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hands

Research Institute Report No. 4

The Community Business Market in 2016

November 2016

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LOTTERY FUNDED

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About this report

Power to Change commissioned Social Finance in July 2016 to provide an updated assessment of the state of the community business market. This is the third report in the series, and follows *What If We Ran It Ourselves?*, published in January 2015, and *The State of the Community Business Market in 2015*, published in March 2016 and based on research carried out between September and November 2015.

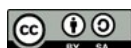
The report has been researched and written as an independent assessment of the market. Although Power to Change has provided considerable input and support to the team, the views expressed here (and any errors that persist) remain entirely those of the authors. Our focus has been to take an analytical market-level approach to quantify the number of community businesses and understand trends within the market and its component sectors, rather than advising Power to Change as an organisation to determine its overall strategy or grant-giving criteria.

The findings in this report are based on 55 interviews, an online survey of 158 community businesses, desk research and publicly available data. We have attempted to publish as much of the source data as possible (see Appendix C and raw survey data available online) so that our understanding of the market can be improved as and when better information becomes available.



Social Finance is a not for profit organisation that partners with the government, the social sector and the financial community to find better ways of tackling social problems in the UK and beyond. Since it started in 2007, Social Finance has mobilised over £100 million of investment and designed a series of programmes to tackle social challenges. These include support for 2,000 short sentence offenders released from Peterborough Prison, 380 children on the edge of care in Essex, 2,500 young people at risk of becoming NEET and 800 rough sleepers in London. It is also alleviating fuel poverty for over 2,300 families in Sunderland, enabling 15,000 families to access nursery places and free children's services, and providing 7,500 affordable micro loans in Wales.

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Executive Summary

In 2016 the community business sector has continued to grow in spite of major pressures on public funding, significant changes in the policy environment and slower economic growth. Over three years of reporting on the community business market, we have found the sector to be strikingly resilient to local and national shocks: Both this year and last year, not one of the 15 sub-sectors we reviewed showed an overall decline in numbers.

Over the past year, we estimate that the market has grown by 5%. This takes the total number of community businesses in England to 7,085, including a relevant subset of village halls for the first time. In total, community businesses generate more than £1 billion of income each year on £2.1 billion of assets, employ over 36,000 staff and engage nearly 200,000 volunteers. While this year's estimated growth comes in below the 9% we reported for 2015, it is nonetheless a clear sign of the resilience of the market in sectors facing challenges, such as energy, and the continued capacity for development in stronger areas, such as sport and leisure, community hubs and housing. It also compares very favourably to recent estimates of growth rates in both the charity¹ and small business² sectors (1% and 2.3% respectively).

To assess the growth of the market in 2016, we once again applied our methodology of undertaking a rigorous, bottom-up review of the 15 key market sub-sectors. Our assessment was based on interviews with more than 50 individuals from across the sector and a survey that attracted responses from 158 community businesses, as well as a detailed desk-based review of the latest market research.

We trace community businesses' resilience to a number of inherent factors: their ability to develop a diverse range of business lines and expand these over time; their appetite to enter into mutually beneficial partnerships with other local organisations; their flexibility to quickly refocus their activities to meet local demand; and, perhaps most importantly, their capacity to lean on their communities for support when it is most needed. Their ability to withstand shocks is a key driver of continued growth in the market as a whole.

One ongoing question about the market is whether it is particularly concentrated in rural or urban areas, or in affluent or deprived ones. We continue to find the market to be well-diversified. The community business model can thrive in both rural and urban environments, although in several sectors we do see increasing growth in urban areas in the past year. Similarly, although affluent localities might appear to be more fertile territory for organisations needing access to skills,

¹ NCVO: *Voluntary Sector Almanac: 2015 and 2016*

² Department for Business, Energy and Industrial Strategy: *Business Population Estimate: 2014 and 2015*

money and time, lower income areas also have a demonstrated capacity to nurture successful community businesses.

In this year's survey we asked community businesses to indicate their confidence in their organisation's future. Overall, our respondents were net positive by 11 points on a scale of -100 to +100. businesses expect their income to rise and their staff and volunteer numbers to grow. This contrasts with relatively low confidence among small businesses overall, which recently dipped into negative territory (-2.9) for the first time since 2012.³ Yet this positivity masks some important uncertainties about how public spending cuts and economic and political shocks, such as Brexit, might translate into local impact.

In our 2015 report we found that the community business market had experienced strong growth. But we also found cause for concern for the year ahead. Nearly a year later, we find the market to be in sturdy shape, growing steadily through difficult times. While there are undoubtedly challenges ahead, we have increasing confidence that community businesses will see them through.

³ Federation of Small Businesses: *Voice of small business index: Quarter 3 2016, September 2016*

Chapter 1. The community business market in 2016: Where are we today?

Key Insights

- In recent years the community business model has expanded and matured in a range of contexts – it has proven particularly effective in saving threatened local assets and in enabling a proactive approach to tackling local social issues.
- This is facilitated by a set of core common characteristics, including an ability to bring the community together, to understand and reflect local needs, to combine multiple sources of income and to rely on a committed group of volunteers.
- Community businesses are surviving and thriving in a constantly changing local landscape. They do this in a number of ways, including by diversifying their business lines, by partnering with others, by refocusing around core areas and by enhancing their community engagement.
- The nature of community businesses varies between urban and rural settings, and between affluent and more deprived areas. For example, many rural community businesses exist primarily to save a local service, and they engender widespread community support to do this. In urban areas the primary purpose of a community business can be more complex – some aim to improve services for the most vulnerable, some are focused around sustaining a valued local asset, and others aim to preserve and enhance the area's natural environment.

As the third annual review of the community business sector, this report offers an opportunity to reflect on the evolution of the community business market and bring together our learning from three years of research. Drawing on expert input from across the market, a survey of 158 community businesses,⁴ and insights emerging from new research and reports, the report aims to develop our understanding of where the community business model is growing and why; explore emerging trends within individual sectors and across the market as a whole; and, for the first time, provide an insight into the confidence levels of community businesses and their outlook for the year ahead.

In our first report on the community business market, we identified four 'tests' for identifying a community business (see Figure 1).

⁴ Respondents to our survey included organisations across the 15 sectors of the community business market. However, the number of respondents in each sector is not necessarily proportionate to the total number of community business in that sector. Some sectors are over-represented, such as community hubs, shops and housing organisations, while others are under-represented, such as finance, libraries, and craft, industry and production. A full breakdown can be seen in Appendix C, Chart 3.

Figure 1: Four tests of community business

Accountability	Accountable to local people, who have a say over the running of the business
Place	Defined by its link to a local neighbourhood or place
Impact	Operating primarily to generate social value in the local community
Trading	Trading in goods or services as a means to being mainly independent of grants, and ultimately generating economic returns

These set out, at a high level, the key characteristics at the heart of all community businesses. Yet a constant theme throughout our research has been the great diversity found under the community business umbrella, and the ability of community businesses to appear in and adapt to a wide variety of different and changing contexts.

In this chapter we seek to explore these similarities and differences in more depth, considering first where the community business model is becoming more widespread and why, before reflecting on what we have learnt about how community businesses adapt to changing circumstances and different settings.

1.1 Where is the community business model growing and why?

A key area of growth for the community business market has been in sectors where valued local assets or services come under threat. Yet the nature of that threat, and therefore the type of response required from a community, varies greatly. We have seen substantial growth in pubs, for example, where the risk of closure is often driven by changing eating and drinking patterns and increasing competition; but also in libraries and in sport and leisure, where the risk more often results from local authority funding cuts. In both cases we see many examples of communities coming together, galvanising support and succeeding where a purely commercial or charitable model would not.

Elsewhere, we have seen the emergence of more proactive community businesses where people are motivated to come together to tackle a pressing issue in their local area. The recent rise in interest in community housing projects, for example, reflects a growing recognition of the difficulties faced by local people in many areas in accessing genuinely affordable property; and the emerging health and social care sector relies heavily on committed volunteers striving to do more for the elderly and vulnerable within their communities.

Yet even in sectors with relatively low growth, we see very few community businesses ceasing operations, and there are no sectors that have experienced an overall decline in numbers. While it is not uncommon for organisations to reduce the scale of their operations during difficult periods, a strong volunteer base and, in many cases, the presence of a valued local asset, provide a strong source of resilience.

So what is it that unites these diverse organisations, and what are the distinctive features of community businesses that enable them to not only emerge, but also survive and thrive in such diverse contexts?

– **Bringing the community together**

74% of respondents to our survey indicated that local community engagement remains very important to their success. Our research has found no evidence of organisations experiencing declining community engagement over time.

– **Understanding and reflecting local needs and priorities**

Community businesses' unique level of engagement with local residents enables them to carve out a niche which is not filled by other organisations. For example, community transport organisations are well-placed to time their services to coincide with relevant local activities.

– **Combining income sources**

We hear of many organisations that combine revenue from sales of products or services with fundraising events, venue hire to local groups and public sector contracts in order to develop a broad and resilient revenue base. Across a range of community business sectors, diversification is increasingly seen as vital to long-term sustainability, and many community businesses are therefore seeking the required resources and funds to explore and establish new services and income streams to better serve their community.

– **Relying on committed volunteers**

All but the largest community businesses rely heavily on a committed group of volunteers. Their contribution allows a reduction in running costs and a local awareness which is often critical to their viability, and which can also enable a community business to scale back yet survive through difficult periods.

1.2 How are community businesses adapting to a changing landscape?

Our research this year has again highlighted the dynamic and changing landscape in which community businesses are operating. Turbulent economic trends, declining local authority funding, varying contracting environments and changes within the local area itself, for example, all make adaptation and dynamism vital to a community business's sustainability. Through our three years of research we have gained a strong understanding of how community businesses adapt and respond to these challenges.

Diversifying income streams

A defining theme among community businesses is the diversity of services that they typically deliver; driven in part by a desire to respond effectively to a range of local needs and reach more of the community, and in part by a financial necessity to boost income and derive greater value from a physical asset. Over the three years of research we have seen a consistent increase in diversification. For organisations facing financial challenges or looking to expand, developing additional income streams and business lines is often critical for success. For libraries, in particular, this is now seen as paramount for sustainability.

The way that community businesses choose to diversify varies according to local context. Organisations with a physical asset are typically better placed than those without, and indeed the lack of a strong asset base in areas such as finance may contribute to the relatively low growth seen here (see Section 2). Elsewhere, there is strong potential for community businesses to 'sweat' the asset to boost income and respond to emerging local needs. Typical examples include a post office under threat being relocated into a community shop or pub, a local library being absorbed into a village hall or community hub, and sports clubs offering yoga classes to engage more of the community.

Our survey results also reflect businesses' interest in diversification. 71% of respondents this year indicated that they had a secondary activity alongside their core work, with cafés, community hub facilities, environmental conservation and health and social care particularly common as subsidiary areas of work. More than a third of respondents expected to open up a new line of trading activity over the next 12 months, and a quarter had done so over the previous 12 months.

'We wish to develop our community hub and have a dementia friendly café and activity hub to further enhance our services.'

Respondent to community business survey

Partnering with others

Our research has suggested that a growing number of community businesses are looking to partner with other local voluntary, community and social enterprise sector (VCSE) organisations. This can aim to reduce costs, improve integration of services and increase scale when bidding for contracts (explored in more detail in Section 3.2), all of which can be vital to adapt successfully to a changing local landscape. Partnerships are particularly common among businesses involved in service-focused sectors, such as transport and health and social care, where joined up provision can be vital to improving outcomes for service users. One in five respondents to our survey indicated that they had developed a new partnership with another local organisation over the past year, and one in four said they expected to develop a partnership over the next 12 months.

'We are looking to collaborate with the adjacent Community Social Club to explore how we can collectively serve community needs more effectively, by working together and potentially integrating the two community businesses.'

Respondent to community business survey

Flexing to refocus around key areas

While most community businesses are able to take steps to adapt when circumstances toughen, for a minority there is a need to refocus around their strongest and most sustainable business line. Services such as Locality's Lifeline help to support this process. Encouragingly, we have heard virtually no reports of community businesses ceasing operations. Much more common is a reduction in scale to a previous level and a renewed focus on core areas of business. The presence of a physical asset as a focal point and an ability to rely on a core group of committed volunteers adds greatly to many organisations' resilience. It can also allow businesses to ride out short term challenges and ensure the organisation's long-term survival.

'We are trying to do a lot of wonderful things – they won't all happen, we need to know which are the right ones to bring our 'dogged persistence' to bear!'

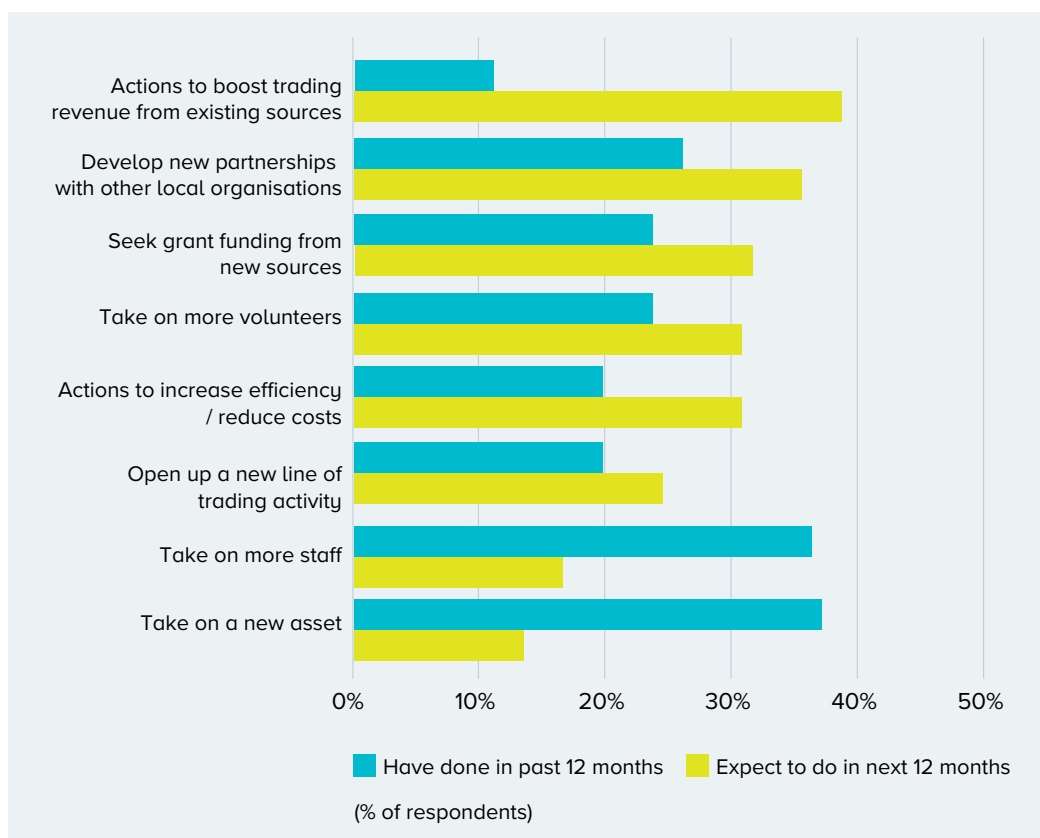
Respondent to community business survey

Renewing efforts to boost community engagement

Maintaining and boosting community involvement, as both customers and volunteers, is a constant priority and this engagement is ultimately the backbone of most successful community businesses. As a result, organising events, running promotional campaigns, boosting social media presence and reaching out to new areas of the community are all common areas of focus when circumstances change. However, all of these strategies take considerable time and effort, and several community businesses we spoke to were concerned at the risk of asking too much from their core group of volunteers. Broadening the base of regular volunteers is a challenging but vital priority for many organisations.

'We have increased our paid for services via our good reputation and seeking out new opportunities.'
 Respondent to community business survey

Figure 2: Survey respondents' actions over the past 12 months and expectations for the next 12 months



1.3 How do the characteristics of community businesses vary with context?

Throughout our research we have seen community businesses operate successfully in a range of different contexts; yet the way in which they achieve success varies greatly. In this section we consider two dimensions that divide community businesses: those operating in rural versus urban settings, and those in affluent versus deprived areas.

Comparing community businesses in rural and urban areas

For many organisations based in rural areas, the need for a community business is very clear: Saving the last pub, sustaining a shop under threat, or improving connectivity of isolated residents, for example. This type of community business tends to engender widespread support from large swathes of the local community with a common interest. With rural areas often lacking a number of local services, there is strong potential for the addition of new business lines which is so often at the heart of a community business's success and sustainability.

In urban areas, however, the primary purpose of a community business can initially be less clear. Stiff competition from a diverse range of services means the niche for a community business can be more challenging to define. Indeed, the community shop sector, for example, continues to be dominated by rural organisations and, in spite of some welcome recent support, it remains stubbornly tricky to achieve viability in urban areas.

However, a scan across other sectors of the market indicates a wide variety of successful community business models in operation in urban areas:

- Some urban community businesses are based on **improving support to the most vulnerable** in the community. Credit unions, for example, are often most valuable to those on lower incomes and deliver significant benefits to a cohort who, in some cases, would struggle to engage with mainstream financial products. Similarly, health and social care community businesses often focus their energies around the elderly or others who may be particularly vulnerable within the community. The recent rise in urban community housing projects is driven in part by communities wanting to improve provision of affordable accommodation for those on low incomes in their area.
- Other urban community businesses are based around **retaining a valued local asset** which has come under threat, often one that is particularly valued by certain segments of the community. Many swimming pools, for example, have been saved from closure by groups of local enthusiasts resistant to the prospect of a longer journey to a pool further away. Similarly, while community pubs remain a primarily rural model, there are a number of urban examples

where a pub with a particularly strong local following has been successfully saved, as was the case with The Bevendean in Brighton ('The Bevy'). Rescue is typically initiated by a small group of committed individuals, but long-term sustainability usually requires renewal of the asset, diversification and additional engagement with broader swathes of the community.

'The only community-owned pub on a housing estate in the UK and in my view probably the best thing going on in Brighton right now. Much more than a pub, this cooperative project is a hub for local services that has rapidly become the heart of community life.'

Mayor of Brighton and Hove on The Bevy

- A third category of urban community businesses appear to have emerged in part as **a response to increasing urbanisation** and a desire to retain access to valued green spaces. Community-run parks are well established in some areas but are on the rise as local authorities seek to reduce their maintenance expenditure. This year's research has also highlighted increasing interest and activity in city farms, offering an insight into food production for those living in urban environments alongside, in many cases, a wide range of different services and opportunities for the local community. As well as opening to the public, many have arrangements to provide services to schools and local charities.

While rural community business models are perhaps simpler to understand and, on the whole, better established, our research has indicated that in a number of sectors which have traditionally been based primarily rural, growth is now focused in urban and peri-urban environments.

- **Housing:** While most community housing projects have, to date, been based primarily in rural areas, currently the majority of new schemes are found in urban or peri-urban environments. No single reason lies behind this trend, but key drivers appear to include rapidly rising house prices, which are reducing the availability of genuinely affordable housing in many areas; better availability of affordable land in some brownfield sites as some local authorities and housing associations look to scale back or shift their asset base; and a continuing interest in bringing empty homes back into use.
- **Food catering and production:** This is a traditionally rural sector, but while the majority of organisations in rural areas are surviving, we have seen little evidence of many new community businesses emerging. Tight margins combine with a lack of affordable land to make this one of the hardest sectors to break into, in spite of strong community interest in many areas. However, as with housing, there is evidence of growth in urban food-based community businesses. City farms (mentioned above) are one important element of this, but we have also heard of new consumer co-operatives and community supported agriculture projects emerging in some urban and peri-urban areas,

and the rapidly expanding waste food reduction sector is also concentrated in urban areas. As with housing, better availability of land is one of the key drivers of growth for some of these models, but the larger and often more affluent urban marketplace also plays a vital role in increasing the viability of food-based community businesses.

Yet in spite of these trends and differences, the distinctive features of community businesses, and many of their associated challenges, remain similar in rural and urban contexts. For example, in all cases there is a need to bring the community together around a common cause, and challenges in sustaining initial enthusiasm and volunteer input will be familiar to those in towns and villages alike.

Comparing community businesses in affluent and disadvantaged areas

A common area of interest in our research is whether the community business model is more prevalent, or more successful, in more affluent areas. As in previous years, we see no evidence of this, and we continue to hear of community businesses thriving in a wide range of settings.

Yet our research does suggest that different forms of support may be needed in different areas. Emerging community businesses in less affluent areas are less likely to have easy access to individuals with technical skills such as law, accounting and knowledge of governance systems, but they may well excel in corraling widespread community support and inspiring local people to come together around a cause. Those in more affluent areas may find it easier to raise funds through community shares, but organisations in deprived areas may have better access to grant funding to get their project off the ground.

Chapter 2. Size and scope of the market

Key Insights

- We estimate that the number of community businesses in England has grown by around 5% in 2016, taking the total number of organisations to around 7,085.
- After careful consideration, this year’s market size also includes some village halls for the first time. While further research is required to accurately assess how many of England’s c.10,000 village halls would not meet the four community business tests, we conservatively estimate at this stage that around 900 do qualify. These organisations tend to offer a range of services in their hall, such as a café, shop or cinema, and have aspirations to increase their financial sustainability in order to reduce reliance on grant or fundraising income.
- Average growth of 5% masks considerable variations between sectors. While no sectors have decreased in size, some such as transport, finance and digital remain broadly static. Most growth overall is seen in sport and leisure, where a strong policy direction towards sport for social impact has emerged. Fast growth has also continued in libraries, driven by local authority asset transfers.
- Several sectors have continued to experience modest growth from slow but steady asset transfers – including arts facilities, community hubs, pubs and environmental conservation (woods and parks).
- Looking ahead, we see growing momentum in the community housing sector, increasing opportunities in health and social care, and strong potential for redeveloping heritage assets into community hubs. A new support programme for community pubs is also likely to accelerate growth in this sector.⁵

In this chapter we explore how the size and scope of the community business market has changed over the past year. We also take the opportunity to reflect on the key opportunities and threats facing the market in 2016 and the implications of this for growth trends across the market, before taking a deep dive into four sectors to highlight the varying dynamics within them.

⁵ *‘More than a Pub: The Community Pub Business Support Programme’* is a two year programme led by Plunkett Foundation which has been established to help support community ownership of pubs in England. Its value is £3.62 million and it is jointly funded by the Department for Communities and Local Government and Power to Change. The programme includes a flexible package of support, bursary awards of up to £2,500 to fund pre-feasibility costs such as public consultation and valuations, and combined loan and grant funding of up to £150,000.

2.1 Updates to our methodology

Over the three years of research we have refined our approach to understanding the dynamics of the community business market, but have not made any fundamental changes. Our approach continues to be based on a bottom up analysis of the market's 15 component sectors, and draws on insights from extensive interviews, a survey of community businesses and desk research.

In the first year of the research we sought to triangulate information on each sector by sense-checking the total number of organisations, total assets, and total income against the average assets and average income of typical community businesses in that sector. The aim was to cross-reference any data points from the market with any others that we found from alternative sources. This year we have received little evidence suggesting a significant change in average income or assets of community businesses in any particular sectors, so have focused our efforts primarily on understanding changes in the number of community businesses in each sector. Our estimates of total income and assets in each sector were then updated accordingly.

Given the challenges in obtaining quantitative information in some sectors, we have sought to collect as many relevant data points as possible through our interviews, survey and desk research, and have used these to develop the best possible estimate for the size of the market in each sector and, therefore, the market as a whole.

Realignment of sectors

For this year's report we have realigned the sectors used in our market sizing methodology with those now used by Power to Change. Of particular note are:

- **'Environmental / nature conservation'**, which equates to the sector formally named 'public land management' (primarily community managed parks and woodlands)
- **'Arts centre / facility'**, which includes many organisations previously included within the former 'tourism, heritage, arts and culture' sector. Many heritage organisations were already included within other sectors (reflecting the nature of their business model rather than the fact this business was operated out of a heritage asset), and the remaining heritage-based organisations have also now been redistributed into other sectors; primarily into the 'community hub/ facility' sector.

We have also transferred community businesses whose primary activity is care farming (c.25 organisations in total) out of the food catering and production sector and into the health and social care sector, in order to more accurately reflect their primary activity and revenue sources.

Addition of new sectors / sub-sectors

i. Village halls

This year we considered village halls as an additional community business sector.

There are nearly 10,000 village halls in England, the majority established in the first half of the twentieth century, with collective assets worth over £3bn.⁶ Their contribution to local rural life is significant, with 12 million volunteer hours committed every year.⁷ Village halls lie at the heart of many rural communities.

73% of village halls are owned freehold by their local communities, and 90% have a unique governance structure – a charity run by local volunteer trustees.⁴ Combined with their articles of association, which state that activities must serve a defined geographic community, this means that the great majority of village halls meet at least two of the four tests of community business: local accountability, and strong link to a specific place.

One key test, therefore, of whether a village hall qualifies as a community business is the extent of its trading activities. 2009 ACRE research found that 46% of village halls usually earn sufficient income to make a surplus, suggesting that these organisations are largely independent of grant income and would therefore meet this community business test. However, many village halls have very low costs (more than half have running costs of less than £5,000)⁸ indicating that the extent of their trading may be relatively limited.

The final community business test relates to an organisation's local impact: community businesses exist primarily to generate social value in the local community. Clearly this is, in many ways, the primary remit of village halls and many play a vital role within their local area; providing a meeting space for local groups and a ready venue for local events. However, as in other sectors, such as sport and leisure and community hubs, we take the view that in order to qualify as a community business, organisations must be doing more than renting out their premises to local community groups, notwithstanding the significant benefits that this may bring. Venue hire is a key activity for most village halls, and quantitative research is not available into what proportion are themselves engaging in additional wider activities to directly deliver social impact in their local area.

⁶ Action with Communities in Rural England (ACRE), Rural Community Buildings in England, 2009

⁷ Action with Communities in Rural England (ACRE), Village Halls Survey, 2014

⁸ ACRE 2009. Ibid.

In this context it is not possible to conclude with any certainty as to the proportion of village halls which may meet the four tests for community businesses, and we would welcome further research in this area. However, our research⁹ has indicated strongly that there is a 'core' of village halls which are taking a creative, enterprising approach to generating income and local impact, and that this 'core' is quite rapidly increasing in size. We are very confident that these organisations would meet the four community business tests, and have included an initial conservative estimate of their number (c.900¹⁰) in our market sizing estimate as a sub-group within the community hub sector. We feel that, if anything, this is likely to be an under-estimate, and we would welcome the opportunity to improve our estimate in future years as new information and research into the sector becomes available.

The vast majority of village halls have potential to transition into community businesses. This may, therefore, be a sector of the market which grows significantly in coming years. There is a strong trend towards diversification and innovation among village halls, and as a well-known and often well-located community-managed asset, a village hall provides an excellent basis from which to develop a range of services. Given that there are 10,000 village halls in total, there is potential over time for village halls to develop into one of the largest sectors of the community business market.

⁹ Both our interviews with sector experts, and relevant insights from the research mentioned above. For example, only 2% of village halls employ a full-time manager (but those who do are very likely to be carrying out a range of activities and therefore count as a community business). 9% of village halls earn income from enterprises such as bars, catering and recycling, while others run community shops, hold events, and a range of other activities besides.

¹⁰ This estimate has been derived by firstly taking 10% of all 10,000 village halls, which is in line with estimates of the size of the 'core' from sector experts interviewed as part of the research. From this 1,000, we have removed the 10% of village halls which do not have the usual local volunteer trustee management structure (source: Action with Communities in Rural England (ACRE), Rural Community Buildings in England, 2009), as further research is required in order to confirm what proportion of these organisations may fulfil the community accountability test.

Case study: Westbury Village Hall

Over the last few years, the village of Westbury in Buckinghamshire has lost its only pub, several factories and local businesses, its primary school and its post office. The lack of facilities is a problem for children, who have nowhere to socialise when they come home from school in neighbouring towns, and elderly residents find it hard to travel to nearby towns for basic services and social events. This is despite a 38% increase in the number of houses in the village over the last 10 years.

In 2015, the community decided to raise funds for a brand new village hall, replacing the old one which was no longer fit for purpose, and to integrate a sports hall, community shop and café. The Trustees are all residents of the village, and funds for the project were raised through a community share issue in the business, with each share owner entitled to one vote in company matters at the annual general meeting. A grant from Power to Change helped create the community shop and café.

The new facilities were opened in the summer of 2016, and give local people a place to congregate as well as access to local products and a range of services and activities. They will also improve social cohesion and help isolated older people to become more independent.

ii. Food waste reduction (a new sub-sector within ‘food catering and production’)

While much of the food-based community business sector is relatively static, our research has indicated a rapid growth in organisations working to reduce food waste. This emerging sector includes a wide range of different business models, most of which would not meet the four tests for community business,¹¹ but there are a small number of organisations in the sector which do appear to operate as community businesses. Most of these are ‘Pay-As-You-Feel’ cafés operating under the umbrella network of the Real Junk Food Project. There are also a very small number of community businesses operating other business models in the waste food reduction sector, such as Community Food Enterprise, which has a range of different business lines.

¹¹ Including food banks (not trading or locally accountable), re-sellers of waste food (generally not locally accountable and only open to certain members of the community), household level waste food distribution groups (generally not actual organisations or locally accountable)

Case study: All Hallows Real Junk Food Café, Leeds

All Hallows Cafe opened in 2014 and is one of around 35 cafés which are part of The Real Junk Food Project. The project aims to: 1) reduce food waste; 2) reduce food poverty; 3) build stronger communities. All cafés operate on a Pay-As-You-Feel basis, and allow customers to contribute with either money or donations of time, skills or energy in support of the project. The All Hallows centre opens three days per week and offers a ‘food boutique’ where local people can take what they wish, and a Friday evening bistro to provide a restaurant experience. It has also recently started offering yoga sessions to make better use of its space, and a growing number of similar projects have developed links with local primary schools to provide food for school breakfasts, and with community groups to provide catering services for events.

‘By bringing people from all walks of life together around a table of food, side by side in the kitchen and working together to reduce food waste and food poverty we hope to build better community where we can trust and support each other.’

All Hallows Café website

iii. Community cinema (a new sub-sector within ‘arts centre/facility’)

Neighbourhood cinema has not been researched in detail as part of previous reports, but was highlighted as increasing in scale and prominence by some interviewees this year. The main support provider for the sector, Cinema For All, estimates that there are c.1,300 local cinema groups in England, although only c.40% describe themselves as community cinemas and many form part of other community groups or centres (including libraries, hub buildings or schools). Although the majority of community cinemas operate in urban locations, 35-40% are found in rural areas, which compares to only 3% of commercial cinemas, and they can play a vital role in boosting the local cultural environment and providing opportunities to reduce social isolation among older residents. The sector is currently experiencing relatively rapid growth (around a third of all community cinema projects have started since 2010), and has benefited from strong support from Cinema For All, interest from the British Film Institute, reducing costs for projecting equipment, and an increasing retired population for whom local cinema can be an opportunity to see new and old films, and interact with local residents.

Case study: New Picture House, Dewsbury

Following the closure of all five commercial cinemas in the town of Dewsbury, West Yorkshire, a group of 15 local residents decided to take matters into their own hands, and transformed a vacant building in the town centre into a community cinema: 'a celebration of the picture houses that helped shape the cultural landscape of the town throughout the mid-twentieth century'. The New Picture House was developed entirely by volunteers, used materials donated by local businesses, and benefited from small grants and rates relief from the local authority. Their efforts proved worthwhile, with over 300 people attending films over the first ten screenings. A diverse range of films and features are now shown, with tickets costing £3-4.

Approach to quantitative estimation

Over the past three years we have deployed a range of techniques to produce a quantitative view of the market's size. Although this is particularly challenging in a market that has many blurred boundaries and with limited public (or indeed private) data, we believe our approach has enabled us to develop an estimate that is sufficiently accurate to be useful for the market and its funders.

Our estimate of the total size of the community business market is based on a bottom-up analysis of the 15 component sectors of the market. Through our research we aim to develop a robust estimate of the number of organisations in each sector which meet the four community business tests outlined in Section 1.1. In some sectors, such as transport, the application of the four community business tests is relatively straightforward and it is possible to derive a reasonably objective view on the number of community businesses. However, in some other sectors such as sport and leisure, the judgement as to how many organisations meet the four tests is more subjective. We reach an informed view on this through conversations with key support providers and organisations in the sector.

A key element of our methodology involves drawing on published external research with quantitative estimates of different sub-sections of the market. This year has seen a smaller number of new reports from key support providers than in previous years; for example, The Plunkett Foundation,¹² the Community Transport Association,¹³ Locality,¹⁴ and the Community Shares Unit¹⁵ have all previously released valuable annual or biannual research, but have not yet published a new report in 2016. Where new research has been available, this has tended to focus on specific sub-sectors of the market where community businesses form only a small part of a much larger sector, such as care farming and heritage.

To ensure that this year's research remains as accurate and robust as possible, we have therefore drawn strongly on the expertise of sector experts interviewed as part of the research. We interviewed leading experts from each of the 15 sectors of the community business market, with a single dedicated interview in sectors with a clear leading support provider, such as the Community Transport Association for the transport sector, but up to six interviews in more diffuse sectors, such as food catering and production. Many interviews cover multiple sectors, particularly those with funders or leading support providers across the community business market as a whole, such as Locality.

Where updated quantitative information is not available, we have based this year's market sizing estimates on a growth trend from last year's figures, corroborated where possible with statistics from available external research. As always, we have attempted to align the precision of our estimates with the strength of the data available, and we have been as transparent as possible on the quality of data available in our market sizing table (Appendix A).

¹² State of the Market reports on shops and pubs

¹³ Survey of members (is expected to be produced over coming months)

¹⁴ Survey of members

¹⁵ Annual report on share issuances

2.2 Market size and sector evolution over the year

Sector	No. businesses in 2015	No. businesses in 2016	Category in 2015	Category in 2016	Key trends / factors
Transport	1,000	1,000	●	●	Continuing pressure from local authority funding reductions, but innovative models are emerging and Total Transport Pilots and Buses Bill may present opportunities. Relaunch of Community Minibus Fund from Df,T is a helpful boost.
Food catering and production	880*	900	●	●	Existing organisations surviving but margins remain tight; increasing focus on processing and distribution to improve profitability. Some new organisations in urban/peri-urban areas, especially in food waste reduction.
Energy	325*	340	●	●	Reduction in Feed-In-Tariffs has curtailed pipeline of new organisations, some growth in 2016 as organisations seek to lock in a higher rate tariff prior to the reduction.
Libraries	250	300	●	●	Relatively rapid growth, with seemingly more asset transfers (typically of management rather than ownership) ongoing than any other sector. However, significant challenges remain in securing these new community businesses' long-term sustainability after the end of any initial funding/support from the local authority.
Finance	150	150	●	●	Cross-government support for Credit Unions remains, but financial support continues to be limited, meaning the trend is towards consolidation rather than development of new businesses. Many Credit Unions are prioritising building more sustainable business models ahead of serving financially excluded groups.
Craft, industry and production	500	520	●	●	This diverse sector continues to grow at a slow but steady rate, benefitting from continued societal/lifestyle trends towards localism, waste reduction, and preferences towards local over mass produced goods.
Shops / Cafés	320	330	●	●	Slower growth than previous years, but existing organisations performing strongly. Remains primarily a rural model.
Housing	300	315	●	●	Significant rise in interest over the past year, particularly in urban developments which are often relatively large in scale (c.20-30 properties). Strong finance/support environment, but a lack of funding for feasibility work to secure planning permission for particularly large schemes.
Arts centre / facility	280*	300	●	●	Growth in community cinemas but relatively few other new organisations. Existing organisations generally performing well. Asset transfers are ongoing, but more complex and fewer in number than some other sectors.

Category ● Steady progress ● Growing but at risk ● Growth potential

Sector	No. businesses in 2015	No. businesses in 2016	Category in 2015	Category in 2016	Key trends / factors
Community hub / facility (incl. village halls)	1240*	1300	●	●	Reasonable growth in urban hubs driven by asset transfers from local authorities, and by a strong support environment for turning heritage assets into community businesses. Growth in village hall community businesses as an increasing number look to develop new business lines to improve sustainability and use their asset to deliver a wider range of services.
Sports and leisure	1000	1,100	●	●	Strong growth which is expected to continue, driven by strong interest from DCMS and Sport England in sport for social impact and in generating income through sport assets, and reduction in grant funding from local authorities.
Environmental / nature conservation	320	340	●	●	Good interest in community woodlands and a new support network from the Woodland Trust. Making Local Woods Work has been well received but is focusing on strengthening existing organisations rather than growing the market. Small number of new community-managed parks, driven primarily by asset transfers.
Digital	60	75	●	●	Existing organisations performing reasonably strongly and a few new community broadband groups and hackspaces have emerged.
Health and social care	60	75	●	●	Small number of new organisations focused entirely on health and social care (incl. some care farms), but more commonly this is an important area of secondary benefit / revenue for many across other sectors. Growing interest in social prescribing from some clinical commissioning groups such as Rotherham and Bromley by Bow.
Pubs	35*	40	●	●	Reasonable growth this year, though remains a challenging sector in which to make ends meet; diversification increasingly important. New More Than A Pub support programme should stimulate further growth.
Total	6,720	7,085			

Category ● Steady progress ● Growing but at risk ● Growth potential

* 2015 figures for a few sectors have been restated following the addition of new sub-sectors (village halls added to community hubs cinemas added to arts centres), realignment of sectors (arts centres / community hubs, where heritage-based enterprises have transferred across), or where new information has become available through this year's research (energy, food catering and production).

2016 has proven another strong year for the community business market, with the number of community businesses growing from approximately 6,720 to 7,085 (c.5%) on a life-for-like basis. This compares favourably to the broader voluntary sector, where the number of organisations with income between £10k and £1m increased by just under 1% to 76,627 in 2013/14 (most recent available figures),¹⁶ and the broader business sector, where the number of organisations with between 1 and 49 employees increased by 2.3% to 5.4m in 2015 (most recent available figures).¹⁷

However, as in previous years, this overall picture masks significant variation between sectors of the community business market.

A clear trend throughout our research is the resilience of community businesses, and we hear virtually no reports of community businesses ceasing to trade. Consequently no sectors have reduced in size. In terms of overall numbers, the strongest growth has come from the sport and leisure sector, and evidence from our research indicates that this is likely to continue over the coming year with a strong policy steer from the Department for Culture, Media and Sport (DCMS)-towards using sport for social impact, and reducing grant income from local authorities. A forthcoming Community Asset Fund from Sport England¹⁸ is likely to further accelerate growth.

Strong growth has also been seen in the energy and library sectors, but in both cases there are significant concerns for the future, and these sectors remain in our 'growing but at risk' category. While existing energy projects should remain viable, the pipeline of new organisations has been substantially curtailed by forthcoming cuts to Feed-In-Tariffs, and future models will need to be more innovative in order to succeed. Libraries are being transferred into community management at an unprecedented rate. Indeed a 2014 report¹⁹ suggested that 10% of the UK's c.4,100 libraries were likely to be under community management within 5 years. There are significant concerns across the sector regarding the long-term sustainability of many of these services, but the issue is at least receiving considerable policy attention, with the last 12 months seeing the launch of a government consultation,²⁰ a DCMS taskforce²¹ and Community

¹⁶ NCVO: *Voluntary Sector Almanac: 2015 and 2016*

¹⁷ Department for Business, Energy and Industrial Strategy: *Business Population Estimate: 2014 and 2015*

¹⁸ Sport England: *Towards an Active Nation: Strategy 2016-2021*, May 2016

¹⁹ Common Libraries: *Response to DCMS consultation (below)*, June 2016

²⁰ DCMS: *Libraries Deliver: Ambition for Public Libraries in England 2016-2021*, March 2016

²¹ See: <https://librariestaskforce.blog.gov.uk>

Libraries Toolkit,²² three research papers from Arts Council England,²³ and a BBC investigation,²⁴ all focused on the sustainability of the UK's library services.

The transport and food catering and production sectors were both classed as 'growing but at risk' in last year's report, with concerns regarding local authority subsidy reductions and marginal business models respectively. However our evidence from this year's research indicates a stabilisation in both sectors, with innovative models emerging in community transport and in the food sector and relatively few organisations closing in spite of ongoing financial challenges.

Conversely, both the digital (primarily community broadband) and environmental conservation sectors were highlighted in last year's report as having particular 'growth potential', but there is little evidence yet of this being realised on a significant scale. We have reclassified these as 'steady progress' for this year. Community broadband remains a relatively complex model to implement and no new support programmes have emerged, although a few new community businesses have started operations. While asset transfers of woods and parks are ongoing, this has not accelerated in the same way as with libraries or sports and leisure facilities.

Looking forward to 2017, there appears to be particularly strong potential for growth in a number of areas, alongside sport and leisure and libraries mentioned above:

- **Housing:** There is growing interest in community housing projects (in spite of a number of recent unfavourable policy changes), driven by an increasing lack of affordable housing in many areas and a growing recognition of the reliable long-term income stream afforded by successful community housing projects. Interest from a number of key stakeholders in the sector may bolster the finance and support environment over the coming year, and over the medium term the sector may benefit from renewed government interest in building more homes for rent.
- **Community hubs:** There is increasing opportunity for enterprising local groups to come together to take over management of local buildings and convert them into hubs for the delivery of local services. This is driven by a number of factors, including:
 - Mounting pressure on local authorities to reduce costs by streamlining local service provision

²² DCMS: *Community libraries: good practice toolkit*, March 2016

²³ Arts Council England: *Community engagement in public libraries*, February 2016; *What do people want from libraries*, February 2016; *The value of libraries*, December 2015

²⁴ BBC: *Libraries lose a quarter of staff as hundreds close*, March 2016 (see also links to underlying data collected from 207 Local Authorities via FOI requests)

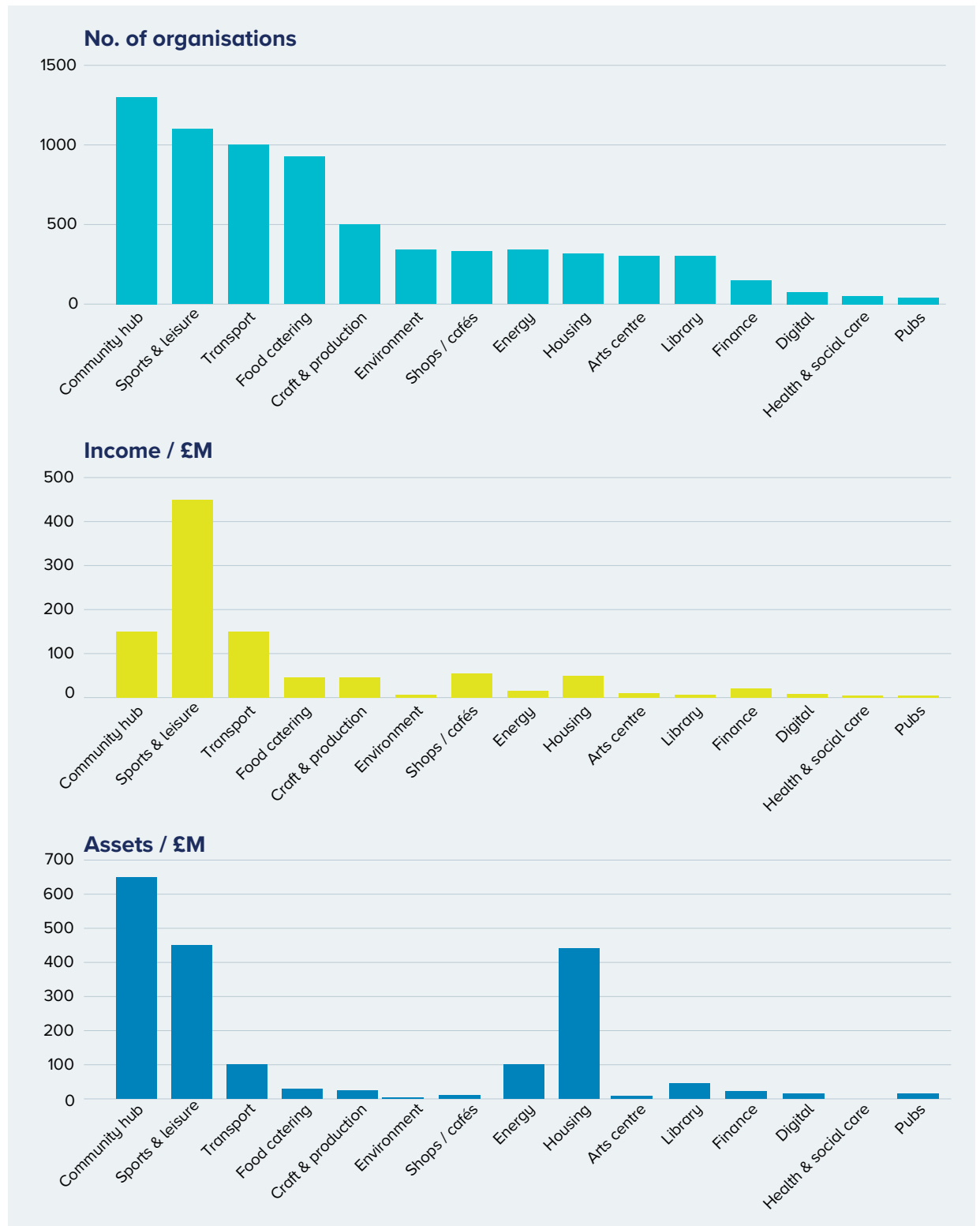
- Policy momentum towards home-based care for vulnerable people, and growing focus on social isolation
- Local authority interest in reducing building maintenance costs by transferring management to community groups
- Increasing interest in some areas in involving local VCSE organisations in service delivery

There is particular interest in developing community hubs within heritage buildings which are at risk of dereliction or destruction. The heritage sector has a particularly strong finance and support environment, led by the Heritage Lottery Fund and the Architectural Heritage Fund, and a new £3m support programme funded by DCMS should accelerate growth in this area.

- **Pubs:** The new £3.6m More Than A Pub programme, jointly funded by Power to Change and the Department for Communities and Local Government (DCLG) with delivery led by Plunkett Foundation, has an ambitious target to launch 80 new community pubs over the next two years. With all the key support providers for the sector involved, this should be a driver of significant growth in the sector.
- **Health & social care:** With growing interest from commissioners in community-based models of care and a pressing need to improve support for vulnerable people living at home, our research has indicated growing opportunities in this area for community businesses. There are three main sources of funding being explored by community businesses: local authority (typically Adult Social Care) or clinical commissioning contracts, personal budgets, and individuals paying directly from their own money. Over the coming years it will become clearer which of these offers greatest potential for growth.

Our research indicated interest in health and social care from a diverse range of sectors within the community business market, including community hubs, food production (care farming), transport, sport and leisure and village halls, each with their own ideas on how they could add value in this area. In this context, and with considerable uncertainty regarding the types of opportunities which may emerge through Local Authorities and Clinical Commissioning Groups (CCG), it seems likely that pre-existing community businesses will be best placed to take advantage of early opportunities that arise in health and social care, and for these organisations health and social care work could form a valuable area of secondary impact and a useful additional income stream. However, as the number of examples of successful models increases over the coming years, we also expect more new organisations to emerge whose primary focus is on delivering and health and social care services. Over the medium term this may become a rapid area of growth. See Section 3.2 for further details.

Figure 3: Market size by sector



2.3 Deep dive into key changing sectors

In this section we explore four key sectors where we have seen considerable change over the past year, and in doing so we also highlight the diversity and vitality of the community business market as a whole. Firstly, we look into the community housing sector, which has seen considerable growth in interest from communities and policymakers alike over the past year, especially in urban models. Secondly we turn our attention to sport and leisure, which has experienced more growth in new organisations over the past year than any other sector; a trend which appears set to continue with strong policy direction from DCMS and a new Community Asset Fund from Sport England. Thirdly, we comment on the community energy sector; formerly one of the fastest growing areas of the market but now undergoing rapid changes as a result of reductions in Feed-In-Tariffs. And finally, we review community libraries, where asset transfers have become more common than in any other sector, but where considerable uncertainties remain regarding these new community businesses' medium-term sustainability.

Housing

The past year has seen substantial new interest in community housing, with increasing recognition that these models can offer a reliable, long-term income stream while also delivering significant social impact. Coupled with this is a relatively well-established ecosystem of support, a strong understanding of the challenges facing these projects, and a 2016 Budget commitment of £60m to support community-led housing in rural and coastal areas. We estimate that the sector totals around 310-320 community businesses, including around 170 Community Land Trusts (CLTs), and around 140-150 organisations using other structures, such as co-operatives²⁵ or Development Trusts, where a proportion would meet the four community business tests. Community housing projects can be engaged in either new build, renovation of existing properties (often referred to as 'Self-Help Housing'), or a combination of the two. Most community housing projects aim to develop properties for either rent or sale at genuinely affordable rates, and the sector also includes around 20 co-housing projects, which are small communities with shared services.

CLTs are an important component of the sector and have traditionally been located predominantly in rural areas, where they have often had a focus on new-build projects. However, an increasing lack of affordable housing in urban areas has resulted in a recent rise in the number of urban CLTs. These are typically considerably larger in scale than projects in rural areas, and the average size of new-build community housing projects has roughly doubled

²⁵ Most housing co-operatives would not qualify as community businesses as they exist primarily for the benefit of members of the co-operative (typically tenants), however a small proportion would qualify where their ambition includes a strong commitment to the broader community; for example, where a project may include a new community shop or bakery.

over the last 5-8 years, to around 20-25 properties per development. This ambition is resulting in projects which are more complex and costly, but also potentially more impactful in their local area. Access to affordable land in urban areas can be a key challenge for this kind of organisation, and projects may seek access to brownfield sites or disused land owned by the local authority.

There is also continuing interest and activity in projects to renovate empty properties, which is most common in urban areas. This can offer a quicker, more straightforward and lower cost alternative to new build, and also more easily lends itself to incremental growth. Whereas new build community businesses are typically focused, at least initially, around the development a single relatively large-scale site with multiple properties, renovation projects more commonly start with a single or small number of properties and expand steadily over time.

Neighbourhood Planning, a new tier of planning introduced under the Localism Act 2012, is becoming increasingly popular and as housing is a key issue for the majority of Neighbourhood Plans, this is fuelling a growth in community housing in some areas as communities seek control over how the homes set out in their Plan are delivered.

Nonetheless, the sector faces considerable headwinds. A handful of community housing projects are registered as housing associations ('Registered Providers'), and a larger number have partnered with these organisations. Among these community businesses there have been considerable concerns regarding a planned 1% reduction in social rent levels between 2016 and 2020 and the extension of Voluntary Right to Buy to housing associations. The former has largely been allayed after CLTs and co-operatives were excluded from the legislation, although it remains to be seen how this will impact on community businesses that are partnering with Registered Providers. The Voluntary Right to Buy is potentially very difficult for some organisations, and the CLT sector is seeking to secure an exemption from this.

Financial viability also remains a challenge in many cases, and to retain genuinely affordable sale prices or rents there is typically a need to either sell some properties at market price, or secure subsidy in the form of land or grant. The reduction in government grants for affordable-rent projects is a significant challenge as the primary need, particularly in rural areas, is for rental properties. Finally, there remains a shortage of funding for pre-development work, which is not viable at scale through investment alone; partial grant funding is typically required to enable projects to carry out work to secure planning permission. The DCLG Community Buildings grant programme provides grants of up to £50k for this work which is very helpful, but this is insufficient to carry out full feasibility and planning work on larger schemes.

Case study: The Rural Urban Synthesis Society (RUSS), Lewisham

The RUSS is a volunteer-led Community Land Trust in South London, founded in 2009 with the aim of creating sustainable neighbourhoods and affordable homes in Lewisham. In Autumn 2015, after six years of hard work, the group secured 'preferred bidder' status on a brownfield site owned by Lewisham Council, which agreed to make the land available at a rate which facilitated the development of affordable housing.

Plans have been drawn up for a 33 property development, containing a range of houses and flats of different tenures and sizes in order to create a truly mixed community made up of people from diverse backgrounds in the local area. The project will include a significant element of co-design and self-build, and a ballot was held to select local residents for the development. The project will also deliver construction training opportunities for young people. A planning application is expected to be submitted shortly, with construction beginning in early 2018. The group has more than 500 members and any local resident can join, with community shares available from £1.

'We aim to establish a new precedent, a replicable model in community-led housing that will benefit people currently unable to access housing on the open market. As a Community Land Trust we invite all local people to get involved, become a member of RUSS and participate in the realisation of this project'

Karen Dayes, RUSS Chair

Sport and leisure

Sport England estimates that there are c. 65,000 affiliated sports clubs in England, and many more which are not affiliated. Only a fraction of these are run as community businesses, but a small proportional shift can result in relatively rapid growth in the number of community businesses. The sport and leisure community business sector is made up of approximately 1,000 sports clubs which have a strong social impact beyond their core sporting purpose, in addition to around 40-50 swimming pools, 25-30 leisure centres, and 10-20 multi-facility organisations.

We estimate that around 100 new community businesses have been established in the sector over the past year, making this the fastest growing sector in the market. This rapid growth is being driven by a number of coinciding factors. Firstly, there is a favourable policy direction from central government; the new DCMS strategy places strong emphasis on utilising sport to achieve positive social impact, and on reducing reliance on grant income. These themes have fed through to Sport England and National Governing Bodies' strategies

and funding provision. Secondly, many sports clubs have traditionally relied on some form of grant funding from their local authority, which is often now declining. This is requiring these organisations to identify and develop new ways to generate income. And thirdly, in some cases local authorities are looking to transfer management of their sport and leisure to communities / clubs in order to reduce maintenance costs. Recent research has indicated that sport and leisure is one of the most common sectors in which local authority asset transfers are taking place.²⁶

'We seek to increase the number of people who engage in sport and activity, not for its own sake but for the wider benefits it can bring, in terms of physical and mental wellbeing and individual, community and economic development. [DCMS's new Sporting Futures strategy] asks us to invest where the impact on these wider outcomes will be greatest.'

Jennie Price, Chief Executive of Sport England, in Sport England's new 2016-2021 Strategy Document: Towards an Active Nation

However, there remain considerable challenges as the sector expands. Aside from larger swimming pools and leisure centres, the sector relies almost entirely on volunteers, and clubs often lack the relevant skills and expertise to manage an asset and a business. The transition to a community business can also present considerable cultural challenges. A wholly new way of thinking is often required in order to explore non-sporting business lines, or new ways to use sport to generate social impact. Clubs in newer sports, such as boxing, skateboarding and judo tend to be keener to explore these areas.

Case study: Lewes Football Club

Lewes Football Club plans to turn their stadium into a 24/7 community village, transforming a community-owned football club into a social enterprise central to the community, with a diverse revenue base and a financially sustainable future not reliant on match-day related income. The club has already raised £850k (incl. £220k from a community share issue) which funded a new 3G pitch which is rented out to local groups to raise additional income, and they are now in the process of raising £1.3m for a multi-functional clubhouse with a community café, which will be a delivery point for a range of new and innovative local services. The club has also partnered with a mental health charity, Sussex County FA and Sussex Police to launch a 'football therapy' service.

²⁶ Power to Change: A common interest: *The role of asset transfer in developing the community business market*, November 2016

Energy

Changes to Feed-In-Tariffs (FITs) since 2015 have affected the viability of many community electricity generation business models, and most prospective electricity generation projects are now seen as unviable. While energy was a rapidly expanding sector in 2014/15, with 76 green energy start-ups in 2015, only 10 have been registered in 2016, and only some of these are for electricity-generating projects.

Several sector experts have also indicated that the broader policy environment remains uncertain. Only c.25% of community energy businesses employ staff, so the relatively complex regulatory and technical requirements of energy projects mean that volunteers must commit significant time to business planning. A constantly shifting policy environment – including FITs, tax reliefs and regulation – means that community businesses are often unable to respond to policy changes as quickly as private sector companies. Many feel the government is not supporting the sector adequately, despite pledges to reduce the country's reliance on non-renewable energy.

However, communities' desire to reduce emissions remains strong, and some interesting alternative models are emerging in the sector. Many electricity-generating businesses are exploring partnerships with building and businesses (e.g. factories, schools) that would benefit from a direct supply of energy as an alternative to selling energy into the grid. Energy storage projects and demand management projects are also being explored, whereby energy usage is matched with times that renewable energy is being generating, or when tariffs are cheaper.

There is also growing appetite for community energy saving projects, which include both heat efficiency and demand reduction initiatives. However, the viability and sustainability of these business models remains unclear, and many emerging community businesses in this area are currently reliant on grant funding.

Case study: Pennine Community Power

Pennine Community Power is a Community Benefit Society formed in 2012 by members of the community in the upper Calder Valley of West Yorkshire. With finance raised through a community share issue, the business installed a 10kW wind turbine which generates renewable energy that is sold to the National Grid. In its first four years the wind turbine has generated 100,000 kWh of electricity – enough to power the average UK household for over 26 years. After an initial period, shareholders have received a return of 4% interest a year, with a comparable amount going into a Community Fund that makes grants to local projects, including the Calderdale Flood Relief Fund.

In the face of changes to Feed-In-Tariffs, Pennine Community Power is exploring alternative electricity generation opportunities. For example, the organisation has recently provided solar panels on a local primary school to provide energy and reduce CO2 emissions. They are now exploring a Power Purchase Agreement with a local ethical wholesaler with solar panels at the site to provide good value, environmentally friendly power.

Libraries

The number of community libraries is continuing to grow rapidly and there are currently approximately 450 volunteer-run libraries in England, although many have not yet moved into trading as a route to financial sustainability. After initial scepticism and a lack of skills in some cases, many local authorities are becoming more comfortable with transferring libraries into community ownership to avoid unpopular closing of services. Good support is often provided to community groups during this process (both financial and technical), but it remains to be seen to what extent this is continued over the medium term.

Very few community-run libraries have ceased operations so far, but there is a pressing need to innovate to ensure this continues. Even with a volunteer workforce, the costs of running a library are relatively high and most organisations are currently dependent on grants and vulnerable to large one-off expenses, such as building and maintenance costs. Where there are success stories (and there are a growing number), this is typically through organisations using their asset creatively to offer other services in the library building and turn it into a community hub, such as providing meeting spaces for local groups, running a community cinema, attracting local sponsorship and hosting local events. The challenge now is to replicate these examples.

To this end, there are an increasing number of technical resources that offer advice and examples of good practice to community libraries, for example

Locality's Community Knowledge Hub,²⁷ and DCMS's good practice toolkit for community libraries.²⁸ There is a growing realisation that if community libraries are to deliver a substantial portion of library provision then they must be supported adequately, though there remains little bespoke financial support available.

Sustainability of these services is likely to be especially challenging in both rural and less affluent areas, as most community libraries rely strongly on large numbers of skilled and dedicated volunteers.

Case study: Little Chalfont Community Library

Little Chalfont Community Library is a pioneer of the community library movement, one of the first to transition a local authority library under threat of closure into volunteer ownership and control. Established 2007 and entirely volunteer-run, Little Chalfont Community Library offers all the public services available from a County Library, as well as a range of other services, including computer access and IT classes, a craft base Knit & Knatter group, reading groups, language classes and regular film showings. The library space is also available as a low cost meeting venue. Since transferring into community ownership, library footfall and book stock has increased, and the library has developed much closer linkages to local businesses and community groups.

²⁷ <http://libraries.communityknowledgehub.org.uk/content/community-knowledge-hub>

²⁸ DCMS: *Community libraries: good practice toolkit*, March 2016

Chapter 3. Outlook for the year ahead

Key Insights

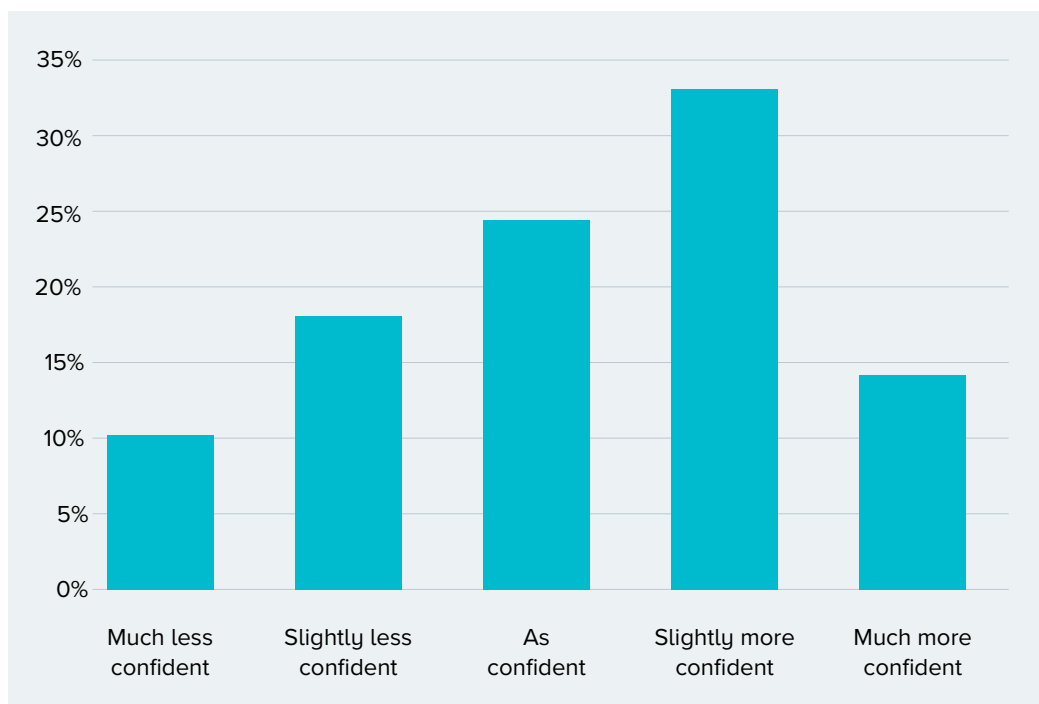
- Confidence levels in the community business market appear relatively high overall. This year's survey included an assessment of respondents' business confidence, and returned an average score of +11 on a scale from -100 to +100.
- The majority of organisations expect their income from both trading and grants to increase over the next 12 months, and most expect to hire more paid staff and grow their volunteer base.
- Nonetheless, many organisations remain cautious and uncertain about the future, particularly in relation to reducing public sector funding and unknown implications of Brexit in the medium term.
- A rising number of community businesses are involved in health and social care delivery, though for most this remains a useful additional income stream rather than a primary business line.
- Community asset transfers continue to drive steady growth across many sectors, particularly libraries; and a number of community businesses are involved in local consortia of VCSE organisations which are emerging in a few pilot areas to bid for public service contracts.
- 2016 has been a strong year for the community business support ecosystem, with a number of initiatives and funds launched. However, there remains no prospect of a large scale replacement for the Community Assets and Services Grants Programme, which supported 750 organisations between 2012 and 2015.

The final chapter of this year's report reflects on our interviews with sector experts and community businesses, alongside our survey of 158 organisations, to provide a view as to what the year ahead may hold for the sector. As with much of our analysis, we find that trends here vary greatly between sectors. We therefore aim to draw out this nuance, while also highlighting trends across the market as a whole.

3.1 Business confidence

The overriding picture from this year's research is one of resilience and, in many sectors, hesitant optimism. The net confidence score from our survey respondents is +11, on a scale from -100 to +100, with confidence particularly high among housing and community hub organisations, in particular (net confidence scores of +41 and +27 respectively). Overall, 47% of respondents felt more confident about the year ahead, compared to the past 12 months, compared to 28% who felt less confident.

Figure 4: How do respondents describe overall confidence in the financial prospects of their business over the next 12 months compared to the last 12 months



Our survey suggests a significantly higher confidence level when other more specific measures are considered. Only 8% of respondents expected to reduce their staffing levels over the coming year, compared to 50% who expected an increase and 42% who expected no change. Similarly, only 2% of respondents expected their volunteer levels to reduce, compared to 58% who expected an increase and 39% who expected no change. It is encouraging to see community businesses continuing to secure such strong engagement and involvement from their local community.

In terms of income, the picture is more mixed, but still very positive overall. 71% of respondents expected their trading income to grow over the coming 12 months, and more than a third of these expected an increase of more than 15%. Only 1 in 10 respondents expect their trading income to decline over the coming year. Respondents are nearly as optimistic for grant income. Among those who receive grant income (c.90% of respondents), 50% expect this to increase over the coming year, a further third expect no change, and only 21% expect their grant income to decline.

In this context one might wonder why overall confidence levels (as per the first paragraph above) are not more positive than the overall score of +11 would suggest. Our interviews suggest that an important consideration for many community businesses is uncertainty, related in some cases to Brexit and resulting shifts in perceived government policy and direction, as well as more local factors and trends. This can dampen optimism in the face of strong financial performance.

Our findings suggest a relatively high level of confidence among community businesses compared to other small businesses. According to the most recent research from the Federation of Small Businesses, confidence levels among small businesses have been falling over the past year and dipped into a net negative position in Quarter 3 of 2016,²⁹ compared to the overall position of +11 in our community business survey. And while not directly comparable, only 7% of small businesses had increased their headcount over the past 3 months, compared to 31% of respondents to our survey who indicated that they expected to take on more staff over the next 12 months, and 20% who had done over the past 12 months.

Impact of Brexit

A number of interviewees mentioned the impact of Brexit among their considerations for the community business sector, with a range of issues raised.

Firstly, some organisations, including some support providers, receive funding directly through EU initiatives. This is now seen as under threat, though evidence from this year's research suggests the number of organisations in direct receipt of EU funding is probably relatively low. Wales and Scotland (outside the scope of this research) form priorities for EU initiatives in the UK, along with Cornwall and, to a lesser extent, the North of England. The government has committed to maintaining EU funding programmes until the end of the current parliament in 2020, but considerable uncertainty remains thereafter, particularly for some support providers reliant in part on this source of income.

Secondly, some support providers and sector representatives felt that the

²⁹ Federation of Small Businesses: *Voice of small business index*: Quarter 3 2016, September 2016

political fallout following the referendum had resulted in a reduced emphasis on the VCSE sector in central government (for example, through the Office for Civil Society being transitioned from Cabinet Office to DCMS), and that this may make it more challenging to influence policy going forward. Clearly this remains to be seen over the years ahead. More broadly, some reported a sense that strengthening communities and their management of assets and services was no longer seen as a priority since the 2015 General Election.

Finally, however, several respondents noted that Brexit may over time present new opportunities, particularly if, as a few respondents suggested, EU funding were replaced by some form of regional funding programme from the UK government focused on disadvantaged areas.

Clearly it remains too soon to speculate with any accuracy on the long-term impact of Brexit on the sector, and this will remain an area to watch over the coming years. Research from this year has indicated, however, a level of uncertainty which may be dampening optimism for some community businesses and support providers in the sector.

3.2 Changing relations with the public sector

Engagement with the public sector is a key theme for many community businesses, and c.90% of respondents to our survey indicated that they had had some engagement with their local authority or another public sector body. Encouragingly, most appear to have had a broadly positive experience, with 57% indicating that their local authority had been 'supportive' or 'very supportive', compared to only 18% who reported that the authority had been unsupportive.

Opportunities in health and social care

This year's research has indicated a continuation of the growth reported last year in health and social care opportunities. Social prescribing remains a niche, but is nonetheless growing and seeing considerable interest from CCGs and Local Authorities with a number of pilot programmes ongoing. More broadly, there is a growing recognition of the challenges posed by an ageing population, such as rising numbers of people experiencing long-term health conditions, social isolation and an inability to access local services. In this context, commissioners of health and social care services (often a combination of Clinical Commissioning Groups and local authorities) are increasingly keen to explore opportunities to support vulnerable residents to remain at home, and make use of social-based interventions where appropriate.

Social prescribing

Social prescribing is a way of linking patients in primary care (typically those using GP services) or those with long-term health conditions with sources of relevant support within their community. It provides GPs and other medical services with non-medical referral options that can operate alongside existing treatments to improve health and wellbeing, such as exercise groups, arts classes, volunteering opportunities and adult education courses. In some areas a team of dedicated social prescribing co-ordinators help to identify the most appropriate services for an individual's needs. Social prescribing typically involves a clinical commissioning group or local authority commissioning services from a consortium of local voluntary and community sector providers, who receive payment as and when an individual is referred to their service.

Community businesses are well placed to respond to these pressures. There are three main potential funding streams available:

- Commissioning through a local authority (primarily Adult Social Care)
- Commissioning through a Clinical Commissioning Group
- Making use of personal budgets

In addition to this, a few organisations have been able to secure funding from large health and social care charities, probation trusts and other sources.

For most community businesses, health and social care funding offers the possibility of additional income alongside other services. For example, a number of farming-based organisations have developed a care farming business alongside their core work; securing funding from a local authority, CCG or probation trust to provide volunteering opportunities to individuals experiencing mental health issues or recovering from substance misuse, for example. Similarly, there is growing interest in the community transport sector in securing funding to support the provision of home-based care for vulnerable people, and some community hub organisations are exploring opportunities to attract funding to utilise their hub to act as a central focal point for the delivery of a range of services to elderly residents.

There are also a small number of community businesses which are focused entirely on health and social care, having set up for this purpose and secured sufficient income to operate entirely in this way. However, such organisations remain very small in number, and while this appears likely to grow slowly over the coming years, it seems more likely that the primary impact of emerging opportunities in health and social care will be in new potential revenue streams for existing community businesses operating across other sectors.

Case study: Care Farming at Greenslate Community Farm

Greenslate Community Farm began in 2013 when a local group, Billinge and Orrell in Transition, took on the lease of an overgrown 17 acre council site outside Wigan. They turned the site into a community farm which now covers some 30 acres. An enthusiastic team of volunteers have transformed the site into a viable farm with crops, livestock, a market garden and managed woodland.

The farm has secured an arrangement with Wigan Council to provide therapeutic volunteering opportunities for people with additional needs. Volunteers typically attend the farm for 1-2 days per week, and receive support from experienced and qualified staff on a 3:1 basis. Although formal qualifications are not offered, life skills are encouraged and developed in every session, and person-centred planning is at the centre of each activity.

The farm has also attracted funding from Public Health England to build a new straw bale community building which will house offices, classrooms, a café, a commercial kitchen and farm shop, enabling the farm to broaden the activities it offers.

Changing contracting environment

Many community businesses have small scale contracts to deliver services for their local authority. However, local authority budget cuts have seen the contracting environment toughen in recent years. While central government policy supports greater involvement of VCSE organisations in public service delivery, the realities of budgetary pressure means many local commissioners are minded to amalgamate small contracts into larger packages which can be out of reach of smaller providers,³⁰ and allow price to take precedence over quality in value for money calculations. Smaller providers can also often be excluded as a result of not meeting stipulated conditions, such as minimum turnover requirement, or a requirement for certain levels of public liability insurance which may not be proportionate to the scale and complexity of a contract.³¹

However, there are a number of examples of community businesses and other VCSE organisations coming together successfully to form consortia jointly for locally commissioned contracts, and this trend does appear to be slowly gaining traction. A Lloyds Bank Foundation survey³² of charities found that 35% had joined some kind of consortium to try to increase their capacity and ability to bid for contracts, though the success of these initiatives remains relatively unproven

³⁰ IPPR North: *Too small to fail: how small and medium sized charities are adapting to change and challenges*, February 2016

³¹ Ibid.

³² Lloyds Bank Foundation: *Expert yet undervalued and on the front line: the views and voices of small and medium charities*, July 2015

and governance arrangements can be complex and potentially expensive. The Young Lives Bradford Consortium is one example of a successful consortium, and has had strong backing from the local authority. As examples such as this become more widely embedded and known, new areas may be encouraged to explore this way of commissioning innovative locally-based services. However, forming such consortia not only requires development funding to pay for a central co-ordinating hub, but also a local commissioning ecosystem which is open to the possibility of procuring services from the VCSE sector in this way.

‘Contracts are bigger and more centralised, squeezing out smaller local charities. There is insufficient support for costly consortium bidding’
Respondent to community business survey

One helpful initiative which may accelerate this process is the new 2015 Public Contracting Regulations, which are now becoming more widely recognised and better understood. The regulations give local commissioners powers to ring-fence tenders for VCSE providers, and to commission an Innovation Partner with whom they can co-develop a service (rather than commissioning a pre-specified service). There are currently only a handful of examples of these powers being utilised, but one pioneering example can be found in Peterborough where the Council has partnered with Peterborough Plus, a new consortium of over 40 voluntary and community sector organisations, to develop new preventative services. The consortium has recently secured £1m in funding from the European Social Fund and Big Lottery Fund to deliver a programme to support those furthest from the labour market back into work.

The Social Value Act was introduced in 2012 and requires commissioners of public services to consider wider social, environmental and economic benefits in the commissioning process. It was hoped that this would strengthen the ability of VCSE organisations to bid successfully for public sector contracts and there is evidence of this happening in some areas; however, overall awareness and knowledge of the Act remains relatively low³³ and no interviewees we spoke with mentioned it, suggesting a limited relevance to date for community businesses.

Local authority asset transfers

The past year has seen continuing momentum behind the transfer of assets from local authorities to community groups, and this is the key driver of growth in a number of sectors. There continue to be transfers of parks, hub buildings, sports facilities, brownfield sites, arts centres and heritage buildings into community hands, and indeed this is the primary driver of the slow but steady growth seen in many of these sectors. However, it is libraries where our research suggests that the process has become most widespread over the past year, and where acceleration has been strongest. We estimate that around 50 libraries

³³ Cabinet Office: *Social Value Act Review*, February 2015

have been transferred into community management in 2016, taking the total to c.300. With the process showing no sign of abating, there is a growing need to develop sustainable business models in this sector.

As knowledge and understanding around asset transfers grows, a key challenge emerging through this year's research is the need for the relevant local authority and community group to agree an appropriate balance of control over the asset's ongoing management. While local authorities are generally keen to hand over responsibility for maintenance of an asset and its day to day running, they understandably prefer to retain an element of control in the management of the facility; typically seeking to transfer leasehold rather than freehold, for example.³⁴ This desire to retain control and influence can cause tensions with a community group which may be keen to develop its business independently and quickly, and use the space as they see fit. In most cases the interests of the local authority and community group are broadly aligned, but if there is a need for business plans to be approved by the local authority, for example, this can slow progress towards self-sufficiency. Recent research conducted with local authorities also suggests that there can be a tension internally between a need to maximum short-term revenue yield through an asset transfer and a desire to manage the asset and any potential transfer in such a way as to maximise social value from it over time.³⁵

Alongside this, there continue to be capacity constraints on both sides. In many local authorities one key individual can hold responsibility for community asset transfers across the council, and should they move on or become busy with other work, this can delay or derail a process. Elsewhere, responsibility may be shared between multiple individuals in different departments,³⁶ with no clear lead or responsibility. Similarly, community businesses can also be heavily reliant on a few key volunteers to move the process forward, and there is relatively little external support available to fill gaps in key areas of technical expertise, such as accounting, law and governance.

'We will be taking over the running of the park; in the past we just supported the council to run it. Huge increase in responsibility; untested model, uncertainty regarding council levels of funding.'
Respondent to community business survey

Nonetheless, there are a growing number of successful examples of asset transfers across a range of sectors, and for community groups the appeal of the process remains clear and strong – saving a well-loved local asset can engender widespread community support and goodwill, and a well-located and locally-known building can be a fantastic starting point from which to develop

³⁴ Power to Change: *A common interest: The role of asset transfer in developing the community business market*, November 2016

³⁵ Ibid.

³⁶ Ibid.

a business over time to serve local residents. With local authority budgetary pressure likely to continue for the foreseeable future, and a growing number of successful examples, asset transfers look set to continue being one of the strongest drivers of growth for the community business market as a whole.

3.3 Evolution of the support market in 2016

2016 has been a broadly positive year for the community business support market, with a number of new funding and support initiatives launched.

Figure 6: New support programmes and funding opportunities in 2016

Community Business Fund	£10m for community businesses in all sectors from Power to Change.
Community Minibus Fund	Relaunched with £2m from the Department for Transport for community transport organisations to purchase new vehicles.
More Than A Pub Fund	£3.6m from Power to Change and DCLG to support the development of up to 80 new community pubs, with delivery led by Plunkett Foundation.
Growing Community Enterprise Through Heritage	£3m from DCMS to support community ownership and management of heritage assets.
Community Asset Fund	New funding expected shortly from Sport England to support community sports clubs to take a stronger role in the management of facilities and assets.
Community Business Bright Ideas Fund	£1.85m in joint funding from Power to Change and DCLG to provide up to 15 days of support and grants of up to £20,000 to organisations developing new community business ideas.
Community Housing Early Stage Support Programme	Two year programme from Nationwide Foundation to support 22 new community housing projects get their proposal off the ground.
Community Shares Booster Programme	£1m from Power to Change to provide support for community share issuances.

Making Local Woods Work	Intensive operational/technical support package from the Big Lottery Fund for up to 50 local woodland projects, though no grant funding attached.
Launch Pad & Sustain	Both from Cinema For All. Launch Pad provides intensive coaching and bursaries to help community cinema groups put on their first two screenings; Sustain provides coaching, support and bursaries to existing organisations.
Neighbourhood Cinema Equipment Fund	Funding from British Film Institute for community cinema groups to purchase new equipment, such as projectors and screens.

Nonetheless, while these schemes offer exciting and valuable opportunities for organisations in certain sectors, the loss of the large-scale and wide-ranging Community Assets and Services Grant Programme from DCLG is still being felt. This supported nearly 700 organisations between 2012 and 2015, with grants of between £3,000 and nearly £500,000. In particular, the element of this funding which appears to be most sorely missed is small scale grants of less than £10,000, which accounted for more than 600 of the 750 grants made in total, although only 27% of total funding dispersed through the programme. These small grants were used by both emerging and existing community businesses to fund, for example, feasibility and legal work associated with a new project. There is now very little funding for this kind of work available, with many organisations reporting that remaining funders are unwilling to fund preparatory work such as this, which typically does not have an immediate impact. In the medium term, the lack of this kind of funding may hinder the continuing expansion of the market in sectors where other funding is not available, although the new Community Business Bright Ideas Fund is a welcome addition and should go some way towards plugging the gap, with support available for around 80 projects.

2016 has also seen the closure of the Community Ownership and Management of Assets (COMA) programme. This year long scheme supported 51 potential community asset transfers, focused primarily on relatively large-scale, complex projects. It is to be hoped that the examples emerging from this process form 'best practice' case studies to inspire and inform future asset transfers of this kind.

Making Local Woods Work: A new programme of support for the community woodland sector

Making Local Woods Work was launched in early 2016 and aims to provide support to 50 community woodland projects over three years. It is funded by the Big Lottery Fund and led by Plunkett Foundation, which is working alongside a range of key support providers in the sector to deliver the programme.

Our research has indicated that **Making Local Woods Work** has been very well received in the community woodlands sector, with a number of useful features:

4 days of specialist support provided for all participant businesses – this provides sufficient time for a consultant to not only get to know the business in detail (which typically takes 1-2 days), but also to develop tailored advice and suggestions accompanied by a detailed and realistic road-map for implementation. Consultants are also sector specialists, so are highly knowledgeable and able to share experience from other projects.

An additional 12 days of specialist support for 30 participant businesses – this provides sufficient time for a consultant to actually begin to implement their proposed next steps, often conducting detailed feasibility or preparatory work around a new project or service. This is a critical benefit of **Making Local Woods Wood**, as many community businesses have a good understanding of what they need to do in order to move their business forward, but are lacking in either the specialist expertise or the required time to implement these next steps.

Training and networking events open to all woodland projects, not just participant businesses – this provides a valuable opportunity for peer networking and learning, which is otherwise relatively under-developed in the sector. It should also extend the long-term benefit of the programme beyond simply the 50 participating businesses.

Community shares

Community share issues are becoming an increasingly common method for communities to raise finance. The number of share issues is increasing, with 98 successful community share offers launched in 2015, up from 63 and 65 in 2013 and 2014 respectively. Perhaps more encouragingly, the average size of share issues is also increasing due to a growing confidence amongst communities in their ability to attract local interest and funds. Whereas two or three years ago community groups might typically have perceived that c.£250k was an approximate upper limit, in 2016 there have been a number of share issues of more than £1m.

Community sustainable energy projects were the principal driver growth in the increased numbers of share issues in 2015, however, due to change in FITs, only 15% of new registrations in 2016 were energy projects, down from 40% in 2015. Housing projects, such as Community Land Trusts, are beginning to replace this fall in numbers, rising from 13% to 29% of registrations in 2016. Sport- and food-based organisations are also areas of growth. Share issues for digital projects, while not high in number, continue to attract some of the most enthusiastic support from local communities.

The South East, South West, and North East made up more than 75% of total share issues in 2015.

Crowd-funding

Crowd-funding continues to increase in prominence and there are a growing number of examples of community-based projects that have successfully secured funding in this way. One interesting trend has been the emergence of Local Authorities engaging in this process, as a way to leverage their limited funds, and to direct these towards projects with the strongest local backing. Around 20-25 Local Authorities are now signed up as co-funders on the community-focused Spacehive crowdfunding platform, alongside local businesses, housing associations and grant bodies, and platforms such as this can provide a useful route through which some community businesses may be able to secure additional income for a project. As an indicator of growth in this area, the number of projects listed on Spacehive has roughly doubled each year since it launched in 2012. The average success rate of around 50% on securing complete funding for a project is also roughly double that of mainstream crowdfunding platforms, suggesting that many communities have a strong interest in funding projects within their area.

Conclusion

Community businesses have been around for decades, but we have only had three years to study them as a collective. In this time, we have seen the community business model thrive in a number of contexts: local authority cutbacks putting treasured local assets at risk; changing consumer habits threatening pubs and shops; and government policy that is creating space for the community business model to emerge in areas such as energy and digital.

Yet at the same time, we have consistently seen major risks and challenges on the near and far horizons. Declining public spending has put any business relying on public sector contracts on high alert; unclear business models, for example in libraries, make sustainability an ongoing challenge for some; and negative policy shocks have turned success stories, for example in community energy, into areas of potential concern.

Through all of this, however, community businesses have proven remarkably resilient. In 2015, the market as a whole grew by 9% with some sectors expanding even more quickly. This year, in the face of major headwinds in some large sectors, the market continued to expand, albeit at the slower pace of 5%.

Moreover, when we asked them directly, community businesses expressed an overall positive outlook for the future of their organisations. Many believe that their income, staff and volunteer numbers will all grow in the coming year, despite some major uncertainties on the horizon.

In our 2015 report we expressed some doubt over the ability of the market to continue expanding in the face of the challenges it faced. This year, another year where no single sub-sector has experienced a net decline, we are inclined to look ahead with more optimism for the market's future – an optimism that extends to the communities that support these businesses, and for which they exist to serve.

Acknowledgements

This report presents the findings of research carried out between July and October 2016 by Social Finance. The work has been supported throughout by Power to Change, and we are particularly grateful to Richard Harries and Ailbhe McNabola for their input and support.

We would like to thank the 55 organisations who took the time to be interviewed as part of our research; these organisations' generosity in sharing their insight, experiences and opinions deeply enriched our research. We are particularly indebted to those who allowed us to make use of their extensive networks in order to distribute our survey to community businesses across a range of sectors.

We are grateful to members of Power to Change's Community Business Panel, who offered valuable insight and challenge on our emerging findings.

Finally, we would like to thank the 158 community businesses who completed our survey. As this report has shown, surviving and thriving as a community business in 2016 is a challenging and time-consuming task, especially in a sector so reliant on its committed volunteers. We are very grateful to all who took the time to participate in our survey.

We hope that our findings ring true to those who participated in our research; nonetheless, the views expressed and any remaining errors are our own.

We welcome any comments or feedback on the report. You can contact the authors by email at:

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Introduction to the appendices

Appendix A: Market overview and sector profiles

This section includes a table summarising our estimate of the size of the community business market, split by sector. It includes information on number of organisations, income, assets, staff and volunteers. Details of our market sizing methodology can be seen in section 2.1.

We then provide a one-page profile for each of the sectors of the community business market.

Appendix B: Interview list

This appendix contains details of the 55 organisations interviewed as part of this research.

Appendix C: Survey details

Here we provide details of our survey of community businesses. We include an overview of our survey methodology, and a series of charts outlining the profile of respondent organisations.

Appendix A. Market overview and sector profiles

Sector	No. orgs 2015 ^a	No. orgs 2016	Income (£m)	Assets (£m)	Avg. income (£m)	Avg. Assets (£m)	Staff	Volunteers	
Community Hub / Facility	1240 ^c	1300	150	650	0.11	0.5 ^c	3,900	13,000	●
Of which, village halls	860	900	100	450	0.11	0.5	2,700	9,000	●
Sports & Leisure	1,000	1,100	450	450	0.4	0.4	12,000	66,000	●
Transport	1,000	1000	150	100	0.15	0.1	12,000	60,000	●
Food Catering & Production	880 ^b	900	45	25	0.05	0.03	1,800	15,000	●
Craft, Industry & Production	500	520	45	25+ ^a	0.09	n.a.	1,500	2,500	●
Environment / Nature Conservation	320	340	7	3	0.02	0.01	320	5,000	●
Shops/Cafés	320	330	55	10	0.17	0.03	1,000	8,000	●
Energy	325 ^b	340	15	100	0.04	0.3	500	5,000	●
Housing	300	315	50	440	0.16	1.4 ^d	500	6,500	●
Arts Centre / Facility	280 ^c	300	9	9	0.03 ^c	0.03 ^c	1,500	3,000	●
Library	250	300	6	45	0.02	0.15	450	8,000	●
Finance	150	150	20	225	0.15	1.5	600	Unknown	●
Digital	60	75	8	15	0.1	0.2	150	800	●
Health & Social Care	60 ^e	75	6	Unknown	0.08	Unknown	Unknown	Unknown	●
Pubs	35 ^b	40	5	15	0.14	0.32	500	500	●
Total^f	6,720 ^f	7,085 ^f	1,021 ^f	2,112 ^f	n.a.	n.a.	36,720	193,300	

Relative data quality ● Good ● Reasonable ● Limited

Notes:

Some organisations operate in multiple sectors, such as a community pub which might provide a local library service alongside a low-cost multi-use space which community organisations can use. Such diversity of services is something to celebrate in community entrepreneurship and care has been taken to minimise double-counting. The focus of our market sizing research this year has been to identify changes and trends in the number of organisations in existence. Unless we have evidence to the contrary, we have assumed that average income, assets and staffing figures for each sector have not changed from the previous report, and aggregate estimates for these metrics have been calculated accordingly and rounded to reflect data quality.

a. As highlighted last year, the diversity within crafts from highly-localised groups to small warehouses/factories makes it hard to comment on the total asset base. £25m is based on a Furniture Reuse Network estimate for a subset of this sector, which should represent a floor estimate for the total assets.

b. For a few sub-sectors, we have restated our estimates for 2015 based on updated information gained during our research for this report. We have also transitioned care farming community businesses (c.25 in total) out of the food, catering and production sector and into the health and social care sector in order to better reflect their primary activity and revenue sources.

c. The average asset base for arts centres / facilities has been revised downwards and of community hubs has been revised upwards, to reflect the transition of some heritage-based organisations between these two sectors as part of our realignment of sectors in this year's report. The average asset and income base for arts centres / facilities has also been revised downwards to reflect the addition of a relatively large number of comparatively small community cinemas to the sector.

d. The average asset base for community housing has been revised upwards in line with new information from this year's research relating to the average number of properties per project.

e. Health & Social Care is an emerging sector with insufficient information to provide estimates for assets and staff/volunteers. However, we understand that the asset base would be relatively low as they typically operate out of a building leased by a local authority or the NHS, and the ratio of volunteers to staff would be relatively high.

f. Totals are presented as direct figures, but, as with other numbers, we advise readers to consider ranges and rounding appropriate to the data quality and their own needs, e.g. ~6,600-6,800 total for 2015.

1. Community hubs / facilities

Definition/scope

- The sector includes around 900 village halls and around 400 other community hub businesses.
- Community hubs tend to operate a number of different business lines to deliver local social impact and boost sustainability; this typically includes venue hire, grants, contracts and sale of goods or services.
- The sector is therefore highly diverse, and in our market sizing estimate we have sought to avoid double counting with other potentially overlapping sectors; for example, arts facilities, health and social care, sport.

Opportunities and challenges

Opportunities

- There is good support and funding available in the heritage sector in particular (from pre-feasibility to capital grants / loans), and therefore strong potential for heritage assets to be taken into community management and adapted into community hubs. This is likely to be an area of growth, though these tend to be large and complex projects.
- There are emerging opportunities in health and social care: hub buildings can be well-placed to act as a focal point for services.

Challenges

- Building maintenance costs can be significant and many businesses remain vulnerable to large one-off costs.
- Many hubs generate some income through local authority (LA) grants and contracts, both of which are under increasing pressure.
- A diverse revenue base provides a source of strength and resilience, but also often requires a wide range of technical expertise from members of the local community, or external support.

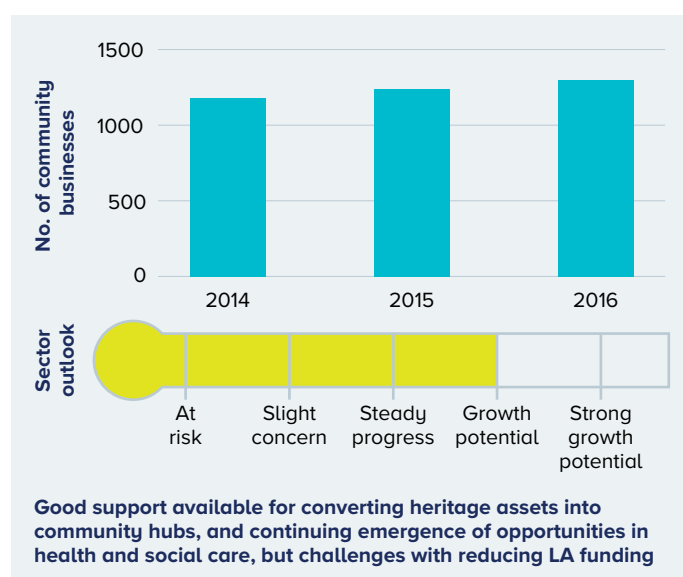
Key desk research and interviews

- Locality
- Architectural Heritage Fund
- Neil Coulson Associates
- Action for Communities in Rural England
- Community Halls Advice
- Rural Sussex
- National Village and Community Halls Network
- Various other interviews also relevant due to diversity of sector

Support environment

- £3m in new funding from DCMS (via Architectural Heritage Fund) to support community ownership and management of heritage assets; this will provide additional support as well as new grant funding.
- However, this year has seen the end of the Community Ownership and Management of Assets programme, which supported large scale asset transfers.
- Emerging funding from Access Foundation may be suitable for some organisations, particularly those seeking up to £150k in repayable finance and those seeking investment readiness support.

Sector dashboard



2. Sport & leisure

Definition/scope

- Sector is primarily made up of a) sports clubs with a broader community remit beyond their core sporting activities and typically an asset (c.1,000, mainly CASCs), b) swimming pools (c.40-50), c) leisure centres (c.25-30), and d) multi-facility organisations (c.10-20).
- There are also a very large number of local sports clubs lacking a substantial remit beyond their core sports function – these can be highly beneficial, but fall outside our community business definition.
- Some swimming pools, in particular, are based in old buildings and there is good potential to regenerate heritage assets in this sector.

Support environment

- Sport England will shortly be launching a new Community Asset Fund – details to be released shortly.
- In general, level of grant funding available from both local authorities and non governmental bodies is reducing, putting many clubs under financial pressure.
- There is a strengthening support market for organisations looking to undertake large-scale asset upgrades as part of a process to broaden their social impact, through providers such as Sporting Assets, The Sports Business and Locality – however smaller organisations may struggle to make this transition without additional support.

Opportunities and challenges

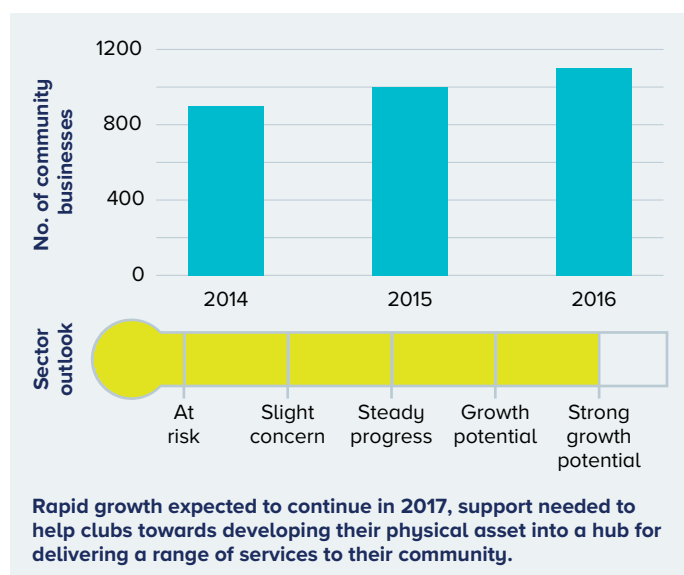
Opportunities

- Strong policy direction from DCMS and consequently Sport England towards using sport for social impact, and reducing reliance on grant income. This is slowly feeding into National Governing Bodies' (NGBs) strategies and funding priorities.
- Local Authority asset transfers ongoing and increasingly understood as an option to avoid closure of local sports facilities.
- Reductions in grant funding from Local Authorities are causing many sports clubs to seek to develop links with schools, community groups and health services, which are all growing areas of opportunity.

Challenges

- Culture change can be difficult as organisations seek to broaden their remit and impact beyond longstanding sporting activities.
- Clubs often lack necessary skills and expertise to run a business, and are typically highly reliant on volunteers.

Sector dashboard



Key desk research and interviews

- Sporting Assets
- Sport England (*incl. Towards an Active Nation, May 2016*)
- DCMS: *Sporting Future: A New Strategy for an Active Nation*, Dec 2015

3. Transport

Definition/scope

- Large and relatively well-defined and well-established sector, with c.1,000 organisations.
- Primarily rural, but c.30% of organisations operate mainly in urban areas, where they tend to focus on specific vulnerable groups.
- Most typically offer door-to-door accessible transport to vulnerable people, using a membership-based model. The majority also hire out their minibus with a driver, and some also offer car-sharing schemes.
- Common customers are older people, those with restricted mobility and organisations which hire vehicles, e.g. scout and school groups.

Opportunities and challenges

Opportunities

- Buses Bill potentially presents opportunities as it a) increases emphasis on role of communities in designing and influencing transport provision; b) should result in more data being made available which may boost understanding of economic benefits associated with transport provision; and c) promotes a stronger understanding of the social impact of services through Advanced Quality Partnerships. Bill expected to come into effect Summer 2017.
- 37 LAs participating in Total Transport Partnerships; many appear to be using this to increase involvement of community groups.
- Growing policy interest in understanding health impact of transport; CTA members were recently invited to 10 Downing Street.

Challenges

- Many organisations facing reducing subsidies from Local Authorities, but very few have closed and many finding ways to innovate.

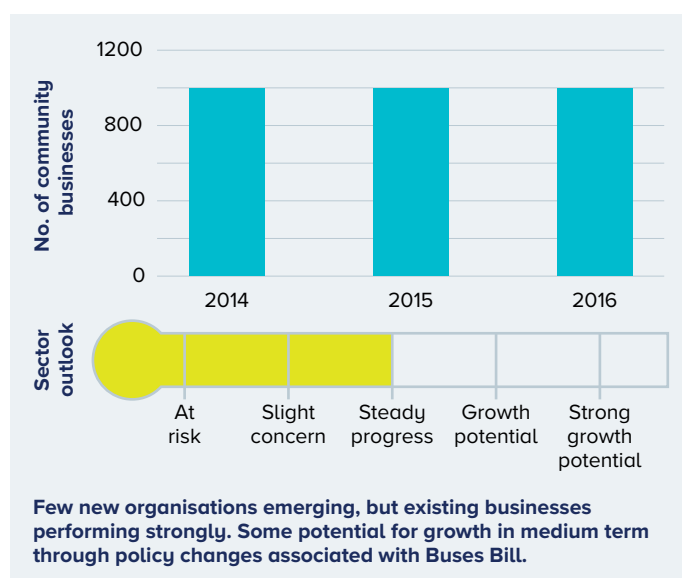
Key desk research and interviews

- Community Transport Association

Support environment

- Sector is strongly supported by the well-established Community Transport Association (CTA) – nearly all organisations are a member. CTA continues to deliver training and events throughout the country.
- The Community Minibus Fund from Department for Transport recently launched a second round of funding, worth £2m. This is a very welcome boost to the sector as it is otherwise very difficult for organisations to save enough for these large capital expenses. The previous round of this funding supported more than 300 organisations with a total of more than 350 new minibuses.

Sector dashboard



4. Food catering & production

Definition/scope

- Sector is complex and diverse, and includes several sub-sectors:
 - Food co-operatives: c.350
 - Farmers markets: c.250
 - Community supported agriculture: c.100
 - Country market societies and community grocers: c.100
 - City farms: c.60
 - Waste food reduction (mainly ‘pay-as-you-feel’ cafés): c.40
- There is overlap between some of these sub-sectors, and we have sought to minimise double counting in our market sizing estimates.

Opportunities and challenges

Opportunities

- Rapid growth in ‘waste food reduction’ sub-sector (new for this year’s report) and lots of interest in this area, including several recent newspaper features. Diverse range of organisations in this space and most would not qualify as community businesses, but ‘pay-as-you-feel’ cafés do meet the four tests and are increasing in number.
- Slight growth in city farms, which are often set up with a number of different income streams in mind alongside food production (e.g. links with school groups, volunteering opportunities for vulnerable people), which helps to increase financial viability.
- Care farming increasingly seen as a viable option for adult social care services, though this generally offers additional income for existing organisations rather than stimulating dedicated new businesses.

Challenges

- Much of sector static as margins very tight and intense competition from supermarkets, though existing organisations generally surviving.

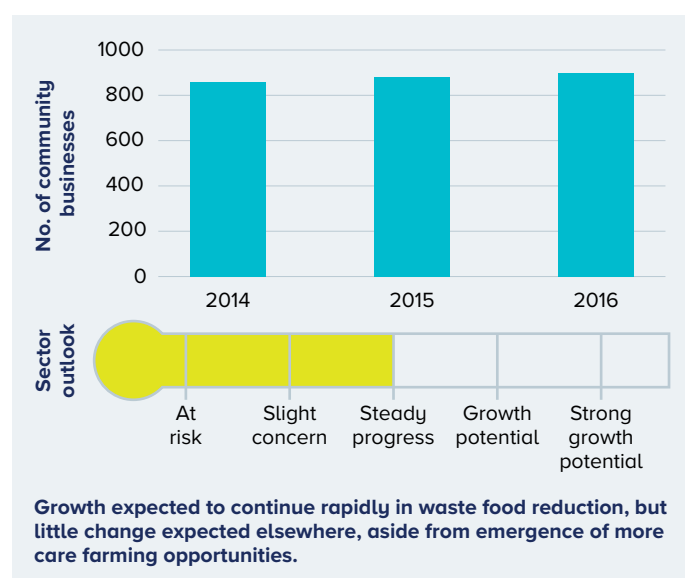
Key desk research and interviews

- Real Farming Trust
- Co-op Culture
- Federation of City Farms and Farm Gardens
- Community Supported Agriculture Network
- Biodynamic Land Trust
- Neighbourly

Support environment

- Sector has a complex network of support providers covering the various sub-sectors, may be potential for more collaboration.
- Waste food reduction sector is generally emerging with little external support, beyond a few resources from Real Junk Food Project, but this provides strong peer-networking opportunities, which are highly valuable given the similarity in business model developed by these organisations.
- No substantial new support initiatives in past year, and most of sector appears unlikely to expand without new dedicated provision.

Sector dashboard



5. Craft, industry & production

Definition/scope

- This sector is composed of organisations that produce/ reproduce goods that can be sold either by themselves or by a third party. It consists of several different sub-sectors:
 - furniture re-use c.245
 - paint recycling c.75
 - logistics c.55
 - crafts/other c.145

Finance and Support Needs

- Require capital finance for buildings, warehouses and studio spaces in order to grow operations from small to medium size.
- Need support to engage more effectively with Local Authorities, and produce stronger bids.
- Need support in partnering with commercial companies to exploit the logistical and technological advantages in the private sector.
- No umbrella body exists for this sector, and support is varied from very good (for reuse companies) to non-existent (for craft).

Opportunities and challenges

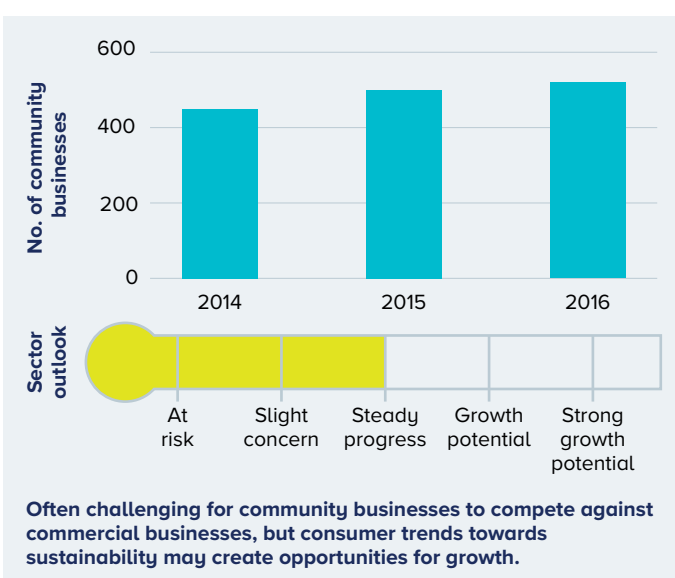
Opportunities

- Consumer trends towards sustainability and waste reduction continue to support healthy growth in community reuse and recycling businesses. Reactions against mass production also drives continued interest in local crafts and production.
- Technology has also made it easier to sell products, but businesses in this sector still have highly variable marketing and business skills.
- Despite the Social Value Act, Local Authorities typically do not incorporate wider social benefits in commissioning process, which would otherwise be an area of strength for community businesses.

Challenges

- As for the wider economy, Brexit has affected confidence, especially amongst those businesses that receive European funding.
- Increasing competition from small private sector companies who, in some cases, have access to potential customers across a wider area.

Sector dashboard



Key desk research and interviews

- Social Firms England
- Crafts Council
- Furniture Re-use Network (FRN)
- Community Repaint
- Goodwill Solutions
- Craft Council – *Measuring the Craft Economy 2014*
- FRN – *Commercial Impact Report 2015*

6. Environment / nature conservation

Definition/scope

- Sector is primarily composed of community woodland projects (c.150) and community parks/open spaces (c.170).
- Many community managed parks have been in existence for several decades, whereas community managed woodlands are a more recent concept.
- As in other sectors, very little evidence of existing organisations closing, in spite of challenges in developing secure and sustainable income streams.

Opportunities and challenges

Opportunities

- Strong interest among community groups in taking over parks and woods, though asset transfer relatively complex (especially for woodlands) and LAs often wary of ceding control.
- Increasing interest in forest schools, and some interest in potential for securing health and social care funding.
- Growing number of organisations seeking to offer skills and training courses funded by schools or occasionally directly from DfE, particularly focused on children at risk of exclusion.

Challenges

- Unlike some other sectors, no natural business model so significant innovation is needed in all cases.
- Although the park or woodland is in itself an asset, this does not lend itself to diversification as easily as a building, and many organisation therefore require funding and business planning support in order to construct some kind of building on their site.

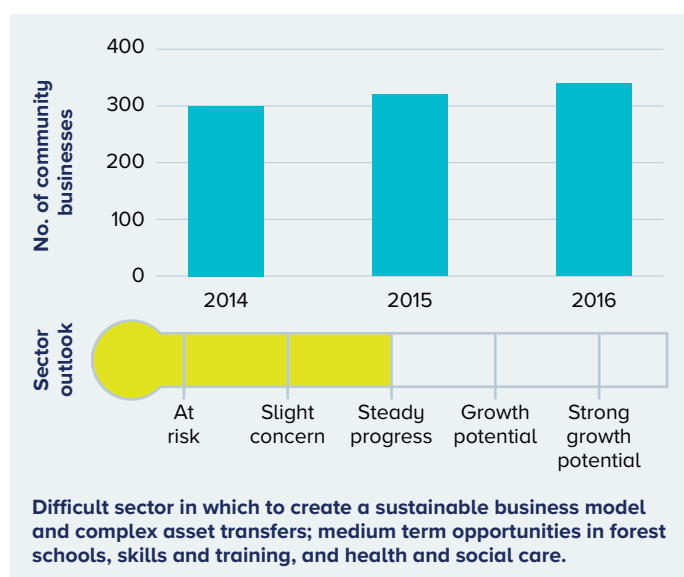
Key desk research and interviews

- Shared Assets
- Co-op Culture
- Whistlewood Common
- Plunkett Foundation

Support environment

- Several programmes have ended over past year, including Community Ownership and Management of Assets, Delivering Differently (both of which would apply across multiple sectors), and the Nesta / HLF / BLF Rethinking Parks programme.
- However, this year has seen launch of Making Local Woods Work programme; this will only support 50 existing businesses and has no grant funding attached, but has been well received as a result of the intensive support and peer networking opportunities it provides. May also stimulate some new organisations in medium term.

Sector dashboard



7. Shops & cafés

Definition/scope

- Community shop sector is well-established, consisting of c.330 organisations in England.
- c.10 new community shops over past year; slightly slower growth than in previous years, though pipeline of potential new shops remains reasonable.
- Few community businesses exist as purely cafés (with the exception of ‘pay-as-you-feel’ cafés, which have been included in the food catering and production sector); but many shops include a small café facility.

Opportunities and challenges

Opportunities

- Diversification is a continuing trend, with many shops incorporating cafés and an increasing number also featuring post office services as these come under threat.
- Existing organisations performing strongly – having saved a shop from closure communities are typically very keen to see it survive.

Challenges

- Sector is primarily rural and it remains very challenging to sustain a community-managed shop in urban areas, where competition from commercial shops is stronger – rural community led shops tend to be the only shop in the village so face less localised competition, though nearby superstores and home-delivery services remain a threat.
- For those based in older buildings, maintenance costs can be significant. However, communities typically find a way to cover these; once a shop has been saved there is strong interest in it continuing.

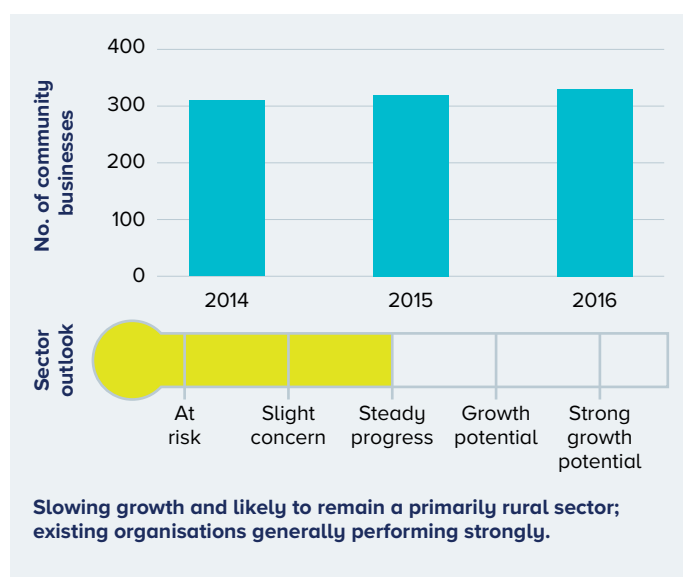
Key desk research and interviews

- Plunkett Foundation

Finance and Support Needs

- No substantial new support programmes for sector over the past year.
- Some Rural Community Councils are closing, merging or diluting their remit in order to survive, so provision of support is decreasing.
- Plunkett Foundation provides valuable support to the sector, but like other support providers, has limited funds to increase its provision.
- Concerns regarding impact of potential loss of EU funding, particularly LEADER programme, as this has provided valuable support to rural initiatives.

Sector dashboard



8. Energy

Definition/scope

- Sector is composed primarily of renewable electricity generation projects – solar, wind and hydro – many of which raise investment capital through community share issues. There are a smaller number of community-owned energy saving projects with sustainable business models, for instance in home fuel efficiency and heat insulation.
- Profit from electricity-generation schemes is typically used to fund local initiatives, such as energy advice for people in fuel poverty, improvements to community buildings, and general local sustainability and environment-related grant-making.

Opportunities and challenges

Opportunities

- In response to changes to Feed-In-Tariffs (FITs) organisations are exploring alternative renewable energy models, such as working with buildings that require direct supply of energy, and energy storage and demand management.
- Other community business sectors may have greater success issuing community shares now that there will be fewer new energy projects.

Challenges

- Since the 2015 election, reduction in FITs has meant the business case for many previously financially viable electricity-generation projects no longer stacks up. Hydro projects are worst affected. The number of new energy projects this year is greatly reduced.
- Government energy policy is generally unstable e.g. tax relief and regulation as well as FITs. Since energy projects are democratic and rely on significant volunteer time commitment, it takes them longer to respond to changes in policy than private sector organisations.

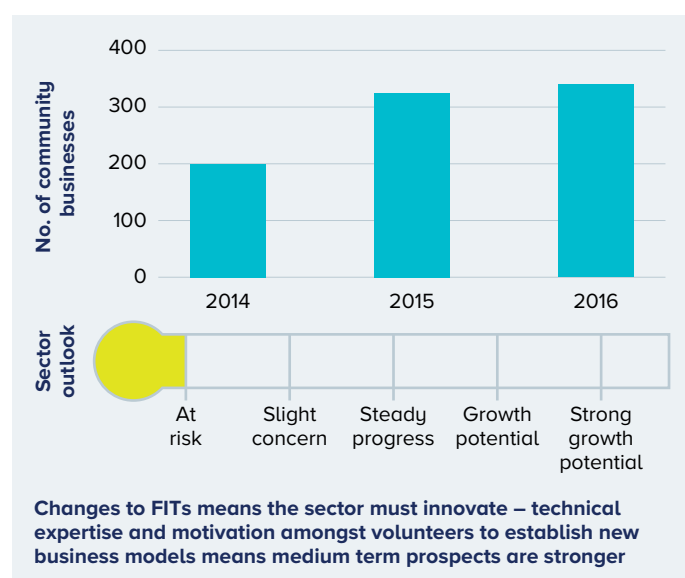
Key desk research and interviews

- Community Energy England
- Pennine Community Power
- Community Shares Company
- Community Shares Unit
(Including *Inside the Market Report 2015*)
- DECC (*Community Energy Strategy Update 2015 and others*)

Support environment

- This sector requires a supportive policy environment – Scandinavian countries and Germany offer positive examples.
- Many new schemes require significant up-front investment and specialised technical support – this is usually bought in, but finding funding is often difficult prior to full project go-ahead.
- Project management capacity can also be a gap as volunteers alone may not have the time needed to drive project forward (e.g. managing developers and members, communications with government and regulator).

Sector dashboard



9. Housing

Definition/scope

- We estimate that the sector totals around 310-320 community businesses, including around 170 Community Land Trusts (CLTs), and around 140-150 organisations using other structures, such as co-operatives or Development Trusts, where a proportion of these organisations would meet the four community business tests.
- Community housing projects can be engaged in either new build, renovation of existing properties, or a combination of the two.
- The end housing is typically either sold at genuinely affordable prices or rented at genuinely affordable rates.

Opportunities and challenges

Opportunities

- Strong growth in interest in this sector over past year, with growing recognition that housing offers a reliable long-term income stream.
- Growth is largely through new and expanding projects in urban areas, driven by an increasing lack of affordable housing. Groups may engage in new build or renovation of existing properties.
- Urban projects are often larger than those in rural areas, and overall the scale of community housing projects is increasing.

Challenges

- For new build projects, sourcing affordable land is a key challenge.
- Financial viability remains very challenging in many areas; typically there is a need to either secure subsidy (grant or land) or sell some properties at market rates to enable others to be retained as affordable.
- Expansion of Voluntary Right to Buy to housing associations is potentially very challenging for some organisations.

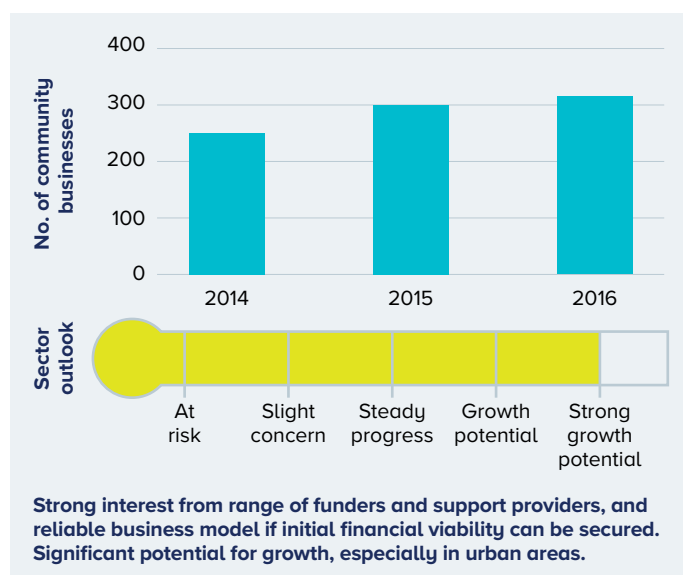
Key desk research and interviews

- Community Land Trust Network
- Self-help Housing
- Homes and Communities Agency
- CAF Venturesome
- Big Society Capital
- Locality (incl: *Small Scale Community Led Housing, July 2015*)

Finance and Support Needs

- Sector is well supported through the National Community Land Trust Network (NCLTN), Self-help Housing and Co-housing Network. In the CLT sector there is also support through a handful of 'CLT Umbrellas' but these are geographically patchy and often financially fragile. NCLTN is working to develop this infrastructure.
- CAF Venturesome continues to offer a dedicated CLT Fund including pre-development and development finance. DCLG Community Building Fund (via Locality) provides up to £50k grants and is very helpful, but too small for feasibility work on larger projects.

Sector dashboard



10. Arts centres / facilities

Definition/scope

- Sector includes community managed cinemas, theatres, museums and art galleries, and many organisations combining a number of functions.
- Museums, theatres and art galleries have often been transferred from local authorities in an asset transfer process. However, community-cinemas tend to have emerged more organically.
- The ease of projecting films and transferability between different venues means there are a very large number of local film societies, but only a minority which operate with a strong focus on their social impact and local accountability count as community businesses.

Opportunities and challenges

Opportunities

- Asset transfers are ongoing, but with many Local Authorities not owning many arts facilities, and the transfer process for these high value and multifaceted assets relatively complex, there are fewer transfers ongoing than in other sectors such as libraries and sport.
- Community cinema is slowly increasing in popularity, particularly among the growing retired population, for whom a local cinema can offer valuable opportunities to socialise with other local residents. The cost of high quality projecting equipment is also reducing, which is lowering the barrier to entry for new groups looking to set up.

Challenges

- Building maintenance costs can be high.
- For cinemas, license fees of c.£100 per screening can make financial viability difficult, with minimum viewing numbers required.
- In some cases, organisations have a strong reliance on a long-standing core audience/membership.

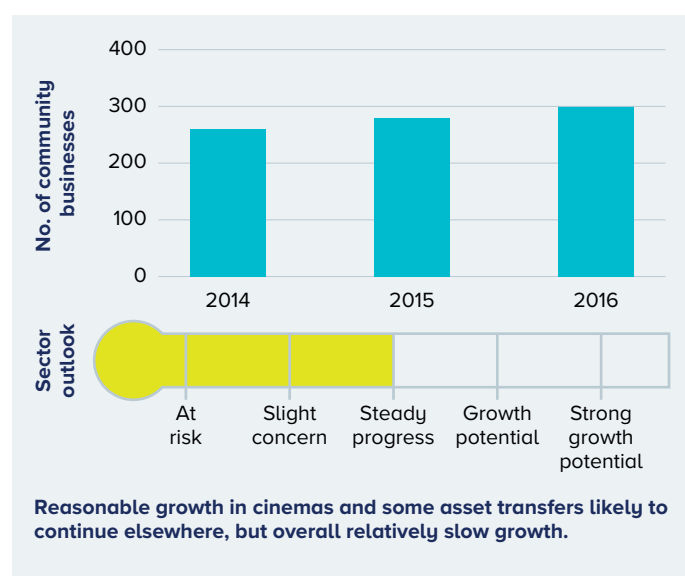
Key desk research and interviews

- Arts Council England
- Bigger Picture Research
- Open Cinema

Support environment

- Cinema For All provides good support for community cinemas and is expanding as its membership grows. It has recently launched two new grant and support programmes for new businesses in the sector.
- The British Film Institute is also supportive of the sector and has provided a number of grant programmes, including most recently the Neighbourhood Cinema Equipment Fund.
- Arts Council England provides support to much of the rest of the sector, and has various funding streams available – though not focused on community led groups.

Sector dashboard



- British Film Institute: *Community Exhibition in the UK, June 2014*
- Cinema for All: *Community Exhibitor Survey, January 2016*

11. Libraries

Definition/scope

- This sector is a significant component of a wider collection of volunteer-run libraries. The key distinguishing feature of a community business is earning some non-grant income and having the goal of diversifying trading activities to become financially sustainable – although there are few libraries that have currently achieved this.
- There are a variety of models among the c.300 organisations:
 - Independent community library / community-managed library
 - Community supported library
 - Commissioned community library

Opportunities and challenges

Opportunities

- Local Authorities are becoming more comfortable transferring assets such as libraries into community ownership. Central government strategy is moving towards supporting social investment.
- Public libraries represent a large and highly valued asset base. If sustainable business models can be identified there is potential for libraries to becoming a thriving community business sector and offer a range of services within their communities.

Challenges

- Core library services, under community ownership as under LA control, are a free public service. Communities must therefore be highly creative in how they use their asset to generate income. Attracting volunteers who can drive this process is challenging.
- Running costs are relatively low due to volunteer contribution, but community libraries can be left vulnerable to potentially large one-off capital costs if they do not have a cash reserve.

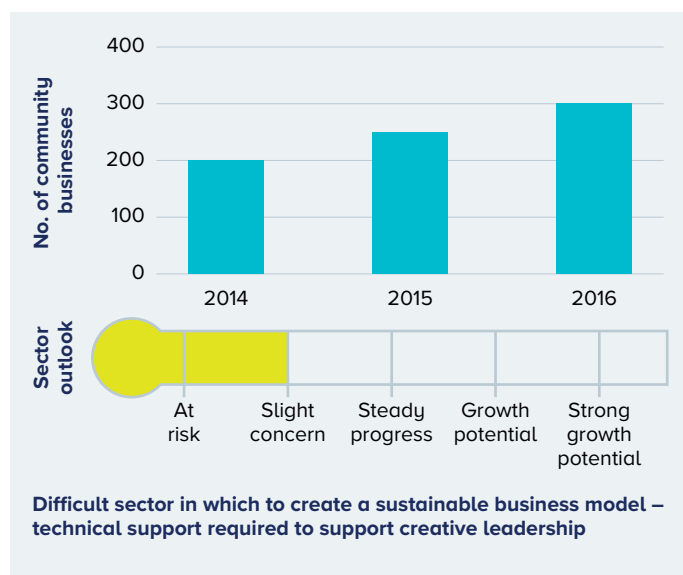
Key desk research and interviews

- Ian Anstice, Public Libraries News
- Annemarie Naylor, Common Futures
- Jim Brooks, Little Chalfont Community Library
- BBC News Data Unit – *Changes to UK Libraries, 2016*

Finance and Support Needs

- There are a growing number of technical resources and examples of good practice available to community libraries to assist with diversification.
- Most community libraries receive a substantial portion of their income from grants. However, grant funders are moving away from funding running costs focusing instead on programmatic funding. Many libraries are finding it more difficult to access grant funding.
- Libraries require the time, space and funding to explore creative business models, with funded external support.

Sector dashboard



12. Finance

Definition / scope

- Sector is composed primarily of credit unions. These all have a common bond that defines the social connection between members. Business credit unions (e.g. British Airways) are excluded from the community business definition, as are those with a large geographical coverage which precludes a local community focus. Some smaller financial co-operatives are also included.
- To estimate the number of community businesses we have allowed for a larger geographical area than other sectors to reflect that city-wide or broader rural coverage is required to achieve sustainability.

Support environment

- Sector support available for groups of Credit Unions to collaborate on marketing and investment projects.
- Since 2013 £38m grant funding has been available to credit unions to support people on low income. Without this funding, supporting financially excluded customers puts credit unions at greater risk of financial instability.
- A growing number of credit unions implement an Enterprise Guarantee Scheme, whereby depositors can use their savings to guarantee loans to small businesses, boosting the local economy.

Opportunities and challenges

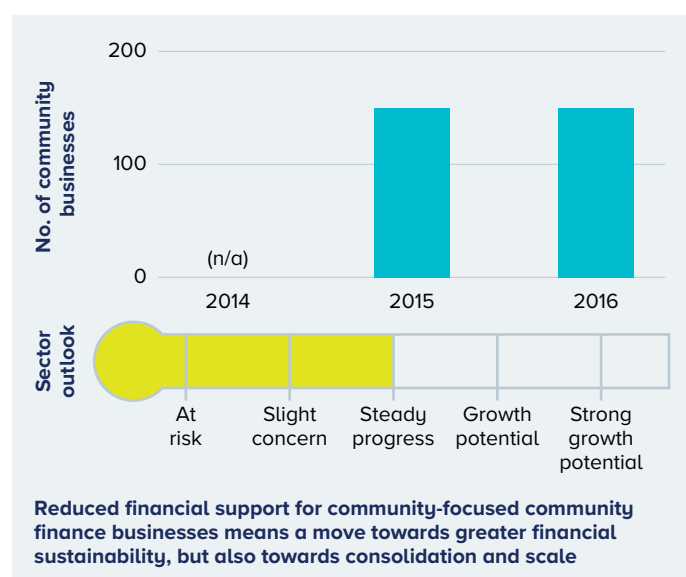
Opportunities

- Membership and income of credit unions is rising steadily. Many are looking to offer a wider range of products to boost revenue e.g. current accounts, cash ISAs and innovative budgeting accounts. Since 2012 credit unions have been able to lend to businesses, which is an opportunity to support the local economy and community sector.
- Funding and sector support is available to develop online services, with potential for groups of unions to share the cost of investment.

Challenges

- Despite cross-party support for credit unions, government financial support has reduced. This is driving a trend towards greater financial stability, but means smaller and more socially oriented credit unions are less able to support financially excluded customers, and a trend towards consolidation and expansion may erode local focus.
- Customers tend to be older people who are less likely to borrow, which can put pressure on financial sustainability.

Sector dashboard



Key desk research and interviews

- Association of British Credit Unions
- Cuso UK
- Association of British Credit Unions Ltd. (*Community Finance for London*)
- Bank of England – *Prudential Regulation Authority Statistics*

13. Digital

Definition/scope

- Sector is made up of community broadband projects (c.35) and Hackspaces / Makerspaces (c.40) – community operated workspaces used collaboratively by people with a common interest in technology, science or innovation.
- Community broadband projects are typically in rural areas. Hackspaces are more common in urban areas.
- SME digital operators, though impactful, fall outside our community business definition, and online digital social enterprises are also excluded as they are not tied to a specific local place or community.

Opportunities and challenges

Opportunities

- Although community broadband network projects often have long development times and require significant investment of time and effort from volunteers, they galvanise strong interest and commitment from their local communities, and present strong community share issue opportunities.
- Digital Exchanges in existing or potential ‘Tech clusters’ – groups of businesses working to share and improve digital infrastructure available to the community – are an emerging model gaining traction.

Challenges

- Local government is yet to engage wholesale with community broadband. SMEs are increasingly occupying this space over large traditional providers like BT, so community broadband networks must move quickly to take advantage of contract opportunities.
- Hackspaces are growing in popularity, but require significant up-front investment in fast broadband and other technologies.

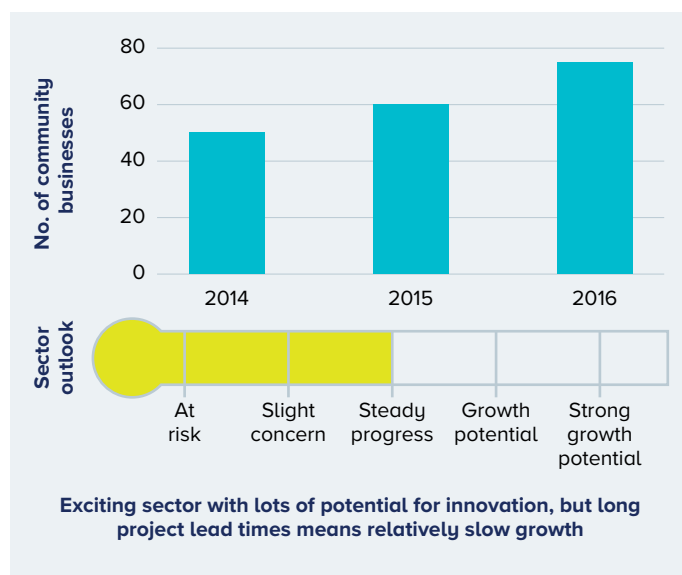
Key desk research and interviews

- Community Broadband Network
- Annemarie Naylor, Common Futures
- Creative Coop
- RSA & Tech North – *The Digital Powerhouse*
- CBN and Carnegie UK Trust – *Going the last mile*

Finance and Support Needs

- Lack of awareness of community broadband amongst governments is a key barrier to growth. However a recent Ofcom Strategic Review signalled more government openness to community providers competing with BT.
- Consultant technical support can be very impactful for both broadband projects and hackspaces. More catalytic funding is required to provide this to communities.
- Both broadband and hackspace projects do tend to be profitable in longer-term, but need significant amount of patient capital up-front.

Sector dashboard



14. Health & social care

Definition / scope

- This is an emerging sector, currently small in scale, but with strong growth potential as public and private health and social care markets evolve in response to changing care needs and increasingly integrated commissioning of health and wellbeing services.
- The sector is composed of service-providing organisations that focus on improving the health and wellbeing of a specific community and have some formal community governance arrangement. Business models include delivering commissioned outcomes-focused contracts, managing personal budgets and brokering local support services. Many organisations aim to mobilise volunteers to engage isolated people.
- NHS spin-outs typically do not meet the definition of a community business as they are owned and managed by employees only. Although many VCS health and social care providers actively consult their users and communities and adapt according, only those with a formal community ownership structure have been included in our definition.

Support environment

- Sufficient skill and openness is required within Local Government to commission integrated, local, holistic provision of health and social care services. Creative commissioning is often difficult in the current environment of budgetary pressure.
- There is a growing interest in health and social care organisations amongst social investors due to the potential for social impact.

Opportunities and challenges

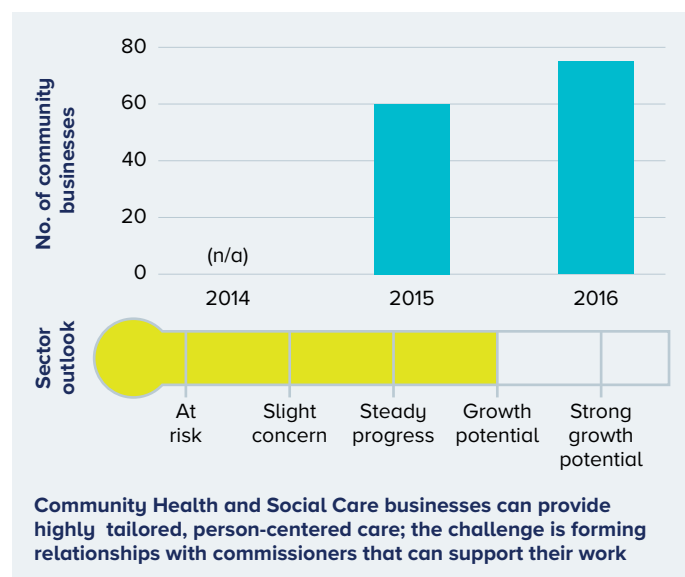
Opportunities

- Social prescribing is a potential growth area. This is a relatively new concept, but a project in Newcastle has demonstrated how it is possible to commission these services on an outcomes basis.
- Personalised budgets also present an opportunity for highly localised, volunteer-focused organisations, but establishing suitable contracts with CCGs and LAs is often challenging.
- Community business health and social care organisations are better placed to support ‘hard to reach’ people than statutory services.

Challenges

- Growth depends on the ability of commissioners to establish flexible partnerships with health and social care organisations that are not input driven but focused on improving health and wellbeing outcomes.

Sector dashboard



Key desk research and interviews

- Developing and Empowering Resources in Communities (DERiC)
- Community Catalysts CIC
- New Wortley Community Association
- Hoo Peninsula Cares CIC

15. Pubs

Definition/scope

- Sector remains relatively small, but rapidly growing in relative terms and benefits from a high profile due in part to the work of key support providers – Plunkett Foundation and Pub is the Hub.
- Typically is a ‘business saver’ model – community group steps in to take over management and/or ownership of a pub facing closure.
- With c.40 organisations, the sector includes all co-operative pubs, and a small number of pubs using alternative community ownership structures but which still achieve strong community accountability, such as CICs.

Opportunities and challenges

Opportunities

- Is increasingly common for pubs to encompass a number of additional functions, such as shops, libraries and post offices – though this is only successful if services offered are those sought by the community.
- New More Than A Pub support scheme should stimulate rapid growth in the sector (see right).
- Pipeline of potential new community pubs is very strong; lots of interest from communities in this model.

Challenges

- Growing number of pubs being registered as Assets of Community Value (1600+), but financial challenges which may have initially put a pub under threat often remain, so innovation is typically needed.
- Changing eating and drinking habits are resulting in lower pub attendance in many areas, presenting a need to enhance community engagement and/or develop new services to ensure viability.

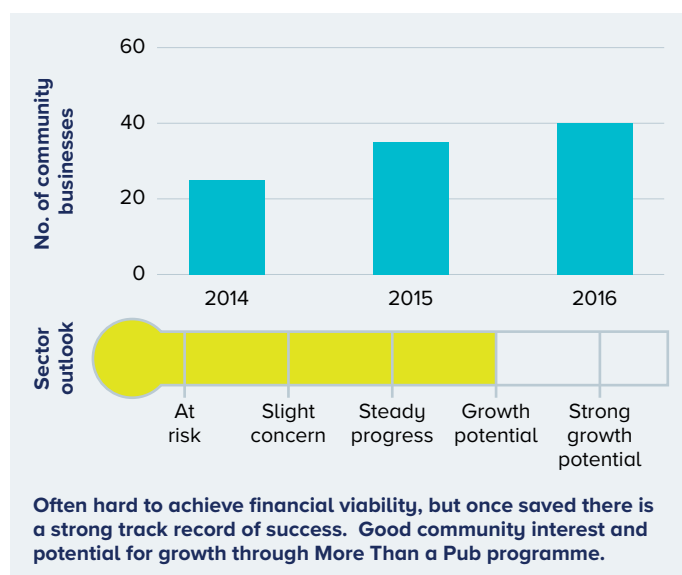
Key desk research and interviews

- Plunkett Foundation
- Pub is the Hub
- Ivy House Pub, Nunhead

Finance and Support Needs

- Good support provided by both Plunkett Foundation and Pub is the Hub.
- New £3.6m More Than a Pub support scheme, funded by DCLG and Power to Change, aims to stimulate 80 new community pubs over a two year period. It offers a flexible package of support including advice line, events, workshops, peer-to-peer study visits, and business development advice. It will also offer flexible bursary awards to fund very early stage activity, such as community consultation work, and a grant and loan package.

Sector dashboard



Appendix B. Interview list

Access Foundation	Federation of City Farms and Community Gardens
Action for Communities in Rural England	FSE Group
Architectural Heritage Fund	Hoo Cares
Arts Council	Homes and Communities Agency
Association of British Credit Unions	Just Growth / Real Farming Campaign
Big Society Capital	Little Chalfont Community Library
Bigger Picture Research	Locality
Biodynamic Land Trust	Neighbourly
BRITAC	National Village and Community Halls Network
Care Farming UK	Key Fund
Charities Aid Foundation	Neil Coulson Associates
Cinema For All	New Wortley Community Project
Common Futures	NWES
Community Broadband Network	Open Cinema Foundation
Community Catalysts	Pennine Community Power
Community Energy England	Public Libraries News
Community Halls Advice	Pub Is The Hub
Community Land Trust Network	Rural Sussex
Community Shares Company	Self-help Housing Network
Community Shares Unit	Shared Assets
Community Transport Association	Social Investment Business
Co-op Culture	SpaceHive
Co-operatives UK	Sport England
Cooperative Community Finance	Sporting Assets
Crafts Council	The Ivy House Pub
Creative Coop	The Plunkett Foundation
Cuso UK	Whistlewood Common
Developing and Empowering Resources in Communities	

Appendix C. Survey methodology and respondent profile

Methodology overview

We conducted an online survey of Community Businesses via Survey Monkey. The survey was live from 15th August until 7th October 2016. The survey was distributed via a range of free partner channels and infrastructure networks, as well as being sent directly to recipients of, and respondents to, last year's survey. This methodology was the most practicable way to reach out to community businesses, but does generate an inherent bias towards respondents which already exist as organisations and which are reasonably well-connected.

The survey was answered by 164 valid respondents. An algorithmic screen was used to check for obvious duplicates; 2 such duplicates were removed. From those remaining, we excluded 1 respondent which was based outside England. The survey also asked respondents whether they felt that they met each of the four community business tests, with a simple yes/no answer. 3 respondents failed to meet at least three of these tests and were also excluded. Of the remaining 158 respondents who were included in our analysis, 128 met all four Community Business tests; the remaining 30 failed one test.

Approximately 20% of these 158 respondents did not reach the end of the survey, and/or did not respond to all questions, so the sample size for individual questions varies to reflect this.

One question in the survey asked which of our 16 sectors respondents would best describe their primary activity. Minor adjustments were applied to a small number of survey responses for this question where respondents failed to assign themselves to a sector but provided clear description of themselves or where the name of their organisation similarly enabled a straightforward sector allocation.

Respondent profile

Chart 1: Survey respondent profile by area

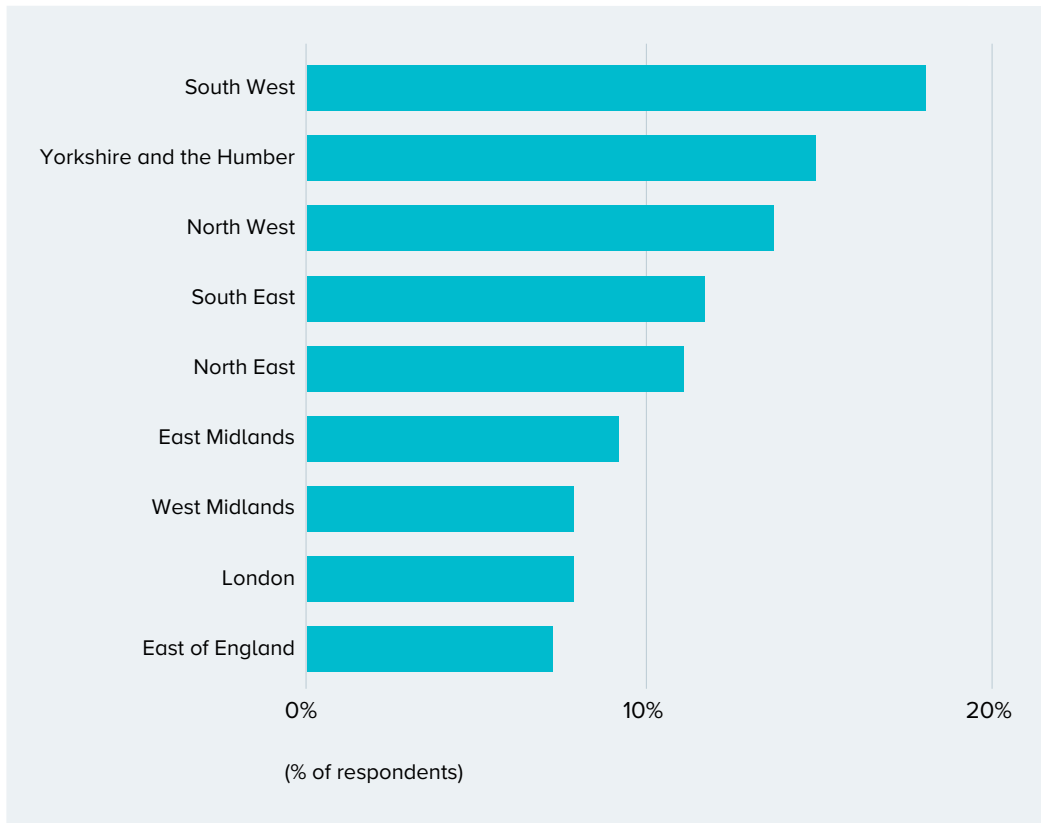


Chart 2: Survey respondent profile by rural vs urban community

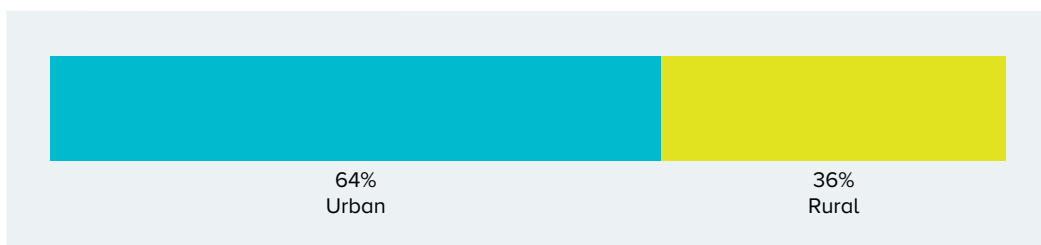


Chart 3: Respondent profile by sector(s) of primary or secondary activity

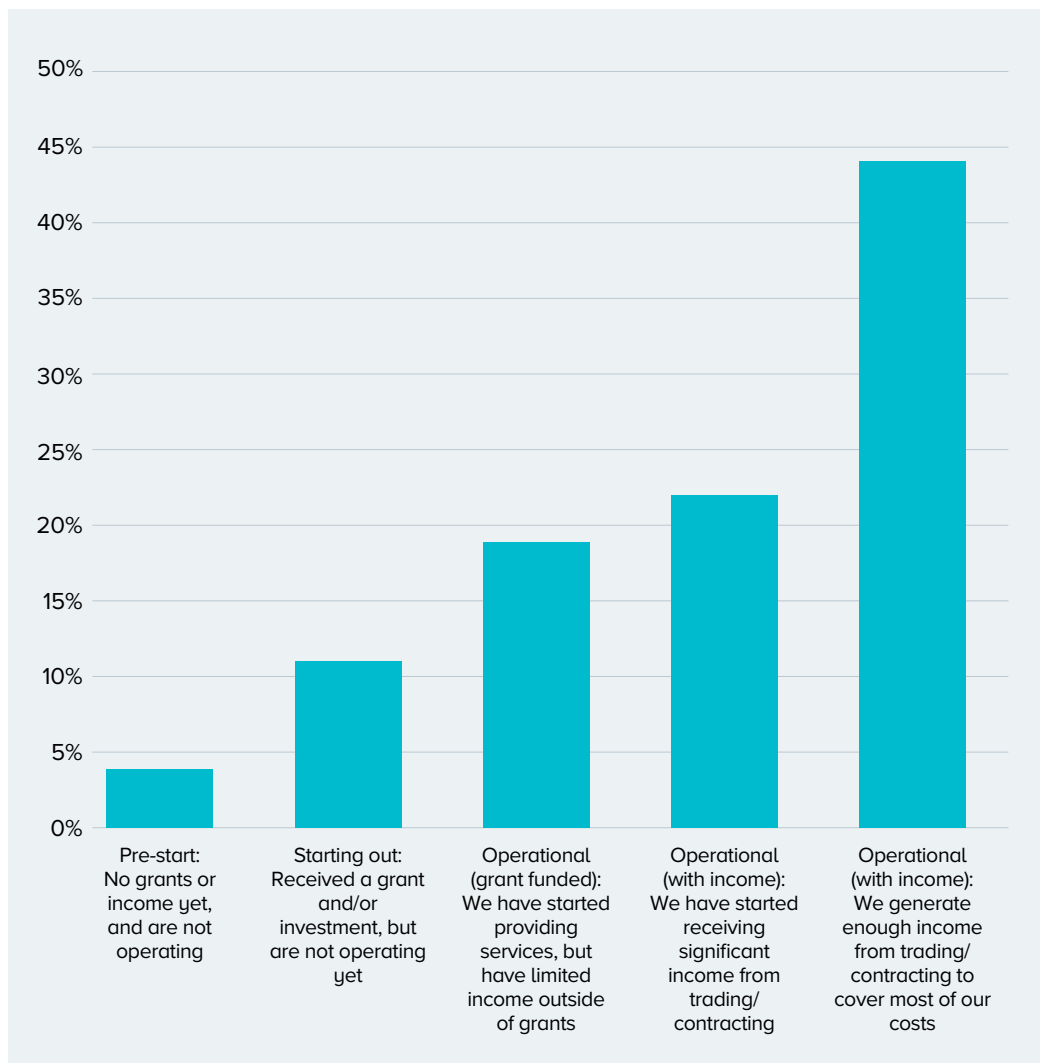
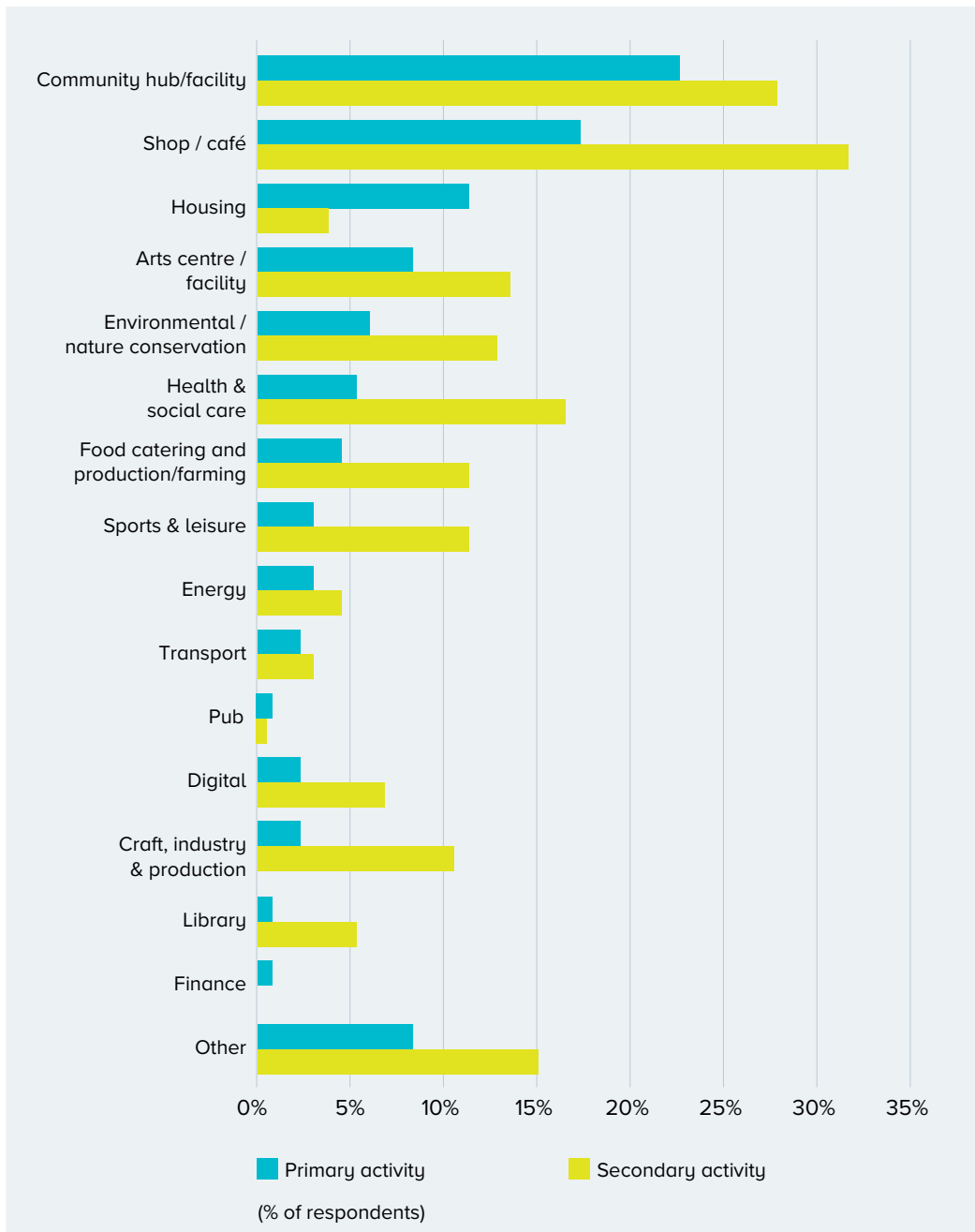


Chart 4: Respondent profile by lifecycle stage



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