last decade.
nealhoward.co.uk

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