**The health of the community business market in Liverpool City Region**

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Over the past few years we and colleagues at the University of Liverpool have been examining and mapping out the wider social economy in the Liverpool City Region.  By providing a strong evidence base that shows the economic and social value of the social economy we have managed to influence the city region policy makers and have laid the foundation for a number of important interventions, not least the launch of Kindred a social investment vehicle for socially trading organisations in Liverpool City Region.  One important aspect of our work is the focus on community business in the city region.

As the term implies, the community business sector in Liverpool City Region brings together both community and business – obvious you say, but hang on - in a moment we explain the unique ways in which they combine.  Our earlier research, in 2019, looked at the purpose and sustainability of community business in the city region showing the importance attached to the community hub - the place where a physical venue is anchored in a community.  These types of community business provide a base from which a wide range of economic and community services are provided.  This provision is very significant as our research also showed that community businesses are concentrated in the poorest parts of the city region.

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Ibe Hayter, Cycle of Life, Liverpool

Our latest work has allowed us to focus on the financial strength of community businesses.  By looking at their finances we can provide a benchmark from which to review the impact of Covid-19 on the operations of community business in many parts of the city region that have been hardest hit by the pandemic.  The headline figures from this update are that, pre Covid, 114 community businesses in the city region were earning £19 million of income, employed 500 staff and who owned £27 million of fixed assets, while holding net assets worth £22 million.

This begins to tell a story of a community business sector in Liverpool City Region that plays an important role in those places where economic and social support is readily accessible, where communities own assets from which to build out the wider provision of essential services for our most vulnerable communities and ultimately, where people need help. From childcare services, libraries, employment support and health and wellbeing activities these are the services that have been reduced or cut over years of government austerity.

We can see from our work that there is a need for even more community businesses.  We can make this assertion because of their distribution, both across the city region and in the sectors in which they operate; because of the role of the community hub and the way they embed community business in local communities; because of the longevity of community business and because community businesses form at a lower rate than for-profit enterprises.  This where the policy implications for the city region come in.

There is huge scope to develop community business in sectors that are critical in addressing a post-pandemic society, particularly in supporting community-based responses to climate degradation and levels of inequality.  Almost 60% of all community businesses in the city region are located in Liverpool itself.  Income, assets and employment are all concentrated in these community businesses and we can see a clear association with indices of deprivation mapped across the city.

There is wide scope for those local authorities outside Liverpool to recognise and exploit the benefits of community business that are anchored in low-income communities.  For example, the higher share of credit unions is a strategic asset for all six authorities in the city region that remains under utilised.  By targeting new initiatives in housing, energy, finance, food production and environmental conservation new clusters of community business can be encouraged and with some coordination, can provide new ways in which local economic strategy can be shaped to address global problems.

Community hubs account for around one quarter of employment in the community business sector across the city region.  This is important because of the longevity community hubs offer, with two-thirds of them existing for eleven years plus.  This can be because they have fixed assets such as land, buildings and equipment. While this does not quickly translate into cash, assets do provide the spine of an operating business model.

Five-year survival rates of community business in the city region stands at 83%.  Compare this to the general rate of business survival at 43%.  Closure rates for city region community business runs at around 3% compared to 11% for business in general.  This is significant and cannot be overstated for policy purposes.  We can begin to think about community business in a much more strategic manner within each authority and across the city region citing the locally embedded employment opportunity and durability that this sector can offer.

Here is how we can begin to think again about the combination of business and community.  This is not simply a moral question, a matter of the social responsibility of business.  When community groups and representatives come together and organise they are often seeking a response to a problem that neither the private market or state has been able to address.  It could be about high street depletion, or lack of access to key services such as housing, food insecurity and health support, but the critical point is that they see trade as a means of raising resource to face those problems head on.  Community businesses are good at this type of response.  However, they remain under resourced and have limited support.  With simple policy changes community business can actively help reshape the local economy in ways that support people first and foremost.