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What works: Successful sport and leisure community businesses

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About this report

Community businesses are usually established by local communities in order to meet a local need, whether that is to revive local assets, protect the services that local people rely on, or address local needs

To further build the evidence base on the factors that contribute to community business success, Power to Change commissioned SERIO, an applied research unit at the University of Plymouth, to conduct an England-wide research project to answer the overarching research question of “what makes a successful community business?” in the following three community business sectors:

- 1. Community ‘hubs’ or centres**
- 2. Sport and leisure**
- 3. Health and wellbeing**

This report focuses on sport and leisure. The other reports, including a synthesis of success factors for community business from all three sectors, can be found on the Power to Change website at powertochange.org.uk/research

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1. Summary of methodology

The research methodology consisted of a desk-based review to collect important contextual and comparative data, followed by an online survey to collect a high-level dataset of community business characteristics to provide a broader context of the factors that enable community businesses to be successful. This was followed by a detailed financial sustainability review of publicly available community business accounts and the development of 15 detailed case studies, five for each of the three sectors. Full details of the methodology and research results can be found in the main report on the Power to Change website powertochange.org.uk/research.

This report looks specifically at success factors within the sport and leisure community business sector and draws out common themes from the five structured interviews conducted with sport and leisure case studies, the desk-based review and online survey. An overview of the five sport and leisure case studies is provided in the table below:

Community business	Location	Brief description of activity
Jubilee Park Woodhall Spa Ltd	Lincolnshire	Community centre promoting health, fitness and wellbeing through swimming, outdoor leisure and sports. The business manages a caravan site and hosts two sports clubs.
Origin Sports	Newcastle	Offers affordable access to sport (Brazilian jujitsu, wrestling classes) to young children, teenagers and adults in Newcastle, Gateshead and the surrounding area.
Projekts MCR	Manchester	A skate park offering skateboarding lessons and workshops in schools across Greater Manchester and onsite at its headquarters in Manchester City Centre. The skate park also has a small café that acts as a community space and a shop to buy skateboarding equipment and merchandise.
Stocksbridge Community Leisure Centre	Sheffield	Community run leisure centre aimed at providing access to sport, recreational and leisure facilities and activities for the community and surrounding area to promote a healthy lifestyle and community wellbeing.
Timperley Sports Club	Manchester	Community sports club providing on site pitches/ clubhouse, coaching, and a wide range of playing opportunities for all ages (from five to 75+) for cricket, hockey, junior football and lacrosse. The club also delivers coaching in local schools, hire facilities to individuals, local and national groups.

Full case study details can be found on the Power to Change website powertochange.org.uk

2. Sport and leisure community business sector – history and context

Community businesses are usually established by local communities in order to meet a local need, whether that is to revive local assets or protect the services on which local people rely. As such, community business models exhibit a range of different characteristics, and subsequently an equally diverse range of barriers and success factors. Thus, for the purposes of this report, a community business is defined as a business that is locally rooted, trades for the benefit of the community, is accountable to the local community and has a broad community impact (Power to Change 2018).

Research has shown that the community business sector in general has gone through a period of expansion in recent years. Following the rapid growth of available community finance in the early 2000s, a 2015 survey by Social Finance estimated that there were around 5,650 community businesses operating in England across 15 different sectors (Percy *et al.* 2015). These businesses generated approximately £0.9 billion of income on £1.4 billion of assets. They further proposed that the community business market overall has expanded by 9% from around 5,050 businesses in 2014 to approximately 5,500 in 2015, and that income had grown by 10% and assets by 15%. Hull *et al.* (2016) estimated that the market had expanded by a further 5% to approximately 7,085. However, a report by Diamond *et al.* (2017), which was commissioned with a remit to develop and refine the methodology of the annual community business market survey, found that growth in the sector was likely to be over-estimated for 2016 and provided updated estimates of the market size in 2017:

6,600 community-run businesses operating in England, approximately	70% situated in urban areas	£1.2bn total market income	£0.7bn of asset value
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Focussing on the sport and leisure sector, previous research indicates there has been a rapid growth that stemmed from the reduction in local authority funding, impacting their ability to run core community facilities. The sector is made up primarily of sports clubs, community managed swimming pools, leisure centres, and multiple-facility organisations. Hull *et al.* (2016) suggests that community businesses in the sport and leisure sector are currently enjoying strong and accelerated growth due to a combination of factors including; the local authority disposing of or transferring the management of local assets and a reduction in the levels and availability of grant funding, resulting in more community organisations striving to become more financially self-supporting. There is also an increased emphasis from central government on the use of sport to generate positive social impact, with local community groups being in a strong position to make good use of available assets.

As such, research indicated that the number of community businesses in the sport and leisure sector increased by 100 in 2016 (a 10% growth from 2015). However, Diamond *et al.* (2017) found that these numbers were likely to be over-estimated and put **the size of the sector as significantly smaller with 350 businesses.**

There is also evidence to suggest that businesses in the sport and leisure sector have a high reliance of community asset transfer (CAT) (Hull *et al.* 2016). This evidence suggests that for sport and leisure businesses, having an asset can greatly help boost sustainability, providing a greater number of potential income streams and creating the possibility for asset-backed finance. Consequently, research suggests that CAT, availability of grant funding and local awareness and engagement are important success factors for businesses in the sport and leisure sector.

The importance of both appropriate funding and community engagement for the sport and leisure sector are additional themes observed elsewhere. For example, Brown *et al.* (2017) consider community shares, community bonds and community fundraising as three forms of relatively successful community finance options. In particular, community shares have become increasingly popular in the sports and leisure sector (Brown *et al.* 2011). Moreover, the more mainstream forms of fund raising, such as crowdfunding, donations, events or gifts, has proven to be a successful means of securing funding for some community run sport and leisure businesses, particularly given that the money raised can be spent on high risk and developmental activities and does not have to be repaid.

A final success factor to emerge from the desk based review of the sport and leisure sector is the importance of diversity. To date, the recognised traditional model to boost revenue has been via venue hire. Percy *et al.* (2015) report that organisations are now beginning to explore broader options in this area in order to deliver wider community benefits. More specifically, they are beginning to develop links with other sectors, including education and health services, and are ultimately expanding their venue hire to local groups and creating public sector contracts to develop an increasingly broad and resilient revenue base (Hull *et al.* 2016).

3. Sport and leisure community businesses – success factors

Five sport and leisure businesses, who responded to an online survey as outlined in the methodology overview above, were selected in consultation with Power to Change to be interviewed as case studies. The case studies were written by considering factors which enable success that were identified from both the case study interviews, the desk-based review and the businesses responses to the online survey. The following section of this report discuss these themes in more depth, however an in-depth analysis can be found in the main report on the Power to Change website.

3.1 Financial self-sustainability

A fundamental theme common to the success of all the sport and leisure businesses interviewed as part of the research was their ability to maintain their financial self-sustainability. This was defined as obtaining the majority or all their income from trading type activities, with either minor or no dependency on grant funding. With this definition in mind, businesses interviewed as case studies identified three broad strategies that have contributed to their financial success, namely the diversification of their services, strong financial and operational management and the importance of forming strong partnerships.

Diversification of services

All of the businesses interviewed reported that investigating and developing a range of alternative services provided them with the opportunity to both increase and diversify their income streams. This additional income was particularly important when the business faced expensive improvements and maintenance to their existing facilities, which was a common trend. Examples of additional income streams included leasing venue spaces to other groups, organising and hosting national events and offering specialised sports training and qualifications.

However, an integral part of being able to successfully diversify services was the recognition of the need to invest in new marketing strategies to attract a greater number of users. Businesses found that establishing a professional marketing campaign, alongside a strong online presence formed a key part in attracting new users and increasing revenue from different sources.

A common challenge encountered by businesses attempting to diversify their services was the inadequacy of their building assets to accommodate new users. To overcome this challenge the local community were asked to support the business by raising funds and donating time and/or materials to improve buildings so that more users could be accommodated.

Strong financial and operational management

The importance of having good financial and operational management skills available within the business is considered a common factor for success. It was found that recruiting financial expertise amongst the trustees or board members, in addition to key paid staff has the benefit of ensuring that businesses have the right skill sets in place to manage investment and growth for the longer-term. This professionalism in turn has a positive effect on businesses' reputation with funders, which helps to enable greater success in securing match funding or bank loans for capital asset re-investment, a common requirement for sport and leisure businesses within the research who are tackling the challenge of funding high running costs for old or listed buildings.

Forming strong partnerships

Another important enabler of business success for sport and leisure businesses is the strategic approach taken to seeking and developing strong partnerships with different stakeholders. At a local level, this centres on strong community engagement to identify local needs so that appropriate partnerships can be sought out to meet them, i.e. working with specialist partners to deliver a specific service in-house, or signposting community members to other services in the local area. On a peer group basis, developing a strong network of local, regional and national peers with which to share knowledge and support aids in the sharing of best practice, innovative ideas and support for the development of funding proposals.

Sports and leisure businesses also highlighted the importance of forming partnerships with local schools, social groups or clubs. Despite these types of partnerships not generating significant revenue initially, they play an important part in raising profile, and eventually, can create a wider network of potential users for services that adds to overall financial stability.

3.2 Motivated and engaged volunteers

For sport and leisure community businesses, strong engagement with the local community is a key success factor in facilitating both the recruitment of committed volunteers and gathering information regarding the demand for services. Therefore, positive engagement with the local community serves to ensure that local support is maintained and that services are meeting the needs of the community.

Despite sports and leisure businesses reporting dependence on volunteer support at all stages of their development, they highlighted that certain key functions should not be delegated to volunteers indefinitely, e.g. financial and legal procedures, and to be successful in the longer term, income generation should be prioritised in order to fund paid staff for positions that perform key roles.

However, that is not to say that sports and leisure businesses are reducing their reliance on volunteer support. Conversely, the provision of training, mentoring and additional incentives for volunteers, so that they remain engaged for as long as possible, is seen as an enabling factor for success. In addition, where businesses have struggled to find qualified or experienced paid staff to fill certain functions, they have made efforts to invest in developing their own staff and volunteers, which helps to develop community engagement and incentivise volunteers to want the business to succeed.

3.3 Identifying services that meet a local need

All the sport and leisure case study businesses interviewed as part of the research were formed as a result of a gap in the provision of local community services. This included taking over the running of a local asset after closure by the local authority, or seeing a gap in the provision of services to the local community in general.

Being able to identify a local need and develop services that are accessible and meet that need was therefore identified as a key enabler of success. In addition, as a result of matching services to local needs appropriately, it was noted that the local community were more willing to support the business and are often more sympathetic and supportive when logistical or maintenance issues arise.

Identifying and developing services that meet local needs also helps to support businesses financially, as funding campaigns for capital investment into local assets are often more successful when the local community see the value of the services and assets the community business provides or protects. An example from the case studies is a successful social investment campaign which, through positive community engagement, generated sufficient match funding from the local community in order to secure a capital asset grant for the development of improved facilities for the community.

4. Common success factors across community business sectors

As part of the research, success factors that were common across the three community business sectors (sports and leisure, health and wellbeing and community hubs) were examined. This analysis identified three factors that were common contributors to success; the ability to maintain financial self-sustainability, having access to motivated staff and volunteers and the importance of forming and maintaining strong partnerships. The following section of this report discuss these themes in more depth.

4.1 Financial self-sustainability

Businesses across all sectors identified financial self-sustainability as a primary factor in their success. Despite businesses highlighting the importance of grant funding to support them in the initial stages of their formation, particularly where substantial asset improvements were required, all acknowledged that transitioning their income streams away from grant dependency is a key factor that has enabled their longer-term sustainability. A key method to securing this transition has been to diversify income streams into trading type activities. Some examples of this diversification have included maximising the potential of available building space by increasing room hire revenues and opening bars and cafes. Other approaches have been to develop goods for sale, for example refurbishing furniture, bicycles, and other recycled items to sell to the general public. Still further, some businesses have collaborated with educational institutions to offer vocational or other qualifications as part of their efforts to diversify their incomes. However, a common theme across all three sectors in developing innovative ways of generating additional income has generally involved the combination of testing ideas through stakeholder or peer group networks alongside consulting with the local community and identifying gaps in the provision of services that would benefit them.

4.2 Staff and volunteer skill sets and roles

All three sectors also reported that having the volunteers or staff with the required skill sets to plan a financial strategy for the future, including assessing risk and identifying solutions, is a key enabler for success. They also acknowledged the vital role volunteers have played in their success, particularly the support they provided when the business first started. However, a common theme that emerged was the requirement for the business to have paid members of staff that occupy key positions to ensure that services are delivered in a consistent and professional way.

In fact, a key position identified by businesses from across different the sectors is a volunteer coordinator. As businesses grow, they attract increasing numbers of volunteers which in turn pose a significant commitment for businesses in terms of time and resources. Businesses noted that volunteer input is not free, as it requires supervision and training for volunteers to remain motivated. In addition, businesses see a direct relationship between the number of volunteers and the businesses

effectiveness in connecting with the local community. Indeed, for businesses across sectors, having committed volunteers represents evidence of their local impact, with this view being particularly felt in the sport and leisure and health and wellbeing sectors.

Consequently, community business across sectors found that volunteer coordinators maximise the use of volunteers' skills and input into their businesses, and helps businesses to engage the right volunteer for the right role within the organisation. For example, businesses in the health and wellbeing and sport and leisure sectors tend to work with children or vulnerable adults that require specialist skills and strict safeguarding procedures. For these community businesses, recruiting and training volunteers could be costly and therefore it is paramount to assess volunteers carefully and find appropriate roles without the risk of deterring volunteers from providing their time.

4.3 Forming strong partnerships and networks

Finally, a common success factor that emerged from across the three sectors was the ability to form and maintain strong partnerships and networks. Being able to network effectively and communicate ideas in a simple and coherent way was noted as the main driver of creativity within businesses, which in turn lead to new services and greater sustainability.

It was also a common view that strong partnerships supported the diversification of income streams. Specifically, businesses across sectors found that as a result of working with a diverse range of partners they were able to generate additional opportunities to diversify their trading income. Community hubs in particular tended to be successful in creating partnerships.

In addition, as businesses from across the three sectors move away from a reliance on grant funding, the formation of strong partnerships has been beneficial in creating a supportive network and building expertise. However, despite the formation of national and peer networks being an important enabler of success, ensuring that the business has strong networks locally that focus on the needs of the community was a commonly noted factor of success. Examples of this view were found across all sectors, with businesses proactively and creatively enabling local community access to their services.

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