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Research Institute Report No. 11

# The Community Business Market in 2017

December 2017

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## About this report

This is the third in a series of annual reports published by the Power to Change Research Institute on the state of the community business market. The first two were commissioned from Social Finance and published in March and November 2016. This time CFE Research was commissioned with a remit to develop and refine the methodology, with explicit triangulation against multiple data sources.

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

Full details about our methodology can be found in the Technical Annex to this report, published separately.



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## Executive Summary

This is the 2017 annual overview of the community business market in England. Power to Change has previously published annual reports on the community business market in 2015 and 2016. This is the first year that CFE Research has undertaken this market assessment. We have sought to deliver a degree of continuity with the previous reports where possible, whilst developing the robustness of the research through methodological improvements and innovations.

### Our methodology

To assess market size in 2017, estimates from previous years (2015 and 2016) are reproduced where possible. However, there are two main differences which have a major impact on this year's estimates. First, the 2017 estimate is based, where possible, on data that can be verified by an existing source. In many cases, this *may* represent an underestimate depending on the secondary data sources used, especially where sector estimates are derived from primary research data. For the sake of transparency, we document all assumptions that have been made and data sources used to derive the estimates of the market size.

Second, new data has become available in some sectors, some of which improves estimates. Our assessment is also based on a combined online and Computer Assisted Telephone Interviewing (CATI) survey of 259 community businesses, interviews with 43 individuals from across the sector and a desk-based review of existing evidence, secondary databases and literature.

The report is structured into four main chapters:

- Chapter 2 uses data from the primary research to describe what constitutes a community business and how they are structured.
- Chapter 3 covers the views of community business about the year ahead, including their levels of confidence in their business.
- Chapter 4 triangulates all the evidence collected for the study to estimate the size of the overall community business market through aggregating sub-sector estimates.
- Chapter 5 sets out what can be concluded from the 2017 assessment of the community business market.

## Size of the market

We estimate that there are approximately 6,600 community businesses operating in England in 2017. Our estimate of the overall size of the community business market uses a triangulation method. The core of the approach is to compare primary research data for sub-sectors with two secondary data sources:

- A previously developed sample frame of potential businesses in Companies House data identified in a database called Financial Analysis Made Easy (FAME) by Roper and Bonner (2017); and
- Power to Change’s own record of grantees and applicants.

Estimates are made by sector and then aggregated to estimate a total market size. However, for many sectors, other secondary data exists that provide good, independent estimates of sub-sector market size, especially where there is a strong sector body operating. This data is used where available. Based on this analysis, **an overall market size of 6,600 community businesses is estimated for 2017**. This is likely to be an under-report as there too little evidence to estimate the number of organisations in some sectors.

The 2016 overall market estimate was 7,085. Anecdotal evidence from several interviewees suggests that previous estimates in some sectors might have been too high. However, because the methods used to gauge market size this year are different, direct comparisons between the headline totals are not recommended.

**Total market income and assets in 2017 are £1.2 billion and £0.7 billion respectively.** Total income is higher than 2016 even though the estimated number of businesses is lower. Income figures come from several sources including existing sector-focused reports and surveys. The number of completed surveys this year is 259, which is roughly double the number of completed surveys last year.<sup>1</sup> As a result, there are more sub-sector observations from which income figures can be derived, especially for the important community hub sector.

Asset figures nearly all come from median values from data provided to Power to Change during the application process for grants (labelled the grantee database for the purpose of this report). This total figure is around a third of that reported in 2016. The difference is due to two main reasons. Firstly, the evidence does not support an estimate of assets in several sectors. However, estimates were provided for most of these sectors in 2016. Secondly, the median asset figure for community hubs is lower than the average figure presented in 2016. As community is the largest sub-sector and the total is calculated by multiplying the median by the estimate number of organisations, the total figure is different.

<sup>1</sup> Of the 158 respondents in 2016, 20% were partial surveys i.e. the respondent dropped out at some point. No detail is given regarding when participants fell out of the survey.

**The number of volunteers within the market is estimated at 119,500, which is lower than the 193,300 quoted in 2016.** The key reason for the difference is a fall in the volunteer estimates within the transport and sports and leisure sectors. In both cases, the overall estimate for the number of businesses is fewer than the equivalent 2016 figure. In the case of transport, a couple of government data sources have been used this year to estimate the business volumes. However, too few interviews were conducted with community businesses to estimate data, volunteer numbers were instead estimated from the grantee database. The data quality for sport and leisure is lower although there is some evidence that earlier estimates for the size of the sector were too large. The number of survey observations used to estimate number was relatively low.<sup>2</sup>

**The total number of paid staff working in the sector is 35,500,** which is a little lower than that reported in 2016. However, as the total number of businesses is also lower, the number of staff per community business is broadly the same.

Comparing between years also masks considerable difference in estimates for market size, income, assets, staffing and volunteer numbers in some community business sectors. It is not possible to say whether these changes are real, or a consequence of changing the research method.

This year's market appraisal identifies three areas of community business activity that were previously unclassified: (i) training/education; (ii) information, advice and guidance (IAG) and employability support; and (iii) business centre/business support. These are now included as a single sub-sector. The largest group of community businesses are venues, yet most community businesses, particularly those operating as venues, operate multiple business activities. This is also testament to the growing maturity of the community business market, as new sub-sectors emerge and consolidate. This does, however, add to the scale and complexity of the community business market and its measurement.

### A confident community business sector

Reported confidence amongst community businesses is high. Almost two-thirds (63%) of those taking part in the survey are confident about their financial prospects for the year ahead compared to how they felt last year; just one in five (20%) are less confident regarding the year ahead. The comparable figures for last year were 47% feeling more confident and 28% less confident. Community business confidence manifests itself in some of the other data. The majority expect to increase their volunteers and income from trading, contracts and grants and over a fifth plan to access crowdfunding, having not done so previously. Almost half also expect to hire more paid staff.

<sup>2</sup> The median of 15 survey responses was used.

This contrasts with confidence amongst small businesses overall, which, according to the Federation of Small Businesses (FSB) has fallen in 2017. Using their index,<sup>3</sup> confidence has fallen from a score of 20.0 in Q1 of 2017 to 1.1 in Q3 2017 (Federation of Small Businesses, 2017). A record number of small businesses expect their activity to contract, amid unprecedented uncertainty in the wake of the EU referendum and Brexit. This suggests that community businesses do not consider themselves to be as directly exposed in light of political uncertainty and the ongoing Brexit negotiations. It could, however, also indicate, as our survey identifies, a degree of short-termism amongst community businesses. Coupled with this, community businesses appear to be less aware of, if not less concerned by, how the weak domestic economy and rising costs of trading may affect their businesses. Yet the recent business rates revaluation and succession plans for EU funding associated with regional and local economic development, including the replacement of the European Investment Fund (EIF), may all adversely impact community businesses.

## Future outlook

Our survey finds that many community businesses foresee continued steady growth, despite difficult economic times, particularly as community asset transfers continue. For example, a quarter of those community businesses that had not taken on new assets or embarked on new trading activities plan to do so in the coming year. Also, a significant number of interviewees were confident in growing their business, citing diversification and economic efficiency as opportunities for growth:

*'The growth margin that we operate at is lower than average, so there is clearly an opportunity to work on our purchasing, merchandising, our product ranges to improve our growth margin.'* – Community business interviewee

This is likely to put increased pressure on already squeezed sources of grant funding available to community businesses. Funding will be required to sustain some businesses as they grapple with maintaining depreciating capital assets and renovations, increased demand for their services, and attracting and retaining staff. The coming year will undoubtedly bring challenges for community businesses, but those leading these businesses remain confident that they will see them through.

<sup>3</sup> The index is a weighted index of the responses to a question about business prospects over the next three months. It is the share of firms reporting 'much improved' are given the following weightings: +2, slightly improved +1, approximately the same 0, slightly worse -1 and much worse -2; the Small Business Index is derived from the sum of these factors". (p.10)

Despite the positive performance of and outlook for community businesses, their growth brings with it new challenges. A central challenge is that of grant funding. Around four in five businesses in the survey use grant funding to some extent, especially at the start-up and initial stages of development. Demand for the services of community businesses is likely to increase as government funding for some services continues to fall; thus competition for grant funding is likely to increase. The community businesses model as envisaged by Power to Change emphasises the importance of trading income and there is potential for businesses to learn from one another through peer-to-peer networks. Such support could create sustainable and resilient business models that enable them to scale up and/or diversify their activities. Community businesses need to be viable otherwise any community impact will be lost.

The concept of community business is maturing in England, and becoming more widely understood. In particular, numerous studies note the likely growth in the sector resulting from the contraction of local government services (for example Thorlby, 2011; Percy *et al*, 2016). Although reduced government funding can be viewed negatively and can have deleterious effects on communities, the reaction from some to address a deficit in services can have a positive effect (Locality, 2016). However, while this report seeks to present a more accurate portrait as to the size and shape of the community business market, questions as to the data and its accuracy continue to be an issue. The growth of the sector is also complicated by community businesses often engaging in multiple business activities. The ability to better discern between the cross-subsidisation of different business activities and their respective reliance on grant funding remains an important focus for future reports as the data becomes available. Working with partners to create a centralised database of community businesses for the purpose of communication, marketing and sector management would greatly help in understanding the market overall and its constituent parts.

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# 1. Introduction

This report is the third study for Power to Change that seeks to describe the community business market. The report this year is a departure from previous studies in that it takes a different approach to defining and then estimating market size. This report explores how the qualities that make community businesses so important to the locations they serve also cause challenges in classifying and identifying them consistently.

The first principle of the report is to look at the quality of evidence used to describe the community business market and the conclusions that can realistically be drawn from the evidence. The study was designed the answer a series of research questions:

– **What is the composition and size of the community business market?**

– **What is the outlook for the community business market in the immediate future?**

– **How is the community business market performing against comparable businesses or organisations?**

– **What are the threats to market growth?**

– **Where are the opportunities for market growth?**

Before addressing the research questions, a fundamental issue is considered: how is a community business defined? This question is central because any form of measurement requires a consistent unit to measure. The evidence presented within this report illustrates that defining a community business is not straightforward.

## 1.1 Methodology overview

To measure the size of the community business market in 2017 the study adopted a range of research activities.

### Scoping interviews

Five interviews were completed with community businesses and support organisations to inform the design of research tools and dissemination of the community business survey.

### Rapid evidence assessment and review of datasets

Relevant literature was reviewed, including published research, grey literature, and policy documentation. Relevant datasets were identified and reviewed to inform the development of research tools and assess existing intelligence of relevance to the key research questions.

### Computer assisted telephone interview (CATI) fame dataset testing

Stephen Roper and Karen Bonner's (2017) analysis of Companies House data, available commercially through a database called Financial Analysis Made Easy (FAME), identified a pool of 22,855 business in the UK (19,993 in England) which had the potential to be community businesses. A random sample of this dataset was selected and paired with phone numbers, resulting in a sample of 718 potential community businesses. Telephone calls to these businesses utilised a series of screener questions (see *Size and scope of the market*, p.35) to ascertain if they were community businesses. This provided us with an estimate of error in Roper and Bonner's approximation of the community business market, and a measure of the number of businesses likely to be missing from the sample frame, to calibrate market estimates.

### Community Business Market 2017 survey

This study adopted the community business survey used in 2016, with small adjustments made to improve uptake by survey respondents. This included the addition of further survey routing, question ordering, layout and design. The resulting community business market 2017 survey was disseminated throughout July 2017 to October 2017 via two modes:

- **CATI:** Those businesses who satisfied the screening questions from the FAME database testing stage were asked if they would be happy to complete the survey by telephone.
- **Online:** The survey was programmed into our survey software Conformat and disseminated directly to Power to Change's grant applicants, in addition to being shared by support organisations via newsletters and social media pages.

Overall, 259 full survey responses (note, no partial responses are used in this report) were collected as part of the study; 73 via CATI and 186 online. The survey data underwent thorough cleaning and checking prior to analysis.

In comparison, the 2016 Report was based on 158 total responses for which "about 20%" were partial. No data is provided for base sizes to individual questions to help explain how partial responses impacted on the survey as a whole.

### **Depth interviews with community businesses and sector body representatives**

Follow-up depth interviews were undertaken with 26 community businesses. Interviewees were recruited through a re-call question within the survey and were selected to ensure that there was representation from each sector.

Interviews focussed on opportunities and challenges that community businesses had experienced over the previous 12 months in addition to those they were likely to face in the future, what changes they would need to make to respond to such opportunities and challenges, and any support they required.

To help gauge the size of the market in each sector, an additional 12 interviews were undertaken with sector body representatives and support organisations. These interviews covered similar topics to those raised with individual community businesses, but also included questions regarding market size.

With interviewees' permission, depth interviews were recorded to allow for full transcription. Transcripts were then analysed and coded thematically. A total of 38 interviews were conducted across all sectors.

### **1.2 Report structure**

Following this introduction, Chapter two draws on primary survey and interview data collected by CFE Research and examines what constitutes a community business including their business activities, purpose and perceived social impact; how community businesses are structured, including an exploration of their staffing structure, level of engagement with stakeholders, members and customers, length of operation, and the locations in which they operate; and how community businesses are financed including sources of funding, financial needs and priorities and access to non-financial support.

Chapter three considers the outlook for the year ahead for community businesses and comprises four sections. The first section considers the attitudes of community business leaders to the year ahead, including financial confidence and future sources of income. The second section explores likely changes to the size and operations of community businesses. Section three examines the challenges community businesses face now and in the future and the opportunities available to community businesses to grow and develop. The chapter concludes by considering the support required to enable community businesses to capitalise on perceived opportunities, including support from Power to Change.

The survey invited respondents to provide numeric responses to some questions such as income, the number of staff and volunteer numbers. The report presents two metrics for such survey data: the mean and the median. The mean represents the average value in a total set. However, the mean can be affected by outliers, especially large outliers in small sub-samples. The median is the middle number

in a full range when ordered from the lowest to highest. Its advantage is it reduces the impact of outliers. However, a median cannot be used for statistical testing. Both figures are presented for the purpose of transparency in reporting.

Chapter four examines what can be learned from the evidence about the size of the total community business market and individual sectors. We adopt a “bottom-up” approach to estimating the total size of the community business market. The sub-sector estimates used to derive total market size follow the presentation of the total market size. Estimates are derived wherever possible from a variety of sources. It is important to note, because the methods adopted to estimate market size are different to prior studies, an analysis of change since 2016 is inadvisable and comparisons between 2017 estimates and those in previous years should be treated with caution.

Chapter five it sets out what can be concluded from the 2017 assessment of the community business market.

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## 2. The structure of community businesses in 2017

**In this chapter, we draw on the primary research finding to further explore common conceptions of a ‘community business’, the role and function of community businesses as they currently operate and the perceived social and wider impacts of community businesses on individuals and communities.**

### Key Insights

- The largest category of community business is venues, which comprises 32 per cent of community businesses surveyed. Many of these engage in multiple business activities.
- Survey responses reveal three categories of community business activity not listed in previous reports. They are: training/education; information advice and guidance (IAG); and employability support and business centre/business support. Given the broadly similar focus of these activities, they are collated into a single new sub-category for analysis. These categories reflect the vibrancy and diversification of community business in England.
- Community businesses deliver social impact in multiple ways. The most cited primary impact relates to the improved health and wellbeing of local communities, while the highest cited secondary impact is reduced loneliness. Typically, the larger the community business (number of employees) the greater their reach, in terms of the number of local people that they engage.
- Survey data was appended with the Office for National Statistics’ rural/urban classification (ONS, 2017). Just over seven in ten of community businesses surveyed operate within urban classifications, with just under three in ten in rural classes. This is slightly higher compared to the 2016 Report in which the balance was two-thirds urban and a third rural.
- Over three-quarters of community businesses surveyed have accessed grant funding. Larger and community businesses are less reliant on grants as a proportion of their income those with no employees. The greater reliance on grants for smaller community businesses is also reflected in the qualitative evidence. The extent and nature of grant dependency warrants further investigation, especially where it reduces competitiveness and perpetuates the survival of otherwise less productive businesses.
- Community businesses’ current support needs are mostly met by some form of local or regional government body. Support is valued when it recognises the distinct challenges faced by community businesses. Paid-for support is not common.

## 2.1 What community businesses do

Power to Change broadly defines a community business as a “business led by local people [that] brings benefits to local areas”.<sup>4</sup> They identify four key features:

- Locally rooted: They are rooted in a particular geographical place and respond to its needs. For example, that could be high levels of urban deprivation or rural isolation.
- Trading for the benefit of the local community: They are businesses. Their income comes from things like renting out space in their buildings, trading as cafés, selling produce they grow or generating energy.
- Accountable to the local community: They are accountable to local people, for example through a community shares offer that creates members who have a voice in the business’s direction.
- Broad community impact: They benefit and impact their local community as a whole. They often morph into the hub of a neighbourhood, where all types of local groups gather, for example to access broadband or get training in vital life skills.

In addition to trading as a business, the other constituent properties of community businesses are the locality they serve, their accountability to the people within that locality, and the impact they have. These properties are hierarchical in that geographically-defined community impact and accountability are the central purpose of the business. This purpose is delivered through trading.

These properties present a core measurement problem when defining the market as many of the features noted above are subjective measures. As one sector-based interviewee explained, a ‘community business’ *“is not a legal status... it’s defined as... a typology”*. The existing community business categories used in past market reports (see Hull, *et al*, 2016) have created typologies based on location (generally narrow categories, e.g. Community Hubs, Village Halls, Arts Centre/Facility) or a description of business activities (generally broad categories, e.g. Finance, Digital).

The challenge in this categorisation method is two-fold. First, the unit of measurement (the business) varies between sub-sectors meaning that different categories do not compare like with like. Second, many location-based entities use two or more trading vehicles to deliver a community impact which raises questions about the sector in which the core business operation is classified.

This represents a fundamental problem in assessing market size and growth because there is no standard, replicable definition of the unit of measurement. If we consider arts facility which houses a community craft business alongside a café, all

<sup>4</sup> Power to Change definition available at: <http://www.powertochange.org.uk/what-is-community-business/> Accessed on 22 November 2017

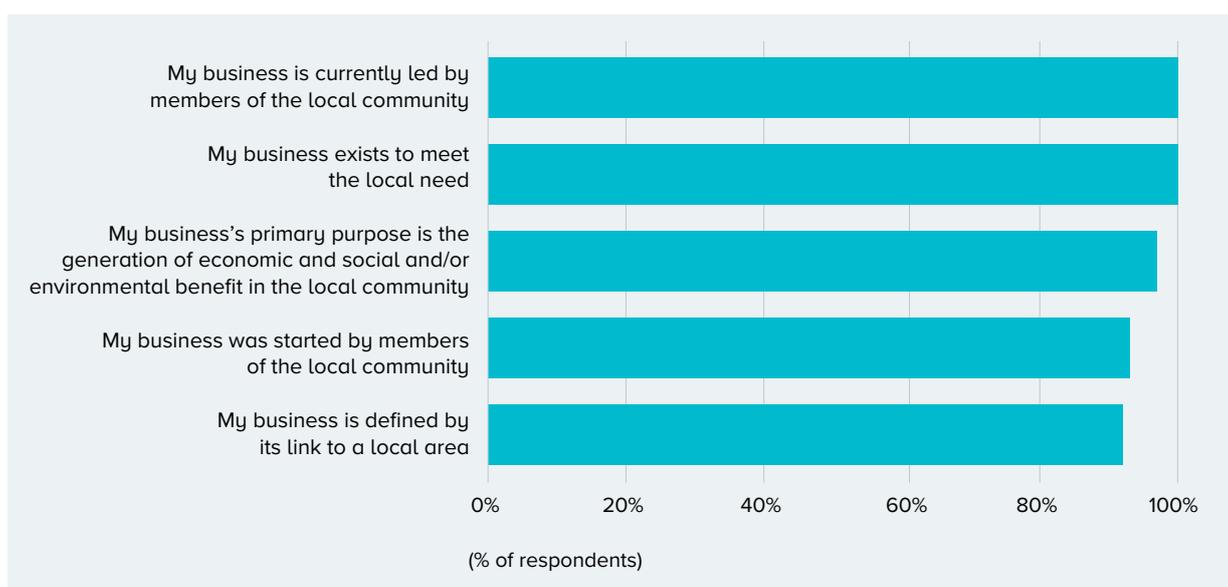
of which are existing community business sub-sectors. There are no defined rules that state whether this comprises a single business or a collective, or how such a business should be classified for the purpose of market measurement.

These issues are not fully resolved in this report for a variety of reasons. In previous years, the number of “businesses” within each sub-sector was estimated and the prior authors made reference to methods used to minimise “double-counting” (Hull *et al*, 2016). Findings from this year’s report also support findings from previous reports that more than one business may operate out of a community hub. Indeed, Chapter three shows that three-quarters of those taking part in this study offered more than one business activity.

### How businesses describe their purpose

A screener question based on Power to Change’s classification was used to identify community businesses for the survey. To pass the screener, all interviewees had to confirm that their business was led by members of their local community *and* agree with at least three other statements as listed in Figure 1. Over four in five (83%) businesses passing the screener met all five criteria. The screener question rejected 42 interviewees. The main reasons interviewees were screened were because the business was not led by members of the local community (91%), which automatically screened the interviewee. Of the other factors, 64% of businesses were not started by members of the local community.

Figure 1: Proportion of respondents that met each of the criteria for a community business (base=259)



Representatives from sector bodies and organisations participated in longer, in-depth interviews. In addition to Power to Change’s criteria, particular emphasis was placed by these interviewees on businesses operating inclusively for *all* members of their community, not just selected members. In their view, a community business should be driven, first and foremost, by the needs of the community they serve rather than by profit; any profit that is generated should be invested back into the community for their benefit.

### **Business activities**

Business representatives were presented with a list of 16 different business activity categories and were first asked to state which was their main activity. Subsequently, they were asked to list whether they were active in any of the other categories. Table 1 shows that a quarter of survey respondents deliver a single business activity and just over two-fifths of respondents (44%) report they are active in at least two additional categories. Three further types of activity were identified through analysing “other” responses:

- Training/education
- Information, Advice and Guidance (IAG) and employability support
- Business centre/Business support

Table 1: Grouped primary business activity categories (base=259)

Original business activity category	Stated primary activity (%)	Stated secondary activity (%)	Grouped business activity category	Percentage of community businesses citing activity as <i>primary</i> business activity (%)
Community hub	29	30	Venue	32
Village hall	3	4		
Health and social care	11	15	Public-facing support services	25
Training/education	7	5		
Housing	4	4		
IAG/employability support	2	2		
Transport	1	4		
Shop	8	11	Retail	15
Pub	5	1		
Café	2	24		
Sports and leisure	6	13	Arts/Culture	9
Arts Centre	3	1		
Library	*	4		
Food/farming	3	10	Manufacturing/production	8
Energy	2	4		
Craft	3	12		
Business Support	2	2	Economic/business services	3
Finance	*	3		
Environmental/nature	*	10		
Digital	*	9		
Other	8	12	Other	8

Three in ten respondents (29%) say their business's primary activity is a community hub or facility; a similar proportion (30%) list this as a secondary activity. The qualitative interviewees discuss how operating as a community hub helps respond flexibly to community need by providing a diverse, adaptable service offer tailored to the needs of that community. One interviewee described how their hub traditionally offered services in training, education and fitness. However, they recently won a contract offering driving awareness classes and are currently exploring the possibility of holding antique fairs to help generate income and diversify their business base. Operating as a community hub therefore best describes an evolving service offer that responds to changes in local market conditions.

One frequently cited example of a changing community circumstance is a local authority ceasing services to reduce costs. In response, either a new community business is created to address a continuing need, or existing businesses adapt to fill the gap.

*'Opportunities are [opening] in the management of parks and public open spaces, partly as a result of public sector cuts. [Some] local authorities are cutting their parks departments, in some cases to zero. So there are opportunities for either established or the establishment of new organisations to take on some of those assets.'* – Sector Body

Interviewees also highlighted the advantages of a community business offering multiple services. It can simplify access to a range of essential services for community members if the service point is the same location. The business becomes a 'central hub' where members of the community can congregate and interact. For example, one community business highlighted how having a digital offering and a café within their shop had benefited their local community:

*'We provide high-speed broadband access in the shop itself, at the hub... that anybody... can use. Housing association members [use it] to report faults to their property [or] check on the status of their rent. Other people come in and check on bus times, that kind of thing... People who have got their own digital equipment can come in and use the high-speed wifi. In that sense, it's quite good for some of the teenage kids in the village, because they can sit in the café, because we've got a small community garden attached, and the kids can sit there and play on their phones.'* – Community business shop

### **The role of secondary activities**

Analysis by individual category requires some care due to the small sub-sample sizes. However, general conclusions about secondary activities can be drawn. Almost a quarter of community businesses (24%) listed a café as a secondary activity compared to the 2% who cited a café as their main service. A recent report by the Plunkett Foundation (2017) found that businesses such as community

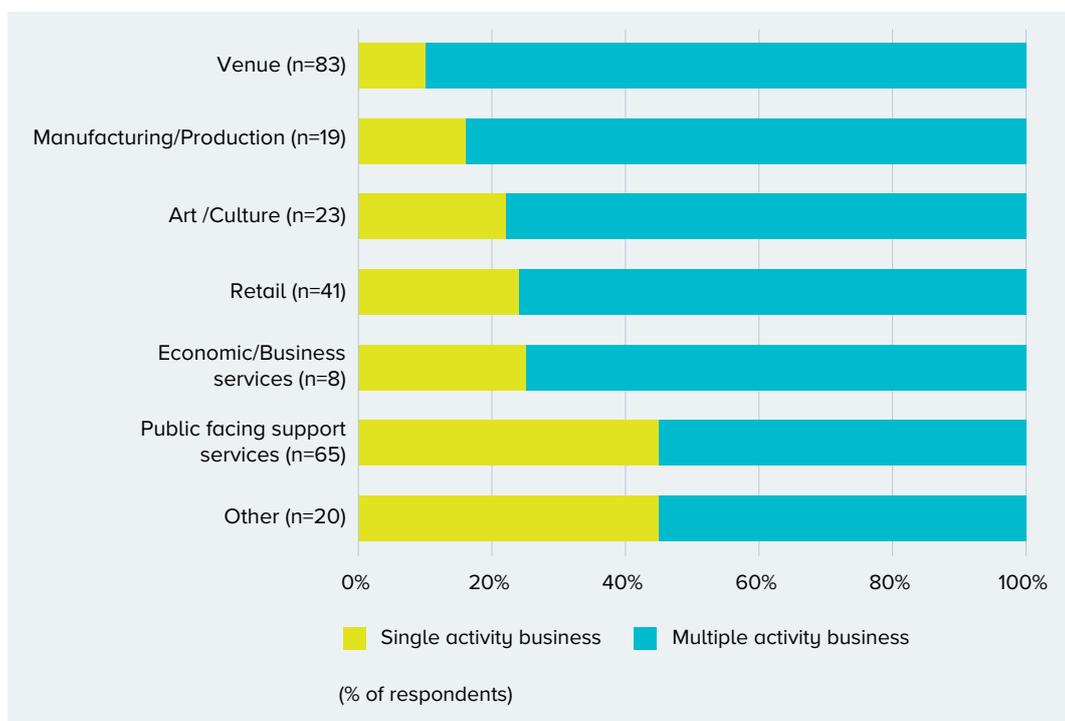
shops and pubs offer café facilities because this type of facility is ‘important for stimulating social interaction and addressing isolation and loneliness’.

Overall, several other activities are mostly offered as an additional rather than primary purpose including ‘digital services, consultancy or products’ and ‘environmental/conservation services, consultancy or products’. In these cases, the business is using the secondary activity to reach the wider local community and/or respond to local needs.

### Combining categories of community business

The base sizes for some individual activities are too small to use for any comparative analysis. However, by grouping activities together (see Table 1), some broader insights are revealed. Figure 2 shows that nine in ten (90%<sup>5</sup>) of ‘Venues’ have at least one other activity operating from that location. In comparison, a little over half (55%<sup>6</sup>) of ‘Public Facing Support Services’ provide secondary services. This finding expresses something about the development of the market. Many of the businesses comprising ‘Public Facing Support Services’ offer a specific service and/or were historically part of the local government public service offer.

Figure 2: Grouped primary business activity categories by single vs multiple business activities (bases variable<sup>7</sup>)



<sup>5</sup> Base of 83 businesses.

<sup>6</sup> Base of 65 businesses.

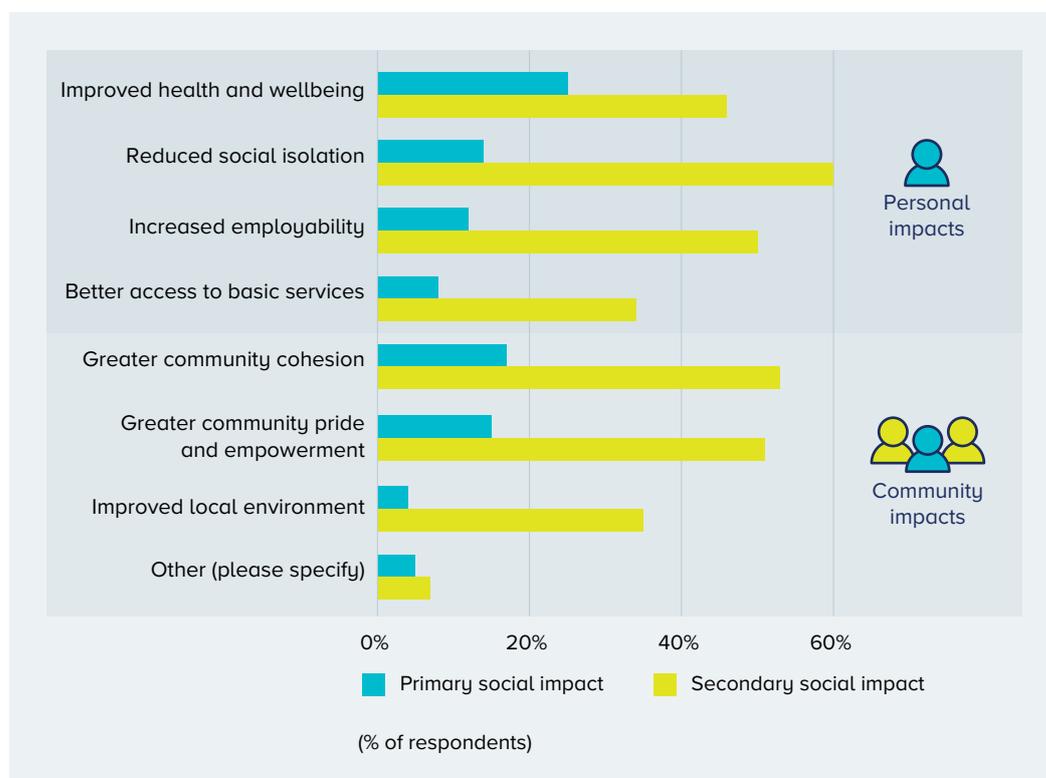
<sup>7</sup> Note that aggregating data still results in low base sizes for most categories that limits comparative analysis

One of the issues faced by community businesses discussed later is the value placed in different types of technical and legal services. The least important of these for all businesses is staff transfers and/or the transfer of undertakings (TUPE) with nearly a quarter (24%) of those surveyed rating access to such services as at least “fairly important”. In comparison, nearly two in five (38%) of businesses classed as ‘Public Facing Support Services’ say the same about access to such services.

### The purpose and impact of community businesses

The survey asked interviewees to identify the social impacts they sought to achieve. All but four of the 259 respondents gave multiple answers and over half (55%) identified five or more impacts. Figure 3 identifies ‘improved health and wellbeing’ as the most common primary aim (25%). The figure also groups impacts into a personal and community category. Nearly three in five (59%) interviewees identified a personal impact as the primary aim compared with the two in five (38%) identifying a community impact.

Figure 3: Primary and secondary social impacts (base=259)



Community businesses offering multiple services express a wider community focus. Just over a quarter (26%) of single activity businesses state their main social impact is community focused. More than two-fifths (42%) of multiple-service community businesses say the same. As discussed above, these multi-service community businesses evolve to adapt to changing demand and service different audiences which may explain the different focus.

## 2.2 The composition of community businesses

### Staffing and shareholders

Community businesses typically employ a small number of people. Over half (52%) said that they employed 1 to 10 staff (classed as micro businesses), and a quarter (26%) employed 11 or more (small/medium). The remaining fifth (21%) had no employees (Table 2).

Just over three in five staff (62%) worked part-time and the difference between micro and larger business is not statistically significant. Volunteers are central to the staffing structure of community businesses and, on average, interviewees said 42 active volunteers worked for them and this varies significantly by the size of the business with micro community businesses working with fewer active volunteers than larger businesses.

Similarly, larger community businesses (with at least eleven employees) engaged with more people they classed as shareholders, members, or customers.

These findings support a hypothesis that as a community businesses grows in size, it is able to increase its reach. This means engaging more and/or different groups of people within the community and increasing the number of active volunteers. In one example, a community hub increased the number of people from low-income backgrounds to which it provided welfare support. They used the resulting growth in income to provide classes and facilities for people to grow and cook their own food. This demonstrates how growing community businesses can reinvest and diversify services.

Table 2: Organisational structure of surveyed community businesses

	<i>Base</i>	<i>All</i>	<i>Small/ Medium</i>	<i>Micro</i>	<i>No employees</i>
<b>Distribution by type (%<sup>8</sup>)</b>	258	–	26%	52%	21%
<b>Number of employees (mean)</b>	199	16	37	5	–
<b>Number of employees (median)</b>	199	4	23	4	–
<b>Mean proportion full time (%)</b>	199	62%	54%	66%	–
<b>Number of volunteers (mean)</b>	257	42	82	29	23
<b>Number of volunteers (median)</b>	257	20	20	20	12
<b>Number of shareholders (mean)</b>	256	2,160	5,100	1,400	500
<b>Number of shareholders (median)</b>	256	200	500	160	125

### Length of operation and location

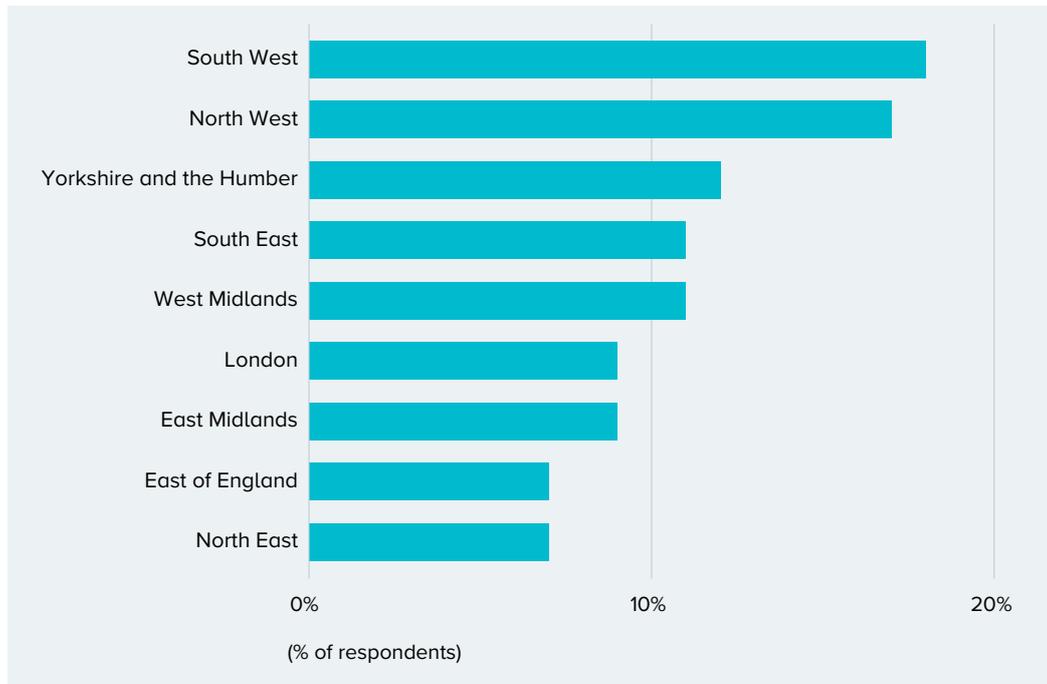
The majority of community businesses (95%) that completed the survey were already in operation, noting the sample was biased towards established businesses. Just over two-fifths (41%) of businesses began operating before the recession (2007 or earlier) and just under three-fifths (59%) began operating from 2008 onwards.

Analysis of postcodes of surveyed community businesses allows us to ascertain in which regions they are based and whether or not they operate in rural or urban communities. Figure 7 highlights that survey respondents are spread across the country. However there is a higher proportion operating in the South West (18%) and North West (17%) and a lower proportion operating in the East of England and North East (7%).

Survey data was appended with the Office for National Statistics' rural/urban classification (ONS, 2017). Just over seven in ten (72%) community businesses operate within urban classifications, with just under three in ten (28%) in communities classed as rural.

<sup>8</sup> Percentages do not total 100 due to rounding

Figure 4: Regional location of survey respondents (n=257)



### 2.3 Financing community businesses

The headline findings describing the financial characteristics of community businesses are summarised in Figure 5. The median annual income of surveyed businesses was £140,000 and this increased markedly with the number of staff employed. Businesses that began trading prior to 2008 had higher incomes, primarily because they were typically larger.

Figure 5: Summary financial position of community businesses

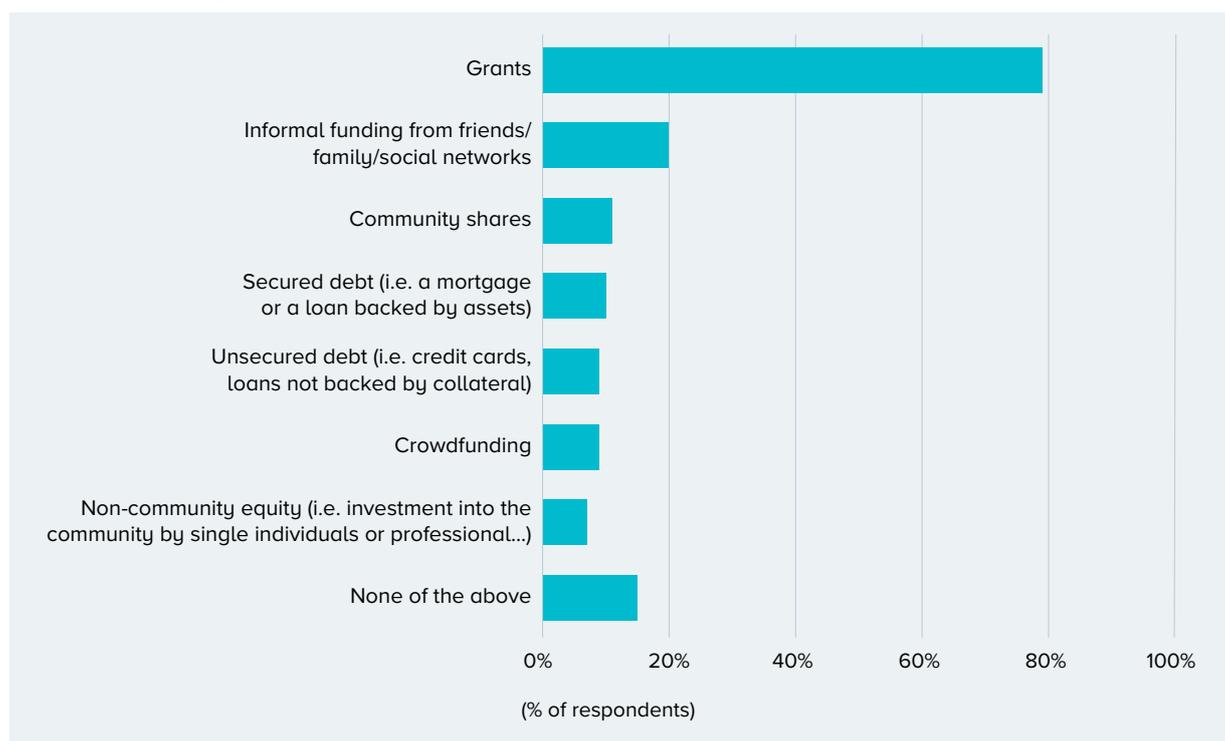


### The role of grant funding

Grant funding is a central component of the financial mix for most community businesses as nearly four in five (79%) derived income from such sources. Funding from informal sources including friends, family or social networks were cited by one in five (20%). This figure is high compared to a narrower definition for social enterprises used by Floyd and Gregory (2017) for which 4% accessed finance from ‘family members, business partners/directors’.

Returning to the survey, Figure 6 shows around one in ten issued community shares (11%), used crowdfunding (9%) or funded through secured (10%) or unsecured debt (9%). One in seven (15%) did not access any of the listed funding sources, including grants.

Figure 6: Investments/loans accessed over last 12 months (base=259)



However, trading and other sources account for the most income for seven in ten (70%) surveyed community businesses. In comparison, grants were the main source for a quarter (25%) with the remainder (5%) deriving an equal amount from both options.

An analysis of the proportion of income that comes from grants shows larger community businesses are less reliant on grants than businesses with no employees. On average, grants comprise a quarter (25%) of income for community businesses with 11 employees or more compared to 38% for businesses with no employees.

Grant funding and informal sources like friends and family are clearly important in the sector. There are potential risks to longer term growth and/or sustainability for community businesses that rely heavily on grants, particularly for smaller, newer businesses and those that lean heavily on volunteers.

*'The community takes over the community asset. Then, what tends to happen is you get left with a board of directors who are overworked. There's a disengaged community, who like the idea and like to tell people they're members of it, but don't really get involved, and there's a long-term sustainability problem with this. You know, with burnout... where livelihoods are involved, they're much more sustainable.'* – Community business support organisation

### Financial needs and priorities

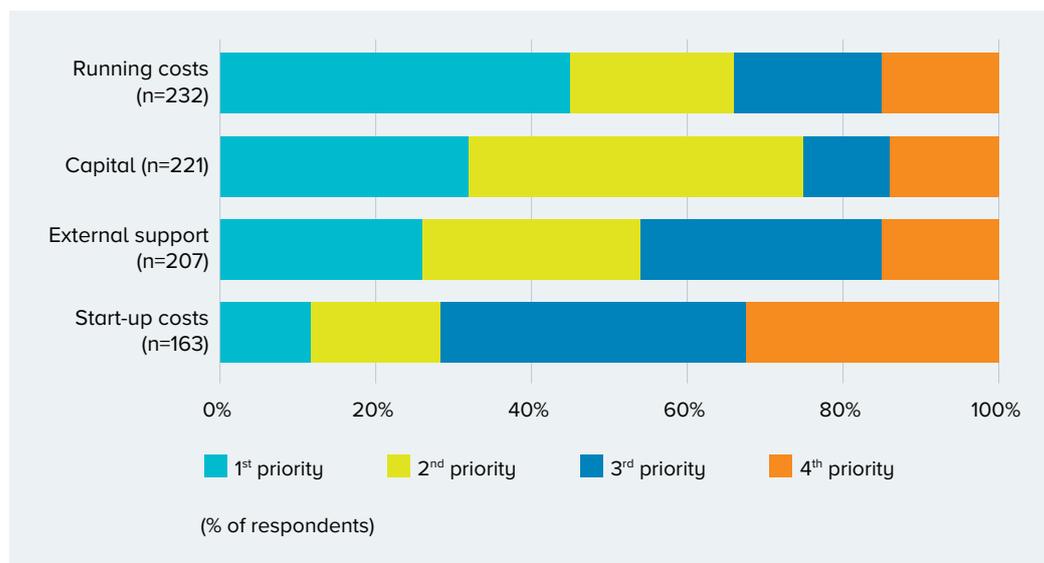
Figure 11 shows how important four different costs were to interviewees:

- Start-up costs e.g. e.g. feasibility work, legal, business planning
- Running costs e.g. employing staff
- Capital costs e.g. purchasing a building or an asset
- External support costs e.g. capacity building or accessing external support

The highest priority was given to the **cost of running**<sup>9</sup> a community business; just under half of respondents (45%). However, when first and second order financial priorities are combined, **capital costs** emerge as a higher priority. Three-quarters (75%) of respondents reported that these costs were a first or second order priority compared with two-thirds (66%) who reported running costs were a first or second order priority.

<sup>9</sup> Priorities do not sum to 100 as not all respondents provided a response for each item. This is why the base sizes vary.

Figure 7: Priority of financial costs to community businesses (variable bases)



The financial priorities vary by community business.

- **Running costs** vary significantly based on community business focus and are a higher priority for businesses with multiple service offers and who target social impact to the wider community rather than individuals.
- **Capital costs** are more likely to be a higher priority for community businesses deriving most income from trading and, again, those with multiple service offers.
- Single activity community businesses are more likely than those offering multiple services to rank **external support costs** as a high priority. Similarly, community businesses that do not employ anyone are less likely to prioritise external costs the most.
- **Start-up costs** are clearly important to the twelve businesses not yet trading; nine of these ranked this as the highest priority and the other three the second highest.

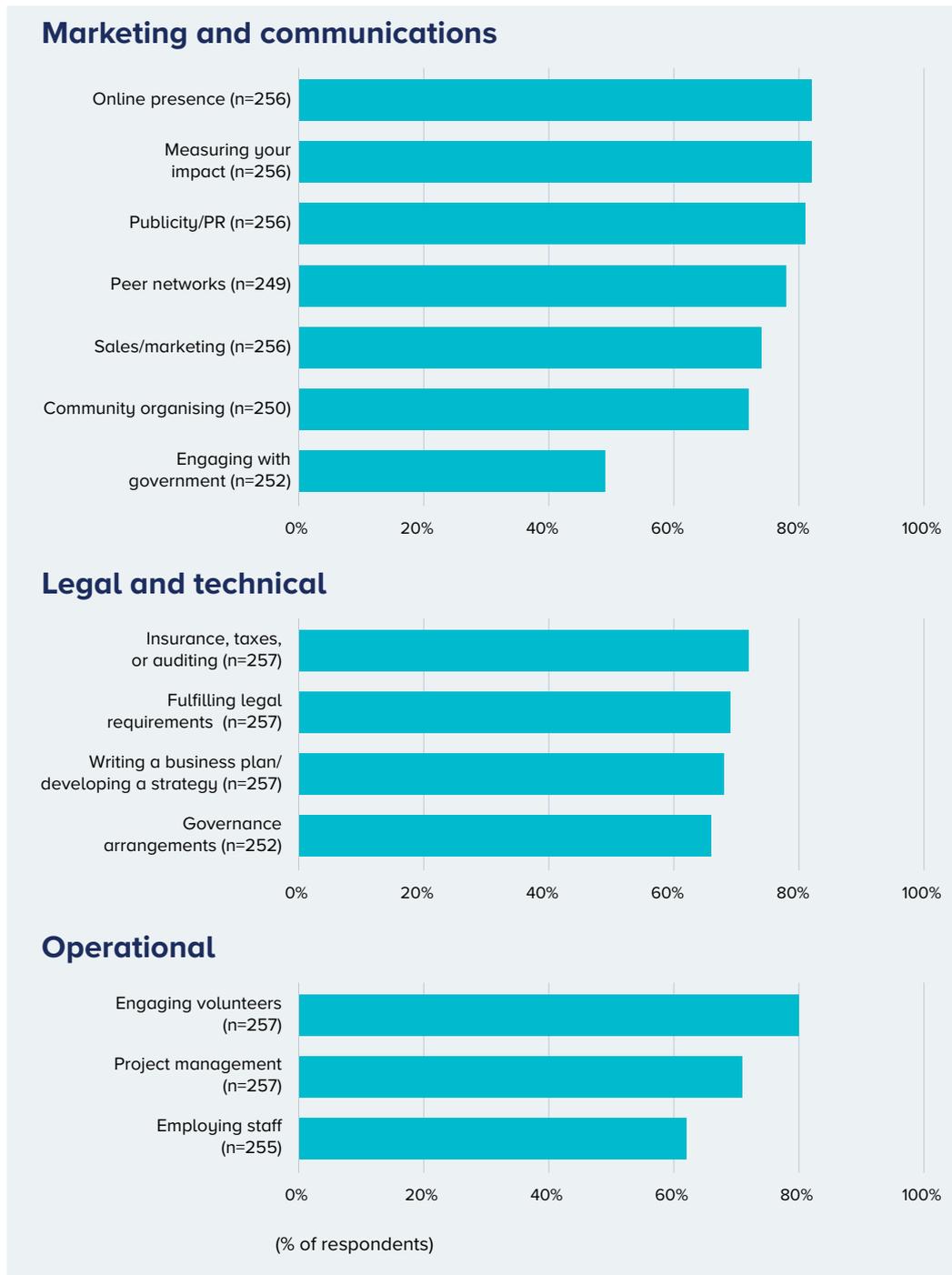
These findings show that multi-service community businesses prioritise ongoing operational costs over developmental or external costs.

## 2.4 Non-financial support

Access to funding and regular income streams are central to the sustainability of community businesses. However, in order to thrive and grow, businesses also benefit from access to a range of other types of non-financial support. Most of the support activities listed in the survey are at least fairly important to community businesses (Figure 8). Support with communications such as maintaining an online presence, publicity and peer networks are important to around four in five community businesses, and a similar proportion identify support with volunteer engagement as operationally important. Support with legal and technical needs associated

with running a community business are slightly less important, although over two-thirds of interviewees still welcome support for most of the options given.

Figure 8: Importance of access to non-financial support (variable bases)



Other forms of support are less important. These include engaging with government in which half (49%) of interviewees place importance and staff transfers/TUPE which is important to a quarter (24%) of those surveyed.

### Why business support is important to community businesses

Overall, interviewees strongly recognise that support is important in running their community business. Further detail on the value and need for support is provided from the in-depth interviews with community businesses, sector body representatives and support organisations. Interviewees identify a range of areas for which support is helpful including managing cash-flow, projects and personnel. Developing effective mechanisms for fundraising and navigating the system of grants and loans also present challenges for some community businesses. One interviewee suggested that intermediary support in running a business would be particularly useful because of the amount of learning required to navigate business finances and administration. A telling point below is the idea that an intermediary would do the work.

*'We've had to find the grants, we've had to find the loan finance and learn how all of that works. We've had to work with the banks and their incredibly complex forms... If there was some way that, say, an intermediary, or some provider, the sort of loan providers and the grant providers, could come together and do a lot of that background work and actually offer packages that are a mix of grants and loans, that would be amazing.'* – Community hub/facility

Lack of, or gaps in, operational skills can act as a barrier to accessing the support that community businesses need because it can make it difficult for some to know what questions to ask and how to correctly phrase requests for support. Many community businesses are very positive and proactive in developing their service offer and the right sort of guidance could help channel that positivity more effectively when barriers are faced.

*'What I found was, my lack of knowledge didn't allow me to ask the right questions and I think that's probably true for a lot of the areas we wandered into.'*  
– Community hub/facility community business

A crucial support role is therefore teasing out community businesses' needs at a strategic as well as an operational level and developing effective, appropriate solutions. Careful questioning can enable novice community businesses to articulate their strategic mission and vision as well as to develop an operational plan to ensure their strategic objectives are achieved:

*'So, I ask them, why are you here? What is it you're aiming to achieve? How are you achieving that? How does that follow through into the rest of your business?'*  
– Support organisation interviewee

Articulating a clear strategy and vision for a community business can ensure that business remains in touch with the needs of the community they are set up to serve. It provides a better focus on the social and community goals and channels the positive intent and social mission of the business.

*'They lose sight of the strategic stuff, but they also lose the connection with their community.'* – Support organisation interviewee

### **The role of marketing and communications**

Many community businesses recognise the importance and benefits of effective marketing but also acknowledge that this is an area where they lack skills and expertise to perform effectively. As reflected in the survey data, key areas of weakness included creating an effective marketing plan, and utilising social media channels.

*'... We've got a website, but it's not particularly alive, and similarly with Facebook. There's not a lot dynamic about it. We need to improve those situations'*  
– Community shop

### **Accessing support**

With support from specialists who understand and take an interest in the community business sector, interviewees believe that they can address their skills gaps. However, to be most effective, they say support must be accessible and tailored to the needs of a community business. Several businesses suggested virtual support mechanisms may help as the flexibility allows them to access support as and when they need it, quickly and easily.

*'It would be great to have a body of support that could be wheeled in and say, 'Right, here are the experts you need, they can advise you.' Even if it's virtual, just someone to go back and refer to who's independent of anything.'*  
– Community hub/facility

A core issue is cost. For standard businesses, the type and level of support suggested by community businesses would involve a fee. However, the evidence shows that community businesses have, at best, limited funds to pay for the business support services that would add value. Community businesses suggest that peer-to-peer support could be one answer and that more could be done to facilitate interaction between community businesses. Further, a community business peer network would make community businesses less isolated and provide a mechanism for businesses to share experiences and good practice:

*'... To have a group of peers to use as a sounding board, to understand some of the difficulties that each other is going through, is affirming and helpful.'*  
– Community hub/facility

Regardless of the mode of such a network, it would give businesses a platform to develop relationships with like-minded individuals, and experts who understand the sector and the role community businesses play. As well as bringing businesses together, the implementation of such a platform would also contribute towards the creation of a sustainable sector.

*'We've got some really skilled people on our board, in our committee that really know this stuff and have been through the pain themselves. If we were to become a support provider to other community businesses, what a lovely way to generate sustainability within the sector.'* – Community Pub

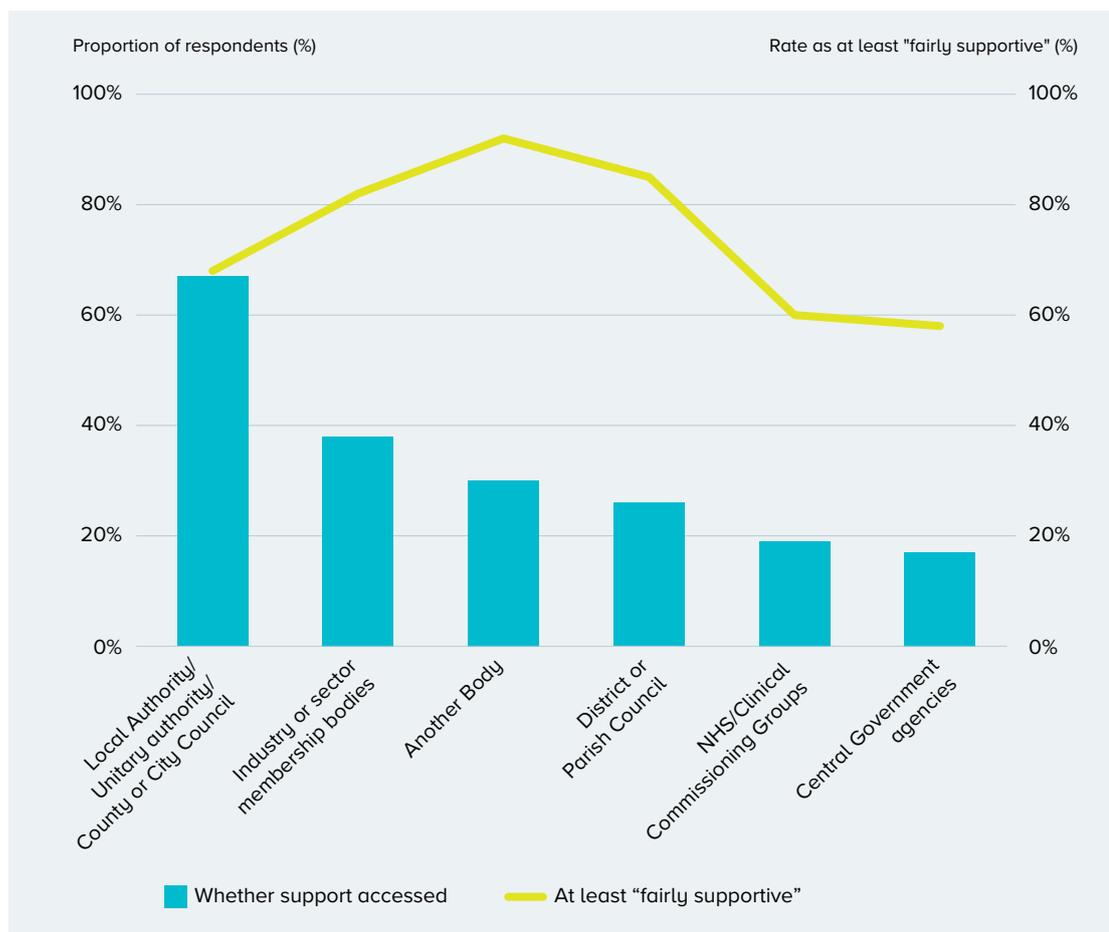
Power to Change does fund peer networks<sup>10</sup> and the evidence suggests more activity supporting such networks would be welcome.

### **Organisations who support community businesses**

Community businesses' current support needs are mostly met by some form of local or regional government body (Figure 9). Two thirds (67%) access support, advice or guidance from their local/unitary authority or their county or city council, a quarter (26%) use a parish or district council and one in six (17%) go to central government. Of the government bodies, the parish or district council is perceived by 85% of community businesses using them as fairly or very supportive.

<sup>10</sup> Power to Change's discussion and activities on peer networking available here: <http://www.powertochange.org.uk/support-and-resources/peer-networking/> Accessed on 22 November 2017

Figure 9: Organisations community businesses have sought support from (n=258)



Three in ten (30%) community businesses received support from “another body” and the quality of support from this group is the most highly regarded. The majority of these other bodies are organisations that specifically focus on the sector including Power to Change, Community First, The Plunkett Foundation and Locality. Furthermore, private companies are absent in responses. These findings reinforce what community businesses say when discussing support in-depth: support that recognises the specific challenges faced by community businesses and that paid for support is not common.

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## 3. Outlook for the year ahead

**This chapter considers the outlook for the year ahead for community businesses by exploring the attitudes of community business leaders; financial confidence; future income sources; staff and volunteer recruitment; and opportunities and challenges.**

### Key Insights

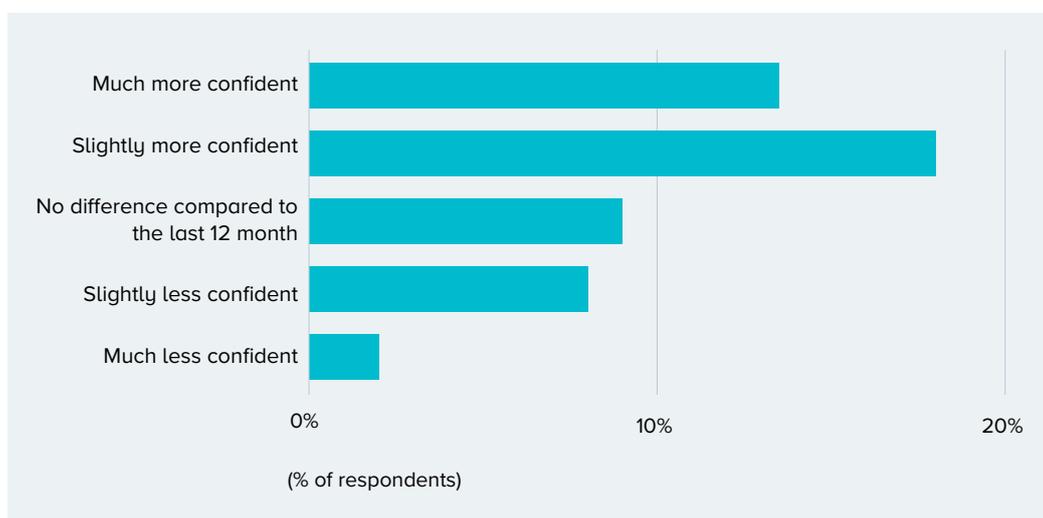
- The majority of community businesses expect their income to increase over the next 12 months as a result of diversification, efficient use of resources and an increase in demand for their services. Over a fifth of community businesses plan to access investments from crowdfunding for the first time over the next 12 months.
- Most community businesses will continue to use grant funding, even where they generate significant trade income. The prevalence of grant funding represents a challenge should the community business market grow as this increases competition for finite funds. Newly established community businesses require additional support to navigate the funding system.
- There is an unanswered question about how community businesses manage a growing cost base whilst managing depreciation of capital assets that also need to be maintained, renovated or redeveloped.
- The evidence suggests that 2018 will see continued growth amongst community businesses, underpinned by increased trading and acquisition of assets. Approximately a quarter of community businesses that had not taken on new assets or embarked on new trading activities in 2017 plan to do so in the next 12 months.
- Most community businesses are primarily focused on immediate concerns, such as resourcing and access to finance, rather than longer term strategies, business models and solutions. Where business planning does take place, it tends to be short term. An increase in demand for services can present challenges when a business model has not been developed in a sustainable and scalable way
- A substantial number of community businesses believe that external support should be ongoing beyond the set-up phase. Specific support to enable community businesses to become self-sustaining is particularly vital.
- The majority of community businesses anticipate that they will increase their number of volunteers over the coming year and half will increase the number of paid staff. This suggests a slight downturn in hiring activity from 2016's market assessment in which most community businesses expected to hire more paid staff. This is compounded by difficulties in attracting and retaining appropriate staff (volunteers and paid).

### 3.1 Financial outlook for community businesses

#### Financial confidence

Encouragingly nearly two-thirds (63%) of survey respondents report that they are more confident about their financial prospects for the year ahead compared with the previous year. This is in contrast with a fifth (20%) who report feeling less confident (Figure 10).

Figure 10: Community businesses' confidence in the financial prospects of their businesses over the next 12 months (n=241)



The findings from the depth interviews suggest that confidence primarily stems from the experience gained from both setting up and running a community business. Through a process of trial and error, businesses learn 'what works' and are subsequently able to apply this learning to develop the business. Interviewees perceive that the process of overcoming the challenges they have encountered has prepared them to take advantage of new opportunities and to deal with risks and threats more effectively. As one interviewee explained:

*'... We've now got the experience, and the management structure that we think allows us to react to any challenges, whereas probably a year ago, I probably wasn't as confident.'* – Community shop depth interviewee

#### Future income sources

Over three-quarters of community businesses are in receipt of grant funding. There is some recognition that this source of finance is becoming extremely competitive yet over half (55%) of survey respondents report that they expect income from grants to *increase* over the next 12 months, compared with just a fifth (19%) who expect it to *decrease*.

There are several possible reasons why community businesses might expect grant funding to decrease, including increased competition and increased income from other sources. For example, three-quarters (76%) of community businesses expect income from trading or contracts to increase over the next 12 months. However, on average, when considering both increases and decreases, while respondents expect to receive 36% more income from trading or contracts they expect to receive 44% more income from grants and this source of income clearly remains important for many community businesses.

Nonetheless, there is optimism about the number of new business possibilities and the opportunities to generate income. In particular, by capitalising on opportunities to diversify their business, they hope to increase demand for their services and boost their income through trading. An interviewee explained:

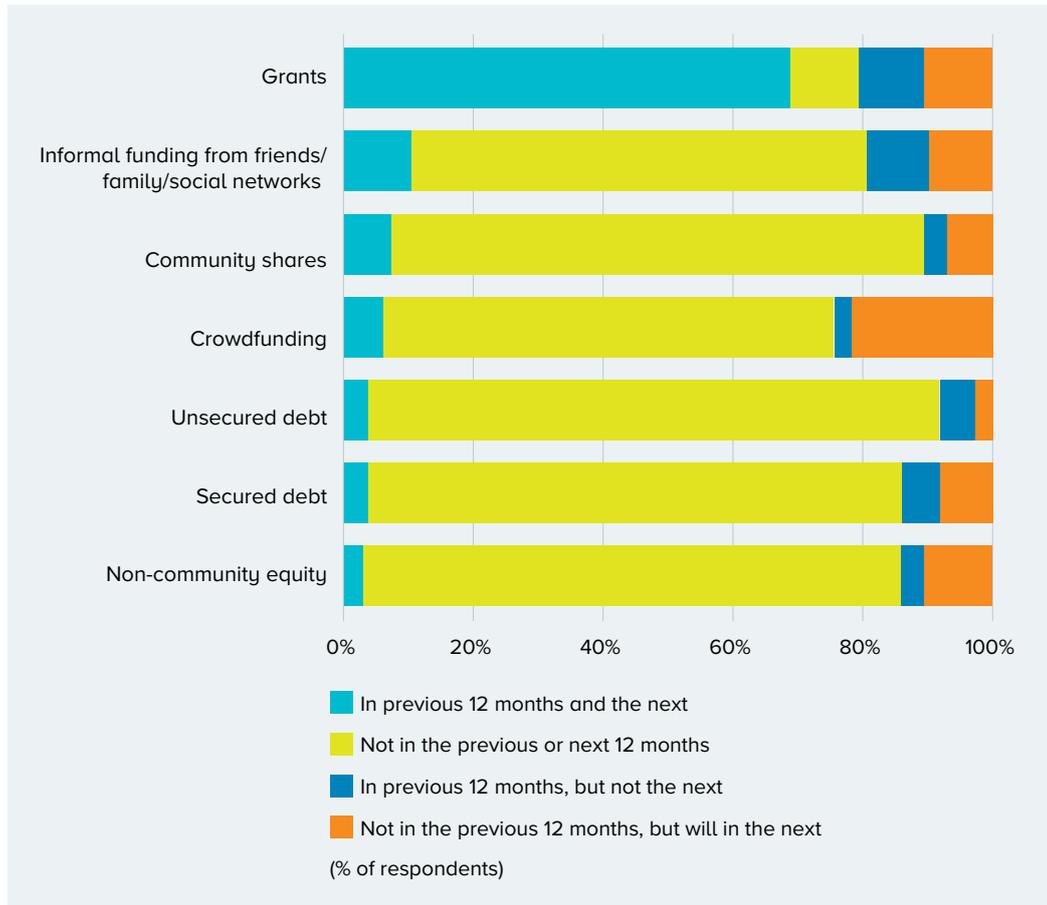
*'... We've got different options, and one of those is to expand external catering that we provide, which wasn't possible before. That will hopefully bring in additional profit, and also renting out the facilities in the downtime.'*

– Food catering and production/farming community business interviewee

Some businesses are also confident that they will be in a position to increase their gross margin over the coming year. This increase is likely to be achieved through greater efficiencies and effective allocation of resources as well as the diversification of their offer.

Respondents were asked which sources of finance they plan to access over the next 12 months and this was compared with the sources of finance accessed over the previous 12 months (Figure 11). Over two-thirds (69%) of respondents who accessed grants in the previous 12 months expect to do so in the next 12 months whereas the majority of respondents who did not previously access funding from other sources, do not plan to do so. This suggests relative stability. However, over a fifth (22%) of community businesses plan to access finance from crowdfunding over the next year who did not do so in the previous year. This suggests an increasing awareness of crowdfunding initiatives in the community business market.

Figure 11: Changes in investment or loans over the next 12 months (n=258)

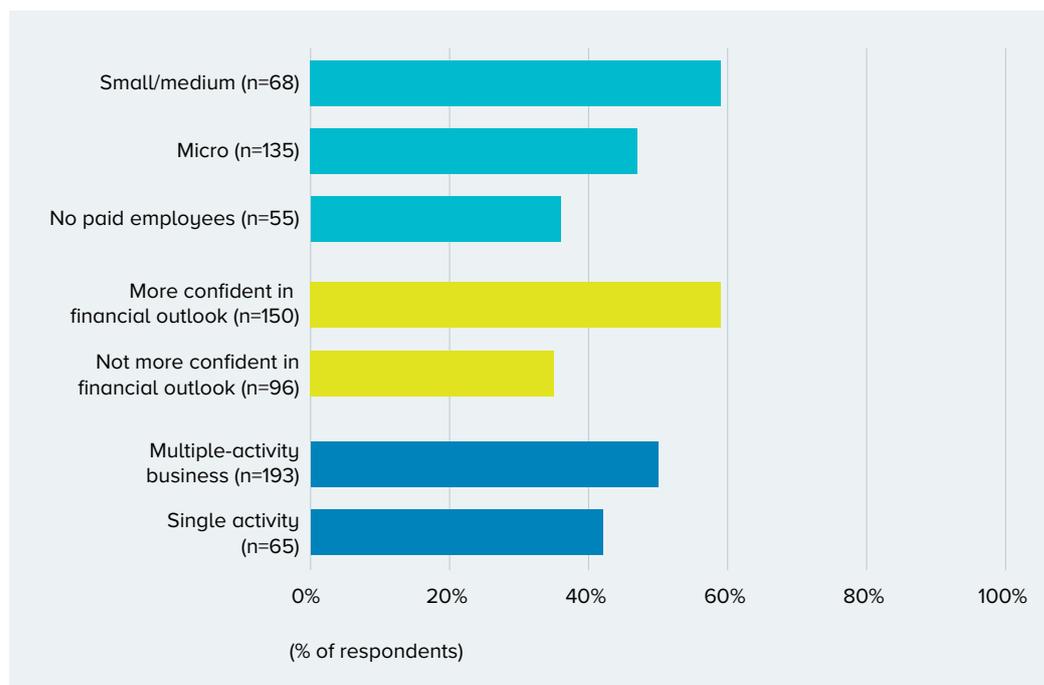


### 3.2 Structure of community businesses

Community businesses are heavily reliant upon volunteers. The evidence suggests that this trend will continue as nearly three-quarters (72%) of respondents reported that they expect to see an increase in their number of volunteers. This compares with almost half (48%) of respondents who expect to employ more paid staff.

Those community businesses that are more likely than their counterparts to take on more paid staff include a high proportion of larger community businesses, those who are more confident in their financial outlook, and those with multiple business activities (Figure 12).

Figure 12: Proportion of community businesses that plan to take on more paid staff by different groups (variable bases)

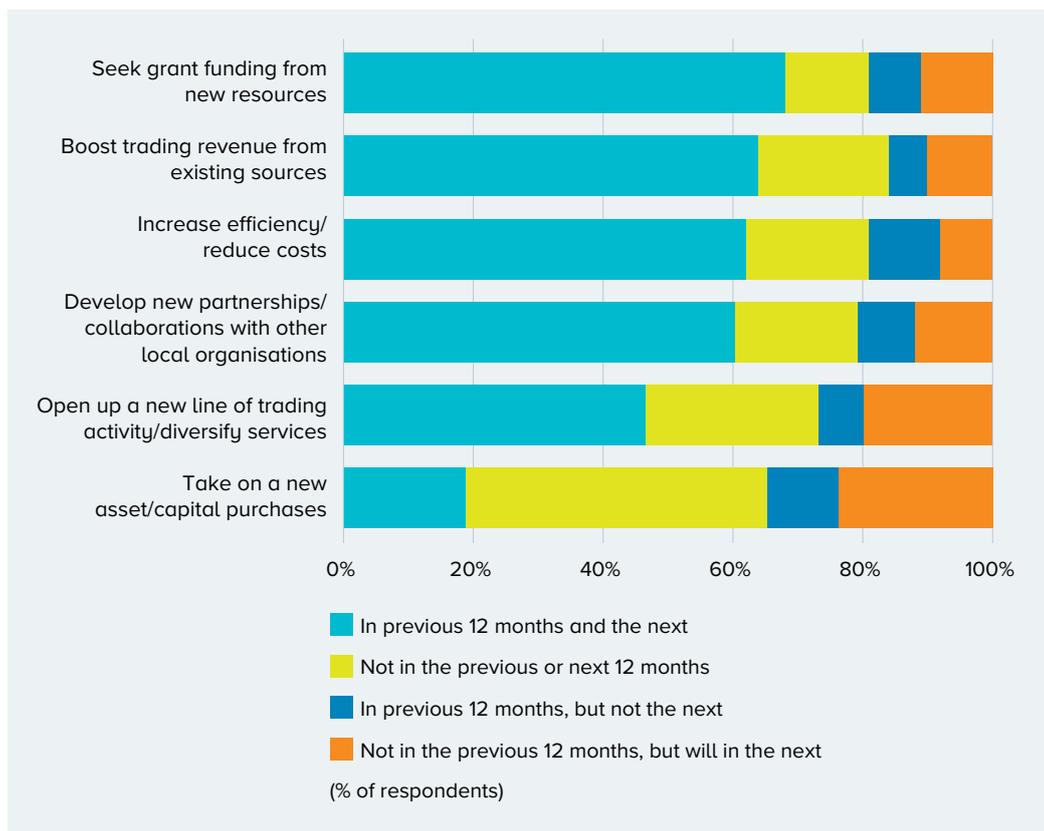


### Changes in operations

The survey explored changes that community businesses have made over the previous 12 months in addition to changes that they expect to make over the next 12 months. Two thirds of respondents who sought new grant funding and took action to boost trading revenue from existing sources in the previous 12 months (68% and 64%, respectively) plan to continue doing so in the next year (Figure 13). The figure for grant funding shows how important this source remains, even though only a quarter of community businesses say this is their main source of funding.

Further, almost a quarter (24%) of survey respondents who had not taken on a new asset or made a capital purchase and a fifth (20%) who had not opened up a new line of trading activity or diversified their services in the previous 12 months plan to do so in the next 12 months.

Figure 13: Changes to business operations over the previous and future 12 months (n=258)



### 3.3 Challenges and opportunities for community businesses

The research has identified a number of challenges typically faced when setting up, running and sustaining a community business, as well as a number of opportunities available to community businesses as they seek to grow and develop in the future.

#### Challenges

The research suggests that the main issues faced by community businesses in the past continue to present a challenge and that this is unlikely to change in the near future. Given the challenges they are facing, particularly in relation to finance and the short-term and insecure nature of grant funding, most community businesses do not plan long term and those that do tend to remain focussed on the issues that are affecting them currently.

### Financial issues

Community businesses experience a number of financial issues during both the set-up phase and as they seek to run and sustain their operations.

#### Access to grant funding

Grant funding fulfils a vital role for most community businesses but, according to the qualitative interviews, grants are particularly important for start-ups. The interviewees in the start-up phase report that accessing this funding had presented a challenge. They, along with some more established businesses, experienced difficulties understanding where to find grant funding, deciding which grants they should apply for, and putting together a successful grant application. For example, interviewees highlighted the variety in requirements and formats for applications.

The challenges are exacerbated by increased competition for grant funding. According to community business leaders, competition has increased for two reasons: the overall amount of grant funding available is being reduced; and more community businesses are entering the market place and competing for a diminishing number of grants. The increased competition means that community businesses seek to develop a competitive advantage and potentially create an environment of opposition rather than collaboration.

The survey evidence shows no difference in a series of measures for community businesses that started since 2014 compared to older businesses. For example, newer community businesses were no less likely to have applied for grants in the past year and the mean proportion of grant income they received was not statistically different to older businesses. The main statistical difference in the survey findings is that community businesses with no employees are more reliant on grants (which comprise 38% of all income) than businesses with eleven or more employees (25% of income from grants). The number of employees is not necessarily an indicator of a start-up. The qualitative evidence shows the specific challenges start-ups face. The quantitative data suggests newer businesses are meeting these challenges at least as well as older, established community businesses.

#### Income generation

The main income streams for community businesses include grants, trading and the delivery of contracts. Irrespective of a business's age or optimism about their financial prospects, income generation was identified as an ongoing challenge reflecting both internal and external barriers. The internal challenges to income generation centre on the capabilities of staff and the capacity within a community business to develop an effective *business strategy* and workable *operational plan*. As one survey respondent explained:

*'The skill base of trustees and staff is growing but we still need some support in developing business plans that address sustainability.'* – Survey respondent

Another survey respondent highlighted that, even when a plan is in place, “*getting all the team to fully embrace and work towards the ambitions*” can present a further challenge.

External challenges include the availability of grant funding, particularly for community businesses that have limited opportunities to generate income from trading or from delivering contracts, for example, those offering services such as advice that are free at the point of access. In the context of reforms to the welfare system, including Universal Credit, demand for these ‘free’ services is growing as one interviewee explained:

*‘We’re seeing an even greater need for our work anyway, with increasing poverty, benefit sanctions, the lack of affordable housing, public health issues and access to public health... I just think it’s only just going to become a bigger increase.’ – Health and social care community business*

The increase in demand has not been accompanied by an increase in funding for service delivery. In the absence of grant funding, the proliferation of these services is perceived by community business leaders to compound existing challenges in relation to income generation. One solution is to seek funding to deliver training, education, and employment support services from alternative sources such as central government or the European Social Fund (ESF). However, community businesses are often not eligible for these funding sources because they are not part of a main provider’s supply chain.

A further external challenge highlighted in all sectors of the community business market is meeting rising running costs and mitigating the impact on service delivery. A clear example is the challenge to meet the cost of business rates, especially for smaller businesses as the cost often represents a significant proportion of their direct expenditure. To overcome this challenge, some community businesses seek a discount from their local authority; however, rates and levels of discount vary across local authorities and applying for discounted rates can be a time-consuming process.

It is clear that community businesses need financial assistance; whilst it is promising that businesses continue to enter the community business market, greater levels of funding are required to support the sector and ensure it can continue to provide key services.

### **Resourcing issues**

The research identified two main challenges in relation to resourcing: attracting and retaining skilled staff and volunteers and developing the infrastructure of the business.

### Human resources

Community businesses are heavily reliant on volunteer staff and, where the community is actively involved in getting the business up and running, the commitment and energy of volunteers is particularly vital. However, few businesses are able to maintain the same level of commitment and enthusiasm over time or to attract and retain further volunteers. Recurring challenges include: the short length of time some volunteers spend with the business; the inability of some volunteers to make a set commitment because of competing priorities, including part-time paid work; and the limited skillset of some volunteers, particularly in helping to run and grow the business.

*'... There are very few of them [volunteers], they usually come and go, but if they are volunteers, you can't always rely on them, if they've got something else to do they tend not to come in sometimes.'* – Community business interviewee

These issues affect community businesses in different ways. Some businesses have employees who are responsible for the administration and delivery of the business, ensuring the maintenance of its basic functions in the absence of volunteers. One sector body interviewee explained that paid staff also fulfil a key role in retaining volunteers:

*'It's very exciting when you're promoting a project, but when that project's up and running and you haven't got any other projects coming up, it's hard to keep people engaged and involved, whereas if you've got someone paid to be there, they're more likely to be able to identify new projects and keep them ticking over.'*  
– Sector body interviewee

However, these community businesses still experience similar challenges including struggling to run some services, growing the business, and engaging with community members because of staff and skills shortages.

Other community businesses are unable to employ staff and are therefore entirely reliant on volunteers. In these examples, interviewees described how the lack of skilled volunteers was having serious implications for the sustainability of the business, delivery of services and the achievement of wider business objectives. A lack of volunteers also impacts on the ability to complete funding applications and on their eligibility for certain community business funding that requires demonstration of community engagement through the involvement of volunteers.

It was observed by some community businesses that these challenges tend to be exacerbated in communities where the skillsets, financial resources, and willingness of local residents to volunteer are low. One community business that operates in an economically-deprived area reported that they needed to advertise to attract people living beyond the community. Given volunteers are pivotal to the successful running of community businesses, many survey respondents regarded recruitment as a key challenge over the next 12 months.

### Infrastructure

Some community businesses operate from premises that require ongoing maintenance; in some cases including renovation and/or reconstruction work. Reconstruction work includes building new facilities and adapting existing provision to ensure accessibility. However, raising the funds to meet costs of substantial structural works is a significant challenge for community businesses as the following interviewee explained:

*'What we can't afford to do it, which is what our big issue is...We want a lift for full disabled access. That needs a quarter of a million. That's the money we've got a problem with.'* – Community hub interviewee

A further challenge associated with infrastructure investment related to Community Asset Transfer. Community businesses reported a lack of understanding about how the system works, and a lack of support from the local authority to help them through this process. One interviewee explained the protracted nature of community asset transfers:

*'...We've had lots of delays. We've had times when they weren't replying at all until the local council asked the question. We've had false starts where we have been told we have got a lease and then they've come back and said, 'Oh no, we need the answers to these questions.' This happens on a fairly regular basis...'* – Community village hall interviewee

The majority of community businesses consulted that have gone through the community asset transfer process reported similar issues, highlighting an important area for improvement in terms of provision and advice.

### Opportunities

Despite the challenges, many of the community businesses were optimistic about the future and recognised the opportunities available to help them develop and grow.

### Income generation

Notwithstanding the challenges outlined above, many of the community businesses were optimistic about the opportunities to generate income.

These included increased trade; securing new contracts to deliver goods or services; securing grant funding; financial donations; and community shares. However, only a minority of those consulted had pursued community shares. This may reflect a lack of awareness of community shares and their potential benefits and suggests a possible missed opportunity to generate income.

There appear to be two different types of organisation that are well-placed to capitalise on opportunities to generate income through increased trade. The first is established community businesses that are experiencing a growth in demand for their *existing* goods or services from members of their local community who recognise that the community and local economy benefit if the business does well. The second is newly-established community businesses and those that are well-established but developing a new activity or service. For example, interviewees highlighted that local authorities and public service providers are seeking to discharge aspects of provision to third parties and that community businesses could be well placed to respond. However, many of these businesses report that they do not currently have the necessary infrastructure and resources in place.

### **Acquisition of assets**

The second notable opportunity for community businesses is through the acquisition of assets such as land or premises. The interviews suggest that some community businesses are investing a portion of their reserves or fundraising specifically to purchase an asset. Community Asset Transfers also enable community businesses to acquire an asset from a public body such as a local authority at less than the market value. Acquiring new or additional premises helps to ensure businesses have the infrastructure in place to reach community members and deliver services at a localised level in response to need.

### **Realising opportunities: partnerships and external support**

Some community businesses require information, advice, guidance and support to address challenges and realise opportunities for sustainability and growth. Without staff – paid or volunteers – with the requisite knowledge, skills and expertise to develop viable business plans and secure the funding needed to support delivery, community businesses are unlikely to thrive. In addition to recruitment, there are number of ways in which community businesses can acquire the skills they need.

Some community businesses are already accessing knowledge, skills and expertise by working in partnership with other community businesses as well as with sector bodies, local public sector organisations, and the private sector. Community businesses particularly benefit from advice and support from partners on business planning and growth, including help with identifying and applying for grant funding. Partnerships with local public service providers are particularly beneficial in helping to facilitate access to contracts which community businesses may not be able to bid for independently. Furthermore, they can help to facilitate customer referrals and provide access to facilities and other services provided by their partners at low or no cost.

### 3.4 The role of Power to Change

Survey respondents were asked how Power to Change could better support community businesses. A key recommendation is to ensure community businesses know funding is available<sup>11</sup> to new start-ups to meet the costs of employing a paid member of staff during the set-up phase.

*'A £10,000 grant to pay for us to focus full time for 6 - 8 months on this would make a huge difference and help us to become more business-like. We are transitioning from being volunteers, I have handed in my notice because I can't drive this forward in the evening after the children have gone to bed anymore. I'm the main breadwinner for my family. I'm following my heart but I only have two months of savings to cover bills. Running a share offer or negotiating the purchase of a building takes time.'* – Survey respondent

In addition, a second key recommendation is increased provision of support services to help community businesses address the key issues and challenges they experience including marketing and communications, business operations and, crucially, navigating the funding application system:

*'A major investment to enable us to get started and guidance to continue beyond the funding period would be useful. A previous application to Power to Change was rejected. We feel that could have been down to our lack of experience in completing grant applications.'* – Survey respondent

Businesses also voiced a preference for funding organisations to take an active interest in their work. Survey respondents were keen to develop a personal relationship with their funders, as they believed that this would help funders to better understand the aims of the business, and therefore lead to a more bespoke support service:

*'Investing time in the organisations you are funding and getting to know those organisations; understanding them and what they are using the funding for is what makes a difference in our experience.'* – Survey respondent

A substantial number of community businesses believe that support should be ongoing beyond the set-up phase. One respondent suggested that “whether at the start or middle of their journey towards change [Power to Change should] continue to be a ‘critical friend’ and provide feedback for applicants”. Specific support to enable community businesses to become self-sustaining is particularly vital. Businesses are keen to become less reliant on grant funding, but need support on the road towards financial independence. Community businesses would also value additional support in the early years of operation, including help to develop commercial services:

<sup>11</sup> Power to Change's support for funding available here: <http://www.powertochange.org.uk/funding/grants/community-business-bright-ideas/> Accessed 22 November 2017

*‘What we really need to help us grow into a resilient, sustainable business is investment and support in these early years. The pressure on those working to make things happen without the security or support for more than a year or 2 at a time is really challenging for people to sustain.’ – Survey respondent*

Several respondents report that Power to Change could help to co-ordinate schemes to promote community businesses’ services and products, which would also help with sustainability issues. Businesses also suggest support for advertisement costs and the possibility of organising regional community business markets to help raise the profile of the sector and consequently bring in more consumers.

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## 4. Size and scope of the market

Past research commissioned by Power to Change estimated the total size of the community business market and its constituent sectors. We present revised estimates using a new methodology in this section, including a summary of the method and data sources used.

### Key Insights

- Utilising the bottom-up, sector focused market estimates, we estimate that the total number of community businesses in 2017 is 6,600. The methods used to construct this estimate are documented within this chapter and the estimates come with some caveats. Utilising Companies House (FAME) data, our estimate of the size of the market in 2017 is within a range of 4,300 to 8,000 community businesses. However, both headline estimates mask considerable variations between sectors. It is not possible to say if changes since 2016 are genuine or a result of changes in methodology.
- Three areas of community business activities are listed this year beyond those identified in previous market assessments. They are classified together as a single category comprising training/education; information advice and guidance (IAG) and employability/business support. This represents the third largest sub-sector. Based on the findings presented in the 2016 report, this sector would mostly represent businesses that were not previously identified as opposed to them shifting between classes.
- Community hubs remain the largest market sub-sector, estimated to comprise 1,650 community businesses. These are typically multi-purpose facilities fulfilling a variety of community roles and delivering integrated services to local people. Their diversity is a strength but has the consequence of making them very difficult to categorise and measure.
- The ratio of paid staff to volunteers suggests that certain sectors lean more heavily on volunteers. This is the case for the two largest sectors (community hubs and transport) as well as retail businesses such as pubs and cafés, and the small energy sector. Conversely, community businesses with a stronger historical connection to the public sector (employment, IAG; training and education; business support; housing; health, social care and wellbeing) have much smaller volunteer to staff ratios.

## 4.1 Market size and sector evolution over the year

Estimating the size of the community business market is an inexact science. Power to Change uses an overall definition of the sector which articulates the attributes of a community business. The measures for identifying constituent businesses are inclusive (defining what they are) and exclusive (defining what they are not). Importantly, the measures are also subjective and have been devised in part to make decisions about funding allocation. The definition is therefore purposive and not designed to empirically assign a community business to a consistent industrial sector (see *What community businesses do*, p.12).

### Triangulating data for estimation

A variety of methods and sources are used to estimate market size for individual sub-sectors, and for the market as a whole. Considering first sub-sector sizes, data is used where it is available, can be cross-referenced, or can be derived through analysis. The following data sources are used where possible and/or appropriate.

#### The Power to Change grantee database

When businesses make an application for funding to Power to Change, detailed data is collected on the structure, financial position and purpose/objective of the business. Power to Change also assign broad sub-sector categories to each applicant. This is used by Power to Change to make a funding decision, and that decision is also recorded on the database. This database is publically available on Power to Changes website.<sup>12</sup> This data is valuable as it includes reported income, the proportion of income derived from trading and other useful data such as staff and volunteer numbers. This is also often the only data that quantifies a business's assets. Where enough observations in the dataset exist (around 20 or more), medians are derived for sub-sectors for overall income, assets and staff numbers. The figures are used in either subsequent sizing estimates, or as cross reference checks against other data.

#### Estimates derived from the Companies House (FAME) database

Power to Change commissioned Roper and Bonner<sup>13</sup> (2017) to conduct an initial assessment on whether existing sources of company data could be used to identify community businesses. This study analysed the commercially available Companies House database Financial Analysis Made Easy (FAME) to identify a potential sample frame of 19,993 businesses in England that includes a number of community businesses. Of this analysis they said:

<sup>12</sup> Power to Change application and grantee database can be found here: <http://www.powertochange.org.uk/research/power-change-grants-2015-2016/> Accessed 22 November 2017

<sup>13</sup> We extend our thanks to Dr Karen Bonner of Aston University for discussing their approach and advising on our method during the study.

*'... It is likely to contain a significant number of 'false positives'. Any survey work using this list might therefore want to include some form of early filter question to establish clearly whether individual businesses do consider themselves to be community companies.'*

We devised a test for this filtering exercise (see the technical annex to this report). In summary, 2,000 businesses in England were randomly sampled from the Roper and Bonner dataset. Computer Assisted Telephone Interviews (CATI) were attempted for all those with a valid telephone number and a screener issued to measure which businesses self-identified as a community business using a question agreed with Power to Change. The quality of contact details were sufficient to test with 718 of the 2,000 sampled records. Those passing the screener questions went on to complete a CATI interview for the study. Furthermore, some online interviewees could also be matched back to the full FAME dataset. As a result, 119 of those surveyed could be identified in the FAME sample frame. Estimates of sub-sector market size are derived where the number of observations allows.

### **Secondary data sources**

The most accurate sub-sector market size estimates are derived from secondary data sources. For example, the Plunkett Foundation publish data on the number and economic status of community pubs and shops. Official government data sources estimate the number of community businesses in the transport sector. Other sector bodies also produce estimates of varying quality that can help to calibrate other methods of estimation for relevant sub-sectors. The sources used are identified in the relevant sub-sector estimates.

### **Primary survey and qualitative interview data**

The primary research commissioned for this study also provides useful estimates. The survey comprises 259 fully completed surveys and, in some cases, some reasonable sub-sectors samples to use in estimation. The data is derived from purposive sampling, but remains a good source when used in conjunction with other sources and cross-referenced.

The qualitative interviews provide valuable market size estimates in some cases. Moreover, the in-depth fieldwork helps contextual and stress-test some of the empirical data. For example, several sector-based interviewees suggested estimates in prior reports were incorrect. Interviews were conducted under the condition of anonymity. The redacted quote below provides a flavour of the type of measurement problems that makes estimating the market size difficult.

*'This is an issue I've had with the previous estimates. It's not actually based on a survey, and I would question whether [that type of organisation] is actually trading. Trading, yes, with its members, maybe allowing some external bookings for facilities, but technically they're probably [not a community business] in terms of their governance. So, I think the number is relatively small [compared to prior reports].'* – Sector body representative

### The composition of a sub-sector estimate table

For each sub-sector, a data table is present that fulfils two functions. Firstly, it provides an estimate for a variety of market indicators for that sector, comparing data to estimates provided in 2016 albeit via a different estimation method. In some cases, estimates differ markedly between years. Secondly, the main source of the estimate is listed (✓✓), as is any triangulating data which verifies or calibrates that source (✓). This data allows for the quality of an individual estimate to be assessed.

Table 3: Example market size data table

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		1,000	1,200		✓✓	✓	✓
Income (£m)		110	150	✓		✓	✓✓
Assets (£m)		600	600	✓✓			
Income (£m median)		£0.11	£0.13	✓		✓	✓✓
Assets (£m median)		£0.60	£0.50	✓✓			
Staff numbers		3,500	4,500	✓		✓	✓✓
Volunteer numbers		10,000	15,000	✓			✓✓

Seven data points are provided if evidence exists for estimation.

- 1. Number of organisations:** This is an estimate of the total number of community businesses operating in that sector. The quality of this, and all estimated values, varies depending on the source used and the extent to which a value is verified through triangulation.

2. **Income:** The total income for the sector as a whole. This is recorded in millions. Income values can be derived from any of the four data types. When using the survey data for estimation, total income is derived by multiplying the number of organisations by the median income where present.
3. **Assets:** An estimate of total assets (the total value of resources owned by community businesses) is estimated. With a couple of exceptions, the only data source from which this can be drawn is Power to Change's grantee database. When using the survey data for estimation, total assets are derived by multiplying the number of organisations by the median assets where present.
4. **Median income:** Mirroring prior reports, measure is derived from survey estimates where there are enough observations present. The median is used rather than the mean as it is less affected by outliers. Secondary data rather than survey estimates are used when available.
5. **Median assets:** As above, except that assets are the numerator rather than income. In all but one instance, assets are derived from Power to Change's grantee database.
6. **Staff numbers:** the total number of paid staff estimated to work in the sector. This is a headcount, not a full-time equivalent figure. As with income, estimates can be derived from multiple sources in a number of sub-sectors. The overall market figure is the median staff number derived multiplied by the estimated number of businesses. Secondary data rather than survey estimates are used when available.
7. **Volunteer numbers:** Like staff, volunteer estimates can be derived from different data sources and is again a headcount and a simple multiplication of the median where known. Secondary data rather than survey estimates are used when available.

### Estimating the total market size

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

The individual sub-sector data estimates and provides an overall total (Table 4). Rounding to the nearest 100, the total number of community businesses is estimated at 6,600. This is lower to that presented in the 2016 report (7,085) and some of the following sub-sector estimates are markedly different from last year. The main causes of these differences are:

- a) Likely different estimation methods;<sup>14</sup>

<sup>14</sup> This is hard to gauge as a full methodology and technical report is not provided for the 2016 report.

- b) The introduction of new sub-sector categories which may have split membership to some older groupings;
- c) New sources of data becoming available since the last published report;
- d) Revision of prior estimates based on qualitative interviewees with sectors.

Further, the overall market size has been estimated a couple of different ways to assess the data using the bottom-up method. The technical report details the testing of the sample frame derived from Roper and Bonner's FAME analysis. This estimate concludes the overall market size falls between 4,300 and 8,000 businesses.

The FAME analysis also provides a basic estimator for the number of community businesses present in the sample frame derived by Roper and Bonner.

The calculations in the technical annex derive two figures:

- a. An estimate for the number of community businesses present in Roper and Bonner's target sample frame of 2,750 out of 19,993 records (14%); and
- b. A failed match rate of 54% survey responses to the FAME data i.e. around half of those surveyed did not appear in the FAME sample frame.

Where other data is absent, these proportions have been used to provide rough estimates of sector sizes by applying these sector size estimate proportions to data from either the survey data or Power to Change's grantee application database.

The detail of some of the financial and staff figures in the broader categories devised is provided in Table 5, as also covered in Combining categories of community business, (p.15). It uses survey data to estimate median income and personnel levels (paid staff and volunteers) and data from Power to Change's grantee application database to discuss assets. The key points of comparison between Table 4 and Table 5 are:

- The average derived income of a community business is higher in Table 4 (£210,000) compared to the businesses surveyed presented in Table 5 (£140,000).
- The average derived staffing level is five in Table 4 compared to a median of four in Table 5. Table 5 also suggests a median of 20 volunteers per community business compared to the 17 per business in Table 4.<sup>15</sup>
- The value of assets is mostly taken from the same data in both tables, although the sub-set of applicants used depends on the available number of observations. If enough data points exist, then assets are estimated using "successful applicants", meaning those whose application was accepted or passed an initial eligibility filter.

<sup>15</sup> Average derived staff = 32,100/5,900; average derived volunteers = 110,500/5,900 where 5,900 is the number of business where a staff/volunteer number has been estimated. The derived average is calculated staff and volunteer median figures.

However, these number 193 and are mostly community businesses classed in the retail or venue aggregated categories. Note that the median reported asset values of this sub group are double those of all applicants.

Table 4: Market size by individual sector

Sector		Number of organisations	Income (£m)	Assets (£m) <sup>16</sup>	Income (£m median)	Assets (£m median)	Staff	Volunteers	Data quality
Community Hubs		1,650	£230	£110	£0.14	£0.07	6,600	41,300	
Employment, IAG; Training and Education; Business Support		880	£73	£40	£0.08	£0.04	4,400	5,300	
Housing		400	£70	£170	£0.18	£0.42	2,200	3,800	
Health, social care and wellbeing		300	£90	£15	£0.31	£0.04	5,700	4,500	
Transport		1,200	£400	£230	£0.34	£0.19	9,600	9,600	
Sports and Leisure		350	£40	£30	£0.12	£0.08	2,800	7,700	
Arts Centre/ Facility		200	£10	£5	£0.05	£0.02	500	4,000	
Libraries		440	n/a	n/a	n/a	n/a	450	18,500	
Pubs		46	£6	£16	£0.12	£0.35	160	1,400	
Shops (and cafés)		348	£55	n/a	£0.16	n/a	1,100	9,600	
Food, catering and production		200	£50	£25	£0.25	£0.12	1,200	7,500	
Energy		192	£123	n/a	£0.64	n/a	110	2,270	
Craft, industry and production		150	£20	n/a	£0.14	n/a	150	2,500	
Finance		50	n/a	n/a	n/a	n/a	n/a	n/a	
Environment/ Nature Conservation		150	£15	£5	£0.09	£0.03	450	1,500	
<b>Total</b>		<b>6,600</b>	<b>£1,200</b>	<b>£650</b>	<b>£0.20</b>	<b>£0.12</b>	<b>35,500</b>	<b>119,500</b>	

 Good  OK  Poor

<sup>16</sup> The calculation of assets is not possible in most circumstances because of a lack of suitable data.

Table 5: Overall market income, staff and asset figures for community businesses that responded to the survey by broad sector categories

Sector category	Base (n)	Income (£m median)	Staff (n, median)	Volunteers (n, median)	Ratio Volunteers: Staff	Applicant base if assets recorded (n)	Median Assets (£m)	Successful applicant base, if assets recorded (n) <sup>17</sup>	Conversion (from all applicants)	Median Assets (£m)
Arts/Culture 	23	£0.10	4	22	5.5	80	£0.06	6	7%	£0.27
Economic/Business 	8	£0.06	4	15	4.3	18	£0.15	6	26%	£0.42
Manufacturing/Production 	18	£0.17	4	17	4.3	32	£0.12	13	32%	£0.18
Other 	20	£0.07	3	13	5.2	22	£0.04	3	12%	£0.06
Public Facing Support 	65	£0.20	9	10	1.1	206	£0.06	30	12%	£0.18
Retail 	41	£0.15	3	30	10.0	63	£0.09	79	46%	£0.04
Venue 	83	£0.12	4	22	5.5	175	£0.07	56	25%	£0.12
<b>Total</b>	<b>258</b>	<b>£0.14</b>	<b>4</b>	<b>20</b>	<b>5.0</b>	<b>596</b>	<b>£0.06</b>	<b>193</b>	<b>24%</b>	<b>£0.14</b>

## 4.2 Individual sector estimates of market size

### Venues



#### Community hubs

The number and scope of community hubs is particularly difficult to estimate because they often deliver more than one service from the same location (see *Operating as a community hub, p.12*). Locality defines a community hub as a suite of services that operate out of a specific location. They benefit from co-location, use local assets and are led by the community they serve (My Community, 2016). They are created via a transfer of assets to a community, through a community-led development or through the diversification of services.

Estimates of community hub numbers in prior reports are based on qualitative estimates by interviewees. The evidence of this study (summarised in Table 6) shows:

- Many organisations self-classify as a community hub; the survey data shows 29% (75) community businesses say this is their primary activity. Half (52%) of these community businesses could not be found in the FAME sample frame. The median data from these 75 records is used to calculate sector income as well as staff and volunteer numbers.

<sup>17</sup> Note the very small base sizes for the “successful” applicant data. Successful describes those whose funding was agreed or passed onto stage two of the funding process

- Similarly, 222 (34%) records on Power to Change’s grantee database were from organisations classed as community hubs; a quarter of applicants (29%) that were successful or passed the initial screening process were classed in this way. Data from this prior group is used to derive the value of assets.
- The 2016 report classed 18% of the overall market as Community Hubs, most of which were village halls. The report stated some account was made for double counting.

The data from the primary activity listed in the survey and the grantee database provides a consistent proportion of around three in ten (30%) community businesses operating as a community hub which leads to an estimate of 1,650 community hubs.<sup>18</sup>

### Village halls

The prior estimate for village halls in the 2016 report was “conservatively estimated” at 900 of the 10,000<sup>19</sup> in England. The prior estimate was based on an assessment of ownership, governance structures and the relative balance of trading activities versus grant or other income. The method by which this assessment was achieved is not outlined. No research subsequent to the 2016 report has been published to support this figure for village hall numbers. The 2015 community business report had a different category for “multi-use facilities and managed workspaces” of which 300 were estimated.

Some research with representatives of village halls is currently being conducted in Yorkshire and Durham, however the interim findings are inconclusive and cannot be used for the purpose of estimation. Specifically, the qualitative evidence collected on whether participating village halls are genuine community businesses appears at this stage to contradict some of the survey evidence.

We find no compelling evidential reason to present village halls as a separate sub-group of the community hub sector. However, village halls are included within the overall estimate of 1,650 community hubs.

<sup>18</sup> This is based on the two proportions discussed earlier derived from the FAME analysis i.e. 14% of those listed are community businesses, but around half could not be matched and are hence not recorded in the FAME data: (Estimate of community businesses listed in the FAME data \* 0.3)/FAME under-report (0.5) = (2,750 \* 0.3)/0.5 = 1,650

<sup>19</sup> The figure of 10,000 village halls is used by Action within Communities for Rural England in, for example, its last published annual review for 2015/16: <http://www.acre.org.uk/cms/resources/comm-guides/acrereport2015-16.pdf> Accessed 20 November 2017

Table 6: Comparison of market size for community businesses in the Community Hub Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		1,300	1,650	✓	✓✓	✓	✓
Income (£m)		150	230		✓		✓✓
Assets (£m)		650	110	✓✓	✓		
Income (£m median)		£0.11	£0.14		✓		✓✓
Assets (£m median)		£0.50	£0.07	✓✓	✓		
Staff numbers		3,900	6,600		✓		✓✓
Volunteer numbers		13,000	41,300		✓		✓✓

### Public-facing support services



#### Employment Information, Advice and Guidance; Training and Education; and Business Support

Prior reports did not describe a specific sector covering employment IAG, training and education, and business centre/business support. No specific community business sector body was identified for this area as part of the desk research. The data used for market estimates are:

- Power to Change’s grantee data identifies a significant number of applications (134; 20% of all listed applications) from organisations classified as under the category Employment, Training, Business Support and Education. Thirteen of these organisations moved to the second round of the application process and are more likely to fit the description of a community business. Half of this group list their primary area of impact as “increased employability”.
- The FAME data shows businesses within the Education Standard Industrial Classification (SIC) Division were most likely to self-identify as a community business using Power to Change’s screening criteria. Nearly one in five (18%) of community businesses matched to the FAME data were classed within the Education SIC Division. The broadly matches the magnitude of businesses making grant applications.

– Education and training community businesses form the fourth largest sub-sector in the survey sample. In total, 34 (13%) surveyed businesses were assigned to this category and the median data for income, staff numbers and volunteers from the survey provides a basic estimate.

The sub-sector size is estimated Table 7. The proportion of businesses classified with this sub-sector is broadly consistent in magnitude between the grantee, FAME and survey datasets (13% to 20%). A total of 3,193 businesses in the Education SIC division are listed in the FAME sub-sample. If it is assumed 14% of this number are community businesses, that results in an estimate of c440. If non-coverage in FAME is roughly 50%, that equates to a market size estimate of 880 community businesses in this sector. Compared to a number of other sectors, the ratio of paid staff to volunteers is small.

Table 7: Comparison of market size for community businesses in the IAG; Training and Education; and Business Support Sector

Market descriptor	2017 Estimate	Sources			
		Grantee	FAME	Secondary	Primary
Number of organisations 	880	✓	✓✓		✓
Income (£m) 	70	✓			✓✓
Assets (£m) 	40	✓✓			
Income (£m median) 	£0.08	✓			✓✓
Assets (£m median) 	£0.04	✓✓			
Staff numbers 	4,400	✓			✓✓
Volunteer numbers 	5,300	✓			✓✓

## Housing

The secondary data for the housing sector is useful in estimating an overall market size for the number of organisations. The types of community businesses operating in the sector all have bodies that provide some valuable data for the number of operational community businesses.

- The organisations for which good figures can be derived are Community Land Trusts (c200 businesses in England),<sup>20</sup> Self-Help Housing Groups (170)<sup>21</sup> and Cohousing<sup>22</sup> schemes (17).
- This leaves Co-operative Schemes for which the data is less clear. Heywood (2016) suggests over 800 co-operatives may operate in the UK. Based on data from the Confederation of Co-operative Housing (2017), some double-counting appears likely in the figures with other classifications of housing community businesses (CLTs, Cohousing). Furthermore, the majority of co-operative schemes listed in the CCH report are council or housing association led i.e. not community businesses. A rough estimate of community businesses from this source is 100.
- Furthermore, a number of co-operative schemes are supported by housing associations, councils, other public bodies or the private sector.
- Estimates for income, staff and volunteer numbers are derived from median data supplied by ten survey respondents. The asset figure is the median reported by seventeen grantee applicants. In both cases, the number of observations is very low from which to derive estimates.

Table 8 provides an estimate of the number of organisations based on secondary data.

Table 8: Comparison of market size for community businesses in the Housing Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		315	400		✓	✓✓	✓
Income (£m)		50	70				✓✓
Assets (£m)		440	170	✓✓			
Income (£m median)		£0.16	£0.18			✓	✓✓
Assets (£m median)		£1.40	£0.42	✓✓		✓	
Staff numbers		500	2,200			✓	✓✓
Volunteer numbers		6,500	3,800			✓	✓✓

<sup>20</sup> The sector organisation states 225 CLTs operate in England and Wales: <http://www.communitylandtrusts.org.uk/what-is-a-clt/about-clts> Accessed on 14 November 2017

<sup>21</sup> Self-Help Housing lists of “over 100” self-help projects, although this list does not appear to have been updated recently. A more recent study (Heywood, 2016) suggests a figure is closer to 170.

<sup>22</sup> Nineteen organisations listed in the Cohousing directory; 17 in England: <https://cohousing.org.uk/information/uk-cohousing-directory> Accessed on 14 November 2017

### Health and Social Care

Health and Social Care remains a nascent community business sector with a broad term of reference. No specific sector body exists although the Centre for Enterprise and Economic Development Research (CEEDR) suggests 35 social enterprises have been created as spin-offs from the NHS since 2007 (CEEDR, 2017). This document also notes the potential diversity of the sector as the wish to adopt “a more holistic model of health that goes beyond the established reductionist medical and health service models (p.3)”. Evidence from the qualitative research also confirms a likely increase in the number of businesses present with the inclusion of wellbeing elements in addition to physical health services; a count of NHS spin-offs is therefore inadequate to estimate the size of a changing market.

- Twenty four of the matched 119 businesses (20%) in the FAME analysis came from three related SIC Divisions: ‘Social work activities without accommodation’; ‘Residential care activities’; ‘Human health activities’. Using a lower figure of 7 matches from the last two divisions yields a figure of 6% of the overall market.
- One in nine (11%) of surveyed businesses self-classify their primary activity as ‘Health and social care services, consultancy or management’. These 29 records are used to estimate income, and the number of employees and volunteers. This data is also triangulated against the grantee database.

Although outliers are removed, the median income stated derived from the applicant data (£500,000) is more than that calculated from the survey (£310,000).

- Seven successful grantee applicants are categorised under ‘Health, Care and Wellbeing’ in the grantee database, representing 4% of the all successful applicants; 11% (74) of all applicants as classed within this category. The latter 74 are used to estimate asset values.

The above suggests the proportion of community businesses for health, care and wellbeing is somewhere between 4% and 11% of the market. The FAME and grantee estimates suggests an estimate towards the lower end is more likely and Table 9 below estimates the number of organisations based on a figure of around 5%, or roughly 300 community businesses. The evidence presented here suggests last year’s total of around 1% is an under-report.

Table 9: Comparison of market size for community businesses in the Health and Social Care Sector

Market descriptor	2016 Report	2017 Estimate	Sources			
			Grantee	FAME	Secondary	Primary
Number of organisations 	75	300	✓	✓✓	✓	✓✓
Income (£m) 	6	90	✓			✓✓
Assets (£m) 	n/a	15	✓✓			
Income (£m median) 	£0.08	£0.31	✓			✓✓
Assets (£m median) 	n/a	£0.04	✓✓			
Staff numbers 	n/a	5,700	✓			✓✓
Volunteer numbers 	n/a	4,500	✓			✓✓

### Transport

As noted in the 2016 Report, transport is a well-developed community sector covering a variety of schemes. There is some good secondary government evidence for market estimates.

- A 2015 Commons Briefing paper on Community Transport (Butcher, 2015) states there were over 2,000 Community Transport organisations operating in England.
- The Department for Transport (DfT) also publishes data on the number of grants supplied to Community Transport Operators in England. The last published figures (March 2016 <sup>23</sup>) list 642 Community Transport operators. Of these, 207 (32%) are excluded by keyword using the names of national charities, “district”, “council”, “school” and “college”.
- Revised estimates from sector representatives were not provided. Furthermore, last year’s figure of 1,000 community businesses could also not be verified with supporting data from sector representatives.

The sample size estimate of 1,200 community businesses in Table 10 is a simple calculation of the government estimates above: 2,000 organisation with the councils, schools and charities listed in DfT figures excluded. Too few interviews (3) were achieved in the survey to derive estimates for financial and staffing data.

<sup>23</sup> See Excel Download here: <https://www.gov.uk/government/publications/bus-service-operators-grant-payments-to-english-operators-up-to-31-march-2016> Accessed on 20 November 2017

Instead, 15 records from the grantee database were used with a couple of high outliers removed. Staff numbers in the grantee database are for full time equivalents, so the number cited will be an under-report. This method gives quite different estimates to that used in 2016. No methodological description of the prior method exists to stress test this year's estimates.

Table 10: Comparison of market size for community businesses in the Transport Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		1,000	1,200			✓✓	
Income (£m)		150	400	✓✓			
Assets (£m)		100	230	✓✓			
Income (£m median)		£0.15	£0.34	✓✓		✓	
Assets (£m median)		£0.10	£0.19	✓✓		✓	
Staff numbers		12,000	9,600	✓✓		✓	
Volunteer numbers		60,000	9,600	✓✓		✓	

## Arts/culture



### Sports and leisure

In the absence of population data, estimates of the sector market size in 2017 have been derived using a range of sources.

- A total of 15 respondents (6%) from this sector participated in the survey. This provides some data for rough estimates of income and personnel (staff and volunteers) although the number of records is low.
- Seven (6%) of the 119 records matched to FAME fall into the Sports Activities SIC Division.
- Of all grantee applicants, 7% are classed into the Power to Change's Sports and Leisure category. However, just 2% of successful applicants fall into this group. Asset values in Table 11 are therefore derived from all applicants as there are more observations.

These data points provide a fairly consistent estimate around 6% of the community business market, or around 350 businesses using the FAME data as a baseline. These estimates diverge from prior reports. However, a sector body representative indicated that previous figures were likely to be an overestimate; therefore, there has not necessarily been a decrease in the sector size.

Table 11: Comparison of market size for community businesses in the Sports and Leisure Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		1,100	350	✓	✓✓	✓	✓
Income (£m)		450	40				✓✓
Assets (£m)		450	30	✓✓			
Income (£m median)		£0.4	£0.12		✓		✓✓
Assets (£m median)		£0.4	£0.08	✓✓	✓		
Staff numbers		12,000	2,800		✓		✓✓
Volunteer numbers		66,000	7,700		✓		✓✓

### Arts Centre/Facility

There is a lack of population data for arts centres or facilities in the community business market. The best estimate possible by comparing survey responses to the FAME dataset.

- Seven respondents (3%) to the survey class their main activity as an Arts Centre/Facility. This is too few observations to derive other data.
- Looking at all grantee applications, 6% (42) come from an Arts Centre/Facility. However, only 2 of these either passed an initial screen or were successful. The grantee data for all applications has been used to derive income and asset estimates, however the fact that most were screened out of the application process as ineligible for Power to Change funding should be considered in using these figures.
- There is no anecdotal or secondary evidence that can be used to calibrate the market estimate data. All sector interviews were conducted with community businesses rather than strategic sector representatives.

Therefore, we have used the FAME proportional data to arrive at an estimate of the number of such businesses operating as a community business. There is an arts SIC Division (Creative, Arts and Entertainment Activities), however it includes businesses other than arts centres. This means there is no direct read between the community business category and the SIC. The estimate therefore uses the survey figure of 3% market size applied to the whole FAME sample frame for estimation, and takes into account unmatched records. An estimate of 200 organisations results.

Table 12: Comparison of market size for community businesses in the Arts Centre/ Facility Sector

Market descriptor	2016 Report	2017 Estimate	Sources			
			Grantee	FAME	Secondary	Primary
Number of organisations 	300	200		✓		✓ ✓
Income (£m) 	9	10	✓ ✓			
Assets (£m) 	9	5	✓ ✓			
Income (£m median) 	£0.03	£0.05	✓ ✓			
Assets (£m median) 	£0.03	£0.02	✓ ✓			
Staff numbers 	1,500	500	✓ ✓			
Volunteer numbers 	3,000	4,000	✓ ✓			

### Libraries

The transfer of libraries into community ownership is currently a politically sensitive topic. Sector organisations are therefore understandably reluctant to currently release data on size and financial composition of the sector. Through qualitative interviews, a figure of 440 community libraries was provided, however interviewees were unable to provide any substantive data or reports. This figure is verified by SERIO (2017) in their report on the management of community managed libraries for the Department for Digital, Culture, Media and Sport (DCMS). However, there are three sub-groups of libraries and a third are comprised of a group that may not meet a stricter definition of a community business as they are council led and funded.

*‘Community supported libraries (CSLs) - council-led and funded, usually with paid professional staff, but given significant support by volunteers.’  
(SERIO, 2017, p.8, p.26)*

However, the SERIO report notes that the three different models include significant within-group variation. In addition, Community supported libraries (CSLs) engage a mean of 33 volunteers. For these reasons, CSLs are retained within the estimate for the number of community businesses.

A single library responded to the survey and the grantee database has no specific code for library applications. Other secondary data such as the Social Enterprise UK survey does not provide sub-group analysis for community businesses fitting the Power to Change definition, nor does it specifically identify libraries. However, the SERIO report (2017) does provide some detail on staffing and volunteer numbers from a relatively small base size (62 interviews). Details of income cover cash flow from a very small number of libraries.

Table 13: Comparison of market size for community businesses in the Library Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		300	440				✓✓
Income (£m)		6	n/a				
Assets (£m)		45	n/a				
Income (£m median)		£0.02	n/a				
Assets (£m median)		£0.15	n/a				
Staff numbers		450	450				
Volunteer numbers		8,000	18,500				

## Retail



### Community pubs

The data quality for community pubs is good and is derived from the Plunkett Foundation annual reports. The method used to derive financial figures in Table 14 appears to mirror that used in prior community business market appraisals. As such, the increase in the number, total income and assets compare like with like. These data therefore represent a growth in the sector from 2016 to 2017.

Fourteen respondents to this year's survey stated their main activity as a pub and a further 3 said their secondary activity was a pub. This total represents more than a third of the sector as a whole. The median value for the number of staff and volunteers was taken from the sub-sample and multiplied by the total number of

pubs to estimate staff and volunteer numbers. This provides a lower estimate for staff numbers but increases the estimate for the number of volunteers compared to the 2016 method.

Table 14: Comparison of market size for community businesses in the Pub Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		40	46			✓✓	
Income (£m)		5	6			✓	
Assets (£m)		15	16			✓	
Income (£m median)		£0.14	£0.12				✓✓
Assets (£m median)		£0.32	£0.35				✓✓
Staff numbers		500	160 <sup>24</sup>			✓	
Volunteer numbers		500	1,400			✓	

### Community shops (including cafés)

The Plunkett Foundation also produces a comprehensive annual report on community shops which was also used in for estimate the size of the market in prior reports (Table 15). However, the Foundation's report does not provide any financial detail on the total value of assets, rather it breaks down the structure of assets presented.

- Data on assets is collected on the grantee database. However, pubs, shops and cafés are grouped together. A total of 79 records are listed in the wider category. It is not always apparent from the organisation name whether a listed entity is a shop, pub or café. It is therefore not possible to estimate assets from the grantee data.
- The staff and volunteer totals listed in the Plunkett Report are verified in magnitude through multiplying median numbers of staff (3) and volunteers (30) from the survey to the total of 348 shops listed. This gives a ratio of volunteers to staff of 10:1, similar to the 8.6:1 in the Plunkett Foundation figures.

<sup>24</sup> Data for staff is derived from the median number of staff that are employed in the 14 business classing "a pub" as their main activity in the survey who said they had staff. The volunteer figure is derived from the median number in the survey; 13 pubs replied to this question

Table 15: Comparison of market size for community businesses in the Community Shops Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		330	348			✓✓	
Income (£m)		55	55			✓	
Assets (£m)		10	n/a				
Income (£m median)		£0.17	£0.16				✓✓
Assets (£m median)		£0.03	n/a				
Staff numbers		1,000	1,114			✓	
Volunteer numbers		8,000	9,605			✓	

## Manufacturing/production



### Food Catering and Production/Farming

In absence of population data, we draw upon a number of sources to arrive at an approximate estimate for the Food Catering and Production sector.

- Eight survey responses (3%) were received from the sector, which is a low number of observations to infer other market data on income and staffing.
- Assessing Power to Change’s grant applicant details, 5% of all applicants and 6% of successful applicants (11 businesses) were from this sector. The successful applicant data has been used to measure assets.
- A number of secondary data sources were reviewed for estimates of market size (see Annex) however, no triangulating evidence was found that would provide counter-estimates for market data.
- Qualitative interviews with sector representatives suggest earlier estimates of market size for the sector were high.

A figure of 4% of the total community business sector is used to estimate the number of sub-sector organisations resulting in an estimate of 200 Food Catering and Production community businesses (Table 16). Whilst this figure is lower than the figure presented last year, an interviewee suggested that the figures presented in

previous years were perhaps too high when considering all of the definitions of what constitutes a community business.

Table 16: Comparison of market size for community businesses in the Food Catering and Production/Farming Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		900	200		✓✓		
Income (£m)		45	50				✓✓
Assets (£m)		25	25	✓✓			
Income (£m median)		£0.05	£0.25		✓		✓✓
Assets (£m median)		£0.03	£0.12	✓✓	✓		
Staff numbers		1,800	1,200		✓		✓✓
Volunteer numbers		15,000	7,500		✓		✓✓

### Energy Sector

The estimates from the 2016 report are based on a mix of qualitative research and secondary data. However, Community Energy England (2017) has subsequently produced their State of the Sector 2017 report which goes into the sector in detail.

- This has been used to either list or derive figures summarised in Table 17. The data is a significant departure from the 2016 estimate, especially in recorded income which is primarily the level of investment made into the identified businesses. Note the CEE report has been published since publication of the 2016 report and this provides a better evidence base for this year's estimates.
- Only four sector businesses completed the survey, so too few observations are available to triangulate staffing and income figures with Community Energy England's report.
- Values of assets are not provided in the CEE report. Furthermore, the number of sector businesses listed on Power to Change's grantee database is too few (8 applications in total) to adequately estimate asset values.

Table 17: Comparison of market size for community businesses in the Energy Sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		340	192			✓✓	
Income (£m)		15	123			✓✓	
Assets (£m)		100	n/a				
Income (£m median)		£0.04	£0.64			✓✓	
Assets (£m median)		£0.29	n/a				
Staff numbers		500	110			✓✓	
Volunteer numbers		5,000	2,270			✓✓	

### Craft Industry and Production

Estimating the size of this sector is challenging.

- This sector does not have a natural match with a SIC Division; the closest category is Creative, Arts and Entertainment Activities. This same sector is also the closest match to Arts Centres and Facilities. Recycling is also part of the community business sector and such businesses fall within the Waste Collection, Treatment and Disposal Activities SIC Division. There were no matches between the survey and FAME data for this classification.
- As only seven survey responses (were received from community businesses identifying the sector as their main one, the number of survey observations limits what can be estimated bar a rough sub-sector measure of the number of businesses. Some income and staff figures are presented.
- No craft, industry and production businesses are classified in Power to Change's grantee database.
- Older reports cited in past community business market reports were also revisited to see if they provided any further evidence to estimate market size. Neither of the reports cited in the 2016 report provide estimates of market size. The Furniture Re-use Network has recently issued a social impact report which cites a network of 250 organisations that are primarily charities (FRN, 2017). There is no data that helps identify community businesses from charities.

- To arrive at an estimate, we have taken the proportion of survey respondents who identify that they provide this service as a primary business activity (2.7%) and applied this to the FAME data. This provides an approximate estimate of 150 community businesses operating in the craft industry and production sector. Comparison to 2016 figures are presented in Table 18.

Table 18: Comparison of market size for community businesses in the Craft Industries and Production sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		520	150		✓		✓✓
Income (£m)		45	20				✓✓
Assets (£m)		25+	n/a				
Income (£m median)		0.09	£0.14				✓✓
Assets (£m median)		n/a	n/a				
Staff numbers		1,500	150				✓✓
Volunteer numbers		2,500	2,500				✓✓

## Economic/business services



### Finance

The number of businesses operating in the finance sector appears to be small.

- A single organisation in the survey said finance was their primary activity.
- Less than 1% of all applications (5 in total) on the grantee database are classed in the Income and Financial Inclusion category. Just one of these was successful.
- The qualitative interviews completed with sector representatives provides no information on the size of the market.

The only possible size estimate is use the records listed on the FAME sample frame dataset within the relevant SIC Division and infer an estimate based on the global estimate of community businesses present (14%), and then account for the non-match rate. This provides a rough estimate of 50 community businesses operating in the finance sector.

Table 19: Comparison of market size for community businesses in the finance sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		150	50				
Income (£m)		20	n/a				
Assets (£m)		225	n/a				
Income (£m median)		0.15	n/a				
Assets (£m median)		1.5	n/a				
Staff numbers		600	n/a				
Volunteer numbers		n/a	n/a				

#### Environmental/nature conservation

As with the finance sector, the data available with which to estimate market size is limited.

- One organisation in the survey lists environmental/nature conservation as the primary sector.
- Two per cent of all listed grantee applicants (13 businesses) operate in the environmental/nature conservation sector, as do 3% of all successful applicants (5 applicants).
- All prior datasets listed in older reports have been reviewed and searches for new reports made. There is no secondary evidence from which to estimate market size or other metrics.
- As with other sectors with minimal data, the main option is to apply the incidence of community business in the FAME data to the grantee database to derive an overall market size estimate. In this way, it is estimated that 150 community businesses operate in this sector.

Table 20: Comparison of market size for community businesses in the Environmental/nature conservation sector

Market descriptor		2016 Report	2017 Estimate	Sources			
				Grantee	FAME	Secondary	Primary
Number of organisations		340	150	✓✓	✓		
Income (£m)		7	15	✓✓			
Assets (£m)		3	5	✓✓			
Income (£m median)		£0.02	£0.09	✓✓			
Assets (£m median)		£0.01	£0.03	✓✓			
Staff numbers		320	450	✓✓			
Volunteer numbers		5,000	1,500	✓✓			

### Digital

No viable data from the survey or secondary sources can be used to derive market.

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## 5. Conclusions

Community businesses are becoming part of the vocabulary of local enterprise. As the report sets out, this is unlikely to change as the size of the market remains broadly consistent with previous reports. In 2017, the revised methodology for estimating the size and shape of the community business market has made meaningful comparison with previous years on a like-for-like basis difficult.

Given the somewhat adverse conditions of the wider economic environment, the conservative outlook for the community business market in the 2015 and 2016 reports was understandable. The 2017 data suggest reasons to be cautiously optimistic about the outlook for 2018. The community business market is vibrant and the survey data shows business confidence is greater than last year. However, any growth needs to be both resilient and sustainable. Despite the social purpose and value of many community businesses, sources of grant funding are in decline and competition for these limited resources is increasing.

Crucial to developing and sustaining the growth of community businesses is their ability to adapt and diversify to deliver local social impact. In certain sub-sectors there has proven to be a high latent demand for the services provided, whereas in other sub-sectors, the community businesses are themselves looking to stimulate demand for their products and broaden their service. In both cases there is optimism among community business leaders and managers that there is sufficient demand for further growth. Most community businesses offer a range of services and one growth route is an expansion into different lines of business.

However, good business planning is critical to the achievement of this goal and is arguably more important for community businesses than small and micro businesses in general because of the basis upon which they operate. Fundamentally community businesses are still businesses, and need to be viable. The research has demonstrated that funding as well as the skills and capabilities of the workforce – paid and unpaid – are critical to achieving this.

Four in five surveyed community businesses rely on some level of grant funding and the majority of community businesses expect the grant funding they can attract increase in the coming year. Community businesses also think they can see a corresponding rise in income from trading. There is, therefore, a need to support community businesses in developing their trading offer. Nearly all community businesses look for non-commercial business support services through government, charities or community sector bodies such as Power to Change. Given the scale of activity across the country, ensuring community businesses can access existing peer-to-peer networks to learn from one another within and between sectors would be extremely beneficial and help more community businesses increase the balance of income from trading. This would also help businesses adopt the most appropriate business model for their specific local circumstance.

Alongside grants, staffing continues to be a major issue facing community businesses, especially people-centric businesses. There remains a significant reliance on volunteers within the market – the overall ratio of volunteers to staff is around 3:1. Volunteers provide a tremendously important resource, albeit one that can compound the challenge to attain stability. While there are variations between sub-sectors, the importance of volunteers to the community business market cannot be underplayed, especially in an economy in which unemployment rates are at an historic low, which may make attracting volunteers more difficult. In addition, paid staff were also regarded as important to community businesses as they grow. Taking on staff, both volunteers and paid employees, were priority tasks for community businesses in their outlook for 2018.

Three-quarters of community businesses taking part in the survey offer multiple services and there is a high degree of interdependence between primary and secondary business activities, even when the activities appear to be unrelated. This is because services are offered from the same location and with secondary activities such as a café, helping to extend the reach of community businesses and supporting interaction between members of the community accessing different services. There is a link between the diversification of a community business's offer and opportunities to generate new income. It would be valuable to further explore the effectiveness of such diversification and the relationship between primary and secondary activities as a business model and potential route to financial independence.

As the community business market continues to evolve and mature, the challenge for funders clearly concerns the extent and nature of the support provided. In much the same way as support is provided to non-community businesses, support should target start-up and scale-up activities that are closely aligned to the values that define the community. Targeting resource remains a challenge, in part because community businesses have not effectively tracked and captured the impact that defines them as a community business.

Developing the already positive mindset and outlook of community businesses demands further work in terms of how they are supported and incentivised. Clearly Power to Change is already working in this space, supporting community businesses to develop new skills and capabilities so that they are able to grow and scale their businesses. Making training and development a condition of funding could expedite the productive growth of the community business market if the right sort of support mechanisms and funding were in place to support this activity. The set-up and early growth cycle for community businesses is another point at which a strong peer-to-peer network could be beneficial, especially as some sectors report excellent businesses survival rates.

In many respects community business continues to hold its own in the wider economic context. The government, through its industrial strategy, remains committed to the concepts of inclusive growth and shared prosperity. Clearly the wider political landscape is uncertain given Brexit, but this was not a major concern of those community businesses consulted. Moreover, it is likely that the demand for community businesses will increase as public sector provision is scaled back and this market becomes more challenging for the private sector. With the right business models in place, this could represent a competitive advantage for community businesses.

Developing and maintaining a database of community businesses would help improve communication within the market and help improve estimates of market size. Done well, such a database would be mutually beneficial to all government, charitable and not-for-profit organisations working in and support this space. Whilst our approach to estimating market size is transparent, to ensure that estimates can be reproduced, there is a considerable need to improve these estimates further in future annual appraisals. The diverse and shifting nature of community businesses makes them hard to classify and measure using traditional business-to-business methods.

Challenges remain regarding core measurement problems in relation to market definitions. Previous community business market reports have identified separate community business sectors, in part defined by their locations or some categorical description of what the businesses did. Such categorisation methods were problematic as the unit of measurement. This is not least as many location-based entities use two or more trading vehicles to deliver a community impact, raising questions about the sector in which the core business operation is classified. This represents a fundamental problem in assessing market size and growth, because there is no replicable definition of the unit of measurement.

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## Appendix A: Market overview and sector profiles

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### Community hubs/village halls

#### Definition/scope

The community hub and village hall sector is diverse. In addition to providing a hub for social events, the sector typically has multiple business activities with services ranging from child-care facilities through to education/training and health and wellbeing services. Whilst many businesses start out with the aim of offering multiple services, interviews have indicated that some community hubs and village halls have expanded their offer as a result of a growing need for particular services.

#### Challenges

- A reduction in the amount of funding available presents challenges to community hubs to maintain and improve their infrastructure. Given the view amongst businesses that the market for funding and grants is becoming increasingly competitive, this is likely to continue being a challenge for the foreseeable future.
- Current pressures on local authorities have consequently led to a reduction in engagement from councils as they focus their efforts on frontline services. The importance of existing local/regional government structures for support is apparent in the survey, as is the relative lower levels of satisfaction with this support when compared to specialist agencies such as Power to Change. Therefore, community hubs have struggled to engage with and borrow from the expertise of local authorities.
- Qualitative findings from Community First Yorkshire and Durham Community Action (2017) show that village halls remain reliant on grant funding, fundraising and hiring. The challenges raised by village halls in Yorkshire relate to negative connotations with the term trading and applying that to the services provided to their communities. Accountability is also an issue as many village halls are not directly accountable to local people. Instead, Yorkshire respondents perceive accountability to reside with a proxy such as the parish council and especially charities. In Durham, most interviewees acknowledged their governance model was not linked to the entrepreneurial behaviour.

#### Opportunities

- Given the nature of the facilities from which community hubs tend to operate, there are many opportunities to exploit the space available and diversify their offer. This would allow them to pursue different income streams, and reinforce their position as the centre of the community.
- Engagement with the social finance sector presents an opportunity for village halls and community hubs to move away from a reliance on grant funding.

## Support

Community hubs would benefit from targeted advisory services to help them navigate the asset transfer process, and to help them become sustainable businesses. Often, those who have set up the hub lack business skills which would help them overcome these obstacles.

- Locality offers toolkits for those wishing to set up a community hub on how to navigate the legalities of the asset transfer process.
- There are also guides available on the Locality website which assist with setting up a community hub.
- ACRE has the Rural Community Building Loan Fund which is open to all community groups to help renovate, refurbish and construct buildings. Typically loans total approximately £15,000.
- ACRE has a network 900 members who can be contacted for advice and support.
- Community hubs would benefit from bespoke support from specialists, or a forum where they can exchange ideas with those that have been through a similar process.

## Sources

Interviews with Action with Communities in Rural England and individual community hubs and village halls.

Power to Change (2017) Community Business and the Social Value Act. [Online] Available at: <http://www.powertochange.org.uk/wp-content/uploads/2017/08/Report-8-Community-Business-Social-Value-Act-1.pdf>

Community First Yorkshire and Durham Community Action (2017) Interim Report: *To present emerging findings at the mid-way point in our research to better understand the size, scale, scope, potential growth and future pipeline of Village Halls, Rural Community Hubs and Buildings as Community Businesses*. Power to Change. London.

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## Public-facing support services



There are a number of common challenges and opportunities that community businesses in this sector face. Income is a major issue where the amount of funding available through grants and government delivery contracts is shrinking, while competition for them is growing. Most community businesses recognise the need to diversify their income stream and are able to explore this. However, some are in a catch-22 situation where they need investment to develop their facilities and/or infrastructure so they can offer different services to generate a new stream of income.

One particularly positive note for community businesses in this sector is that they deliver services that are often trusted by people in the communities where they are based. This is because a large number are services formerly delivered through local government whose ownership and assets have been transferred to a community business. This stands in contrast to mainstream support services, which can struggle to attract certain client groups. This could present partnership opportunities between the public sector and this sectors community businesses.

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## Health and social care



### Definition/scope

The sector consists of community-based businesses that offer support services to people with health and social care needs, working primarily with vulnerable people within the community. As public sector cuts to local authorities and the NHS take effect, the need for community businesses in this space has grown.

The definition of this sector is broadening to include wellbeing activities. An example would be a community café offering social activities for lonely and isolated individuals - whilst this service has a health, social and wellbeing impact, it is not being provided by a health and social care business, and thus would not qualify as part of the sector.

### Challenges

- Given the reliance on public sector funding, budget cuts have caused major concern amongst community businesses, especially at a time when there is increasing demand for community-based health and social care services.
- Community businesses within the sector are still struggling to make a profit from the services which they offer.
- With regular changes being made to the laws and regulations governing the welfare system and health and social care provision, it can be time consuming and expensive to train staff. This can also be off-putting to new entrants and volunteers wishing to work in this sector.
- There is a need within the sector to diversify services in order to reduce financial risk.

### Opportunities

- The growth in the number of self-funders with personalised budgets present an opportunity for community businesses to offer a localised and personal service which is sometimes lacking from a public sector equivalent.
- There is scope for partnership work with both private and public healthcare organisations. Initiatives such as social prescribing could help increase demand further for community businesses, although this initiative is still in its infancy.

- There is a gap in the market to offer dedicated services to people with learning difficulties or mental health issues.

### Support

- Community Catalysts continues to offer support to organisations in the sector through campaigning and sign-posting organisations seeking support.
- Social Enterprise UK is also a key support body, offering training, toolkits and templates that ensure organisations are compliant with the Social Value Act.

### Sources

Interview with Community Catalysts and two other organisations operating within the sector

Locality –communities ambitious for changes. [online] Available at: <http://locality.org.uk/projects/health-wellbeing/>

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## Transport



### Definitions/scope

The community transport sector plays a significant role in transport provision throughout England. Services are based mainly in rural areas where public transport networks are inefficient at connecting communities, although businesses are beginning to operate in urban areas as well. The main sources of income tends to be fares for services, and membership fees for organisations that use their services. Public sector spending cuts around social care have also increased the demand for community-led transport services, with vulnerable individuals becoming increasingly reliant on community transport to get around.

### Challenges

- Legislation changes surrounding the licencing community transport operators require when fulfilling local authority contracts have resulted in businesses having to incur additional costs to ensure their drivers have the appropriate qualifications.
- Key government support such as the Community Minibus Fund have now come to an end, leaving organisations to find other sources of funding. There is also a perception among community transport businesses that organisations from other sectors (like pubs and shops) seem to attract more attention from support organisations compared to the transport sector.

### Opportunities

- Local authority cuts to public services have opened up opportunities for community-led transport to fill gaps. For example, cuts to hospital transport have created opportunities for community businesses to step in and support vulnerable members of society through the provision of a key service.

- The introduction of the Bus Services Act 2017 has given local authorities powers to intervene in their local bus markets in order to create a more integrated network. This has opened up opportunities for community transport businesses to partner with local authorities in the provision of transport services.
- A number of community transport services are beginning to diversify and offer additional services, with some businesses offering cycle brokerage schemes, or serving as a hub for other community activities.

### Support

- The Community Transport Association continues to play a key role in supporting the sector, offering training and advice to their members.
- A Department for Transport consultation, and an inquiry by the Transport Select Committee, are both due to review the fairness of the new licencing regulation. There is hope amongst community transport businesses that this could lead to either a softening of the government's stance, or funding to contribute towards the additional expenses of updating driver's licences.

### Sources

Interview with Community Transport Association

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## Housing



### Definition/scope

Community businesses in the housing sector operate in various ways that include co-housing, supporting people who are homeless or at risk of homelessness, acquiring unused urban space for affordable housing, and building eco-friendly homes.

Housing community businesses have experienced common challenges around income generation and raising their profile. Conversely, there are opportunities for growth in a number of ways – mostly through working more closely and innovatively with local authorities and housing associations.

### Challenges

- Securing funding and investment from other sources. Housing community businesses particularly find it challenging to explore different options to develop and grow the business through alternative sources of income generation.
- Welfare reform is an issue for housing community businesses. It is expected that the wider roll-out of Universal Credit this autumn will cause difficulties for people who are from low income backgrounds, living in social housing, and lack money management skills. In turn, this is expected to result in a growth in demand for support services.
- Recruiting and retaining staff and volunteers with skills needed to sustain and develop the business. This is particularly noticeable amongst newly formed

groups who struggle with procurement processes (including financial, legal, planning and development processes).

- Housing community businesses have a low profile with public sector bodies. There is a lack of understanding and awareness among local authorities and housing associations about the community-led sector in housing.

### **Opportunities**

- Housing community businesses can provide innovative services to local authorities and housing associations that could generate income.
- Some local authorities have borrowed from the Public Works Loan Board and used the New Homes Bonus and Second Homes Council Tax to lend to community-led housing groups and SME builders. This could be undertaken on a larger scale or expanded upon.
- A UK Cohousing report found that there is an increase in demand for cohousing and other community-housing choices.

### **Support**

Housing community businesses would benefit from three main areas of support. These include help with developing businesses, help with marketing and profile raising of the sector, and support with raising funds.

- There needs to be more business support in areas such as procurement, professional advice on subjects such as planning processes and regulation.
- Housing community businesses need support with raising their profiles. One challenging aspect of this is having time to plan and deliver marketing activities. Support in this area would help raise their profile with local authorities, social housing associations, and with potential customers.
- There is a need for increased funding. There appears to be a particular shortage of seed-corn funding (funding to help groups get established and plan their first steps) for new groups and projects.

There are funds available for housing community businesses:

- The Community Housing Fund: a £60m fund from DCLG to help local authorities to deliver affordable housing for first time buyers.
- Early Stage Support: a Nationwide Foundation programme that offers expert mentoring and small grants to help affordable community-led housing projects get started.
- Locality's Pre-feasibility Grant: this is for new community-led housing projects that need funding for managing the project and legal advice. Fund availability: £1,000 to £10,000.

- Locality’s Project Support Grant: this is to help community businesses pay for advice to progress their project to the point of submitting a Community Right to Build Order or a traditional planning application. Fund availability: £5,000 to £40,000.

## Sources

Survey response from housing community businesses

National Community Land Trust Network (2015) Our Homes, Our Communities: a manifesto for Community Land Trusts. [Online] Available: [http://www.communitylandtrusts.org.uk/\\_filecache/6ee/8ce/77-our-homes-our-communities-national-clt-network-manifesto-2015-lo-res.pdf](http://www.communitylandtrusts.org.uk/_filecache/6ee/8ce/77-our-homes-our-communities-national-clt-network-manifesto-2015-lo-res.pdf)

The Smith Institute (2016) Local Housing, Community Living: prospects for scaling up and scaling out community-led housing. [Online] Available: <http://www.smith-institute.org.uk/wp-content/uploads/2016/02/local-housing-community-living.pdf>

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Locality. [Online] Available: <http://locality.org.uk/projects/communityled-housing/>

Locality. [Online] Available: <http://locality.org.uk/projects/communityled-housing/early-stage-support/>

Locality. [Online] Available: <https://mycommunity.org.uk/take-action/community-led-housing/support-grants/>

Interviews with individual housing community businesses

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## Employment and IAG; training and education; business support



### Definition/scope

There is a variety of community businesses that provide services in employment and IAG; training and education; and business support. The type of services they provide include assistance with navigating and accessing welfare support, training and employability support, and support with setting-up and growing a business.

The sector appears to be at a disadvantage in that the provision of these services in the past have relied heavily on grant funding, and winning local and national government service contracts. This combines negatively with an observed increase in the number of people relying on their services as a result of cuts to government spending and challenges presented by welfare reforms.

While access to grant funding and opportunities to deliver contracts appear to be shrinking, this sector recognises that new ways of generating income have to be explored. Some approaches taken by community businesses (who are able to do so) have been to provide services such as room and facilities hire, or open a retail outlet such as a shop or café.

### Challenges

- Lack of opportunities to generate income for this sector. Services are heavily reliant on grant funding, which is becoming increasingly competitive. Some community businesses are not part of supply chains for delivering government funded services. While those who are delivering contracts, they say that targets are often unrealistic with a limited budget.
- Community businesses in this sector have reported challenges with raising funds to renovate and/or modify the building in which they operate. There is very limited capital funding available, and yet community businesses see renovation of their building an important part of diversifying their income stream where they could deliver other services.
- There has been an increase in demand for their services. Community businesses see this as a result of government funding cuts and welfare reform.
- Lack of staff and/or volunteers to help sustain the business. Community businesses have experienced challenges with recruiting capable staff/volunteers. Some community businesses fear that this could affect the morale of existing staff members.

### Opportunities

- There appears to be a variety of ways in which community businesses in this sector could diversify their income streams. These include room and facilities hire, opening a shop or café, developing community activities such as gardening to grow and sell vegetables, saving money by acquiring materials from local businesses for office supplies.
- These community businesses are delivering a service trusted by the community. This sets them apart from mainstream support services who may struggle to engage in the same way with similar target client groups.

### Support

There are three areas in which support is needed for community businesses that deliver employment and IAG; training and education; business support. These are:

- Funding is needed for investments in the development of facilities to help community businesses diversify their income streams through trade. This type of community businesses would also benefit from advisers to could support fund raising strategies and activities.
- The provision of back-office support for community businesses, such as being able to demonstrate their impact and value for money, providing help with business planning, helping to market and promote the community business.

- Peer support is also needed. There should be opportunities for community businesses to meet, network, and support each other. There should also be champion peer mentors from established community businesses to support start-up businesses.

### Sources

Survey responses from Education, Information, Advice and Guidance, and Business Support

Interviews with Plunkett Foundation, Locality, and several community businesses

### Retail

Community businesses operating in the retail sector are often established following the threat of closure of a commercial entity which is considered to be a community asset, such as a shop, café or pub. Retail community businesses continue to be some of the most resilient, with strong survival rates and positive future growth forecasts. The most notable challenge facing these businesses is availability of funding; both in the context of public sector spending cuts and when other funders need to be persuaded of how such entities differ from commercial retail businesses.

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### Shops and cafés



#### Definition/scope

There are a significant number of community shops in operation across the country, making it one of the more established sectors within the community business market. According to interviews conducted with community shops, one of the biggest reasons for their setup is the threat of closure to an existing commercial shop within the area. When analysing the survey data, there are few businesses that self-identify as a café; they are often seen as an additional service offered by a community shop to help it become a vibrant centre of the community.

#### Challenges

- Community shops often lack the funds to employ paid members of staff, which has made it difficult for them to remain sustainable. Whilst having a café as an alternative stream of income can prove beneficial, there is a need for permanent staff to help with the day-to-day running of the business.
- In accordance with the findings of the 2016 review, the majority of community shops appear to be based in rural areas. The issue of intense competition in urban locations highlighted in previous Power to Change reports continues to discourage the establishment of community shops in inner city areas.

## Opportunities

- As consumers move from once-a-week shopping to a more regular local top-up shops, community shops have been able to offer more services to customers, which has helped them to grow financially.
- Community shops continue to be one of the more resilient businesses within the community business market, with strong survival rates. According to data gathered by the Plunkett Foundation, no community shops have closed since 2014, and only 17 have closed since the Foundation began collecting data in 1992.

## Support

- As public sector spending cuts hit local authorities, they have had to reduce the level of support they can offer to community shops and cafés. Coupled with the absence of new support initiatives, this has resulted in an overall reduction in support for the sector.
- The Plunkett Foundation continue to offer individuals support in setting up a community shop. This varies from advice on the correct legal structure, through to working up a business plan and dealing with finances. Locality also continue to offer professional support to businesses within the sector.
- Community shops and cafés surveyed in this 2017 market review identified business support as an area where they require and would benefit from support. Marketing was also identified as an area of weakness, with community shops and cafés struggling with advertising and demonstrating the benefits they provide to their local communities.

## Sources

Interviews with community shops/cafés

Survey responses from community shops/cafés

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[Online] Available at: [http://www.powertochange.org.uk/wp-content/uploads/2017/07/Plunkett\\_BetterBusiness\\_Shops\\_final.pdf](http://www.powertochange.org.uk/wp-content/uploads/2017/07/Plunkett_BetterBusiness_Shops_final.pdf)

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## Pubs



### Definition/scope

Pubs are frequently purchased by a small group of local residents, who then engage with the community to transform it into a community asset.

The Plunkett Foundation estimates that there were 46 co-operative pubs in operation in 2016 and they forecast that this will rise to 57 by the end of 2017, which is an increase of 24% year on year. According to Pub is the Hub, community pubs tend to follow one of three forms of legal structure:

- Community Interest Company – designed for social enterprises that would like to use their profits for the public good.
- Co-operative Society or Community Benefit Society – advantages of adopting this legal structure include corporate body status and limited liability.
- Company Limited by Guarantee – these generally operate as ‘not-for-profit’, with profits retained within the company.

Community pubs are often financed through:

- the Public Works Loan Board – this is where parish council can access a loan to buy and renovate a pub, with the pub then becoming an asset belonging to the council.
- the Enterprise Investment Scheme – a small business tax relief scheme for investors, subject to certain income and ownership conditions.

### **Challenges**

- Disadvantaged communities can struggle when it comes to fundraising, therefore community pubs are typically established in more affluent areas. Significant renovation costs associated with restoring pubs that have fallen into disrepair coupled with interest from other potential buyers, often means communities find it difficult to take ownership of their local pub.
- The complex business planning requirements associated with running a community pub can discourage communities from setting up an establishment in their local area.

### **Opportunities**

- The More Than a Pub support scheme is due to run until 2018, this will give communities access to funding and may lead to continued growth in the sector.
- Community pubs are extremely effective at bringing people together and acting as a focal point for the community. The community share issue model also gives members a sense of ownership and involvement in decision-making within the business. In addition, pubs are beginning to offer additional services, such as cafés and libraries. This is resulting in wider community engagement, thus increasing footfall, as well as diversifying income streams.

### **Support**

- As communities turn to the private sector in search of funding, they often find that a lack of understanding surrounding the purpose of a community pub can cause difficulties and hinder attempts to secure funding to take the project forward. Further campaign work needs to be undertaken to raise awareness of this sector.

- The More Than a Pub support scheme continues to help communities establish co-operative pubs. Delivered as a collaboration between experts in the area, such as the Plunkett Foundation and Locality, the programme offers end-to-end support, including an advice line, workshops, and peer-to-peer study visits.

### Sources

Interviews with the Plunkett Foundation and Pub is the Hub

Plunkett Foundation (2017) Co-operative Pubs – A Better Form of Business. [Online] Available at: <https://www.plunkett.co.uk/Handlers/Download.ashx?IDMF=eab4a645-5d9e-472b-b237-861ca0ea48ae>

Pub is the Hub. Community Ownership and Running of Pubs. [Online] Available at: <https://www.pubisthehub.org.uk/wp-content/uploads/Community-Ownership-and-Running-of-Pubs.pdf>

### Arts/Culture

Community businesses operating in the Arts/Culture sector often experience similar challenges and opportunities. Volunteer availability and capability is often a challenge to overcome. Meanwhile, as local authorities continue to make cuts to service provision, the potential transfer of such services and assets presents community businesses with opportunities to ensure their long-term survival. However, such transfers should not be taken lightly; it is paramount that full assessments are undertaken to ensure that the community is not taking on a service or asset that they cannot afford to renovate or upkeep.

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## Sport and leisure



### Definition/scope

The Sport and Leisure community business sector is made up of businesses that offer traditional sports facilities and services to their community in addition to an array of community businesses that use sport to engage and unite members of the community to bring about other social and economic impacts e.g. the engagement of young people not in employment, education or training; or those in the youth justice system. There has been a rise in the latter over recent years.

### Challenges

- Whilst there is usually no problem with attracting volunteers to provide coaching services, community businesses sometimes struggle to engage volunteers with the interest and appropriate skills to undertake administrative and business planning duties necessary to successfully run the business.
- Up-keep and maintenance of sports facilities is expensive and businesses need to ensure that they are on the look-out for new funding streams and fund-raising initiatives to ensure that they can do this.

- The impact of austerity on communities may result in a lower uptake of paid for sport.

### **Opportunities**

- Local authorities are increasingly unable to maintain facilities such as tennis courts and swimming pools. This provides further opportunities for communities to take over such services and assets. However, assets must be fully assessed prior to handover.
- Sport England's latest strategy focuses on tackling inactivity at the local level. There is funding available to help communities with asset transfer in addition to a small grants fund.
- Businesses need to engage with their community to ensure that their provision meets demand. By ensuring they also have inclusive offer they can engage with all members of their community.
- Social investment, such as community shares is a key opportunity area for such businesses.

### **Support**

- Sport England has a Community Asset Transfer Fund toolkit to guide businesses through this process.
- Alongside its Community Asset Transfer Fund, Sport England conducts an assessment of successful understand such business' support needs and assign them with a business mentor.
- Supporters Direct, Sporting Assets and The Sports Business provide a range of support services for community businesses in the sector.
- Business planning and leadership skills are key areas that the sector, as a whole, needs to grow as part of its workforce development.

### **Sources**

Interviews with Sport England and a community business operating in the sector.

Survey responses from community businesses.

Sport England (2016) Towards an Active Nation. [Online] Available at: <https://www.sportengland.org/media/10629/sport-england-towards-an-active-nation.pdf>

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## Arts centres/facilities



### Definition/scope

This sector includes community cinemas, theatres, museums and art galleries in addition to community businesses who use art to reach-out to disengaged young people. This movement has bridged the gap of youth services since local authorities made cuts to their provision.

### Challenges

- Cuts in local authority funding present this sector with a real challenge and mean that they need to source funding from a range of organisations.
- Linked to the above, funders often require a myriad of reporting formats which is a huge administrative burden to community businesses that are often run by volunteers.
- The sector sometimes struggles to recruit specialist technical staff which is particularly challenging when setting up a business.
- The licence fees associated with some art forms can sometimes be high, for example the fees associated with screening films.
- In financially challenging times, people often spend less on the arts. This is a risk to community businesses in the sector.

### Opportunities

- The shrinking role of government in providing publicly run arts facilities presents an opportunity for community businesses to take on such services. However, assets need to be fully assessed before handover takes place.
- Partnership work between community businesses in the sector would mean that they could share staff/volunteer expertise.
- Community businesses in the sector often provide a range of services to maximise their funding such as using their premises to run Weight Watchers and providing educational activities to schools.
- Open cinema are pursuing a number of funding opportunities which could present opportunities for community businesses in the sector moving forward.

### Support

- Professional help would be useful to businesses in addressing their lack of knowledge around equipment, licensing, programming, marketing, and business operations.
- Whilst organisations such as Locality provide general support to the sector, there is an absence of an overall sector body lead.
- The Community Screen Forum was established in March 2017 to support community business cinemas. A range of fact sheets are available.

## Sources

Interviews with Open Cinema and two community businesses.

Survey respondents.

Community Screen Forum Fact Sheets (2017) [Online] Available at:  
<https://www.uea.ac.uk/community-screen-forum/fact-sheets>

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## Libraries



### Definition/scope

Community libraries follow one of three models:

- Independent libraries - run fully independently of the local authority library service.
- Community managed libraries - community led and largely community delivered, rarely with paid staff, but often with professional support and some form of ongoing local authority support.
- Community supported libraries - council-led and funded, usually with paid professional staff, but given significant support by volunteers.

They offer a range of services including library lending services; digital access and literacy; venue hire; cultural and creative enrichment; and health and well-being services; and a minority provide employment and skills support. There is also a range of innovative services unique to individual libraries.

### Challenges

- Funding is a key issue for community libraries. Local authority funding to support community libraries is due to tail off over the next few years, so community libraries need to source alternative funding streams.
- Community libraries are often reliant upon volunteers. Volunteer availability is an issue and they need to think of ways to continue engaging new and younger volunteers to ensure they are sustainable.
- Staff and volunteer training is a challenge. Those that have professional support from local authorities need to make the most of the learning opportunity available to them so that they harness professional expertise. Partnership working and improved communication with local authorities can also help with this.

### Opportunities

- DCMS and the Library Taskforce acknowledge the importance of considering alternative library models moving forward – including community libraries. Therefore, there is likely to be an increase in the number of community libraries in the future.
- Community libraries are doing a good job. They have the flexibility to provide innovative services to help generate income. For example, the provision of a

‘library of things’ so that the local community can borrow an array of household items; not just books. Drawing upon the expertise of their community can help them to establish viable business options.

- The transfer of assets to community libraries provides them with long-term security. However, it is paramount that they assess the liability of taking on such assets.

### Support

There is a variety of resources and support available to community libraries:

- The Libraries Taskforce has a good practice toolkit and Locality has produced a guidance document for community libraries.
- The Upper Norwood Library Trust Trust, which leads the community library peer network, is developing a programme of learning events and are setting up mechanisms for community libraries to share information.
- The Libraries Taskforce plans to provide more information about the local and national funding sources and further guidance to help support recruitment and training of volunteers.

### Sources

Interviews with the Libraries Taskforce and Upper Norwood Library Trust

Libraries Taskforce (2017) Community managed libraries research - what we'll do next. [Online] Available at: <https://librariestaskforce.blog.gov.uk/2017/09/05/community-managed-libraries-research-what-well-do-next/>

SERIO (2017) Research and Analysis to Explore the Service Effectiveness and Sustainability of Community Managed Libraries in England. DCMS: London

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Libraries Taskforce (2016) Deliver Ambition for Public Libraries in England 2016-2021. [Online] Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/573911/Libraries\\_Deliver\\_-\\_Ambition\\_for\\_Public\\_Libraries\\_in\\_England\\_2016\\_to\\_2021.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/573911/Libraries_Deliver_-_Ambition_for_Public_Libraries_in_England_2016_to_2021.pdf)

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## Manufacturing/Production



Businesses operating in this sector all manufacture products for the communities they serve. Such businesses have a range of expert skills and knowledge which provides them with a unique advantage. Effective marketing of their products to the communities they serve, the private and public sector will enable them to broaden the reach of their products and help them to remain financially viable into the future.

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## Energy



### Definitions/scope

A recent report by Community Energy England indicates that there is a relatively well-established energy sector, with community businesses playing an active role in providing energy to approximately 80,000 homes across England, Northern Ireland and Wales. Services provided by community energy businesses generally fall into one of four different categories:

- Electricity generation: this is a sub-sector that has seen rapid growth over the last two decades, with many organisations taking advantage of the introduction of the Feed-In Tariff.
- Heat generation: this sub-sector remains relatively small, with the adoption of biomass technology most common amongst businesses due to its viability at a community scale. Larger schemes tend to be limited by higher costs and the complexities of developing a large scale heat network.
- Energy efficiency: this is a growing sub-sector amongst community businesses as it involves offering an advisory service which is relatively inexpensive to set-up compared to other types of energy businesses.
- Transport: another small sector which includes low carbon transport schemes that use energy storage, and schemes that run solely upon electricity. The sub-sector is still in its infancy due high start-up costs and limited cost savings from transport switching. However, as it becomes more financially viable, transport will play an important role in the future of the energy sector.

Due to the high start-up costs associated with setting up a community energy businesses, it is sometimes necessary to seek investment from individuals outside of the local area. This is particularly true in areas of high deprivation. Whilst businesses who receive such investments are still community-led, this can lead to difficulties for such businesses meeting community business definitions. In light of such challenges, there may be a higher number of community businesses operating in the sector than reported.

### Challenges

- Uncertainty surrounding government energy policy has made it difficult for businesses to secure funding. Changes to feed-in tariffs continue to impact businesses, and possible amendments to the Enterprise Investment Scheme have made it difficult for businesses to plan for the future.
- Sustaining volunteer involvement can be a challenge. Volunteers play a key role in the running of community energy businesses, and given the technical nature of the sector, it can be problematic and expensive for community businesses to recruit and train replacements.

- Planning permission refusals by local authorities have also proved to be a barrier for businesses wishing to enter the sector. A lack of understanding by local authorities of the benefits of community energy can result in project failures.

### **Opportunities**

- Developing energy storage solutions will help maximise local use of energy for communities. This will become a viable option as the cost of energy storage reduces.
- There is room for community businesses operating in the sector to become advisors on energy efficiency - community energy businesses are seen as a trusted intermediary when it comes to offering advice, and there are opportunities for them to step into this arena and offer solutions.
- The sector is collectively knowledgeable and skilled. In line with the devolution agenda, community businesses need to link in with their MPs and LEPs in their locality to market their offering and sell the benefits of community energy.
- Businesses are beginning to explore the opportunities on offer through collaborative relationships with both public and private sector partners. Such partnerships would allow organisations to extend their coverage at reduced level of financial risk.
- The lack of financial support within the sector has seen some businesses adapt their offering in order to align with the funding, support and technology that is available. This adaptability has resulted in businesses exploring other innovative projects such as solar energy and waste heat networks, and highlights the resilience of businesses operating within the sector.

### **Support**

- Community businesses in the sector require support to help them navigate future funding and help with marketing.
- Community Energy England continues to operate as an umbrella body representing the sector, raising awareness of the work being done and contributing towards policy debates.
- Other not-for-profit organisations such as Regen also operate a support networks, publish reports on how to set up community energy projects, and set up schemes such as the ‘Entrepreneurial Women in Renewable Energy’ initiative to engage communities.
- Energy4All, a membership organisation composed of existing co-operatives within the energy market, offers both financial support and an advisory service for businesses wishing to become a co-operative.
- The government’s Clean Growth Strategy also promises to simplify setup of a renewable energy business with proposals to set aside £20 million to support early stage development.

- The Rural Community Energy Fund continues to be a key pillar of support for businesses aiming to progress their project development

### Sources

Interview with Community Energy England

Community Energy England (2017) State of the Sector – A study of community energy in England, Wales and Northern Ireland. [Online] Available at: [https://communityenergyengland.org/files/document/51/1499247266\\_CommunityEnergy-StateoftheSectorReport.pdf](https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf)

Department for Business, Energy and Industrial Strategy (2017) The Clean Growth Strategy – Leading the Way to a Low Carbon Future. [Online] Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/651916/BEIS\\_The\\_Clean\\_Growth\\_online\\_12.10.17.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651916/BEIS_The_Clean_Growth_online_12.10.17.pdf)

Survey responses from community energy businesses

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## Food/farming



### Definitions/scope

The sector consists of agricultural and food production community businesses looking to develop sustainable and environmentally-friendly business practices that benefit local communities and display the value of local produce. It is a diverse sector, with food-co-operatives and farmers markets accounting for a significant number of businesses and interviewees suggest that city farms, community supported agriculture outfits and waste food reduction businesses are growing sub-sectors.

### Challenges

- Businesses are struggling financially due to a lack of funding. There is a struggle to generate sufficient income from business activities to support growth, forcing businesses to become reliant on a shrinking pot of grant funding.
- Trading conditions are extremely competitive as community businesses continue to struggle against supermarkets and other established commercial businesses.

### Opportunities

- Businesses are starting to work in partnership with each other as well as local authorities and other organisations such as the Environmental Agency and the Woodland Trust to develop a support structure. This is allowing businesses to explore opportunities which previously were not feasible due to a lack of funding and scale.

- Brexit may allow community businesses to increase their sales as businesses look to plug the possible gap in food trading with the EU. With financial support, there is an opportunity to promote local produce so that communities feel a positive impact from Britain's exit from the EU.
- Transfer of assets, such as land, from local authorities is an avenue for community businesses to explore. This would provide them with further space to scale up their operations. However, assets should be fully assessed before a transfer takes place.

### Support

- The Federation of City Farms and Community Gardens has a set of resources including a comprehensive introduction to setting up, developing and sustaining a community-managed farm, garden or related community growing space.
- The Enlightened Agriculture Impact programme will place high value on social impact and will provide affordable loan funding for successful applicants. Applications are likely to open late 2017, with the programme launching in 2018.
- The Funding Enlightened Agriculture network includes many experts in community finance, business planning and agriculture. These experts and mentors continue to provide help and support to projects. Some of this support may be available on a pro bono basis.
- Community Support Agriculture provides a range of support for community agriculture businesses including resource packs and subsidised mentoring.
- Growing Together also has a range of online resources available to community businesses.

### Sources

Interviews with Co-op Culture and a community business operating in the food/farming sector.

Survey responses from businesses within the food/farming sector

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### Craft



#### Definition/scope

Community businesses operating in the craft sector consist of organisations that produce or sell various wares including items made from scratch in addition to those that have been recycled or re-conditioned. Key sub-sectors include furniture re-use and paint recycling.

#### Challenges

- Competition from the private sector continues to increase, creating a difficult trading environment for community businesses who may not have the same scale as their private sector counterparts.

- A lack of funding within the sector is holding businesses back from growing, with some struggling to secure the finance to invest in infrastructure.

### **Opportunities**

- As craft skills become increasingly valued and difficult to source within other markets, community businesses have the opportunity to use their specialist knowledge and diversify their income streams by providing their services to public and private sector organisations. Examples include community craft businesses being commissioned to offer their expertise in regeneration projects.
- Craft tourism is also an area of growth and an opportunity for local economic development. There is a trend for consumers wanting to learn craft skills and community businesses in the sector have an opportunity to embrace this through the development of workshops and ‘make-your-own’ kits.

### **Support**

- The Craft Council has published a report providing guidance to help craft businesses prosper. However, the guidance is not specifically targeted at community businesses.
- The Furniture Re-use Network offers a brokerage service with both private and public sector partners, assists businesses with capacity building, and offer opportunities for businesses to network with similar businesses.
- The sector lacks an overarching body to provide support.

### **Sources**

Interviews with community businesses within the craft sector

Survey responses from businesses within the craft sector

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### **Economic services**

Community businesses operating within this grouped category provide their communities with a range of services. The challenges and opportunities are unique to each sector and are outlined below.

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## Environment/Nature conservation

### Definition/scope

Community businesses in this sector vary according to the type of services they provide. This includes parks and recreation, nature reserves, reclamation of dis-used or under-used public spaces and facilities, and community woodlands.

One notable activity in this sector is the transfer of disused public land and facilities through community asset transfer. This will allow community businesses to build up their assets, whilst also regenerating disused public land and facilities in the community.

### Challenges

- Generating income is a significant challenge: a lot of community businesses in this sector rely on trusts and foundations, and generating income from trade is often limited. As demand for support grows, the competition to win funding increases.
- Support from local authorities has decreased as a result of cuts to public spending. One particular area of concern is the reduction in number of local authority officials who can facilitate community asset transfers.
- There are also risks associated with taking control and running community assets. It is important that community businesses make a full assessment of any asset they are considering to take on. Risks include the profitability of the asset – which may not have been successful under local authority control; any required investments to modernise the asset or ensure it meets regulations; and costs associated with up-keep.

### Opportunities

- There are opportunities for community businesses to either manage public space on behalf of their local authority, or to take ownership of land through a community asset transfer.
- Some community businesses have been able to use community shares to raise funds.

### Support

- Emerging community businesses in this sector need support in setting-up and becoming established. Particular support is needed with building good governance and ensuring the business continues to engage with the wider community.
- Community businesses need support with the entire community asset transfer process.
- Shared Assets has a range of reports and pages on their website that contain valuable guidance covering a range of topics of relevance to community businesses.

## Sources

Survey responses

Interview with Shared Assets and Co-op Culture

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## Finance



### Definition/scope

The community businesses finance sector is primarily composed of credit unions who typically serve older people and people from economically deprived backgrounds. It is challenging to define the exact scope of the market because the size of credit unions and the communities that they serve often changes. It is not uncommon for credit unions to broaden their customer base to serve neighbouring communities, but this renders them ineligible from being recognised as a community business.

Traditionally credit unions have attracted customers to deposit their savings, which has provided them with a steady stream of business. However, the recent roll out of Universal Credit is playing a significant role in shaping the type of services they deliver.

### Challenges

- Universal Credit is causing difficulties for people who are from low income backgrounds and lack money management skills. This has resulted in a rise in demand for financial support and advice from credit unions and is likely to continue moving forward.
- Financial regulations are a burden for credit unions. Keeping up-to-date and managing the latest developments requires considerable expertise and time.
- Updating IT infrastructure and ensuring that credit unions have hardware and software to operate as efficiently as possible can be challenging.
- Some credit unions experience a tension between achieving scale to generate sufficient income with remaining a community business. Some credit unions do not qualify as a community business because of their larger geographical reach.

### Opportunities

- As part of their corporate social responsibility, financial technology companies are partnering with credit unions to develop and integrate new technology to improve how credit unions provide financial services.
- The broadcast of a recent BBC series about credit unions was followed by a noticeable spike in enquiries and membership applications to local credit unions.

- Some credit unions have joined forces to employ an expert to provide advice and support and undertake tasks relating to financial regulations. This has helped some credit unions who struggle to keep up-to-date with latest developments.

### Support

- Since 2014, Lloyds Banking Group has given a series of grants to credit unions to help develop new strategies for growth.
- Support is required to continue the recent positive promotion of credit unions to drive up customer numbers. A particular focus needs to be placed on attracting new customers such as younger people and people in employment.
- Credit unions need support to modernise IT software and hardware. This includes helping them to build relationships with financial technology companies who could help develop their software.
- Support is required with undertaking back-office functions – such as keeping-up-to-date with and meeting financial regulation requirements.

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## Digital



### Definition/scope

Community businesses operating in the digital sector carry out a range of activities. Some businesses have established community broadband networks, which are mainly focused in rural areas where digital connectivity continues to be an issue. There are community businesses that offer a 'hackerspace' market, which consists of a workspace run by the community for people to collaborate on digital projects. In addition, there are also community businesses that run community radio stations, provide recording space and training opportunities to their communities.

### Challenges

- Income generation can be problematic. For example, Community radio stations sometimes struggle to sell advertisements to local businesses as they not interested in the target market.
- It is sometimes difficult for community businesses to secure the space required to meet public demand.

### **Opportunities**

- Work by the Independent Networks Cooperative Association has identified that community businesses play a role in the deployment of national full fibre broadband networks. The improvement of rural connectivity (which is a key area in which community businesses operate) is important to ensure no area is left behind.

### **Support**

- Whilst organisations have an understanding of what they are trying to achieve, they sometimes lack the expertise and business skills to realise their ambitions. Assistance with legal issues and marketing are key support needs.
- BT OpenReach has made a £2 million grant available for community fibre partnerships. Community businesses would be eligible for the grant as long as their project benefits a local school.
- The Community Broadband Network offers support and advisory services to community businesses on the development of digital infrastructure.

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