SOCIAL FINANCE

"What if we ran it ourselves?"

Getting the measure of Britain's emerging community business sector

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Foreword by Richard Handover

The last few years have been difficult for local communities. But these times of need have also given rise to opportunity, and sparked entrepreneurial responses to challenges such as neighbourhood degradation, high street closures, and public service cuts. We have seen inspiring examples of people coming together to run a local asset, or deliver a local service, for social good.

From libraries, shops and pubs, to piers, wind farms and broadband networks, these community businesses are diverse in their focus, but share a common thread of local people taking ownership and control.

Community businesses go beyond the remit of community development or the definition of social enterprise. This is a growing movement of communities using resourceful and entrepreneurial approaches to improve their local places. The establishment of the Power to Change, a new £150 million charitable trust to support community businesses reflects the importance of this movement, and will be an opportunity to leverage in additional resources to ensure a lasting legacy of change.

Until now, however, we have been in the dark about key aspects of community business activity. How many community businesses are there? What types of business model do they use? What are their financing and support needs? And what is it that drives "community businesses" as opposed to local SMEs or charities?

This report reveals, for the first time, the full scale of community business activity in the UK. It offers a detailed view of the range of business models, income and assets, geographical spread, and economic and social impact. And it takes a systematic look at how they can best be helped and where the market can grow.

It has become increasingly evident that community businesses have a truly exciting opportunity to transform the lives of people and communities. The power to change is shifting from government and private business to local people, acting together for the benefit of each other and the public spaces they share. For many years community groups sought to shape local services by asking: "How do we stop this service from being cut?" or "How do we push that service to take a different approach?" Now, increasingly, communities are asking a new question: "What if we ran it ourselves?"

Richard Handover CBE DL

Chair, The Power to Change

Executive Summary

Community business is a familiar idea, but one that has only recently gained traction. A constellation of factors have helped engineer this, including new community rights, the growth of community entrepreneurs and increases in Council asset transfers in the context of an unprecedented fiscal squeeze. With the launch of the Power to Change, a community business-focused grant funder, this is an opportune moment to bring coherence to a highly diverse set of organisations. It is in that context that this report assesses the nature, scale, scope, impact, and financing and support needs of the community business sector.

Despite their diversity, all community businesses, also known as community enterprises[1], share four key characteristics:

- They are started by—and then run by—a local community;
- They derive their strength from being rooted in a physical place;
- Their primary purpose is to generate social value for the local community;
- They trade in goods or services with a view to being independent of grants.

We derived an estimate of the sector's scale using a bottom-up analysis of 13 sub-sectors, based on 65 in-depth interviews with key players, a review of public sources, and access to proprietary data. We found that there are 4,400 community businesses currently operating at meaningful scale in England and Wales, of which around 700 have substantial income (>£0.5M) or assets (>£1.0M).

Together, they have a combined income of ~£800m a year, manage assets of £1.0 billion, employ around 24,000 staff and engage nearly 120,000 volunteers. They are spread across the UK, with a spike in South-West England and in a handful of local clusters. Their impact is primarily social and economic cohesion, but also includes sector-based outcomes, such as skills development. Segmenting the sector by business model (rather than trade or activity), we find five distinct groups:

- **Public Asset Managers**, such as community-run libraries or leisure centres
- **Business Savers**, including community pubs or shops
- **Community Start-ups**, similar to locally-run SMEs but with a clear social purpose
- **Cross-Subsidisers**, such as a café that funds the running costs of a community centre
- **Local clubs**, organisations with few assets that organise regular local activities

Support needs vary at each stage of the community business life cycle. At **pre-venture** stage, programmes are needed to educate and engage people. At **inception,** the chief gap is access to technical support, such as legal advice. As they **grow**, businesses need smart and sustained grants and loans in the £75,000-200,000 range to fill the "missing middle" of finance. Finally, businesses looking to **scale** could benefit from clearer norms on asset locks and social franchising.

This snapshot of community business captures a market in its infancy. But those counted here have passed major tests. They are the Lewis and Clarks of the sector, exploring an uncharted frontier. Where they succeed, community businesses bring new life and light to their areas. With the right support, there can be more successes to come.

[1] The terms community business and community enterprise are often used interchangeably; we will use community business in this report

Chapter 1. What is a community business?

Why community business

In this chapter we present an overarching definition of community business and describe the five distinct business models that make up the community business market. Before asking *what*, however, it is worth asking *why* we care about community businesses. Why not lump community businesses into broader categories, such as social enterprise or local business? Community businesses exhibit two key characteristics that make them worth protecting and promoting.

First, they have a deep and rich understanding of their local areas. They are founded out of passion for community improvement. Their leaders, volunteers, and staff are deeply embedded in their locality. Not only does this mean they are well-placed to address their community's needs, but also that they are able to tap into local sources of knowledge, expertise and funding. The Ivy House Pub in South East London is just one example of a community pub that has drawn on local expertise in litigation, planning, and web design to build a successful venture.

Second, community businesses have a unique capacity to galvanise local support. In Hastings, the People's Pier group was formed to save the city's pier, threatened by closure after health and safety concerns emerged. The group organised public meetings and demonstrations, raised local funds through a Community Share issue, and eventually won ownership of the pier for the community. No national organisation could have built grass-roots support in the face of considerable obstacles, so quickly and effectively.

Community businesses, therefore, generate a unique kind of impact by virtue of their local ties and community-focused social purpose. Until now, however, there has been no consistent view of what it means to be a community business: how they are formed, how they are run, and how they grow.

Four tests to define community business

Community businesses are hard to describe, but easy to spot when you see one. Localism, independence, and social purpose, fused with a hard-nosed focus on economic sustainability, all combine to give community business its muster. But what is the specific recipe?

On the one side, community businesses are not just social enterprises. In addition to typical social enterprise characteristics, they are also rooted in their locale. Their purpose is linked to the improvement of the people or environment in that particular area. On the other side, they are distinct from simple for-profit businesses, since they abstain from profit-making and reinvest surpluses to further their social ends.

As the sector develops, and new forms of infrastructure emerge to support it, it becomes increasingly important to have simple ways of testing whether any particular organisation is within, or without, its boundaries. We propose four such tests:

- **Leadership**: Was the organisation initiated by the local community, and does it continue to be led by the local community to meet a local need?
- **Place**: Is the organisation defined by its link to a physical place?

- **Community value**: Is the primary purpose of the organisation to generate economic and social value in its community through its activities and the reinvestment of profits locally?
- **Local returns**: Does the organisation trade in goods or services as a means to being mainly independent of grants, and ultimately generating economic returns?

In short, community businesses are organisations that are founded *by* their community; are rooted *in* their community; exist *for* their community; and achieve their goals by creating sustainable economic and social value.

We believe this definition carves out a distinctive terrain. It strikes out organisations that lack a sufficient connection to their local area, or that have no plan for self-sufficiency. Yet it is broad enough to welcome organisations operating in a multitude of economic sectors, from agriculture to libraries, from high street hubs to off-grid energy. It also focuses on organisations that are open to all. Community business is an inclusive concept - our definition does not include groups that put limits on entry, for example on the basis of religious belief.

These tests exclude several important categories of organisation which, while valuable in many other ways, do not exhibit the key characteristics of community businesses. These include national organisations with local branches, such as some locally-run, national brand charity shops (failing on the "leadership" test); online-only groups with few links to a specific place, such as online parents' forums (failing on similar tests); socially-minded businesses or Corporate Social Responsibility initiatives (failing on "community value" and "local returns" tests); and non-trading charities ("local returns" test).

We believe that over time these tests should become more, not less, demanding. If community businesses are to warrant special designation, and therefore benefit from exclusive support or financial infrastructure, they must continue to develop their value proposition for the communities they serve. We have suggested that each test might strengthen over time to include the following elements:

- **Leadership**: Democratic governance structure and processes that ensure active, ongoing engagement of the community
- **Place**: Firmly established ties to a locality, including trustees, employees, and volunteers who live or work in the area
- **Community value**: Asset locks and other commitments in place to prevent private profiteering
- **Local returns**: Demonstrated sustainability, with cash generated and recycled locally

The four "minimum floor" tests, and the "aspirational" extensions are summarised in figure 1 below.

Figure 1. Four tests for community business

	"Floor": Minimum grant conditions	"Aspiration": Ideal conditions
Leadership	Led and initiated by the local community to meet a local need	With a democratic governance structure and processes that ensure active, ongoing engagement of the community
Place	Defined by its link to a physical place	With firmly established ties to the locality (e.g., trustees, employees, and volunteers from local area)
Community value	Whose primary purpose is the generation of social value in the local community	With asset locks in place and measures to avoid private profiteering
Local returns	Trading in goods or services as a means to being mainly independent of grants, and ultimately generating economic returns	With demonstrated sustainability and revenues being generated and recycled locally

Five types of community business

Up to now, community businesses have largely been understood within categories that reflect their trade or activity, such as running a pub, generating renewable energy, or operating a local hub. While this activity-based segmentation has been helpful to organise support in the early stages of the sector's growth, we have found it to be unsatisfactory on two levels: First, it fragments the sector into too many "buckets", making it harder to map needs against business types; second, it obscures the common challenges that different types of community business face and, therefore, the support they need to grow. A pure focus on community hubs, for example, fails to identify the needs they share with community-run libraries, such as the technical support that is required to manage a public asset take-over. This is a challenge these two types of organisation have in common.

Instead of segmenting by activity, therefore, we propose to build a typology based on *business model*. This approach is somewhat agnostic to the form of social impact achieved (whether engaging local people or providing affordable broadband in rural areas) and focuses instead on the key challenge community businesses face: how to build a sustainable commercial model.

Based on this approach, we have identified five distinct types of community business. These are:

- **Public Asset Managers**, such as community-run libraries. These businesses must turn what was a publicly-run and funded service into a viable venture, using a combination of government contracts, new revenue streams, and in-kind resource contributions
- **Business Savers**, such as community-run pubs. These ventures inherit an existing commercial model, but one which has often failed to generate a financial surplus. Their challenge is, therefore, to turn around a previously for-profit enterprise by using the resources and assets of the community

- **Community Start-ups,** for example community energy schemes. As indicated in the name, these organisations start from scratch and are, therefore, closest to the traditional conception of social enterprise, albeit with a much stronger focus on a particular place
- **Cross-Subsidisers,** such as a charity café that subsidises a community centre. These organisations focus on maximising profit in their commercial wing and then using this profit to fund the activities of their charitable arm
- **Clubs**, for example a local football group that meets in public playing fields. Clubs are typically low-cost and low-income; they often do not need a business model beyond collecting small payments for activities from participants

In this report, we will principally focus on the first three types: Public Asset Managers, Business Savers, and Community Start-ups. Firstly, these types of community business have the greatest prospect of becoming financially sustainable in their present form, without ongoing subsidy and with the ambition and capacity to generate substantial income. Second, these three represent a more radical conception of community business versus the longer-standing notions of cross-subsidising businesses and local clubs. We see Public Asset Managers, Business Savers, and Community Start-ups as potentially transformational, responding to risk of local decline head on by leveraging local energy and resources.

Cross-Subsidisers, by definition, make a surplus in effectively a commercial part of the business in order to subsidise a loss in the social wing. If this commercial "wing" is equivalent to a for-profit local business that happens to donate its surplus to a connected charity, then the operating costs of the charity are being met through donations, not revenues. This places the social wing at the margins of our definition of community business and may limit its potential to develop independently of what is essentially a for-profit business.

Clubs, by contrast, may generate enough revenue from their members to cover their costs. However, they remain small, informal, and asset-light, with a narrow scope that is more focused on a particular activity than on broader community benefit. They typically lack the desire to grow substantially or to extend their impact to the wider community beyond their members.

Cross-subsidisers and clubs are legitimate and important forces for good in local areas. However, given their stronger financial viability and potential for transformative change, we argue that the focus of the community business support sector should lie with Public Asset Managers, Business Savers, and Community Start-ups. The remainder of this report focuses on these three segments.

Figure 2. Five types of community business

Public Asset Managers	A community takes control of an asset formerly in public ownership. They have no history of earned income and an asset-heavy business model. • *Example: the community-run library*
Business Savers	A community takes control of a business and turns it to community ends. They have a history of earned income but must enshrine a social purpose and decide on legal/organisational structures. • *Example: the community-run pub*
Community Start-ups	A new business is started by a community, with assets owned by the community and profits recycled locally. They function like small businesses but face challenges of legal and organisational structure. • *Example: community renewable energy schemes*
Cross-Subsidisers	One set of activities generates profit to be reinvested into different activities of social value. These are often charities running businesses. • *Example: the cafe that funds a community centre*
Clubs	A community runs a local group, often informally and with few or no assets • *Example: local football club that meets in public playing fields*

CORE **NON-CORE**

Chapter 2. What is the scale and scope of the community business sector?

In this chapter we present our estimates of the total size of the UK community business market. We also quantify the distribution of community businesses by region, sector and size on the basis of income and assets, and by the distinct business models that make up the sector.

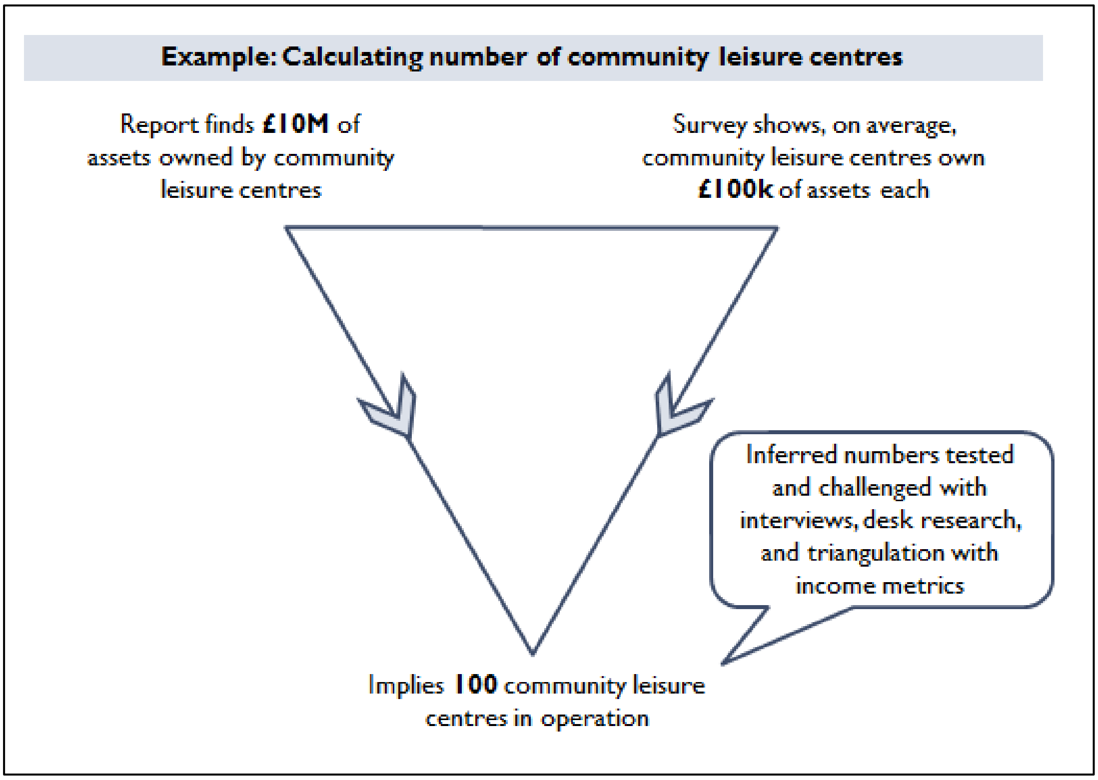
Methodology

To get a sense of the scale of the sector, we devised a proprietary methodology to size the community business market in terms of numbers of ventures, assets, income, employees, and volunteers.

As a first step, we defined 13 sub-sectors in conjunction with sector experts and representative bodies. Some, such as community pubs, are well-studied and supported by specific sector bodies, such as the Plunkett Foundation. Others, such as tourism, heritage, arts and culture include a broad spectrum of organisations and have not benefited from the same degree of unified support.

In each of these sectors, we used interviews, public reports, market data, and anonymised proprietary datasets to get the best available estimates of their size and scope. We then triangulated across data sources to ensure our sources were accurate and complete. For example, one estimate of the total assets in the community pubs sector could be compared with the product of other estimates of (1) the number of community pubs and (2) their average asset base. A worked example is provided below (see figure 3).

Figure 3. Triangulation methodology to infer and sense-check market size



Our sources included: 65 interviews with community businesses, support providers, grant funders, investors, umbrella bodies, and government entities, complemented by an extensive survey of community businesses that attracted more than 130 responses; a full literature review of published reports; market-level data, such as on community asset transfers and share issues; and anonymised proprietary data on funding applications, such as from the Key fund, Homes and Communities Agency, and Communitybuilders.

We believe this is the first comprehensive assessment of the community business sector. Given that, and the pace of change in the market, we have elected to publish our bottom-up estimates for each sector's size, assets, income, employees, and volunteers. If better estimates become available in any of these sectors, we can simply update the data to provide a more current view. In this way, our hope is not to ossify the public view of the community business market, but rather to place down a marker, and to propose a method for understanding the market as it grows and matures in future.

Size of the market in 2014

Our analysis indicates that there are approximately 4,400 community businesses in England and Wales, generating around £0.8 billion of annual income on an asset base of approximately £1.0 billion. These are enterprises that demonstrate the features of operational organisations, such as having a legal form, raising finance, employing staff, or engaging in trading activities.

If these ventures represent the vanguard of the sector, we believe there are four or five times as many organisations that do not meet all four tests for community business, either because they have not fully engaged their communities, are not sufficiently "place"-based, do not clearly articulate their social purpose, or are not set up to be sustainable. Some of these organisations might be considered to be in the community business "pipeline", preparing to convert by, for example, firmly establishing their social mission or building a stronger business model. Others will never make the shift.

It is also worth recognising the long tail of more than 100,000 community clubs and groups that play an important civic role in their communities, but lack any of the basic features of "business" and have a loose, if any, organisational structure. With support, some of these have the potential to become community businesses over time.

The depiction above shows that our four tests have the necessary "bite". They effectively distinguish organisations that have the potential to transform their communities by balancing strong local links, clear social mission, and sustainable economics from those that will either require long-term grant funding or that are insufficiently social to warrant special support.

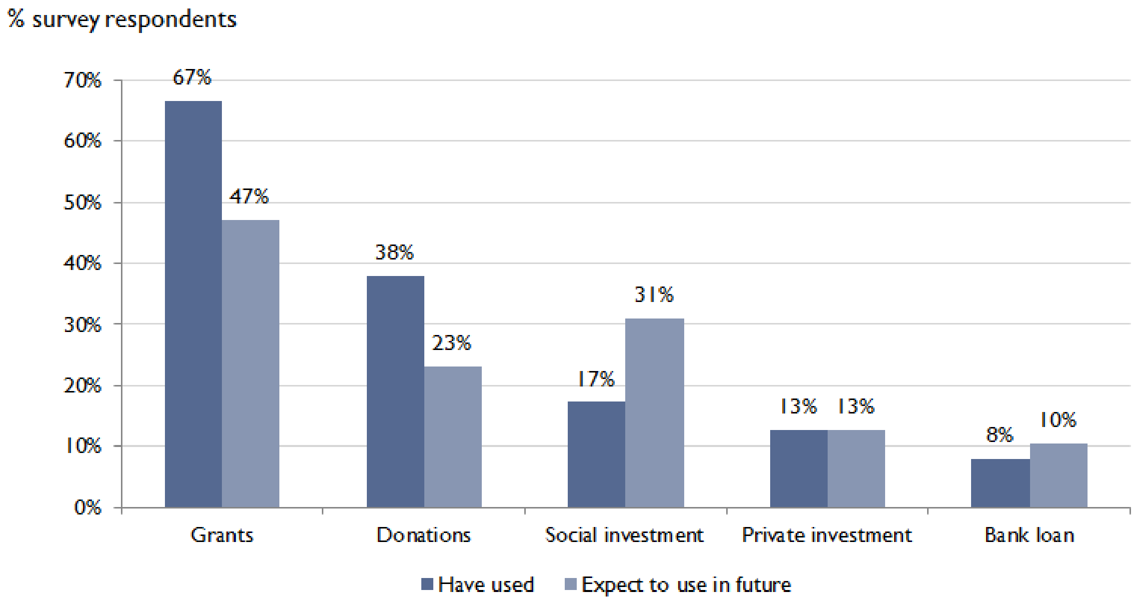
Characteristics of community businesses

At the same time, while there are strong commonalities between the 4,400 community businesses currently in operation, they are also a highly diverse group across a wide variety of dimensions.

First, they use a wide variety of **legal forms**. A large number are formed as Companies Limited by Shares or Companies Limited by Guarantee, with a smaller set forming as charities, cooperatives, or Community Interest Companies. There is no consistency around the use of so-called asset or profit locks or social value statements in company documents (see Chapter 4, Phase 4 - Scaling).

Community businesses have used a range of **financing tools** to support their development. Our survey showed that grants and donations remain the most popular form of finance, with 67% and 38% of respondents using them respectively. However, repayable finance, including social investment, private investment, and banks loans are used by a significant portion of community businesses. In particular, while only 17% of respondents had used social investment so far, 31% expected to use it in future. This contrasts markedly with grants, where 20% of respondents who have used them before are unlikely to use them in future (see Figure 4). Repayable finance is a key part of the growth story for many ambitious ventures.

Figure 4: Sources of finance for community business



Source: Social Finance / Young Foundation Power to Change survey of Community businesss (n=136)

One emerging form of finance that has proved useful for many community businesses is Community Shares. Community shares are a type of share called a "withdrawable share", which can only be issued by cooperatives or community benefit societies. Unlike ordinary share capital, withdrawable shares can be cashed in at any time. Critically, they enable small ventures to raise money from their community without the use of costly lawyers and financiers, making them a potentially attractive option when community businesses need to start life by taking over a significant asset (see Chapter 4). There are forecast to be over 750 businesses with community shares by 2015.[2]

Although community businesses increasingly use sophisticated, structured forms of finance, many are also scrappy, dynamic organisations that raise money in any way they can. Some businesses we spoke to took out personal Director's loans or mortgages to get started. Others took commercial loans from suppliers, sold donated goods, or negotiated finance from their Local Authority partners. Financing and broader support needs are covered in more detail in Chapter 5.

[2] "The Practitioner's Guide to Community Shares", Locality and Co-operatives UK (2011)

Aside from legal form and financing, community businesses also vary widely in terms of size (both in assets and income) and geographical distribution.

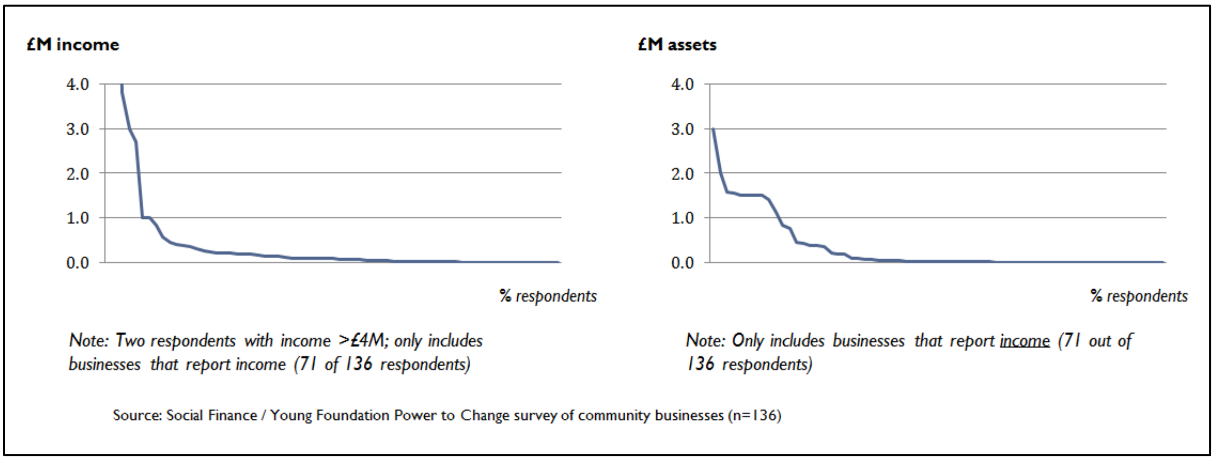
Assets and income

As we have seen, some forms of community business (particularly Public Asset Managers and Business Savers) are formed primarily around specific local assets. Others, such as community shops or public land managers, have a minimal asset base. In some cases, a small asset base is a sign that the business is still emerging. A local transport company will naturally seek to acquire more assets as it grows. In other cases, a community business will have no aspiration to change its asset base significantly. A community hub may be content to maintain and improve one single building. A community shop may never need to accumulate assets in order to sustain its livelihood.

By contrast, earned income is much more consistently correlated with organisational maturity. As seen above, grants have traditionally been a key source of income for community businesses, particularly in their early stages. As they develop, their business model kicks in and allows them to start generating substantial income from their customers, whether those are local pub-goers or Local Authority waste departments.

Strikingly, only 15% of community businesses have assets of more than £1 million and/or income of more than £0.5 million, according to our survey (see figure 5). Applying this ratio to the market as a whole, it appears that only 700 community businesses have reached what might be considered to be "local scale" (see Chapter 4, Phase 4 - Scaling). By inference, these 700 leading businesses own at least 75% of the total assets of the sector and earn around half of its total income. In reality, the sector is likely to be even more concentrated than those figures suggest, since a small number of the largest businesses will have assets and income well above £1 million.

Figure 5. Distribution of income and assets across community businesses



Our bottom-up sectoral analysis supports this image of concentration. In any given market sector, such as community pubs, community transport, or tourism and leisure, there are a relatively small number of leading community businesses that would meet our test for "local scale" (>£1 million assets, >£0.5 million income). These are often the recognisable names, such as Hackney Community Transport or Alt Valley Community Trust. They were typically established more than five years ago, and are now focused on growth and replication. They may still use grant funding for specific projects, but the bulk of their income is generated by selling goods and services or via commercial contracts.

Sitting behind these leaders are a larger group of enterprises with over £100,000 of income or assets, which are aiming to become – but may not yet be – sustainable. They have established multiple revenue streams, and have started to employ a number of paid staff.

Bringing up the rear is the long tail of smaller businesses, earning less than £100,000 in earned income and typically reliant on grants to fund the balance of their running costs.

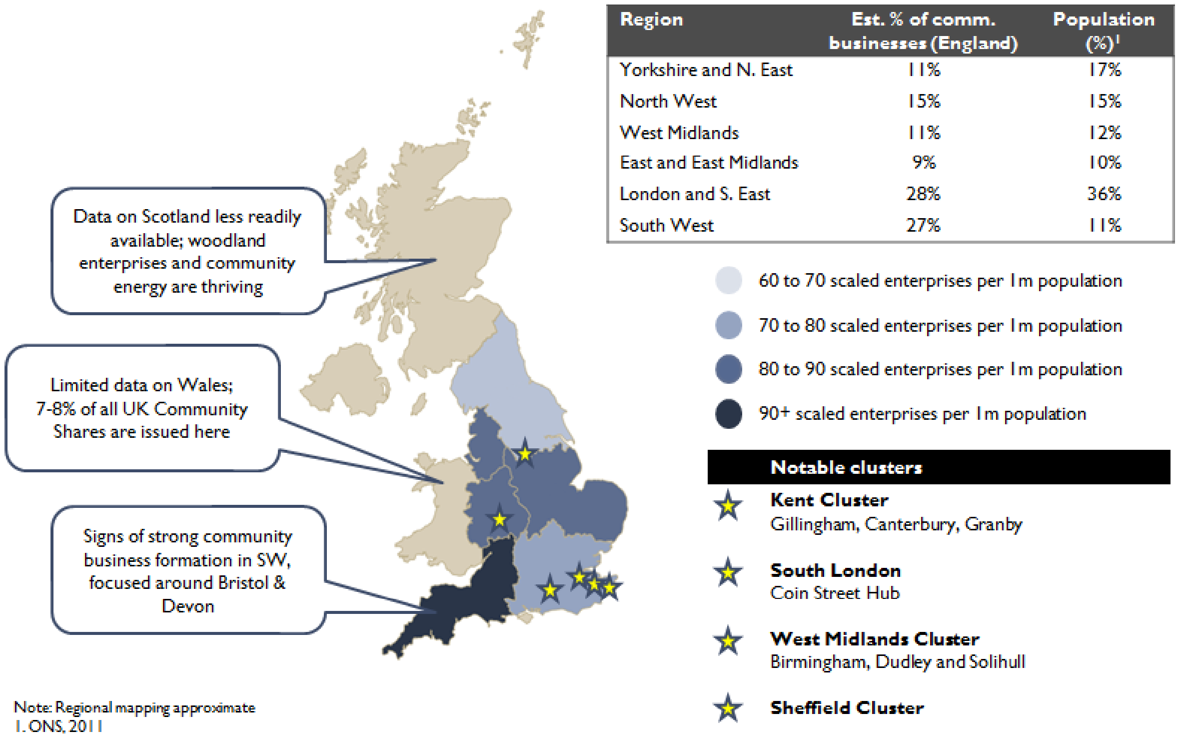
Geographical spread

Why community businesses form in one place and not another is, of course, as much a result of luck, timing, individuals, and circumstance. A library closure is announced. A group of friends get angry. Someone reads about community rights in a government leaflet. A community business is formed.

This feature of community business formation has led to a relatively even distribution of community businesses around the country. Our analysis, based on our proprietary survey, interview responses, and public reports, shows substantial community business presence in every region. Although it must be emphasised that these figures are approximations based on the best available data, we found that only Yorkshire and the North East had a substantially smaller share of community businesses than their population would suggest. By contrast, the South West stands out with over one quarter of all English community businesses, but only 11% of the population (see figure 6).

Figure 6. Geographic distribution of community businesses

Region	Est. % of comm. businesses (England)	Population (%)[1]
Yorkshire and N. East	11%	17%
North West	15%	15%
West Midlands	11%	12%
East and East Midlands	9%	10%
London and S. East	28%	36%
South West	27%	11%



Note: Regional mapping approximate
1. ONS, 2011
Source: Community Share Issuance Data, Survey Responses, Interviews and Report Data

One important geographical feature is the clear presence of local clusters in certain areas. These are towns, sub-regions, or city areas where there is a particularly high concentration of community businesses. These can be highly localised, such as the Coin Street hub of South London, or spread across a city, such as the Sheffield cluster.

Clusters can emerge for a number of reasons, but they are typically built around either a community development trust or equivalent anchor organisations, which build momentum and capacity over a sustained period of time. The example of Sheffield is instructive (see box).

How Sheffield built a community business cluster

Sheffield's community business cluster is built on three pillars:

1. *Foundational community businesses*

Sheffield boasts a number of substantial community businesses whose mission is, in part, to help others develop and grow. The Manor and Castle Development Trust, Burton Street Foundation, Key Fund, and Sheffield Cubed have all played a major role in supporting more fledgling community businesses to establish themselves. Sheffield Cubed, for example, helps local community businesses to bid for local public contracts. The Key Fund, by contrast, makes direct investments in local community ventures.

2. *Early and sustained funding*

Another key feature of almost all clusters is external funding that came in early on and has been sustained over many years. In common with several other clusters, Sheffield made use of European Social Fund (ESF) and European Regional Development Fund (ERDF) monies to seed community businesses and keep them afloat in the first few years. Looking forward, Sheffield's Local Enterprise Partnership (LEP) has been awarded £179 million from both European funds for the period 2014-2020, enabling it to sustain momentum. On top of this, Sheffield benefits from a Single Regeneration Budget of £16 million.

3. *Set of strong local community entrepreneurs*

Aside from these structural factors, there is a critical additional ingredient that is needed for community business clusters to thrive. This is the presence of a group of individuals who share a passion and vision for local community-driven business, and who are willing to invest time, energy, and resource into making them happen. The "individual" effect is the one that is, in some ways, most subject to the virtuous cycle that a cluster can create. Once a few individuals start galvanising their communities into setting up community businesses, these individuals will motivate others to take action to make their area a success. They begin to form a community of community entrepreneurs.

One final geographic feature that has been much discussed is the link between local incomes and/or social capital and the development of community business. The argument runs that niche community businesses selling goods at a premium because of their ethical-social-local dimension are more likely to succeed in affluent communities than poor ones. Similarly, well-off areas are more likely to be populated by stay-at-home mums or semi-retired older people who have the time to volunteer in libraries and community hubs.

Although clearly relevant in some areas, we have seen no evidence that this drives any systematic tendency for community businesses to be located in more prosperous areas. To the contrary, some deprived areas boast some of the largest and most established community businesses in the country.

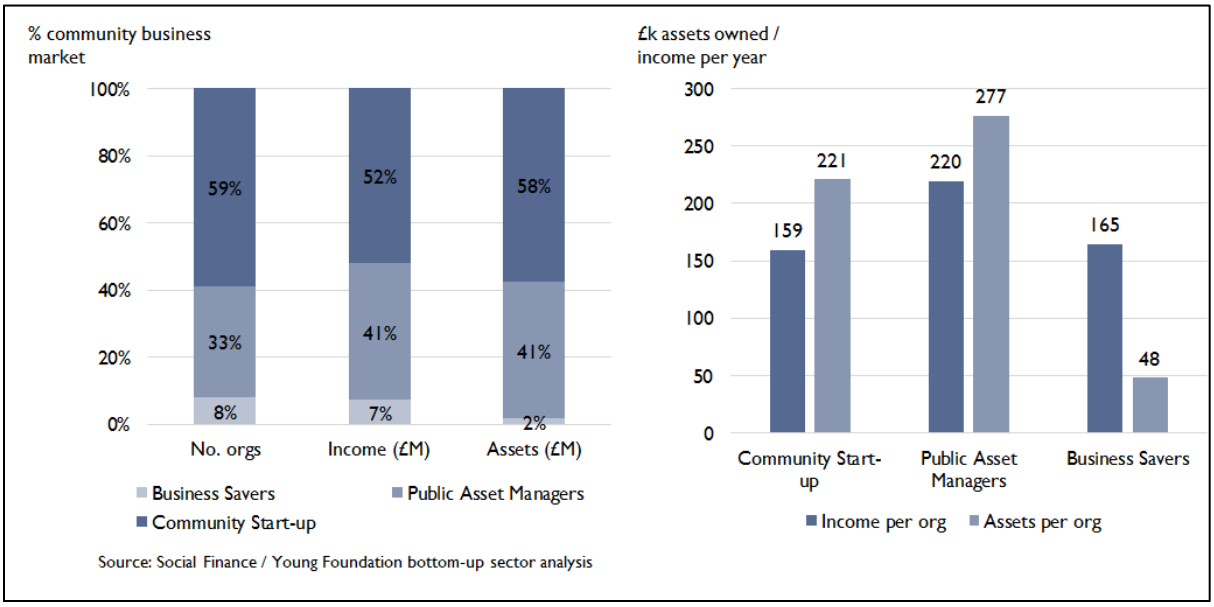
For example, the Alt Valley Community Trust is based in Croxteth, Liverpool, where one third of the ward is counted among the 5% most deprived neighbourhoods nationally. The proportion of working age people out of work is nearly 18%, well above the national average of 11%. [3]

How the market splits by type of community business

We believe the segmentation of the community business market we have proposed will be instructive when it comes to understanding the needs of different types of community business (see chapter 5). However, data on community business has, until now, typically been captured along traditional industry lines, e.g., for pubs, shops, libraries, tourism, or manufacturing.

Therefore, to get an early view on the relative size of each market segment, we have had to impose a view of where on different businesses might fit in our framework. Doing so generates an important insight: The most famous examples of community business do not represent the majority of the sector. The community-run libraries, local hubs, community shops, and other local asset take-overs are less numerous, earn less income, and hold fewer assets than the much more diverse group of community start-ups. The latter group, representing 59% of the sector's organisations, 52% of its income, and 58% of its assets, are less likely to see themselves as "community businesses", but still pass all four of our tests and are responsible for creating considerable local impact (see figure 7).

Figure 7. Split of the community business market by segment



Another striking feature is the relatively small role of "Business Savers". These are community businesses that took over local private enterprises, such as pubs and shops, and re-opened them under a community banner. Today, we believe only 8% of community businesses fit this description, although there is reason to expect strong growth in this area. Our analysis also suggests that Business Savers have by far the lowest assets per organisation (~£50k). Local shops and pubs, for example, often have a relatively low asset value, especially in comparison to transport companies, community housing groups, or leisure ventures.

[3] Croxteth ward profile, Liverpool City Council

Chapter 3. What impact are community businesses having today?

We argued at the start of this section that community businesses were worth nurturing because of the unique impact they could deliver in their local areas. Now that we have a more robust, quantitative view of the size of the sector, we are able to make inferences about the scale of its impact on society.

Types of impact

The impact of community businesses can be split into two parts. The first part is generic across all market sectors: Employment of staff, engagement of volunteers, involvement of communities, and development of non-grant forms of revenue. This is the type of impact that community businesses uniquely share with each other. Unlike charities, they develop significant revenue streams, creating local economic activity. Unlike businesses, they engage volunteers and involve their communities to a much greater extent.

Our estimates indicate that the 4,400 community businesses operating in 2014 employed nearly 24,000 staff and engaged nearly 120,000 volunteers. This is an impressive level of activity in itself. It is even more significant when put in the context of the communities in which these organisations operate, some of which may have high levels of unemployment or low levels of social capital. Community businesses often operate in areas without major industry, implying that staff and volunteer time is almost entirely additive compared with the alternative scenario where the community business does not exist.

The second part of their impact is sector-specific. For example, a community transport company will aim to improve accessibility for vulnerable groups; a community hub will look to reduce isolation and loneliness; a sports venture will aim to improve fitness. Our survey results showed that, despite the variety of community businesses in the market, around 2/3 of them consider their primary source of impact to be social and economic cohesion and development. Although this is a wide-ranging term, it typically includes bringing local people together, potentially focusing on the lonely or vulnerable; building community connections, such as by engaging volunteers; and offering affordable services to those that need them.

Other sources of impact were health (15% of respondents), community wellbeing (11%) and the natural environment (6%) (see figure 8). The dominance of social and economic cohesion suggests that community businesses recognise and value their role as broader agents of change for their community as much as they care about their specific trade or business function. It also provides a clear focus for any future measurement of the community business sector's impact as a whole.

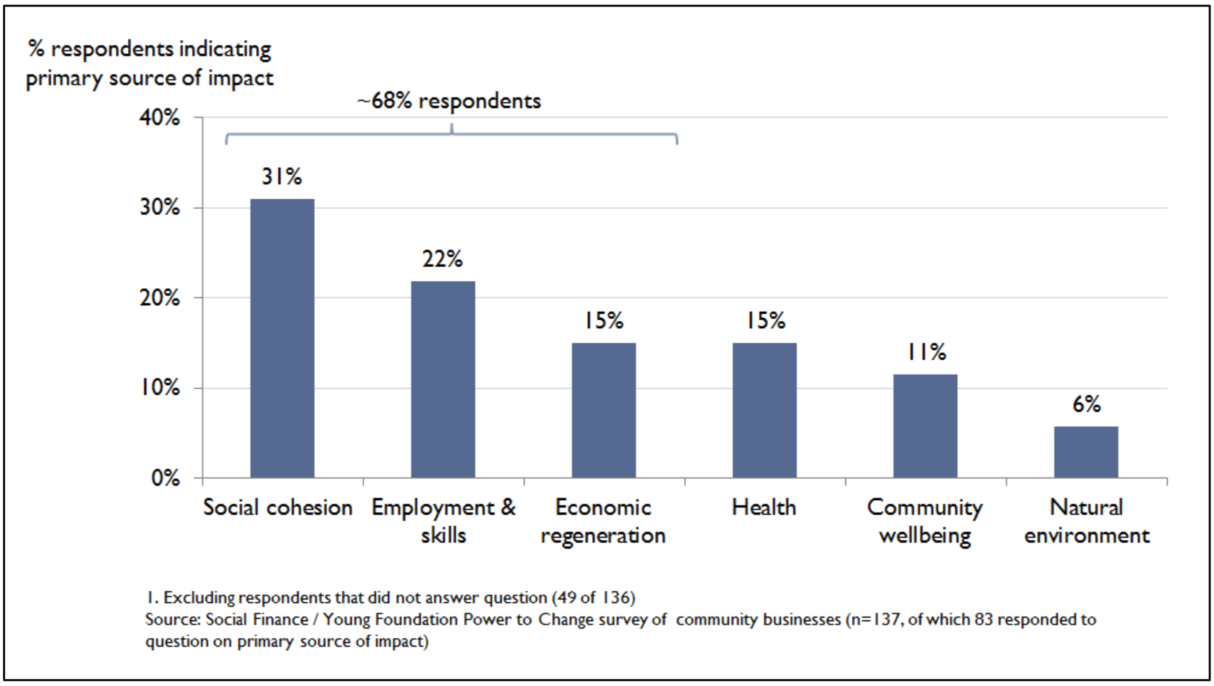
Measuring and reporting on impact

Few community businesses have a comprehensive or robust approach to measuring their impact. In part, this is because many are fairly small and lack resources for extensive data collection and analysis. Another factor, however, is the reduced reliance on grants by some community businesses. This means they are not subject to the same monitoring and evaluation requirements that apply to more grant-dependent organisations.

Nonetheless, most community businesses attempt some kind of impact measurement. This can take a number of forms. Some of these are relatively light touch whereas others require dedicated staff members, trained and skilled in data collection and analysis. For example, the "LM3" tool can be purchased for €30 by a small charity to highlight its local economic impact, including the local multiplier effect of, for example, employing people who go on to spend money elsewhere in the local economy. By contrast, Social Return on Investment (SROI) analysis, which attempts to measure the net social value creation of the venture, requires trained staff and potentially external support to complete.[4]

60% of community businesses responding to our survey had some form of impact measurement. [5] The most common approach was a mixture of surveys and user satisfaction questionnaires, focusing primarily on social indicators. However, four organisations, all with incomes exceeding £150,000, used a much more comprehensive SROI approach. Some respondents indicated that they track sector-specific metrics, such as tonnes of waste diverted from landfill sites or quantity of electricity generated from local, renewable sources.

Figure 8. Primary source of impact



[4] https://www.lm3online.com/

[5] Social Finance / Young Foundation Power to Change survey of community businesses (n=137, of which 83 responded to question on primary source of impact)

Chapter 4. The life cycle of a community business

In Chapters 1-3, we measured the size of the UK community business sector, finding there to be 4,400 community businesses in operation, sitting at the head of a long tail of smaller, less formal organisations. We described five distinct categories of community business activity, and we focused on three of these categories, arguing that they represent a novel and potentially radical way of addressing economic and social need in fiscally straitened times.

In the remaining chapters, we map the support needs of the community business sector. What would it take to help this infant market mature? We share the findings from our interviews with community business leaders and the organisations that fund and support them. In these conversations we sought to understand the life cycle of a community business. What challenges do community businesses face as they go from being a nice idea to a reality and then on to being an established success? And where in this journey are the gaps in support that allow otherwise promising community businesses to fail?

This chapter describes the life cycle itself. We carried out 21 in-depth interviews with leaders of community businesses and community business networks, in addition to 44 in-depth interviews with funders, investors, support organisations and relevant government officials. We used our practitioner interviews, along with a review of the existing literature on social enterprise and community business, to define the life cycle of a community business as they develop over time. Throughout the chapter we also share brief summaries of current support on offer.

We find there to be four clear phases in the development of a community business.

These phases are not entirely distinct nor are they necessarily sequential. Some community businesses start quite far down the road and some move and back and forth as they encounter sudden setbacks or unexpected successes. Nonetheless we find these categories useful as a way to map the sector's support needs. They also reveal that, while the challenges of community business are similar to those of social enterprise, they are not identical. It is the inherently *local* character of community business in particular that means they need their own infrastructure of support.

Phase 1: Pre-venture - What can we do?

We call the first phase in the life of community business the **pre-venture** phase.

This is the point at which members of a local community become aware of a local problem, need or opportunity, to which a community business could be the answer. This trigger could take different forms: a valued local public asset such as a library or a sports centre could be under threat from budget cuts; a longstanding local business like a pub or a shop could be struggling financially or be subject to plans that would undermine its local role; or a local need might have emerged, for example, a lack of broadband access, that local people themselves are well-placed to meet.

Through our interviews it became clear that the pre-venture phase, before any entity has been set up, should be thought of as a phase in its own right in the life cycle of community business. Many options present themselves when a local challenge arises: lobby the Local Authority against the closure of a service, appeal against a planning decision, protest against a private company planning to change the purpose of a valued business. It is at this point that most potential community businesses fail to emerge. It is still rare for people to alight upon community business as a solution to a local problem or opportunity. And when a community business does emerge, this pre-venture stage is the lightbulb moment when a group of local people realises: *we could run this ourselves* (see box below).

What are the support needs in these early days? A key lesson from our interviews is that we should not overestimate the capacity of these foetal organisations. The pre-venture phase is a period distinguished by the personal interest of a small committed core of people, often just one or two individuals, and it proceeds on the back of personal, informal, inexpert research into potential options. The key questions that determine success or failure at this stage are:

- Is there any initial awareness at all of community business as an option? If so, can enough local people then be enthused about the cause?
- Can this enthusiasm then be translated into hard commitments of time and expertise? Or are these attempts frustrated by the practical constraints of busy lives and lack of money?
- Can these hard commitments overpower the naysaying of decision-makers and asset owners (the planning department, the property developer, existing lenders and suppliers)?

Case study: The Antwerp Arms, Tottenham, North London

In March 2013 the freehold to The Antwerp Arms in Tottenham was sold by its owner, Enterprise Inns, to a property developer with plans to turn the pub into flats. The sale went largely unnoticed but local residents Ashley Grey and Chris Lane started to look into options. “We didn’t know what we were doing, but we knew straightaway we had to save the pub,” Ashley says. Local residents began a campaign to keep the building operating as a pub.

In an early conversation with the Plunkett Foundation, Ashley and Chris were told to gauge local interest. “We had to find out: would people back it? Or were we just a couple of angry locals?” In July they held a public meeting at the local school. 100 people turned up. Bringing the meeting to a close, Ashley called a straw poll: “Do you want us to campaign to save the pub?” Every hand went up. Buoyed by the support, Ashley asked: “Do you want us to *buy* the pub?” Every hand went up again.

The group's first formal step was to apply to classify the pub as an Asset of Community Value (ACV). This required 21 signatures which were collected and an application submitted. A committee began to meet each Monday in the Antwerp Arms. More people joined. “We had people saying I’m a lawyer, I’m a designer, I’m here to help. I had no idea Tottenham had so much talent.” Future suppliers—a local brewer, baker and cheese-maker—joined, encouraged by plans to source all products locally. The Tottenham Hotspur Supporters Trust backed the campaign.

The ACV registration came through in September as the pub was sold on to another developer. At the end of October it was back on the market again. This time the ACV gave the community the first option to buy. Yet as things stood, they had no source of funds and had just missed an annual deadline for a large grant from Social Investment Business (SIB), one of their only available options.

The group got to work founding The Antwerp Arms Association as a co-operative and then bidding for and winning a smaller £10,000 feasibility grant from Social Investment Business. They planned a community share issue and spent the money on marketing. "We put beermats in every local pub advertising the shares—we couldn't believe how successful they were."

£10,000 turned into £35,000. By the time the share issue launched officially (on Microgenius) it was March but no other buyer had yet come through. The community shares raised the full £185,000 targeted and in August the money was used to apply for the SIB grant. On 23 November, a grant of £285,000 was approved. The next day the community had an offer on the freehold accepted by the property developer. The Antwerp Arms plans to open as a community pub in January 2015 serving products produced in the local Tottenham area.

"The breadth of the group has been its strength. We have every skill around the table—and none of us even knew each other before!"

It is the pre-venture phase that gives community business much of their distinctive character. In their early days, community businesses are impromptu, haphazard and—in a positive sense—unprofessional. Community business activity could not be imposed from above without losing its fundamental character. It is inherently inclusive, bringing together an unexpected group of people from diverse backgrounds, united by no more than the fact that they live nearby and share a cause. And it is fundamentally about taking ownership—often literally—or a problem or opportunity. It is these informal characteristics, as much as formal legal status, that make community businesses a distinctive category of social enterprise activity in their own right.

Phase 2: Inception - How do we get going?

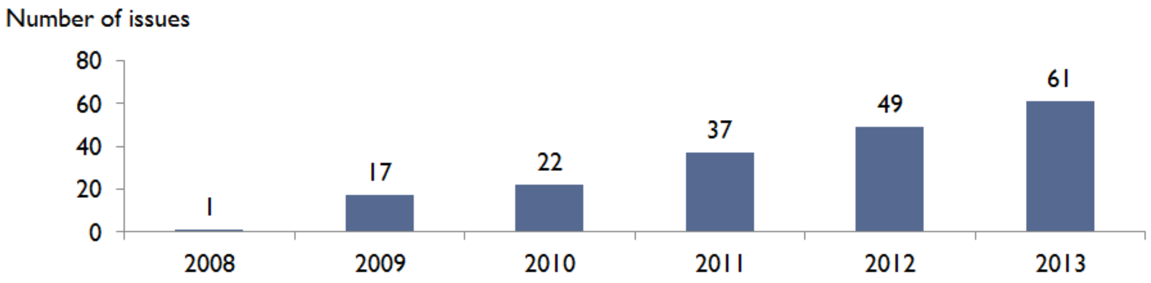
The second phase we call **inception**. This is the point at which a community business is formalised, graduating from an idea sketched on a napkin to a functioning organisation. In practical terms this typically means:

- Taking on a **legal form**, whether as a conventional charity; a form of company (Community Interest Company (CIC), Company Limited by Guarantee (CLG), Company Limited by Share (CLS)); or a form of Industrial and Provident Society (IPS), whether as a full co-operative or a community benefit society (bencom)
- Securing **seed funding**, often in the form of small grants or loans, the personal backing of one individual such as through a director's loan, or sometimes plans to raise money through new financing mechanisms like community shares (see box below)
- Beginning the early stages of negotiation over an **asset transfer**, for example to take on control of an asset currently under Local Authority management
- Formalising arrangements for **volunteers** and moving beyond the small founding group, in some cases complementing volunteers with a typically part-time employee

The growing use of community shares

The use of community shares has grown rapidly in recent years although they remain a niche financing mechanism. In 2013 there were 61 community share issues, an increase of 24 per cent on 2012. In total £26m has been raised to date via the Community Shares Unit.

Figure 9.Community share issues per year

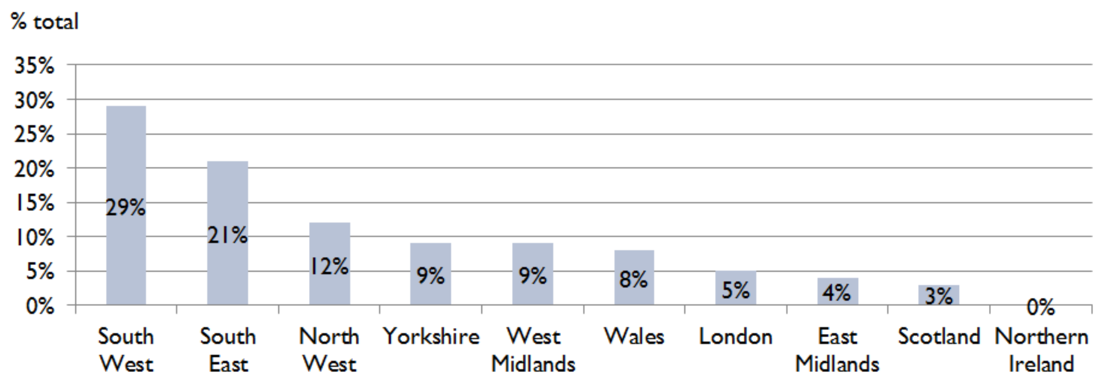


Source: Community Shares Unit

While community shares have substantial potential as a funding mechanism for community business, they are more accessible for some types of community business than others. They work best when there is a clear revenue model from day one, for example in the case of a community energy project in which revenues are related to a feed-in tariff; for a community pub or shop with a previous trading history; or for a multi-use facility with predictable rental income.

Typically a community share issue attracts around 200-300 community investors and raises in the region of ~£100-150k. Many organisations have found themselves able to raise community equity relatively quickly. For others, a desire to raise community equity has been stymied by a lack of expertise in business planning, marketing and investment readiness. As a result, community share issues are unevenly developed by region (see Figure 10). The upside of community shares for those who have been able to use them is that they provide both a financing model and community engagement—as well as a potential future customer base—in one mechanism

Figure 10. Regional breakdown of community share issues

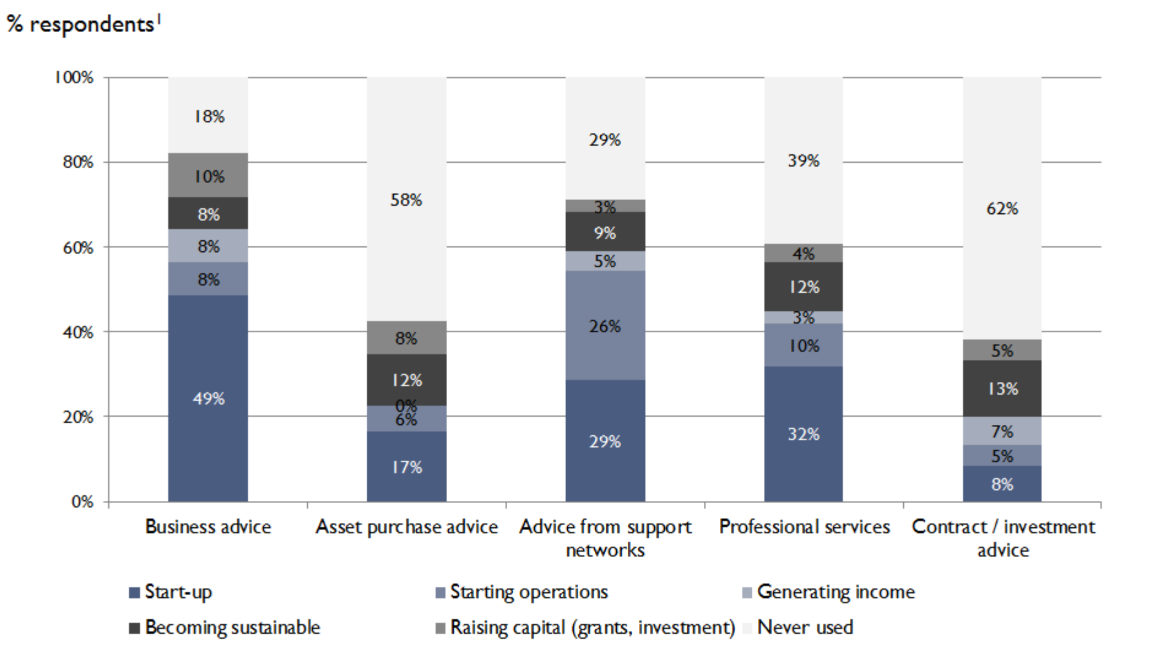


Source: Community Shares Unit

The tasks confronting a community business in the inception phase are demanding and technical in nature. They contrast sharply with the early days of enthusing local people. At the inception point, expertise becomes essential. The difference between success and failure comes down to specialist skills, from negotiation to financial modelling, to specialist knowledge covering everything from planning procedures to employment law. Our survey of community business gives us a sense of how and when different kinds of support are used. 49% of respondents had used general business advice in the start-up phase. 58% of respondents, however, had never used specialist support for asset purchases, and 62% had not received advice for winning contracts or raising investment (see figure 11). Our interviews suggest this was not for want of demand—it is not always easy to find specialist advice of this kind.

Some of the challenges facing community businesses at the inception phase are generic in nature: developing business planning skills, understanding financing options, navigating the complex set of legal structures that a community business can take. These constitute a common core of support needs and our interviews suggest these needs a relatively well-served.

Figure 11. Typical support used by community businesses at different stages of the life cycle



1. Excluding those not responding to question (65 of 136)
Source: Social Finance / Young Foundation Power to Change survey of Community businesses (n=136)

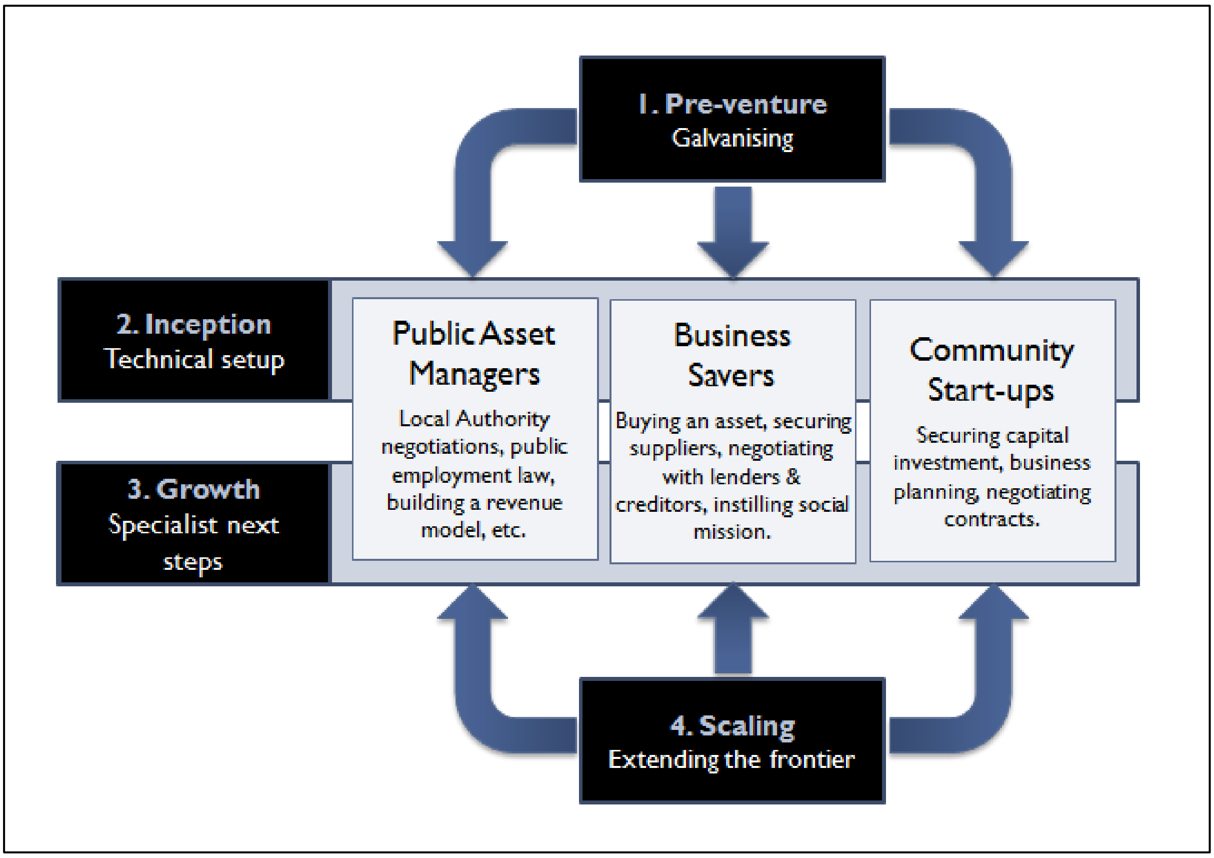
However, we also find, importantly, that the needs of a community business in the inception phase vary substantially depending on the segment they fall into:

- For **Public Asset Managers** a core task is negotiating an asset transfer from a Local Authority or other public body. This is a demanding and specialist process, requiring negotiation over matters such as transfer of undertakings (TUPE) arrangements for public sector employees.

- For **Business Savers** there is the different challenge of negotiating the transfer of an asset from private ownership. There is also the challenge of stepping in to run and rejuvenate a functioning business: dealing with live supplier relationships; meeting demands for business rates and utility bills; fulfilling legal obligations under licensing, environmental, safety and employment laws.
- For **Community Start-ups**: this is a planning phase, scoping viable business propositions and potential financing arrangements.

We find there to be more unmet demand for these more specialist support needs. Figure 12 illustrates the way the support needs of different types of community business diverge in the inception phase before becoming similar again once organisations are established and are thinking about scaling their activities. In both this phase, and the later, scaling phase, community businesses have much in common. But in the formative period of technical set-up and development, building a community business is a specialist activity and so support needs are correspondingly specialised.

Figure 12. The four life stages of a community business



Phase 3: Growth - How do we make this sustainable?

The third phase in the life of a community business can be called **growth**. This is a formative, high-risk stage for any community business. It is the moment of truth that decides whether or not early momentum can be translated into a financially and socially sustainable organisation. Our interviews suggest this is a time of transition:

- From **volunteers to employees**: while volunteers are a key strength of community business through into maturity, employees commonly take on core management and operational tasks as an organisation develops
- From **grants to earned income**: all of the community businesses we spoke to continued to apply for grant income, but this became more opportunist over time, and was increasingly used as a mean of funding business development rather than core costs, with a clear strategy to raise earned income as a proportion of overall income
- From **founder to manager**: succession planning and governance proved to be a key concern of growing community businesses, as a charismatic and committed founder was replaced by a salaried manager

At this point, finance takes centre stage, with the overwhelming challenge being the shift to earned income. Responses to our survey of community business suggest that grants remain the most popular form of financing but reveal an appetite to grow social investment income in future (see Figure 4, Chapter 1).

In the Growth phase, our interviews reveal some challenges common to all community businesses. In particular, nearly all the community businesses and support network we spoke to identified a common core of financing and governance challenges:

- **Financing**: the strongest and most consistent message that emerged from our interviews was that community businesses face a "missing middle" when it comes to their financing needs. In the early stages, small grants are available for organisations getting off the ground. And, once established with a proven revenue model, other forms of finance including traditional loans and social investment open up. In between, community businesses struggle to obtain grants or investment in the region of £75,000-200,000 to support the critical transition into sustainability. Community share issues are growing fast, reflecting demand at this stage, but they often fall short and can be used to underwrite grant or investment (see box)
- **Governance** is a common concern as organisations confront the need to strengthen informal or light touch management structures to support their greater economic scale. This is a particular challenge for community businesses. They operate in a world of varied legal structures. Some operate with traditional private company structures. Others operate as CICs or IPSs. They have a fundamental social mission that they want to protect, and many own assets that are core to delivering on this mission. A range of governance mechanisms, some longstanding like charitable trusts, and some newer forms like asset and mission locks, have developed to address these challenges.

Grant financing for community business

There is a relatively well-developed grant funding landscape supporting the social enterprise sector. These grants range from micro-grants worth as little as <£1,000 up to multi-million capital grants for the purchase and restoration of buildings. Funders include but are not limited to:

- UnLtd: a range of grants tailored to social enterprises at different stages of development, coupled with guidance and support
- The Social Investment Business (SIB): a range of grants at different scales:
  - Up to £10k pre-feasibility grants
  - Up to £100k feasibility grants
  - £100k to £500k capital grants
- While we found there to be a "missing middle" in grant and investment finance for community businesses, some grants of this scale are available and many community businesses we spoke to had received this support and found it to be invaluable.
- Local Trust/Big Local: providing £1.0m of grant financing to 150 local areas with a high degree of local autonomy over how the money is spent.
- Heritage Lottery Fund: capital grants up to £5.0m available to save sites of historical significance

Smaller grants are available from Local Authorities and local Development Agencies and Trusts, although these are under growing pressure. Other grant-givers include the European Regional Development Fund (ERDF), the Social Enterprise Investment Fund (SEIF), and Communitybuilders.

At the Growth phase there are also a number of distinct challenges for community businesses operating in different segments of the market:

- For **Public Asset Managers**: a business model is developed for running an asset without subsidy, in some cases generating earned income for the first time. Financial challenges loom large. With no history of unsubsidised operation, raising traditional loan finance is a struggle. Donations often provide a buffer alongside more enterprising activity. For example, the Keats Community Library in Camden hosts a community art fair, selling local artists' work
- For **Business Savers**: a functioning business is given a new social purpose. Financing is hard but is easier than for Public Asset Managers; the challenge is to lock in a social mission and find innovative ways to leverage this to achieve financial viability. For example, the Anglers Rest at Bamford houses the local post office, protecting another valued local service while at the same time increasing footfall and brand recognition
- For **Community Start-ups**: this is overwhelmingly a fundraising stage in which equity investments or traditional or specialist loan finance are secured to grow the asset base (see box below). For example, the Westmill Windfarm Co-operative ran a £4.6m fundraising campaign supplementing community shares with a bank loan and has now struck contracts to sell its output to Co-operative Energy and Tradelink Solutions/LoCO2. Community funding mechanisms are fast growing in popularity, although they remain a niche approach. The challenges of growth are similar to those facing any small business

Mainstream loan finance available to community business

While not all community businesses are in a position to access loan finance, there are a range of mainstream loan financing options available, mostly from providers with a focus on the third and social enterprise sectors. For example:

- Charity Bank: provides loans of up to £2.0m for mortgages, refurbishment or bridging loans
- Unity Trust Bank: mortgages of up to £6.0m available, typically at a 6-7% interest rate
- Co-operative and Community Bank: loans of £5k to £180k typically for shops, pubs, energy or agriculture
- Architectural Heritage Fund: Mortgages for buildings of historical significance, up to £800k, typically up to 5 years at 6-7% interest
- Other key lenders include Triodos and Ecology Building Society
- Community Development Finance Institutions (CDFI) loans are part funded by the larger lenders above. They lent £13m to 204 social ventures in 2013, providing loans from £30,000 to £560,000 to support short-term working capital. Arts & Heritage, Community Development, Housing and Employment & Training accounted for ~50% of all loans in 2013

For many community businesses, however, mainstream loan finance is hard to come by. It is particularly hard for Public Asset Managers with no history of earned income; for Business Savers at an inflection point in the life of the business; and for any community business that has embraced new institutional forms like asset locks, which mainstream lenders can struggle to understand. There is still a role for grants and open-minded investment at this stage.

Phase 4: Scaling - What can we do next?

Having conceived, created and established a successful community business, attention then turns to how the business could be scaled. This is the frontier of community business activity. Relatively few community businesses are today operating here, having established a permanently sustainable organisation and turned to look at what could be achieved next. Businesses at this stage are doing good work, but find themselves improvising. There are stories of success and failure. Some have expanded beyond their original purpose, only to step back and consolidate. Others have been more successful. Scaling a community business brings with it a number of challenges:

- **Reconciling size with localism**: For community business, bigger does not always mean better. Our interviewees emphasised repeatedly that the distinct value of community business lies in their geographic and social proximity to the people and problems they are working with
- **Succession planning**: In small local organisations of this kind success depends disproportionately on the energy, commitment and charisma of an individual founder. Scaling means professionalising leadership in a literal sense, replacing leaders who have a personal stake with paid managers and executives. Strong governance arrangements are needed to make it through this difficult transition

We interviewed several community businesses that had reached the scaling phase of development. We also talked to a number of funders, market shapers and support agencies about the challenges of this phase. Community businesses are taking a number of approaches to scaling their operations, pointing to areas where there might be a need for further support:

- Early community businesses took a fairly traditional approach that saw **scaling as size.** In some cases community businesses have found that this drew them too far away them from their original purpose and community, and have refocused back on their original mission
- Others had taken the approach of expanding into new activities. When successful, this created a **community cluster** in the same local area, for example with a community first taking on a local pub and then a local shop
- Others have used a **social franchise** model to help other communities apply the same idea in their local area. For example, Community Renewable Energy (CoRE) helps communities develop community energy schemes, retaining a share of profits to fund projects elsewhere. Vitally, this approach allows a successful idea to be spread *without* taking a top down approach to how the idea manifests itself in a particular local area. CoRE have helped local people pursue a diverse range of approaches, helping people in Berwick setup a community wind turbine and dairy farmers in Cumbria establish an anaerobic digestion plant

As more community businesses become successful, the challenges of scaling will play out more and more. As things stand, organisations are playing this stage by ear, in effect articulating the institutions of a new market through trial and error. This is difficult work and some organisations have erred and retraced their steps. Over time, one sign of a maturing market will be that these processes become more clearly formalised, developing tried and tested ways to scale a community business, ready for community entrepreneurs to take off the shelf.

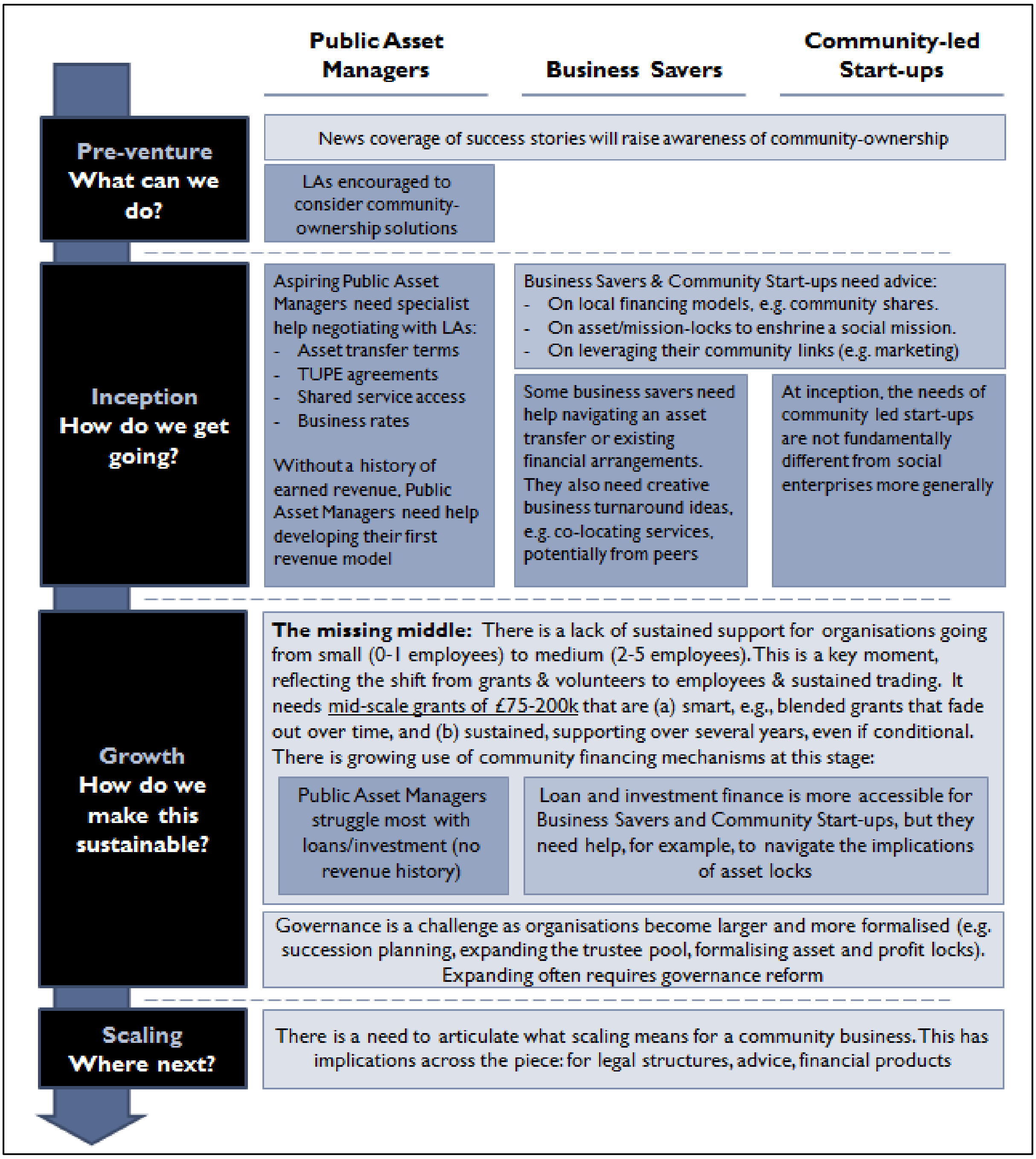
Conclusion

This chapter has mapped out the life cycle of a community business, looking in detail at how challenges evolve over time. One lesson from this exercise is that there is more that unites these organisations than divides them. All community businesses are trying to achieve something fundamentally similar: create an organisation that is self-sustaining, led by local people, and doing social good. This gives community businesses a lot in common—particularly at the very start and end of their journeys. They need to enthuse local people, they need to find financing and governance arrangements that support sustainability and a social mission and, if successful, they must work out how to scale a business whose strength derives from being rooted in a local area.

In the middle of this life cycle, however, community businesses face a number of more specific and specialised tasks. Beyond a common core of challenges, more specialist and tailored support is needed. Our segments are a useful way to think about these additional challenges. Depending on their segment, community business must negotiate the transfer of an asset from a public authority and then find a way to sustain it; they must buy an asset from a private owner in the open market and find ways to leverage its community value to make money that can be reinvested locally; or they must get a new enterprise off the ground with capital funding and a sound business model. These are technical tasks that require deep expertise and advanced skills.

Figure 13 summaries the challenges we have described in this chapter, mapping them out across the life cycle and across different segments of community business. In the final chapter we cast ahead, drawing some of these lessons together to think about how the market can be helped to mature.

Figure 13. The community business life cycle—how challenges change over time



Chapter 5: Mapping the support needs of community business

Our assessment of the support needs of community business reveal features you might expect of a market in its infancy. Overlaying our life cycle analysis onto our thematic analysis, a number of areas emerge as being ripe for support. This chapter describes these areas. Looking ahead, support in these areas could increase not just the number of community businesses but also their scale by income and assets, and their social and economic impact on local communities. What specific interventions could help?

At **pre-venture** stage, the challenge today is low levels of awareness. When confronted by a local problem or opportunity, it is still rare for a group of local people to alight on community ownership as an answer. There have been efforts from government to encourage engagement in enterprising community activity by giving people new rights to bid to run local services. But without awareness these rights have been used only rarely; as of June 2014, the right to bid had been used only six times—a low figure given our estimates for the size of the sector.

What kind of support would help? There is certainly a role for financing early, pre-venture activity through micro grants. These can cover the small early costs that put sand in the cogs of an enthusiastic local group—the leaflet printing, the refreshments and room hire. And a small grant can also be a valuable endorsement of an emerging local leader. However, in our view these needs are fairly well met by existing funders; in our interviews we did not find funders to be overwhelmed with applications for micro grants and wishing more could be provided. Nor did we run into many community businesses frustrated by a lack of support at this stage. Financing was always top of the mind, but the big gaps came later.

Instead, greater value would lie in programmes to energise and educate communities about the possibilities of community business. This is partly about moral and social encouragement, sharing lessons of what can be done. And it is partly about educating the local decision-makers—Local Authorities, planning officials—who are often across the table in early negotiations over a new community business. We saw in the clusters of community business activity we encountered in the course of our research that sustained awareness raising can make a real difference. Community Development Trusts, from Moseley in Birmingham to Westgate in Canterbury, have created fertile ground for local community business in part by raising awareness.

Further down the line, at **inception**, there is a clear and pressing need for more specialist and technical support. This is not to question the quality of support currently on offer; from Plunkett Foundation and Pub is the Hub to Locality and the School for Social Entrepreneurs, many of our practitioner interviewees spoke positively of support they had received. Indeed, the early development of the community business market has been shaped by this support.

Today's non-financial support landscape, however, is uneven, and its distribution and design owes more to the historical anomaly of where funding lies than to strategic design. Outside of the pockets of sector-specialist support, most help is generic, targeted at general skills like business planning rather than the specialist technical advice for which there is substantial need.

We have argued that the best way to think about specialist support is in terms of the business models we outline above. For a new entrant into the market, we therefore favour support programs targeted, for example, at Public Asset Managers—from community sports centres to community libraries—rather than at one particular function. At the inception phase we argue for specialist non-financial support tailored to segments: for Public Asset Managers, Business Savers and Community Start-ups. Stronger specialist support, from help negotiating with Local Authorities over the transfer of an asset to support securing a private sector asset and turning around a business, would help the market develop more strategically, and could particularly benefit traditionally underserved and more recently developed parts of the sector like community broadband.

Third, at the point of **growth**, finance is the main gap. This is the community business sector's most pressing need—a missing middle in the financing infrastructure. At this formative time for a community business, grants or loans of £75-200k can be the difference between sustainability and either failure or a hand-to-mouth existence that inhibits the longer-term, strategic decisions that are needed for sustainability. Grants at this scale do exist, for example through Social Investment Business, some local development agencies and some specialist supporters, particularly for heritage projects. But there is clear demand for more support and more strategic support. We argue in particular that such support should be:

- **Sustained**, running over more than one year and backed by ongoing non-financial support. Ideally this accompanying non-financial support should not be provided by the funder themselves but by a third party with whom a community business leader can have a honest conversation about the challenges they meet along the way
- **Smart**, supporting and encouraging the kinds of business planning and governance reforms that help sustainability. For example, blended grants can be removed gradually to encourage growth in earned income; conditional grants can be awarded dependent on specific governance reforms; grants can even be repaid in part or in full if a community business is successful, allowing the funder to recycle the funds while removing some of the risk for local lenders and other investors

Finally, when it comes to **scaling**, the task is to formalise the institutions of this new market. This means helping to articulate what these institutions are and supporting their use.

For example, social value locks can help to make sure an organisation stays true to its social mission, as well as ensuring an asset stays in community ownership in perpetuity. Social franchising is emerging as a way of scaling a community business, applying the same approach in others areas while staying true to the local, bottom-up nature of the sector. These are useful tools but they are yet to find widespread application. For the market to mature, these institutions will need to become as clearly defined as the financing and ownership models that are familiar in private markets. One key part of this will be developing better tools to measure the economic and social impact of community businesses.

Figure 14 summarises these opportunities for support, outlining the challenges that confront community businesses throughout the life cycle, the existing support on offer, and gaps in support that could usefully be filled. The picture that emerges from our research is of support that is uneven; strong in places, weak in others. The market is ripe for a more strategic and intensive approach.

Figure 14. Support gaps across the life cycle

Struggling local service or firm / new idea

	The problem	Existing support	Gaps
Pre-venture What can we do?!	We've spotted a failing service or business or a local opportunity. We need to galvanise local people and understand our options	Small grants and general advice, mostly aimed at small businesses, charities, co-ops	The promotion of community business as a solution, particularly on asset takeovers. Demonstrations of how others have done it
Inception How do we get going?	We're ready to go. We need to take control of an asset, establish our structure, develop our first revenue plan, and secure finance	Some grant funding but diminishing. Some support for asset purchases, some advice from sector specialist bodies (pubs, cafes)	Specialist advice on legal and organisational structures. Specialist segment & sector advice (HR, legal, insurance, negotiation)
Growth How do we make this sustainable?	We're up and running but we rely on grants and volunteers. We need earned revenue, stable finance, and a scalable governance model	Mixed. Some loans and social finance where a revenue model is proven. Little sustained support through this stage (e.g., blended grants)	Missing middle finance (to go from small- to medium-sized, employing staff and replacing grants with trading). Advice on next step governance
Scaling Where can we go next?	We're a success, we're at local scale, we have momentum and expertise. We want to expand our impact without losing our focus or roots	Advice, investment and loan finance that is designed for organisations that want to get bigger and bigger	Ideas and advice on community-friendly ways of scaling (social franchising, clustering, etc.)

Conclusion: Looking ahead

This report has set out the first detailed market analysis of the community business sector. It brings together a number of existing datasets, the findings of 65 in-depth interviews with market shapers and participants, and a literature review into a single view of the sector. The picture is of a market in its infancy but also one with much promise. We estimate that around 4,400 community businesses are operating at meaningful scale across the UK, around 700 of which have substantial income or assets.

These figures give no more than a snapshot of the community business sector. And while this is the first major report on the sector as a whole, it will not be the last. The annexes below share the data and assumptions that underlie our estimates and we welcome revisions to these estimates and comments on our assumptions. There is a clear need for better data on community business, and indeed this is one valuable service that a new actor in the market could provide.

One message that emerges very clearly from our research is this: the sector may be in its infancy, but the time is ripe for further growth. Community businesses are organisations that seek to do good in a financially self-sustaining way—a huge asset in fiscally constrained times. They are trading in the pursuit of clear social ends, responding to a growing demand for goods and services that do more than extract profit for private gain. And they are locally owned and locally led. As such, they speak to a very contemporary antipathy towards the central state, and a growing interest in local and civic solutions to social problems.

The market will need help to mature. If this help can be provided in the right way, community business could yet emerge as an important agent of social change.

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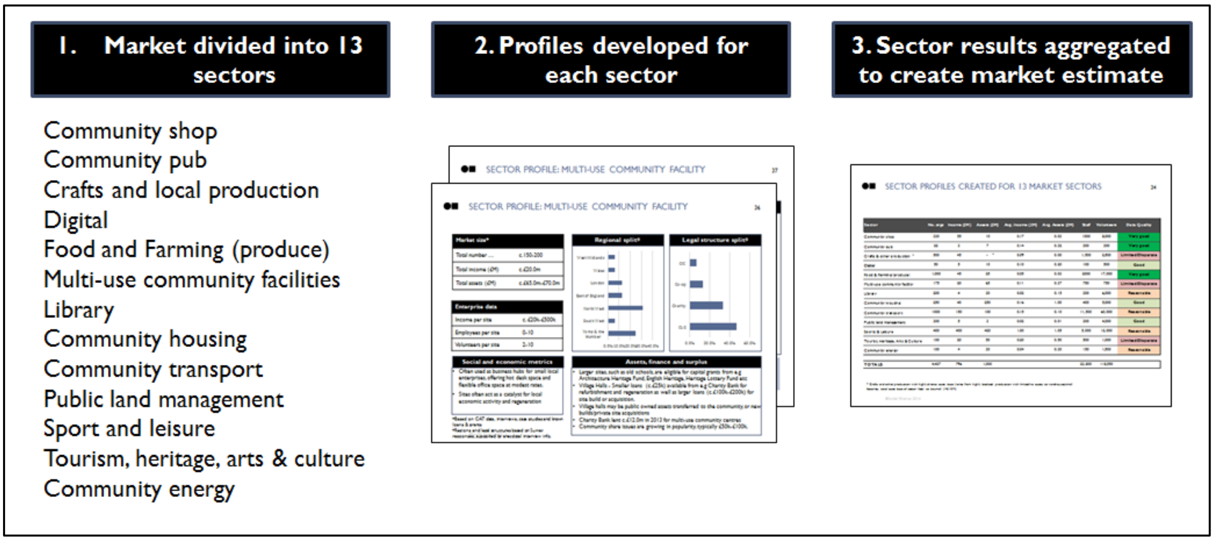
We are particularly grateful to the many community business leaders, funders, market shapers and experts who leant us their time in the course of the work. The generosity they showed in sharing their insights, experiences and data brought this report to life. We hope our findings ring true to those we spoke to and others working day to day in the sector. The views expressed and any remaining errors are our own.

Appendix A. Sector profiles

As discussed in chapter 2, we followed a three step process to estimate the scale and scope of the community business sector. First, we divided the market into 13 traditional sectors, such as community shops and community transport. Second, we developed profiles for each sector, building up a picture from desk research, interviews, and a proprietary survey of the number of organisations, their assets, income, geographic spread, and social impact. Finally, we aggregated these bottom-up views to produce an overall market estimate (see figure A1).

Figure A1. Three step process to estimate size of community business market



In this appendix, we include both the aggregated view of the market, broken down into its 13 sub-sectors, as well as a short profile of each sector.

As mentioned above, the aim of this exercise was not to produce a fossilised view of the market. Rather, we hope to provide a snapshot based on the best available evidence, and at the same time to create a framework for thinking about the market and measuring its evolution as it matures. In that vein, we have deliberately highlighted areas where current data is limited and/or the diversity of the sub-sector renders estimates of its size or average assets and income less reliable.

Figure A2. Aggregated view of 13 community business sub-sectors

Sector	No. orgs	Income (£M)	Assets (£M)	Avg. income (£M)	Avg. Assets (£M)	Staff	Volunteers	Data Quality
Community shop	330	55	10	0.17	0.03	1000	8,000	Very good
Community pub	22	3	7	0.14	0.32	300	300	Very good
Crafts & other production *	500	45	- *	0.09	0.00	1,500	2,500	Limited/Disparate
Digital	50	5	10	0.10	0.20	100	500	Good
Food & Farming (produce)	1,000	45	25	0.05	0.03	2000	17,000	Very good
Multi-use community facility	175	20	65	0.11	0.37	750	750	Limited/Disparate
Library	200	4	30	0.02	0.15	300	6,000	Reasonable
Community Housing	250	40	250	0.16	1.00	400	5,000	Good
Community transport	1000	150	100	0.15	0.10	11,500	60,000	Reasonable
Public land management	300	5	3	0.02	0.01	300	4,000	Good
Sports & Leisure	400	400	420	1.00	1.05	5,000	12,000	Reasonable
Tourist, Heritage, Arts & Culture	100	20	50	0.20	0.50	500	1,000	Limited/Disparate
Community energy	100	4	30	0.04	0.30	150	1,500	Reasonable
TOTALS	4,427	796	1,000			23,800	118,550	

Notes:
- While overall numbers have proved robust, we anticipate that bottom-up sector data will need to be refined over time as new information becomes available
- Averages obscure significant variation within each sector

* Crafts and other production with highly diverse asset base (varies from highly localised production with limited/no assets to warehouses/small factories; total asset base of sector likely to be small (<£10M)

1. COMMUNITY SHOPS

Impact metrics

- *Physical isolation*: No. people living 10+ miles closer to local shop
- *Social isolation*: Total employees + volunteers; total shop visits/week
- *Environmental*: Reduction in car-based travel
- 47% of community shops offer café facilities

Assets and finance

- 28% of community shops are owned freehold. 33% Rent at commercial rates, and 21% rent-free or peppercorn
- Avg start-up costs were £103,000 in 2012[2]
- Avg net profit across 303 shops was £5,267. (total net profit £1.6m).
- 22% surpluses reinvested in community projects; 71% reinvested into the business; only 1% is paid as interest or dividend to shareholders

Sector Detail

Sector growing and so far resilient to economic shocks

- Growing rapidly: 141 new community shops founded from 2008-2013, most recently at a rate of 25-30 p.a.
- Community shops demonstrated considerable resilience in 2012 at a challenging time - in 2012, no community-owned shops closed anywhere in the UK

Established support networks in place for both advice and funding

- Providers include: The Plunkett Foundation, Prince's Countryside Fund, The Co-operative Enterprise Hub, The Midcounties Co-operative, Garfield Weston Foundation, PF Charitable Trust and the Big Lottery Fund
- Esmee Fairburn, Plunkett Foundation and Locality provide a joint three stage support process for community shop-start ups:
  - ✓ Stage 1 - *Telephone and email support to progress their idea, set-up resources, planning events*
  - ✓ Stage 2 – *Enterprise foundation advice and one-to-one expert support*
  - ✓ Stage 3 – *Assistance with community share raise, £25k grant, £25k loan*

Greatest challenges in business planning phase after set-up, typically in years 2 - 5

- Ranges from HR issues to revenue diversification and to rental negotiations

Resources and sources

- Plunkett Foundation ("A Better Form of Business", 2013)
- Data on Community Asset Transfers and Community Share Issuances
- Social Finance / Young Foundation interviews

2. COMMUNITY PUBS

Impact metrics

- 38% pubs use volunteers
- Sometimes community equity is tied to volunteering hours

Assets and finance

- Communities purchase freehold pub assets owned by large pub groups
- Freehold cost ~£200k in N England, ~£700k in S. England.
- ~10%-20% of sites secure bank funding: 65% bank loan/equity + 35% community equity
- Others funded through 60% Community Shares/40% Grants
- Under community shares model, pubs owned by 200-300 people who contribute capital; theses are typically pub customers

Sector Detail

Pace of community take-overs of local pubs increasing

- 8 opened in 2013, 150 in the pipeline currently
- Some pubs have created new revenue streams, with cafes, shops, or allotments as additional business lines

Major challenge for communities to move quickly enough in take-over process

- Takes ~10 months to save / re-open a pub, 4 months longer than Right to Buy grace period; many groups lack resources to move quickly enough to raise capital
- Some groups able to move faster: Half of pub take-overs take 6 months or less
- Additionally, lack of legal advice results in some pubs changing legal structure many times

Grant funding available through variety of funds, e.g.,:

- Architectural Heritage Fund offers ~£500k grants
- Social Investment Business Group offers ~£500k grants

Resources and sources

- Plunkett Foundation data on community pubs
- 'Saving an Asset of Community Value', The Ivy House – Property Law Journal
- Social Finance / Young Foundation interviews

3. CRAFTS AND OTHER PRODUCTION

Sector is highly diverse and comprises many community businesses that resemble for-profit SMEs, albeit with a clear social mission

- Strong theme of employment & training (E&T), e.g., many start with intention of offering employment & training opportunities for vulnerable groups (ex-offenders, NEETs, people with learning disabilities); actual business activity often secondary to this

Furniture Re-use and recycling

- Recycle/upcycle unwanted furniture and white goods
- 250 re-use charities trading in England. Typical turnover of £25k-£50k.
- Employees: 4k, Trainees: 15k, Volunteers: 18k

Crafts

- Wide array of enterprises producing crafts, leading classes, involved in therapeutic outreach work. Typical turnover £10k-£50k, high level of volunteer engagement. Significant activity in the SW, but information sparse about other parts of the country.

Logistics & manufacturing

- Roughly 30-50 businesses. Turnover high, ranging £50K to >£1m, w/ relatively large assets.
- Includes warehousing, assembly line services, sign-making etc. Operate like for-profit SMEs, but provide E&T opportunities and recycle surpluses

Painting, decorating, renovations (similar to self-help housing)

Long tail of "other" business types, ranging from plant nurseries to bike repair shops to paint recycling and community murals painters. E&T and reduction in isolation are typical social themes

Resources and sources	• Social Finance / Young Foundation interviews

4. DIGITAL

Impact metrics

- *Online* – Rise in broadband connections
- *Economy* – Use of affordable internet ; SME revenue from "Makerspaces"

Assets and finance

- Requires large initial capital raise for construction/purchase of asset; example finance split of 30% grant, 40% social lending, 30% community share issue
- Community broadband projects in rural or underserved communities are eligible for grant match-funding from government BDUK scheme
- Makerspaces typically own £300,000+ worth of equipment. Variety of building ownership: renting, ownership, donated space, public transfers

Sector Detail

Digital businesses either new ventures purchasing / making large digital asset, or community digital workspaces

- New ventures include: Fibre optic cable and broadband networks, rural wi-fi networks for 'not-spots', self-build wi-fi and shared networks. Few of these exist yet in England, but pipeline is strong
    - Often involves large initial asset purchases (~£500k); customers drawn from the community
- Community digital workspaces ("hackspaces" or "MakerSpaces") are shared workspace, with community-purchased expensive digital or tech equipment (e.g., 3D printers); typically operate a membership model and often diversity into multi-use facilities

Significant government and Development Trust support for new digital ventures

- BDUK[1] / DEFRA with £300m to increase broadband coverage in rural areas; previous specialist £20m pot for rural community broadband. However, main BDUK fund works mostly with LAs and contracts often end up with BT
- Many Development Trust exploring ways to update/improve their services using digital/tech

Different challenges in both digital models

- Difficult to start digital ventures: Requires skilled leaders, high community engagement and extended negotiations with govt
- Hackspaces popular, but many suffer from cashflow issues and close. Most operate in urban/peri-urban areas with higher concentrations of tech professionals

Resources and sources

- Nominet Trust
- Rural Community Broadband Fund (RCBF)
- Social Finance / Young Foundation interviews

1. Broadband Development UK

5. FOOD AND FARMING (PRODUCE)

Impact metrics

- *Local economy* – revenue for market stall sellers
- *Community* –Food co-op members; CSA[1] participants
- *Environment* – food miles saved; organic producers

Assets and finance

- In 2012, community food enterprises made £1.2m in surplus, with 95% retained in the business or local community. Sub-sector with highest avg surplus is Community Supported Agriculture (CSA)
- Most food sub-sectors are asset light, e.g. markets, so relatively low finance needs. Community Supported Agriculture (CSA) the exception:
- Start-up CSAs typically require grants (~£20k) and donations. If purchasing land, rather than leasing, some issue community shares (~£200k).

Sector Detail

Six sub-categories identified (numbers represent approx. number of community businesses in 2012 – may now be 10-15% larger)

- Food Cooperatives (~400); farmers' markets (~250); community-owned grocers (~30); Community Supported Agriculture (~100); City Farms (~200); country market societies (60-80)
- Food co-ops included as community businesses because typically open to all customers and anyone can apply for membership
- Long tail of ultra-local informal, unincorporated community food groups; activities include keeping bees, baking bread, tending orchards

Sector has performed well in face of economic headwinds

- Localism and trends towards healthy eating & organic produce have been influential.
- Sector less reliant on some on grants and external finance than on consumer behaviour and engagement. Links and networks amongst different types of food enterprises and with consumer groups, are very important.

Making Local Food Work (MLFW) initiative very influential, but recently wound up, leaving a significant gap

- Making Local Food Work'(MLFW) was a 5-year Plunkett Foundation and Big Lottery Fund initiative to provide support to local producers and food ventures
- MLFW provided sector with research and linked different parts of the sector together
- Project ended in 2013

Resources and sources

- Understanding the Impact of Making Local Food Work (2012); The Economic Impact of the Community Food Sector (2012); Soil Association; Federation of City Farms and Community Gardens; Community Land Advice service; Social Finance / Young Foundation interviews

1. Community Supported Agriculture

6. MULTI-USE COMMUNITY FACILITIES

Impact metrics

- Community engagement (e.g., number of users)
- No. ventures incubated
- Local economic activity and regeneration

Assets and finance

- Larger sites, such as old schools, eligible for capital grants from e.g, Architecture Heritage Fund, English Heritage, Heritage Lottery Fund
- Village Halls - Small loans (~£25k) available from e.g., Charity Bank for refurbishment and regeneration of former public asset; larger loans (£100k-£200k) for site build / acquisition
- Charity Bank lent ~£12.0m in 2013 for multi-use community centres
- Community share issues growing in popularity, typically £50k-£100k.

Sector Detail

Diverse revenue base and strong customer loyalty

- Generate income through hot-desking plus business support, conferences, seminars, weddings, community, events, catering franchise, gallery, micro-brewery, bakery, office rental
- Often based in buildings with emotive value for community; combined with potential community share issue, facilities often have a strong and loyal customer base from the outset

Range of potential grant and loan funding options

- Heritage Lottery Fund has increased funding available; new scheme launched in April 2013 includes small grants for options appraisals, start-up funding for small groups and "Heritage Enterprise" projects
- Charity Bank and other social lenders have track record of asset-backed lending to this sector

Heritage funding cut in more recent ERDF / ESF funding rounds

- European Regional Development Fund (ERDF) and European Social Fund (ESF) money still available, but more carefully targeted. This makes it a complex and challenging area to navigate, e.g., although large sums are involved, they often need to be spent quickly

Resources and sources

- The Show Must Go on – Locality (Nov 2011); Pillars of the Community - English Heritage (Jan 2011)
- Locality
- Cooperative Enterprise Hub

7. COMMUNITY LIBRARIES

Impact metrics

- Number of users
- Engagement, incl hours volunteered, financial / in-kind (i.e. book) donations
- Impact varies acc. to activities held in library

Assets and finance

- Most run from buildings owned by LA; ~1 in 6 community libraries owned outright by the community (or on a long lease), typically through Community Asset Transfer
- Start-up and refurbishment funding typically grant money from either Big Lottery Fund or LA, although some sites secure local donations as well
- Surpluses sometimes reinvested into the library or community activities, but issues with LA restrictions around trading surpluses that disincentivise revenue generation

Sector Detail

Number of barriers to income generation / cost management

- Community acceptance of the concept of enterprise in libraries
- Most community libraries part of the statutory library service: Charging and trading restrictions inhibit income generation
- Asset-related issues, including change of planning use, business rate status
- Commercial skills within library staff / volunteer group

However, community libraries are well-placed to become community centres, offering broader range of activities

- Prime physical locations, well positioned for out-reach to more isolated communities
- Increasingly acting as community hubs, offering a broader range of services than in the past
- Best practice examples show significant revenue diversification:
    - Training and employment public service contracts
    - Private sector service contracts (e.g., parcel pick up points)
    - Trading of complementary products (e.g., local art work)
    - Charged-for services (e.g. room hire, managed workspace)
    - New ICT services (e.g. 3D printing)

Resources and sources

- Enabling enterprise in Libraries – Locality, (March 2014); Community Libraries, Learning from experience: guiding principles for local authorities – Locality (Jan 2013); A New Chapter - Public library services in the 21st century – Carnegie UK Trust (May 2012); Community Managed Libraries - Museums & Libraries Archive (June 2011); Evaluation of the Community Libraries Programme – BLF, Museums & Libraries Archive (March 2011)

8. COMMUNITY HOUSING

Impact metrics

- *Economy* – No. houses built/brought back into use
- *'Affordability'* i.e. difference in price from market rate to community price
- *Skills/training* –No. NVQs in decorating/construction

Assets and finance

- DCLG has distributed £50m to self-help housing orgs via an independent intermediary (Tribal) to acquire and lease vacant properties. Estimated to have brought in ~£25m in extra investment
- Community Land Trusts' (CLTs) start-up funding typically grants of ~£30k from LAs, HCA, Housing Associations or land donations from wealthy individuals. For construction projects, CLTs use the "CLT Fund", offering small grants that leverage in commercial construction lending
- Sector asset value opaque, since some orgs own properties while others lease (from LA or Housing Association)

Sector Detail

Three key models: ~110 Community Land Trusts (CLTs), ~120 Self-Help Housing (SHH), ~20 Co-Housing projects

- CLTs finance and build affordable homes for whole community, typically in rural areas; SHH lease, refurbish and sub-let empty/derelict properties, mostly in urban areas; co-housing consists of individual housing communities
- Housing cooperative not included, since benefits are for members; housing associations typically not community led or tied to a place
    - However, some small to medium sized housing associations ("place-shapers") have strong emphasis on creating benefits for a defined community. These associations often are very supportive of community led housing

Strong commitment from government for community-led housing

- New accessible funding via DCLG's EHCGP[1] has particularly benefited Self-Help Housing organisations
- New "Self-Build Portal" allows communities to register interest directly with LAs in publicly owned brown-field sites
- Umbrella bodies in SW England have been effective in creating a cluster of CLTs. These are semi-public regional bodies designed to support and accelerate CLT growth
- Large stock of empty homes and brownfield sites in North of England, so large latent supply for SHH. 600k bought up under past "Housing Renewal Strategy", with potential to fall into community-led control

Resources and sources

- **Jon Fitzmaurice**, OBE, Self-help housing network; **Hannah Fleetwood**, National Community Land Trust Network; **Sara Cunningham**, National Housing Federation; **Jo Gooding**, UK Co-housing network; **Anthony Brand**, Homes and Communities Agency; **Affordable Homes Programme funding data ; Empty Homes Community Grants Programme funding data,** Homes and Communities Agency

1. Empty Homes Community Grants Programme

9. COMMUNITY TRANSPORT

Impact metrics

- No. isolated people using community transport
- "Multiplier" impact on non-transport community business
- Environment – individual car journeys/driving miles saved

Assets and finance

- Typical surplus of rural transport enterprise may be ~£12k - slightly higher in urban areas and skewed by large firms, incl. Hackney Community Transport and Ealing Community Transport.
- 83% of transport enterprises have charitable status; surpluses kept in the business / community
- Average assets of typical transport enterprises ~£75k, though average skewed by small number of large organisations

Sector Detail

Very long tail of small transport businesses that quickly shift from community business to informal clubs / groups

- E.g., ~25% of transport businesses not incorporated: Either small or non-trading, e.g., community car or lift share schemes
- Most revenue from public grants or contracts; revenue split varies between urban vs. rural businesses, with rural businesses earning more on average from fares than urban-based businesses:
    - *Urban:* 13% fares (trading); 44% grants; 39% gov contracts; 7% other
    - *Rural:* 41% fares (trading); 17% grants; 35% gov contracts; 6% other

Sector potentially at risk from LA funding cuts

- E.g., £20M cut from LA bus budget; new "Local Transport Bodies" without a clear focus on community transport

However, opportunity to explore new trading activities, especially in rural areas

- Potential growth in building greater cohesion and new partnerships between large transport enterprises and large community enterprises or development trusts
- Potential to replace LA contracts and also benefit non-transport enterprises in reaching isolated users

Resources and sources

- **Enterprising solutions to Rural Community Transport (2009)**, Plunkett Foundation & Department for Transport; **The CTA State of the Sector Report for England (2012),** CTAUK; **Where the money's going: Are the new Local Transport Bodies heading in the right direction? (2013) ; Buses in Crisis (2013),** Campaign for Better Transport; **Bill Freeman**, CTAUK

10. PUBLIC LAND MANAGEMENT

Impact metrics

- Accessible green routes for walking and cycling, incl. safe routes to school for children
- Reduction in air pollution
- Biomass/fuels to replace fossil fuels
- Encourage biodiversity

Assets and finance

- *Woodlands* - 80% with <5 staff; half breakeven/lossmaking; a third had a turnover of <£10k, but 20% with turnover >£100k; typical assets 50/50 private or community equity/grants
- Total sector income skewed by Hill Holt Wood, with ~£3.0m of revenue
- *Parks* – No asset value - land use restricted; often acquired with Community Asset Transfer
- Difficult for parks to generate revenue: Some have management contract with LA, supplemented by rental revenue from cafés, allotments, etc.

Sector Detail

Woodland businesses have been able to develop diversified revenue streams

- Wide range of goods and services, including timber harvesting, corporate away-days, local school groups, NEET education & training, cafes, woodland burials and weddings

Significant sector growth potential, given level of interest and available assets

- Growing interest in community-run woodland businesses; currently <1% of UK woodland is community owned

However, significant challenges on revenue volatility and acquisition of asset title

- Revenue volatile because of one-off wood harvests delivering large lump sum every 20 years or because of variable timber prices
- ERDF funds previously available (esp. in Scotland and Wales) now drying up; Woodland Grant Scheme does not offer capital grants
- Unless an organisation has proper title to the land or a long lease, difficult to get insurance needed to run a business; gaining the capital grants to buy the land or lease can be a key barrier

Lack of specialist woodland and horticultural business management training available

- However, some established groups are setting up consulting services

Resources and sources

- **Community Management of Local Authority Woodlands in England** – Shared Assets, Dec 2013; **Woodland Social Enterprise in England** – Forestry Commission 2013; **Making Land Work: Case Studies in Collaboration** – Clore Fellow, 2012; **Civil Society, Communities and Woodlands** – The Woodland Trust, Feb 2011; **Community Led Spaces** – CAT & CABE, 2010

11. SPORT AND LEISURE

Impact metrics

- No. leisure or fitness club users who would not have used or joined a privately-run facility
- No. people using clubs' non-sport services

Assets and finance

- Sport and Leisure trusts almost always lease facilities from LA
- Sector is established; low financial need apart from building/purchasing new asset
- Sports hubs typically own assets of ~£2-4m, as do amateur sports clubs which have diversified into sport and leisure facilities; hub model reliant on volunteer hours
- Community sports clubs typically bought with community share issue (20-50% of total value), plus social or commercial lending; average ~£1M revenue

Sector Detail

Sector includes ~50 Sport and Leisure Trusts, ~150 community-owned amateur sports clubs with facilities, ~40 community or support-owned sports clubs, and ~200 other community sports hubs and enterprises

- Sports and Leisure Trust are charitable organisations that typically lease and manage facilities on behalf of LAs; nearly 100 in England, but some too large to be a community business and have lost place-based focus (e.g. GLL Sport Foundation). Trusts often >10 years old and stable, though few own their own assets

Increase diversification of revenues, in some cases away from pure sport

- E.g., half Sporta members operate a theatre on their premises; some exploring services such as adult social care or hosting community groups (shift towards multi-use facility model)

Increase outsourcing / asset transfer of leisure facilities by LAs – growth opportunity for community businesses

- However, LA budget pressures may lead to procurement via lower-cost private providers - potential for large private players (e.g., Serco) or large county/region-wide bodies to win contracts ahead of community led trusts

Trusts have historically not accessed all available grants/funding and rarely employing specialist staff for this purpose

Resources and sources

- **The Social Value of Football,** Substance (2011)
- Social Finance and Young Foundation interviews

12. TOURISM, ARTS, AND CULTURE

Impact metrics

- Growth in local trade and crafts production
- Improved community engagement and social cohesion

Assets and finance

- Mortgages available to buy freehold buildings that are used as theatres, arts centres, museums
- Some recent examples of LA-driven asset transfers to arts orgs
- Large tourist sites with robust revenue models able to access mainstream loan and bond financing – e.g., Dover People's Port Trust

Sector Detail

Some large sites have successfully raised significant funds from communities

- Hastings Pier raised c.£2.0m via a community share issuance, and Dover People's Port Trust was initially funded entirely from a Community Equity raise.

LA ownership of culture venues under pressure from funding cuts creating opportunity for community-run ventures

- Some pressure for LAs to cut funding and externalise management of a large number of museums, concert halls and galleries. In some cases, this has led to Community Asset Transfers

Lack of targeted business support, especially for innovative / niche community culture businesss

- Current support too light touch, too general, and doesn't work for innovative / niche businesses such as multi-use / arts spaces

Resources and sources

- **The Show Must Go on –** Locality, Nov 2011
- **Pillars of the Community -** English Heritage, Jan 2011
- Social Finance and Young Foundation interviews

13. COMMUNITY ENERGY

Impact metrics

- Reduced energy bill volatility
- Carbon savings
- Skill development
- £ recycled in the community
- Number of community share holders, volunteers, users

Assets and finance

- Community energy projects typically have some formal community ownership: 62% of projects are wholly owned by the community, 38% part-owned
- Limited loan finance available during project development and build; debt can be raised once project producing steady revenue stream. Solar is the most stable, debt-worthy resource
- Charity Bank provide some smaller loans (~£100k) for construction phase, typically for hydro projects (typical total cost ~£1.0m)

Sector Detail

Sector has seen substantial growth in recent years
- ~100 fully-formed community businesses operating at sufficient scale
- However, >5,000 community groups engaged in energy projects

Projects cover range of energy types – community share issues split 20% Wind, 43% Solar, 30% Hydro, 4% Biomass, 3% Other
- Wide-ranging build costs for different types of energy: Solar £20-500k, Hydro ~£1m, Wind ~£200k per turbine, Biomass ~£700-800k

Community energy groups often cross-subsidisers, i.e. money from feed-in tariffs goes into community fund

Challenges include access to land (and planning permission), access to capital, and skills
- Projects complex and unfamiliar to non-technical community groups; specialist skills / knowledge required to develop a renewables project, as well as length of time, is a barrier to entry
- Main financial barriers are at the start of the process: Undertaking specialist surveys and studies for a feasibility study, and to support applications for planning, licences and loan finance can cost tens of thousands of pounds. Some grant funding is available, but patchy.
- Projects delayed by need to raise community equity before construction begins, increasing costs and FiT Tariff risks of the project

Resources and sources

- **Community Renewable Electricity Generation: Potential Sector Growth to 2020 –** DECC, Jan 2014; **Community Energy Strategy –** DECC, Jan 2014; **Community Energy in the UK –** DECC, Jan 2014 & June 2013; **Community Energy: Unlocking Finance and Investment –** Respublica, May 2014;
- **Social and Economic Benefits of Community Energy Schemes –** National Trust & Shared Assets, 2012

Appendix B. Interview list

Community businesses

Alt Valley Community Trust
FC United/Substance
Torrs Hydro
The Ivy House Pub
Trust in the North (Kenspeckle)
Whistlewood Common
Portland Works
Onion Collective
Goodwill Solutions CIC
Upcycle Birmingham
Dover People's Port Trust

Funders

Big Local
Buzzbnk
Localgiving
Social Investment Business
Social and Sustainable Capital
Nominet Trust
Big Lottery Fund
Community Shares Unit

Investors

Big Society Capital
Charity Bank
Cooperative and Community Finance
Unity Trust

Support providers

Locality/Our Digital Community/Common Futures
NWES
Meanwhile Space CIC
Unltd
Supporters Direct
Pub is the Hub
The Boston Consulting Group
Farm Garden
National Community Land Trust Network
The Plunkett Foundation
The Plunkett Foundation
Formerly of SEUK
The Young Foundation
Community Transport Association

Energy Saving Trust
3Space
Power to Change
Kitchenette
Arts Council
SEUK
Neil Coulson Associates
Co-operative Enterprise Hub
Community Development Foundation
Community Enterprise (Scotland)
National Housing Federation
National Community Land Trust Network
HACT
Creative Coop
Co-operatives UK
School for Social Entrepreneurs
Locality
Development Trusts Association Scotland (Locality Scotland)
Community Development Finance Association
Sporting Assets
Sporta
Federation of City Farms and Community Gardens
Co-Housing Network

Representative bodies

Locality
Self-help Housing Network
Sport England
Worcestershire County Council
Homes and Communities Agency
Forestry Commission