



COMMUNITY BUSINESS AND THE FOUNDATIONAL ECONOMY

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CONTENTS

| | |
|---|----|
| Summary | 4 |
| 1. Introduction | 6 |
| 2. What do we already know about community business and the foundational economy? | 9 |
| 3. Democratising the foundational economy | 16 |
| 4. Engaging with and shaping foundational economy markets | 24 |
| 5. Meeting individual and community needs | 28 |
| 6. Creating decent employment opportunities | 34 |
| 7. Connecting between foundational economy community businesses | 42 |
| 8. Financial and operational sustainability | 48 |
| 9. Conclusion | 52 |
| Appendix: Methods | 56 |

ABOUT THIS REPORT

This research was funded in 2019 by a grant from the Power to Change Research Institute's Open Call for research. These grants aimed to support the community business sector and its partners to deliver the evidence the sector needed for their own development, and to make the case for the value of community business. The Research Institute and the Open Call for research grant programme have now closed, in line with Power to Change's new strategy and direction. The work and any views presented are the authors' own.

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SUMMARY

The foundational economy describes the range of goods and services that ensure places can function, and enables people in those places to thrive. It covers the goods and services, 'necessary for the good life to be enjoyed by as many people as possible',¹ or 'the infrastructure of everyday life'.² There are two broad categories within the foundational economy:

01. **Material foundational economy:** 'the pipes and cables, networks and branches which continuously connect households to daily essentials'.³ This part of the economy includes housing, water, retail banking, electricity and food.
02. **Providential foundational economy:** provision of universally necessary services. These include healthcare and education as well as social security provision such as pensions and unemployment support.

Foundational economy community businesses (FECBs) operate within both categories. Material foundational economy businesses work in housing, energy, greenspace, and community hubs. Providential FECBs provide neighbourhood services, health and social care, or skills training. There are overlaps between the sectors.

The aim of this research project was to investigate the role of community businesses in the foundational economy, in particular focusing on whether and how they help to transform how the foundational economy is organised and delivered locally.

FECBs have a strong democratising mission. They enable communities to gain physical ownership of assets such as land and buildings and energy infrastructure. They also support community empowerment more generally, providing a platform for marginalised places and individuals.

FECBs exist in a gap between state and market provision, often trying to do the job of both but with fewer resources. Their adoption of 'market' approaches such as revenue generation is generally pragmatic, with a focus on bringing resources into unresourced communities.

They are predominantly concerned with meeting local needs. These needs include everyday human essentials such as childcare or healthcare, but also cover the needs of places that have been disadvantaged or where infrastructure is lacking.

1 Crouch, C. (2018, p. xvi) Foreword. In Froud, J., Sukhdal, J., Moran, M., Salento, A., and Williams, K. (2018) Foundational economy: the infrastructure of everyday life. Manchester: Manchester University Press.

2 Froud et al. (2018) *ibid.*

3 Froud et al. (2018) *ibid.*

FECBs can provide opportunities for decently paid employment in deprived places. But they also support people's personal and social development by providing opportunities for volunteers.

Connections between FECBs and between businesses and local authorities are important, but there is often room for improvement.

FECBs were seemingly at the most transformative when they were involved in offering a range of foundational goods and services through partnership with other organisations, or acting as a hub for foundational economy activities.

This report sets out critical factors for sustainability among FECBs, and concludes with recommendations for policy and practice. These recommendations include:

- FECBs make a difference to people and places by meeting local needs and improving opportunities to participate in urban life and decision-making: there is a role for Power to Change, other funders, infrastructure bodies and support organisations as well as local statutory stakeholders to promote FECBs as a potential model for local foundational economy transformation.
- There is growing interest in the potential of the foundational economy for local renewal, and Power to Change (and other bodies) could build on interest in the foundational economy concept to promote the work of community businesses as an important part of transforming the foundational economy at the local level.
- One of our key findings was that FECBs can play an important role in democratising the foundational economy locally. Power to Change should more clearly orient its emphasis on democracy and empowerment as a way to achieve fundamental change in communities.
- There is a need to create space, through long-term funding for community businesses, to develop local solidarity economies that bring together different forms of foundational economy to work for local communities. Community development hubs like those funded through the Power to Change Empowering Places programme appear to offer a good vehicle to do this, but long-term funding must be guaranteed.
- FECBs can create opportunities for skills development and employment but these are constrained by uncertainty over long-term viability: further work is needed to develop sustainable business models that provide secure, decent employment possibilities.
- FECBs need to be encouraged and supported to connect with other FECBs to fully realise their potential benefits: local authorities have an important role to support development of FECB networks, while Power to Change can champion FECB connections, building on the experience of programmes such as Empowering Places.
- Local authorities and organisations like Power to Change should consider investing to catalyse FECB activity in communities where there are clear prospects that social needs can be met through trading activities: in particular by developing and promoting more diverse leadership.

1. INTRODUCTION

This report investigates the role of community businesses within the urban foundational economy. It looks at how they deliver, manage and own different activities and services. The report is based on research by the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University in partnership with the Tyndall Centre (University of Manchester). The project was made possible by a research grant from Power to Change.

Over the last 30–40 years the fabric of urban life has been increasingly challenged by the withdrawal of state provision, and privatisation of key services. Foundational services – building blocks of urban society such as utilities, transport, care, education, and even open space – have been impacted. Many places are struggling as a consequence, and people in these communities become increasingly marginalised.

The solutions to these challenges are complex. However, there is a need to reorientate many of these foundational sectors to achieve positive outcomes for people and places rather than for shareholders and profit, and to provide alternatives to state-led delivery, especially where the state has withdrawn support or where ongoing austerity has limited the capacity to take action.

In this study we wanted to explore whether and how community businesses are working in these sectors – collectively known as the foundational economy – and what difference they are making. We focus on community businesses' motivations for delivering foundational goods and services, and their impacts on places. Previous research on community business-owned assets has tended to focus on land or buildings.^{4,5,6} This reflects both the importance of physical assets to local communities and the prevailing policy landscape.^{7,8} However, there is a need to broaden the focus. A wider range of foundational activities, including utilities, transport, green infrastructure and core services such as care, education, food provision and finance, should also be considered.⁹ We need to understand how such activities affect the communities who benefit from these services,⁹ and the community businesses that are involved in these sectors.

We identify the community businesses involved in these sectors as foundational economy community businesses (FECBs). We were particularly interested in understanding how, as an alternative model of delivering key services, FECBs created opportunities to reshape the sectors they are involved in. We wanted to find out, for instance, whether they create better employment conditions, shape how markets operate, and foster more democratic approaches to foundational goods and services.

Existing research on community businesses^{10,11} often looks at sectors in isolation, or by type of asset. We were also interested in whether FECBs were collaborating with one another to have wider place-based impacts. Our research was mainly exploratory, focusing on capturing insights across this relatively broad set of themes (see Section 2 for more detail on research questions).

- 4 HM Treasury and Cabinet Office (2007) *The Future Role of the Third Sector in Social and Economic Regeneration: Final Report*. London, TSO.
- 5 Locality (2018). *Ownership and Management of Assets* [online]. Accessed at: <https://locality.org.uk/services-tools/support-for-community-organisations/ownership-and-management-of-land-and-buildings/>
- 6 Big Society Capital (BSC) (2017) *Citizenship, Community and Community Assets*. London, Big Society Capital.
- 7 Quirk, B (2007). *Making assets work: the Quirk review*. Accessed at: <https://webarchive.nationalarchives.gov.uk/20120920020552/http://www.communities.gov.uk/publications/communities/makingassetswork>
- 8 HM Government (2011) *Localism Act*. Accessed at: <http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>
- 9 Bentham, J., Bowman, A., de la Cuesta, M., Engelen, E., Erturk, I., Folkman, P., Froud, J., Johal, S., Law, J., Leaver, A., Moran, M., and Williams, K. (2013) *Manifesto for a foundational economy*. CRESC Working Paper 131. Accessed at: <http://hummedia.manchester.ac.uk/institutes/cresc/workingpapers/wp131.pdf>
- 10 Archer, T., Wilson, I., Parkes, S., Batty, E. and Harris, C. (2019) *Our assets, our future: the economics, outcomes and sustainability of assets in community ownership*. London: Power to Change.
- 11 Diamond, A., Vorley, T., Mallett, O., Higton, J., Spong, S., Corley A and Mulla, I. (2017) *The Community Business Market in 2017*. Power to Change Research Institute Report No. 11. London, Power to Change.

1. Introduction

1.2 Methods

To gain a detailed understanding of motivations and outcomes for people and places, we adopted a qualitative case study approach, seeking to capture views from different types of FECB operating in different places. We wanted to understand how FECBs interacted with one another and with other stakeholders in places, so locality-based case studies were most suitable. In each place we conducted qualitative interview with FECBS and local stakeholder (40 interviews in total – see Appendix). The majority of fieldwork took place just prior to and during the early stages of the Covid-19 pandemic in 2020. We did not focus on Covid-19 in our study and the timing of our fieldwork meant that it was not really possible to engage in detail about the likely impacts; however we do comment briefly on this in one or two places during the report.

Case studies were selected in partnership with Power to Change. They were purposively sampled, focusing on places where we were already aware of FECB activity in different sectors. We focused primarily on places with high levels of deprivation, which matched Power to Change's interest in places receiving funding and support through its Empowering Places programme. The four chosen localities were: Grimsby, Leeds, Leicester and Plymouth. In all locations except Leeds, community businesses had received investment through the Empowering Places programme to catalyse community business activity in deprived areas.¹²

12 Please search 'Empowering Places' on the Power to Change website <https://www.powertochange.org.uk/>



1.3 Report Structure

The remaining sections are as follows:

02. What do we already know about community business and the foundational economy? Here we set out the key aspects of the foundational economy, and what previous research has said about it. We also look at what is already known about the role of community businesses delivering the foundational economy. This leads us to detail the research questions around which the rest of the report is structured.
03. Democratising the foundational economy: we outline the different ways that FECBs sought to bring about more democratic foundational economy and more democratic places, bringing out their critical role in empowering local people in deprived places
04. Engaging with and shaping foundational economy markets: we explore how FECBs work within and beyond markets to achieve change, sometimes seeking to shape how those markets operate but often constrained by market models that do not work to support fair and equitable delivery of the foundational economy.
05. Meeting individual and community needs: we highlight the important role that FECBs are playing meeting local needs which – especially in deprived areas – are increasingly unmet by other forms of provision.
06. Creating decent employment opportunities: we investigate the work involved in delivering the services they provide. We highlight the division of labour between different types of work and draw attention to tensions around providing secure work, and valuing volunteer work.
07. Connecting between foundational economy community businesses: we explore the ecosystems and intermediaries between FECBs
08. Financial and operational sustainability: we consider the long-term viability of FECBs, focusing on the conditions most likely to support their long-term survival.
09. Conclusion: we first reflect on what emerged as a core theme of the research – FECBs as forces for democratising foundational economy – before setting out a series of key points and recommendations for policy and practice.

2. WHAT DO WE ALREADY KNOW ABOUT COMMUNITY BUSINESS AND THE FOUNDATIONAL ECONOMY?

2.1 Introduction

The foundational economy describes the range of goods and services that ensure places can function, and enable people in those places to thrive. In this section we outline the concept of foundational economy, and draw on existing literature to set out the basis for our research questions. We also draw on community business survey data to see what this can tell us about the size and scope of FECB activity in England.

2.2 What do we mean by foundational economy?

A collective of academics centred on the University of Manchester have led a programme of work including a Manifesto for the Foundational Economy¹³ and a book-length critique of economic policy over the last 40 years,¹⁴ which together set out arguments to move ‘from competition to the foundational economy’. These publications argue that ‘the primary object of industrial policy should not be a few favoured high technology sectors. Instead it should support what we characterise ... as the foundational economy’.¹⁵

By ‘foundational economy’ the authors primarily mean goods and services, ‘necessary for the good life to be enjoyed by as many people as possible’¹⁶ or ‘the infrastructure of everyday life’.¹⁷

■ In high-income countries, an infrastructure of networks and branches now distributes goods and services that we call ‘foundational’ because they are daily necessities, consumed by the whole population and necessary to the welfare of rich and poor alike. These include providential services like education, health and adult care, and the material infrastructure of pipe and cable utilities, food and retail banking.¹⁸

13 Bentham, J., Bowman, A., de la Cuesta, M., Engelen, E., Erturk, I., Folkman, P., Froud, J., Johal, S., Law, J., Leaver, A., Moran, M., and Williams, K. (2013) Manifesto for a foundational economy. CRESC Working Paper 131. <https://hummedia.manchester.ac.uk/institutes/cresc/workingpapers/wp131.pdf>

14 Bowman, A, Erturk, I, Froud, J, Johal, S, Law, J, Leaver, A, Moran, M & Williams, K (2014) The End of the Experiment? From Competition and Markets to Social Licensing in the Foundational Economy. Manchester University Press, Manchester.

15 Bowman et al (2014) *ibid*.

16 Crouch, C. (2018, p. xvi) Foreword. In Froud, J., Sukhdal, J., Moran, M., Salento, A., and Williams, K. (2018) Foundational economy: the infrastructure of everyday life. Manchester: Manchester University Press.

17 Froud et al (2018) *ibid*.

18 Engelen, E., Froud, J., Johal, S., Salento, A. & Williams, K. (2017 p. 416) The grounded city: from competitiveness to the foundational economy. Cambridge Journal of Regions, Economy and Society 10(3): 407-423. <https://doi.org/10.1093/cjres/rsx016>

2. What do we already know about community business and the foundational economy?

According to analysis by the Foundational Economy Collective,¹⁹ the foundational economy is also responsible for 44 per cent of UK employment. Yet these critical goods and services have been marginalised in economic policy over the last 40–50 years.

Recently, analysis of the foundational economy has been updated through a call for a Foundation Economy 2.0, which focuses on balancing the welfare benefits of foundational activities with the environmental burdens they often produce (for instance, Calafati et al.²⁰ cite figures showing that transport, housing and food are responsible for 60 per cent of the environmental footprint of Wales). Foundational Economy 2.0 therefore centres on also ensuring foundational activities support efforts for society to live within planetary environmental boundaries.

2.3 Classifying the foundational economy

The core literature on the foundational economy classifies the foundational economy in two categories:

01. Material foundational economy: ‘the pipes and cables, networks and branches which continuously connect households to daily essentials’.²¹ This part of the economy includes housing, water, retail banking, electricity and food.
02. Providential foundational economy: provision of universally necessary services, which for a period in the twentieth century were the subject of coordinated government investment in many European countries to ensure universal and equitable access. These include healthcare and education as well as social security provision such as pensions and unemployment support.

A third, more fuzzily-defined category is also mentioned, the ‘outer zone’²² or the ‘overlooked economy’,²³ which centres on cultural and lifestyle spending and includes an array of activities from furniture provision to funerals.

In our study we have focused on the material and providential foundational economy, and contacted community businesses in the following sectors included within existing definitions:

- Energy
- Land and housing
- Food provision
- Transport
- Retail banking
- Education
- Health and social care
- Employment support

19 Froud, J., Sukhdal, J., Moran, M., Salento, A. & Williams, K. (2018, p25) *Foundational Economy: The infrastructure of everyday life*. Manchester, Manchester University Press.

20 Calafati, L, Froud, J., Haslam, C., Johal, S., and Williams, K. (2021, p7) *Meeting Social Needs on a Damaged Planet: Foundational Economy 2.0 and the care-ful practice of radical policy*. Foundational Economy Working Paper 8. <https://foundationaleconomycom.files.wordpress.com/2021/01/fe-wp8-meeting-social-needs-on-a-damaged-planet.pdf>

21 Froud, J., Sukhdal, J., Moran, M., Salento, A. & Williams, K. (2018) *Foundational Economy: The infrastructure of everyday life*. Manchester, Manchester University Press.

22 Barbera, F. and Rees Jones, I. (2020) Introduction. In F. Barbera and I. Rees Jones (2020) *The Foundational Economy and Citizenship: Comparative Perspectives on Civil Repair*. Bristol, Policy Press.

23 Froud et al., 2018. *ibid*.

2. What do we already know about community business and the foundational economy?

We also contacted community businesses in the following sectors which fit the definition of foundational economy but have not been explicitly named in existing literature:

- Community development organisations, which play an important role in the providential foundational economy by providing welfare support and building local capacity to access foundational services. All of the community development organisations we contacted were also in some way involved with provision of material or providential foundational goods and services as included within existing definitions.
- Parks and greenspace organisations, which are an important part of the material foundational economy, providing a range of social benefits but also environmental benefits, which are an important aspect of Foundational Economy 2.0.

2.4 Existing evidence on FECBs

There is some existing evidence on different forms of FECBs. There have also been studies into specific sectors, including community housing^{24,25,26,27,28} and community energy.^{29,30,31} These studies have illuminated how FECBs might play a role in democratising these sectors, and how they interact with existing policy and market arrangements and empower local communities.

Recent research on community assets³² has helped to quantify the benefits of community business ownership of material infrastructure more generally, although the bulk of this dataset covered ownership of community buildings rather than other forms of infrastructure like energy and transport (see below for more detail).

Various programmes in recent years have sought to promote innovation in public parks, often including an emphasis on social enterprise (e.g. Nesta's Rethinking Parks programme).³³ There is some evidence of community empowerment outcomes and health and wellbeing improvements, although much of this relates to volunteering activity rather than the wider activities of community businesses operating in parks.

24 Archer, T. (2016) Collective realism: exploring the development and outcomes of urban housing collectives. PhD Thesis. Sheffield, Sheffield Hallam University. <http://shura.shu.ac.uk/id/eprint/16557>

25 Archer, T. (2020) The mechanics of housing collectivism: how forms and functions affect affordability. *Housing Studies*. <https://doi.org/10.1080/02673037.2020.1803798>

26 Moore, T. (2021) Planning for place: Place attachment and the founding of rural community land trusts. *Journal of Rural Studies* 83. 21–29. <https://doi.org/10.1016/j.jrurstud.2021.02.007>

27 Moore, T. & McKee, K. (2012) Empowering Local Communities? An International Review of Community Land Trusts. *Housing Studies* 27(2): 280–290. <https://doi.org/10.1080/02673037.2012.647306>

28 Brauholtz-Speight, T. (2015) Scottish community land initiatives: going beyond the locality to enable local empowerment. *People, Place and Policy*. 9(2): 123-138

29 Van Veelen, B. & Van Der Horst, D. (2019) What is energy democracy? Connecting social science energy research and political theory. *Energy Research and Social Science* 46: 19-28. <https://doi.org/10.1016/j.erss.2018.06.010>

30 Creamer, E., Eadson, W., van Veelen, B., Pinker, A., Tingey, M., Brauholtz-Speight, T., Markantoni, M., Foden, M., and Lacey-Barnacle, M. (2018) Community energy: Entanglements of community, state, and private sector. *Geography Compass* 12. <https://doi.org/10.1111/gec3.12378>

31 Brauholtz-Speight, T., Sharmina, M., Manderson, E., McLachlan, C., Hannon, M., Hardy, J., and Mander, S. (2020) Business models and financial characteristics of community energy in the UK. *Nature Energy* 5 (2): 169-177. <https://doi.org/10.1038/s41560-019-0546-4>

32 Archer, T., Wilson, I., Parkes, S., Batty, E. and Harris, C. (2019) *Our assets, our future: the economics, outcomes and sustainability of assets in community ownership*. London: Power to Change.

33 <https://www.nesta.org.uk/project/rethinking-parks/>

2. What do we already know about community business and the foundational economy?

There has also been research on social enterprise involvement in food provision (albeit not specifically focused on community businesses). A small-scale study for the Lloyds Bank Foundation³⁴ emphasised the wider benefits of community food provision, including provision of training and skills development, building community capacity and reducing social exclusion. Mostaccio³⁵ outlines the potential for social enterprises (again, not specifically community businesses) to work within alternative food networks to localise supply chains, increasing the local economic benefits of food production.

On the providential foundational economy, Power to Change has commissioned research on the role of community businesses in health and social care. This research found that health and social care community businesses provided benefits in four ways:

- preventing harm: keeping people well through an active focus on health and wellbeing
- building community power: enabling people to take collective control at a local level
- spreading ecosystems of care – connecting local social infrastructure to create social, economic and environmental value
- creating good jobs – providing sustainable employment and acting as a driver of local economic development.³⁶

However the authors also highlight challenges that these community businesses face in the context of prolonged austerity and service commissioning cultures that work against long-term preventative care and overlook the potential involvement of smaller organisations.

Overall, existing studies suggest that providential FECBs might offer greater potential to create ‘good’ jobs. Evidence around material FECBs centres more on asset-based empowerment and the potential to democratise foundational economy sectors.

But existing literature does not consider the foundational economy as a whole, nor does it compare sectors.³⁷ It is variable in considering motivations and operations in relation to several of our research questions, including urban democracy, market relations and the organisation of labour within community businesses. By understanding these domains it may be possible to gain insights into how to best support community businesses, as well as gaining a fuller picture of their impact. There is also currently no evidence on how FECBs collectively make a difference to places, which we pick up in considering the connections between FECBs, and between FECBs and other organisations in seeking to transform the foundational economy.

34 Williams, V. (no date) Social enterprise for community food projects: A solution to the funding conundrum, or just another fashionable “magic bullet”? Sustain Policy Briefing No. 5. London: Sustain.

35 Mostaccio, F. (2020) Changing food supply chains: The role of citizens and civil society organizations in working towards a social economy. In F. Barbera and I. Rees Jones (2020) *The Foundational Economy and Citizenship: Comparative Perspectives on Civil Repair*. Bristol, Policy Press.

36 Bedford, S. and Harper, A. (2018) *Sustainable social care what role for community business?* London: New Economics Foundation. <https://neweconomics.org/uploads/files/Sustainable-social-care.pdf>

37 (although on community action in different material foundational sectors see Holstead, K., Taylor Aiken, G., Eadson, W., and Brauholtz-Speight, T. (2018) Putting community to use in environmental policy making: emerging trends in Scotland and the UK. *Geography Compass* 12(9). <https://doi.org/10.1111/gec3.12381>.)

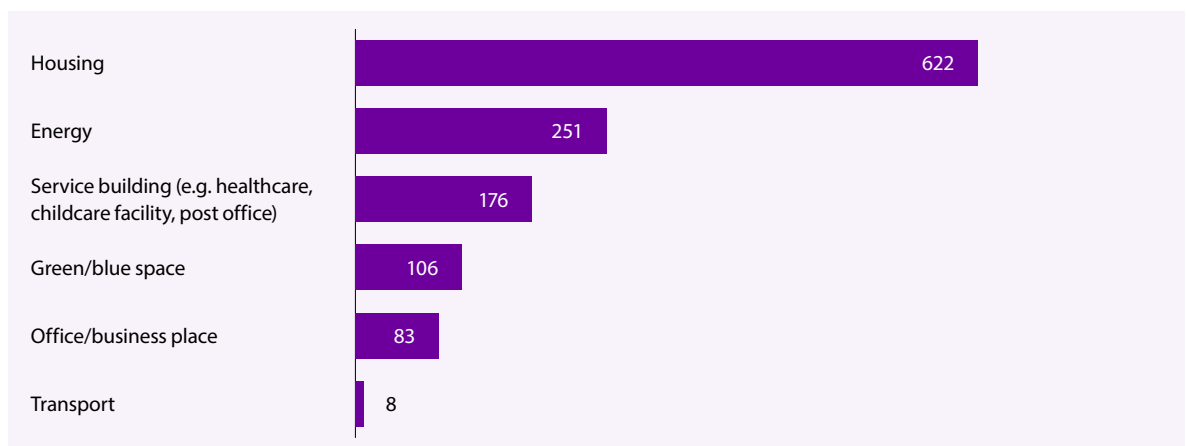
2. What do we already know about community business and the foundational economy?

2.5 Size and scope of the FECB sector

As part of this research we considered how many FECBs were operating in different sectors. Our starting point was a community assets dataset developed by CRESR in 2019.³⁸ This dataset provides details of more than 8,500 organisations which own or manage assets such as community buildings, housing and green space. There is a good overlap with sectors within the material foundational economy. However, initial analysis revealed that many foundational economy sectors were underrepresented in the dataset. For example the dataset included only a small number of energy community businesses, whereas from previous research we knew there were hundreds of community energy projects operating in England. We attempted to fill these gaps by contacting representative bodies for foundational economy sectors (e.g. community energy, community transport and community greenspace organisations) to see if they could share details of members. Using the Community Energy England website³⁹ we were able to obtain details of many community energy organisations but were less successful with other sectors. The dataset we have thus provides only a partial picture of the size and scope of the FECB sector in England.

What the dataset does tell us is that through ownership of different assets, community businesses are engaging with the foundational economy in a range of sectors, from housing to childcare. By far the largest group of assets was community hubs (7,800 village halls and community centres). The types of activity that these hubs support are likely to be part of the providential foundational economy. Table 1 shows the sectors in the dataset that relate directly to the foundational economy. It shows that energy and housing projects are particularly prevalent (or more 'visible' through responding to surveys and through membership of umbrella organisations or networks). Because this is a partial picture of the FECB sector we have not taken the analysis further: there may be a large number of organisations that do not own physical assets or are 'under the radar' for other reasons, so any detailed analysis would potentially misrepresent FECB activity.⁴⁰

Table 1. Numbers of foundational economy community assets in England



Source: Power to Change Community Assets Dataset and Community Energy England Members Database. Note: figure does not include 7,800 village halls and community centres represented in the database, although these indirectly provide foundational goods and services.

38 Archer, T., Batty, E., Harris, C., Parkes, S., Wilson, I [...] Terry, V (2019) Our assets, our future: the economics, outcomes and sustainability of assets in community ownership. London: Power to Change.

39 www.communityenergyengland.org

40 For more detail on community assets, see Archer et al. (2019) *ibid.*

2. What do we already know about community business and the foundational economy?

Further, the Power to Change Community Business Market survey showed that respondents covered the breadth of the foundational economy, which – beyond those outlined above – also highlighted the prevalence of community businesses providing providential foundational economy activities like education, childcare and employability support: 26 per cent of respondents were categorised as ‘public-facing services’, most of which can be understood as providential foundational economy activities.⁴¹

2.6 Evidence gaps on the foundational economy and community business

The works of the Foundational Economy Collective set out to present new ideas and arguments for how economies might be organised, focusing on foundational goods and services as collective achievements producing welfare value for people and places. Their central focus has been on industrial policy and the role of national and regional government in coordinating foundational economic activity. Less was said initially about how different organisational models might offer environmental, social and economic benefits, or different ways of thinking about democracy, markets and/or work through a focus on the foundational economy. However, there has also been an interest in civic renewal and the cooperative economy. Filippo Barbera^{42,43} has been prominent on this theme. Barbera and Rees Jones⁴⁴ state that analysis of the foundational economy

■ ■ ... offers alternatives that avoid the top-down bureaucracy of past statist solutions by means of public governance that involves citizen stakeholders and democratic capabilities.

They argue for ‘a local commons within the foundational economy as a civic infrastructure serving everyday needs through networks and branches across populations’. This is important because it highlights that transformation of the foundational economy is predicated on the development of connections and alliances between different stakeholders and actors.

Despite interest in the contribution of community businesses to different sectors that fall within the foundational economy definition, there is currently no literature focusing specifically on the role of community businesses in the foundational economy (FECBs) and little on the role of social enterprise more broadly. This research provides an important complement to existing research on the foundational economy as well as on community businesses.

41 Higton, J., Archer, R., Merrett, D., Hansel, M., and Howe, P. (2021) The Community Business Market in 2020. Power to Change.

42 Barbera, F., Negri, N., Salento, A. (2018) From individual choice to collective voice: Foundational economy, local commons and citizenship. *Rassegna italiana di sociologia* 2018(2): 371-398. <https://www.rivisteweb.it/doi/10.1423/90584>

43 Barbera, F. and Rees Jones, I. (2020) Introduction. In Barbera, F. and Rees Jones, I. (2020) *The Foundational Economy and Citizenship: Comparative Perspectives on Civil Repair*. Bristol, Policy Press.

44 Barbera and Rees Jones (2020) *ibid.*

2. What do we already know about community business and the foundational economy?

This provides us with the primary research question for the project:

What is the role of community business in the foundational economy?

Our secondary research questions relate to key aspects of the existing literature. The core foundational economy literature highlights its importance in providing the basic needs for people and places to function, and as an important source of employment. The literature highlights how these functions have been eroded by trends of privatisation and state retrenchment, which leads to the following three questions:

- Q2. To what extent do foundational economy community businesses (FECBs) meet individual and community needs?
- Q3. To what extent do FECBs engage with and shape foundational economy markets?
- Q4. To what extent do FECBs create decent employment opportunities (which are better than sector norms)?

The focus on civil society, civic renewal and citizen engagement in other foundational economy literature provides our fifth question:

- Q5. To what extent do FECBs seek to democratise foundational economy sectors and – in doing so – make more democratic places?

Our sixth question draws on the importance of foundational economy to place-making and the extent to which FECBs collectively generate place-based foundational economy activity:

- Q6. How do FECBs connect with one another and do these connections produce further outcomes for people and places?

And finally, FECBs will only be able to realise their value if they are financially and operationally sustainable, which provides our last question:

- Q7. How sustainable are FECBs and what factors affect financial and operational sustainability?

2.7 Conclusion

Literature on the foundational economy offers a compelling argument for refocusing urban and economic policy away from speculative investment and ‘trickle-down’ economics to the key goods and services that allow people and places to function. It also offers a useful critique of trends in the provision of these essential sectors, including a strand of work that seeks to understand the role of civil society (broadly conceived) in transforming the foundational economy. To date there has been no specific investigation of community businesses in relation to the foundational economy, however, and this is what our research seeks to address.

3. DEMOCRATISING THE FOUNDATIONAL ECONOMY

Summary

The foundational economy is increasingly characterised by undemocratic structures and unequal access. FECBs provide opportunities to democratise foundational goods and services by brokering access, empowering people to participate in delivery and decision-making, and through direct ownership. Democratic possibilities vary across foundational economy sectors:

- Community energy and housing projects provide opportunities for democracy through collective ownership of material assets, but may be less directly able to engage and empower different population groups. Because of this it is important that these organisations engage in wider community development activities, or partner with community development organisations.
- Greenspace community businesses democratise by improving access to good quality public space and nature, in turn providing opportunities for collective activities within those spaces.
- Health and social care community businesses operate in challenging market environments, often as service providers for local government or the NHS. This limits the potential for democratisation, although employee ownership models within some community businesses offer some democratic potential.
- Community development organisations are critical to empowering local people and to improving access to different foundational economy goods and services, but are less directly involved in transforming specific sectors.

Community businesses make a democratic difference in place rather than across sectors and this could be strengthened by greater connection between FECBs (see Section 7). Most FECBs in our research operate in deprived areas. The key democratic concern in these places is to empower people to participate in delivering and making decisions about local goods and services.

3.1 Introduction

As we worked through our research it became increasingly clear to us that our questions related to core issues of participation in society and access to services. These are fundamentally questions of democracy, in its widest sense. Much of what follows in later sections flows from these concerns.

A critical failure of many forms of urban foundational goods and services is that their ownership and operations are organised in ways that disempower users through complex market mechanisms which posit users as consumers or passive service ‘beneficiaries’ rather than material stakeholders. Over the last 30–40 years many previously state-run services have been privatised and in many cases taken over by small numbers of multinational corporations. Privatisation has also often been accompanied by concerted efforts to marketise services, with drives to encourage service users to be seen – and see themselves – as ‘consumers’. At the same time reduced government budgets to deliver foundational services – particularly in local government – have restricted many of the services that allow people to participate in daily life.

3. Democratising the foundational economy

Examples include reduced access to social security payments nationally, and scaling back of local government-funded activities across the board, including community development and 'place-making' activity that can empower people to participate in urban life and decision-making.

These changes mean that the foundational economy has become profoundly undemocratic. Community businesses can redress this balance through:

- engagement with different population or interest groups
- improving access to goods and services
- enabling communities to own infrastructure
- supporting people to participate in urban life or providing a platform for other forms of collective organisation
- inclusive, participatory decision-making and governance processes
- opening up other decision-making organisations (such as local authorities) to different voices.

Community businesses can help to support a collective approach to urban infrastructure and their role in making infrastructure more democratic should be a key measure of their success. We take each of the six facets listed above in turn through the rest of this section.

3.2 Making connections with different people and place

To understand the democratic potential of FECBs it is important to consider who has a stake in their projects: who might their work affect in different ways and how should those different people or groups be involved in decision-making?

In our research, community businesses were clear about who they sought to represent and the range of stakeholders they needed to engage with. In all cases this included local residents (as a general 'public') and local authorities, and in most cases it also included other community businesses or voluntary and community sector organisations. This is covered in more detail in Section 7. The important point here is that community businesses did reflect on who they should be representing (and how) and who should be involved in decision-making.

3. Democratising the foundational economy

3.3 Democratic possibilities

Democracy as access to urban services

In some cases, at a quite basic level, democracy was about ensuring people could access services so they could more fully participate in urban life. In Grimsby, a community hub gave an isolated community access to vital services such as food provision, a library, bus passes, healthcare and advice. In Plymouth various community businesses were working to improve access to greenspace for different population groups by putting on events and activities to make these spaces feel more inclusive. This opened up public spaces to some people who had felt uncomfortable using them. Community businesses played an important facilitating role:

“ I think it just gives a bit more of a friendly face when you start including community groups, growing groups, orchard networks, allotment associations, if you start including these people in the picture it just allows everyone else to be a lot more involved in a more purposeful way.
(Greenspace community business, Plymouth)

Another community business leader initially questioned whether it was their role to tell people how to participate in urban life, but concluded that it was the community businesses' role to enable people in deprived areas to access urban services, without any moral message:

“ are we being arrogant imposing our views on people going ‘you’ve all got to enjoy being in the outdoors?’ ... [but] they don’t know what they don’t know. Some of them when given a chance will go ‘actually there’s a different world I could be part of’.
(Greenspace community business, Leeds)

Owning infrastructure to empower communities

Most of the community businesses we spoke to in our research were strongly motivated by ideals of democratisation. This was particularly pronounced among those delivering physical infrastructure, especially energy, housing and land, where it was felt that goods that were previously (or should ideally be) public had not only been privatised, but were subject to markets that did not even function properly.⁴⁵

The idea that communities could own urban infrastructure was seen by some community businesses as a way to ‘take back control’ of how places function. By owning land, housing and energy production some community businesses felt that they were taking democratic control of resources which had been marketised in a way that disempowered people and places, allowing them some opportunities to directly decide how these resources were run and allocated within communities. As one respondent put it,

“ it’s literally owning the means of production isn’t it?”
(Energy community business, Grimsby).

For others, owning physical infrastructure was not part of their mission (especially those providing providential services like care and education) but there was a common view that community businesses operated to give communities a greater say in how the foundational economy was managed and delivered.

45 On energy market failure, see e.g. Eadson, W., and Foden, M. (2019) State, community and the negotiated construction of energy markets: Community energy policy in England. *Geoforum* 100: 21-31.

3. Democratising the foundational economy

For some, this meant making tough choices about how to own and manage infrastructure, including offices and food growing spaces, in ways that remained financially viable. One community business in Leicester brings in rental income by letting out a small amount of office space, but has resisted pressure to move services onto a self-financing basis because of the risk to its viability:

- Other than the room rental there's nothing. So debt advice, we can't do it commercially, welfare benefits we can't do commercially, the acres, 13 acres of food growing, we can't find really a commercial outlet for that ... Our adventure playground youth project, they're going to try, I've badgered them, I've sat on the board for 20 years as well, I've badgered them about charging people membership fees and so on but the numbers are it costs £560 a day to run that project, if they had 70 kids a day in the winter time and 300 kids at other times we're not going to make £500 a day from charging people £1, it doesn't stack up.
(Multi-sector community business, Leicester)

Supporting collective action through empowerment

The idea of owning infrastructure to democratise foundational economy fits with a wider sense of democracy as emerging through empowering people rather than through formal processes.

- Certainly people feel a lack of control in their lives so what does it mean, what would democratic reform look like and what is the role of community business in that ... [it's] a process of democratisation, giving people the power to have control and direction of their own lives.
(Multi-sector community business, Plymouth)

In other words, community businesses' contribution to democratisation was seen as being about creating the power to be proactive and make desired changes in your neighbourhood or your life, rather than having to respond to the actions of more powerful others, as two respondents from the housing sector in Leeds explained:

- Making people realise that it's not all just about complaining about planning permissions, that you can actually do stuff. So democracy as we see it is not that formal thing of AGMs and everyone electing a board.
(Community development community business, Leeds)
- Most people round here, most will be renting and very few will think they have any realistic chance of being in control of what sort of housing they end up in ... just that thing about giving people in the local community power to make their own housing decisions I think is quite impressive.
(Housing community business, Leeds)

In this sense community business activists suggested that to develop a new energy installation or build new houses was to do two things at once: to enact democratisation, by bringing locally developed visions to reality; and by working together, to create spaces to develop local collective action more generally. The important elements are:

01. a space where individuals could put forward and develop ideas for local change, in collaboration with others; and
02. an organisation with experience and access to skills and resources to help turn these ideas into reality.

3. Democratising the foundational economy

In the two instances above, housing was part of a wider commitment to community development. In more narrowly-defined or sector-focused FECBs the range of ideas that came forward were not as broad, but an openness to change and new initiatives was still characteristic. The aim was to encourage people to do things themselves, rather than have them done for them. But it was recognised that people need support to achieve these goals. In other places too, a sizeable proportion of FECBs we spoke to took a community development approach to infrastructure delivery, which in turn created democratic opportunities:

“ There’s a desire I think for what we do to try to address our issues more generally, whether it’s about democracy or community participation, however you want to term it, so that’s why we take a community organised approach to the work we’re doing, thinking about how do we get people to start to recognise the power they have to make change happen for themselves. (Multi-sector community business, Grimsby)

Formal governance processes

Formal governance and decision-making processes can also help to improve democratic engagement, and this was reflected among the community businesses in our research, although there was variation between sectors. For instance, community energy community businesses were more likely to be set up as community benefit societies, often also using community share offers to raise funds.⁴⁶ Organisations more oriented towards providing services (like social care) were less likely to have structures in place that were directly oriented towards community involvement, operating as limited companies or community interest companies (CICs)⁴⁷ with less onus on direct community involvement in decision-making.

Although structures varied, most infrastructure community businesses maintained some level of commitment to local involvement through membership or governance. However, direct involvement of communities in governance and decision-making was often limited to specific events – such as an AGM or consultation over a new development. Few of the enterprises considered for this study operated a fully democratic model as espoused by the cooperative movement, in which all workers have an equal share in the business.

One healthcare community business in Leicester was set up as a CIC under the NHS ‘right to request’ social enterprise programme in 2010. It was particularly motivated by the need to protect services for its vulnerable clients in the face of potential commercial competition:

“ We knew that the work we were doing was essential and it couldn’t reasonably be done on a purely for-profit basis, so the concern [was] about it going to a commercial organisation whose values might be around making money and we wanted to protect that service ... (Healthcare community business, Leicester).

46 Community benefit societies (‘bencoms’) are a form of cooperative that can have serving a wider community (i.e. beyond the cooperative’s members) as their purpose. Community shares are non-transferable shares that give membership of the society on a one-shareholder-one-vote basis, thus members who have bought more shares (invested more money) do not get more votes. For more discussion of these, especially in relation to community energy, see: Community Shares Unit (2015) *Inside the Market Report*, Manchester: Community Shares Unit; and Brauholtz-Speight, T., Mander, S., Hannon, M., Hardy, J., McLachlan, C., Manderson, E., and Sharmina, M. (2018) *The evolution of community energy in the UK*, London: UK Energy Research Centre.

47 Enterprises with an asset lock that means they cannot be sold on for the benefit of their directors.

3. Democratising the foundational economy

This quotation shows an understanding of the goods and services being provided as foundational, or “essential”, rather than just consumer goods like any other (see Section 3.1). To help maintain this foundational approach to its work, the healthcare community business’s staff are all invited to buy shares in the company when they have been employed for more than 12 months, giving them a say in how the organisation is run via a shareholders’ representative on the board of directors. A community development community business in Leicester also has employee directors, but the main forum for day-to-day governance is regular staff meetings. The healthcare community business’s staff are all invited to buy shares in the company when they have been employed for more than 12 months, giving them a say in how the organisation is run via a shareholders’ representative on the board of directors. A community development community business in Leicester also has employee directors, but the main forum for day-to-day governance is regular staff meetings.

Organisations set up as charities have traditional boards of trustees drawn from the local community and further afield, often recruited for particular skills and interests. In some cases there is a conscious effort to promote user involvement in ways that would not previously have been possible. The healthcare community business in Leicester consulted its homeless service users over plans to co-locate services for asylum seekers in the same building as its services for homeless people. In Plymouth the leader of a greenspace community business told a similar story. This community business had recently recruited new volunteers with different levels of additional needs, and it sought to encourage these new volunteers to participate in decision-making forums:

“ In our area we’ve got a high percentage of sheltered housing of different types, and our volunteers ... they’re generally not working so they would have a higher level of needs. So right from the beginning we’re trying to create, well we’re trying to co-create activity that we can do together, that as part and parcel of that activity we’re encouraging those voices to come through. (Greenspace community business, Plymouth)

Other organisations drew trustees from their local community. In some cases (for instance, a multi-sector community business in Leicester) their constitutions stipulated a certain number of board members must be drawn from the local area. Community development-oriented organisations conducted regular consultations with local residents to discover their priorities for their neighbourhood and the services they want. But while formal activities were important, for others such activities were a means to develop a democratic culture. They wanted democracy to be embedded in everyday decision-making rather than only occurring through channels such as a community meeting, staff survey or AGM:

“ ... we do a lot of work on thinking about how does an organisation of 90 to 100 people, how do you have a democratic structure and how people are doing work that they’re passionate about and are able to lead and make their own choices ... it’s about creating a culture, not necessarily a formal, constitutional arrangement that you might see in a cooperative. (Multi-sector community business, Plymouth)

Democratising council-led initiatives

Another way that community businesses can help to democratisise the foundational economy is by using their position to ensure different voices are heard in statutory decision-making processes.

Community businesses saw themselves as part of a process of opening up councils to wider participation and greater accountability. While local authorities can be understood as democratic institutions through the election of councillors by residents, community businesses felt that this form of democracy was limited. In Plymouth the council had been proactive in building links with community businesses and the wider VCSE sector as part of its ambitions as a ‘cooperative council’ and accredited Social Enterprise

3. Democratising the foundational economy

City.⁴⁸ One example was the Enrich programme which sought to bring local authority staff together with community businesses and social enterprises.⁴⁹ Community businesses involved with this programme felt it had helped to create possibilities for more democratic governance and management of greenspace in the city:

“ Often they'll [local authorities] have the democratic values but they'll be obviously often more stuck in more traditional big structures for very reasonable and real reasons ... often the conversations with councils is how do we have a better conversation with communities and citizens other than just a standard consultation exercise or an intermittent vote on councillors now and again, there's lots of shared values there but it's often harder to realise that practice so we're kind of offering that I suppose. (Multi-sector community business, Plymouth)

3.4 Democratic risks

Not everyone agreed that community businesses offered a route to creating more democratic urban infrastructure, and community business ownership and management of key services does come with some democratic risks. One argument is that community businesses tend only to represent a section of the population compared to a local authority whose statutory remit is to support the welfare of all local residents. In particular there was a concern that community businesses depended a lot on 'social capital' to make links and attract funding, which tended to advantage people and places with more resources in the first place:

“ I think one of the problems with the community sector is that it's inherently undemocratic because it's got no democratic framework in which to work, you can't have a democracy without some sort of democratic framework so whatever infrastructure you put in place I'm not sure it improves democracy ... My experience is if you think about democracy in the voluntary and community sector, it's all the articulate, early retired bank managers who can put a bid in who get the funds and all the people who really need the funds don't have the skills to do it. (Multi-sector community business, Grimsby)

In some respects our research supports the frequently-expressed concern that the people involved in organising or leading community business or VCSE activity tend to be White, older, men. This is particularly the case when community businesses rely on voluntary activity rather than paid staff. One respondent in Leeds outlined a 'stark' difference in the way infrastructure community businesses work in wealthier neighbourhoods compared with more deprived neighbourhoods. The former were more likely to have formal democratic structures, relatively high levels of participation, and be led by community members; the latter were more likely to have organisations that engage with the community in a more informal and consultative way, trying to make projects work for the community:

“ That's one thing that's stark that I came across, you've got the community-led housing sector like Leeds Community Homes and the Community Land Trust who are very much democratic, they have a membership, they have an annual general meeting, but then you've got those other organisations where if you had an annual general meeting you might get five people there. So there are two strains of community-led and both I think are as valid as each other. (Housing sector stakeholder, Leeds)

48 See: <https://www.socialenterprise.org.uk/social-enterprise-places/about-places/>

49 See: <https://realideas.org/about-us/our-work/enrich/>

3. Democratising the foundational economy

Interviewees suggested that people in deprived neighbourhoods were more likely to be preoccupied with “the battle to make ends meet” with no time or “headspace” or confidence. Rather than being a democratic risk, however, these differences reflected practical possibilities. A challenge for organisations in more deprived areas (as identified by our respondents) was to find ways that empower people to feel able to take a more active role in decision-making, while at the same time recognising the impacts on their lives of structural economic challenges (see Section 5).

The kind of ‘empowerment to do things’ democratisation discussed above was seen as more achievable, which might in time lead to more people feeling able or motivated to take on more formal leadership roles. Each community business we spoke to emphasised their commitment to increasing the range of voices involved in making decisions about urban infrastructure.

However, community-based consultation can have limited wider influence. In Leicester, one multi-sector community business works in partnership with a range of services via a local neighbourhood management board, but has experienced different responses from different public services. While the police have made a point of listening to community concerns, the local authority is perceived as less engaged. And the extent to which community businesses can create a more democratic reconfiguration of foundational goods and services remains limited. Energy infrastructure (for example) remains dominated by multinational organisations and tightly defined forms of market engagement (see below). Partly because of these ‘entanglements’ energy developments are also relatively complex undertakings, requiring a range of skills from engineering to financial planning as well as community engagement. These issues presently limit the possibilities for action. Foundational service provision like healthcare is often constrained by contracts with local authorities or the NHS: the healthcare community business in Leicester, for example, had been able to provide innovative and responsive ways of serving the needs of its homeless community, but its sphere of influence was mainly limited to what could be done under the terms of its contracts.

3.5 Conclusion

Analysis of the foundational economy shows that foundational goods and services are undemocratic. Citizens have few opportunities to take part in formal decision making and different groups face challenges in accessing urban services and participating in everyday urban life. FECBs can counter these democratic challenges in places in various ways.

While some had formal democratic structures in place, what came through more strongly in our research was other forms of inclusion and representation. In some ways these might be more important forms of democracy for the communities concerned. The presence and persistence of a community business in a community might give people a greater sense of having a stake in their local area than simply having a formal opportunity to take part in decision-making. This empowerment is critical in creating more democratic places, and a more democratic foundational economy.

FECBs faced greater challenges in extending democratic principles beyond their direct sphere of activities. Nonetheless we did see some small examples of community businesses providing routes to democratising council services (in partnership with councils). The process of experimenting with different operating models creates opportunities for others to learn and do. In this sense it seems clear from our research that there is potential (albeit not yet fully realised) for community businesses to play an important part in democratising the urban foundational economy by both showing how local people can be empowered to participate in place-making and by working in partnership with others to increase the range of voices heard in decision-making.

4. ENGAGING WITH AND SHAPING FOUNDATIONAL ECONOMY MARKETS

Summary

Many foundational goods and services are increasingly provided through markets, in line with political belief that markets are more efficient than other means of provision. But marketised foundational economy provision is often characterised by market failures such as lack of competition, unresponsive (and often unfair) pricing mechanisms and low consumer trust.

FECBs have to operate within this context and can offer opportunities to shape these markets locally. In our research we found this happened in four main ways.

01. In providential services like healthcare, FECBs acted as service contractors, with potential to offer more responsive and flexible services tailored to local needs. However, pressures on costs create a challenging environment for delivery, especially if FECBs seek to deliver services in different ways.
02. In material foundational economy sectors like land, housing and energy, community businesses can fill a gap or seek to disrupt markets through different operational models – for instance in providing collectively owned housing.
03. In other instances FECBs operated where the market and/or state had withdrawn. Community hubs and development organisations were critical in these contexts.
04. FECBs in some sectors (greenspace, community development) provided and maintained public goods that could not be marketised. The challenge in this context is to maintain and generate revenues.

In general, FECBs operated as pragmatic market actors, engaging as much as they needed to in a challenging context, rather than because they believe there are market solutions to the provision of public goods.

4.1 Introduction

Foundational goods and services have been subject to ‘marketisation’. To use these goods and services citizens must engage with markets, as must anyone seeking to deliver foundational economy activities. The nature of this marketisation varies across sectors. Energy supply has been entirely marketised and is beset by market failures such as lack of competition, inelastic pricing and low consumer trust. Care services have been outsourced by public bodies and often operate in a ‘quasi-market’ delivering contracted services for local government or the NHS. Marketisation also varies between places: in some places foundational economy providers have virtually withdrawn because services are not seen as viable, or only limited provision is offered. This is particularly evident in deprived urban areas.

As such, foundational economy community businesses operate within a range of market contexts but none operate ‘outside’ markets. Whether as suppliers of contracted services, as enterprises providing market goods, or organisations bringing enterprise to sectors less well understood as market goods, these community businesses have to negotiate different market-related challenges. Transformation of these markets is often (but certainly not always) an important motivation. The desire to make markets more socially and environmentally sensitive also led to frustration among some community businesses, given their relatively small scale of activity.

4.2 Delivering (contracted) services

A large part of the work done by community businesses we spoke to in Leicester, Grimsby and (to some degree) Plymouth is the delivery of contracts for public service organisations such as local authorities and healthcare providers. One Leicester community business explained the approach:

■ ■ Mostly it's about contracts, sometimes we are in consortiums, like now our employment and education programme is funded by a combination of European Social Fund and Big Lottery and it's a consortium of about 10 organisations doing it together.
(Community development community business, Leicester)

In some cases the business opportunity is a response to a change in the public sector. A healthcare community business in Leicester, for example, was set up as a pre-emptive response to the likely contracting out of healthcare services for homeless people. Rather than attempt to compete as part of the NHS with the likes of Virgin Healthcare, its staff saw an opportunity to exercise greater autonomy and provide more responsive services as an independent contractor. The community business has since then successfully re-tendered for contracts in Leicester and has also won contracts further afield, and is acting as a mentor organisation for a similar enterprise in Brighton, where the CEO now chairs the partner organisation's board:

■ ■ We have a relationship with a community interest company in Brighton who were six years behind us in terms of their own local experience but wanted to create a social enterprise CIC and bid for their own contracts and go through the process we'd been through, so we invested quite heavily in a legacy to them where we provided training and mentoring to their GPs and admin teams ...
(Healthcare community business, Leicester)

For some respondents this also created an opportunity to influence working practices in private businesses by demonstrating the value of alternative ways of working. This could also influence commissioning approaches. Yet some community businesses were also conscious about having too much impact on private business operating models. One social care provider was concerned that – by adopting public sector pay models – they would drive up wages across the sector and potentially make other businesses unsustainable as a result:

■ ■ We currently employ all our staff under NHS standard terms and conditions which limits us to a certain extent in terms of pay structures and pension requirements and things like that, so as a social enterprise we're essentially a private business and we can do things in different ways. There's a real strong need and requirement for us as a large provider to enter the care sector in terms of care homes, domiciliary care, high cost packages of care for people with learning disabilities and mental health problems and we're unable to do that as an agenda for change provider without fundamentally destabilising the local market, so it's not about trying to get away with paying people less, it's what would our impact be as a provider on other providers, everybody would disappear.
(Social care community business)

While this was the only example of its type, it shows some of the dilemmas faced in seeking to shape markets, even if it might be desirable to drive up wages in a sector notorious for poor pay and working conditions.

Public service contracts can also pass the burden of cost savings and effective delivery to community-based providers in the expectation that they will replace the work of public service staff with low-paid local workers or volunteers. A multi-sector community business, for example, turned down the opportunity to manage eight local authority nature reserves across the city of Leicester after a service that previously cost around £1 million a year to run was reportedly advertised as a £50,000 a year contract. Such an approach transfers the vulnerability of public services to local communities without providing a sustainable income stream.

4.3 Enterprise and providing market goods

Other infrastructure community businesses operated in a more market-focused context. In these instances there was often a more explicit aim to disrupt markets that were seen to suffer from market failures which produced socially and spatially unfair outcomes.

Land, housing and to a lesser degree energy generation community businesses operated in quite complex market systems. These community businesses often see their role as filling a gap in market provision, or as improving on the existing offers in the market. Here is one statement from a housing community business:

■ ■ We want to make them sustainable, we want to make them modern, we want to make them nice and we want to make them cheap so people can afford to live there. So we see ourselves as I guess filling in a gap.
(Housing community business, Leeds)

Most interviewees felt that their individual community business could only make a small difference in the wider sector(s) in which they worked. The exception was another Leeds housing community business, which was able to distinguish between the relatively small scale of its own direct projects and the wider pipeline of projects that it was supporting, which it hoped would produce some “significant disruption” to the market over several years.

Similarly, community energy projects tended to see their projects as part of a wider movement, or at least of a potential movement for decentralised energy markets, challenging the dominance of the ‘Big 6’ energy companies alongside long-term goals to change how energy is produced and sold. However, those operating in capital-intensive ‘hard infrastructure’ sectors, like energy and especially housing, also talked about feeling at the mercy of market forces, and of larger, more established and better resourced market actors. In the energy sector community businesses said there was a need for policy reform to allow them freedom to innovate and spread more widely.

4.4 Making new markets and operating outside the market

Often community businesses came into being because there was no state or privately-led alternative. These community businesses broadly fell into two camps: community businesses providing a service in a place where the market had withdrawn (because of 'market forces'); and those getting involved in infrastructure which had not been privatised or marketised but where the public sector had withdrawn or was looking to reduce services. The latter was more prevalent than the former. Where community businesses used commercial models this was to cover costs rather than out of a belief in a socially beneficial market solution.

Without community businesses stepping in to operate in some places, it was felt these services would either not exist or be very limited. For instance, many of the organisations operating at the community hub in Grimsby existed to bring services to an area that had become disconnected from public and private sector provision. In these instances the role of community businesses was not necessarily to shape existing markets but because there was no market. Their long-term goal was to encourage a different form of economy in these places, based on solidarity and welfare. But a critical challenge was to find ways to maintain revenue to keep activities going, which had often been why other sectors had withdrawn in the first place (for more on this see Section 8):

■ [For instance] there are two stretches of shops which are primarily takeaways, a couple of supermarkets or small local markets which are pricey, a couple of cafes, but nothing major, you've got to go away from the estate to get anything of any significance. In terms of the public sector withdrawing, it's happened everywhere so that's how it is. I think we're in a fortunate position in that we can have that conversation with the public sector and say how can we help fill that gap, but at the same time we can't fill that gap for free.
(Multi-sector community business, Grimsby)

The example of publicly accessible greenspace also shows how in some cases community businesses are not acting as market actors but instead supporting the maintenance of a public good. In Plymouth, a range of community businesses and social enterprises were seeking to support maintenance and improve access to greenspace, often using revenue from other services they provided within a greenspace setting – such as education or childcare provision – to achieve these goals.

4.5 Conclusion

The foundational economy is failing to operate efficiently or fairly in many sectors, and varies across places. In deprived urban areas some sectors have withdrawn or offer limited access to provision. In these instances the challenge is not to make better markets but to ensure there is some kind of provision.

Given the market context, FECBs inevitably engage with markets relating to the goods and services they provide, even where there is no 'market' to speak of, and state withdrawal means they feel they must provide these essential services themselves.

We found that most FECBs were operating as pragmatic market actors, engaging as much as they needed to in a challenging context, rather than because they believe there are market solutions to the provision of public goods. Market engagement is a necessity, not a preference. Where FECBs were seeking to shape markets, this was often because there is no alternative, rather than because they thought there was an optimal way to design a market to meet civic needs.

5. MEETING INDIVIDUAL AND COMMUNITY NEEDS

Summary

FECBs have a dual role in meeting needs. They respond to the needs of individuals, providing the essentials of daily life. They also respond to the needs of places, providing infrastructure that the market or the state has failed to provide or where they have withdrawn.

Meeting local needs is a primary rationale for the work of FECBs. Community businesses focused on foundational services such as education or care tend to start with the needs of individuals. Those engaged in providing foundational infrastructure such as energy or housing are more concerned to shape markets and increase democratic participation.

Organisations focused on individuals' immediate needs will often see the value of their work in terms of the accumulation of a series of small changes over a period of time, that may lead to improvements in a person's prospects or help them overcome disadvantage.

Organisations concerned with owning and managing assets tend to think more in terms of the prospects for places that can be influenced by providing energy infrastructure, building affordable housing or taking over a landmark building. Such work could intersect with supporting individuals by creating a base for community activity or providing a secure home for a vulnerable person.

A particular challenge for community businesses involved in place-making is that their impacts are unevenly spread. While some localities may benefit, others may be bypassed.

5.1 Introduction

At heart the foundational economy is about meeting people's needs so that they and the places where they live can function effectively. The common critique is that foundational economy sectors are no longer focused on this goal and instead are attuned to market goals, rent extraction and producing dividends for shareholders. This has meant that in many places the goods and services commonly accepted in the UK as foundational to urban life, are not being provided effectively. To what extent do FECBs see themselves as filling these gaps in places? In this section we first consider how FECBs met the needs of individuals, and then how they met the needs of places.

5.2 Supporting individuals

A majority of the community businesses we spoke to focused at least some of their work in areas of deprivation where the prevailing challenges were described as individuals "not having the skills, the money, the opportunity, aspiration" (Local authority officer, Grimsby). Across each of the four localities, businesses involved in this study were making a difference to the lives of people in their communities.

In Leicester, for example, it might be a case of helping an individual write off debts to utility companies at a multi-sector community business; a family who can get work or train for a qualification because a community development community business has helped to secure childcare for them; or an elderly person whose quality of life has improved because of befriending services offered through a neighbourhood-based community business.

Often the difference is seen over a long period of time. At one organisation, staff have now seen young people they worked with grow up and succeed:

What I see now, the young people we supported through our youth clubs, now they've finished their education, they graduated [from] university, some of them are working for the local authority, county council, health professionals and move maybe to other cities. For us it is absolutely amazing. (Community development community business, Leicester).

In Grimsby, Leicester and Plymouth this included community businesses funded through Power to Change's Empowering Places programme, who were often pivotal to bringing together services in the places they worked with. In Grimsby a Power to Change-funded FECB sought to act as a link bringing together different services as well as directly empowering people through their own projects:

I think the biggest need is about addressing inequality, whether that's social or economic but a core thing at the heart of that is around confidence, agency, ownership and giving people a chance ... So what we're talking about is if we can help people develop the skills to make things happen for themselves, brilliant, so they can take action for themselves, but there's a role for us as well in terms of being that broker and making that link between what local people want to happen and what the local authority thinks needs to happen or what the CCG thinks needs to happen to address a health inequality or whatever. (Multi-sector community business, Grimsby)

The impact does not necessarily flow directly from the trading activity. Community businesses in Grimsby and Leicester were clear that the work to support people involves cross-subsidy, providing income-generating activities to fund services for the local community. A community business in Leicester explained how it supported community activities by earning money through letting managed workspace:

... the trading company makes a charitable donation to the charity, anywhere between sort of £90,000 and £120,000 a year so that's a sizeable investment obviously into the local area to provide low cost or free activities most often, and those activities are generally targeted at those most in need ... (Multi-sector community business, Leicester)

For other community businesses, the model is to provide a service to the public sector on a contracted basis, in the belief that improvements in quality are possible when the service provider has more autonomy and flexibility. This was most often talked about by health and social care community businesses, who considered their approach superior to that offered through the traditional primary care route in which GPs act as independent contractors to the NHS:

we're able to be more flexible than a statutory NHS organisation ... [and] the quality of care appears to be higher than our neighbours who are in the statutory agencies (Health and social care community business, Plymouth).

Several community businesses, but particularly housing ones, focused on addressing inequalities in access to foundational infrastructure. These inequalities were generally discussed in terms of income and wealth, and in terms of ethnicity. Some community businesses were based in severely deprived areas, while others saw a role for community businesses in allowing a greater mix of people to participate in life and live in wealthier neighbourhoods.

The community businesses involved in this study have a direct impact on equalities, although it is not possible to demonstrate that inequalities have been reduced as a result. This is because numerous other factors affect trends in inequality, and much of what community businesses do addresses consequences rather than causes. They can provide services that mitigate the impact of inequality, such as training opportunities for people with learning difficulties or offering debt advice for people on minimal incomes, but none of the organisations interviewed work at a scale where they can make a systemic difference to housing or labour markets.

FECBs interviewed were generally aware that their impact was limited by their size of their operations. Nevertheless, they were appreciated by the communities they serve and offer vital networks of support. Often it is apparently small things that make the difference. Because it acts as an autonomous business rather than as part of the NHS, the healthcare community business in Leicester feels it can respond swiftly to homeless clients' needs. Similarly in Plymouth an FECB was able to offer flexibilities that they felt private sector organisations could not:

■ Sometimes if people are struggling we'll give them a month or two without paying their rent, the private sector never do that, or we link people into seminars that the private sector don't, we give people free conference space if they need to. We just go the extra mile, one of our members of staff might open up a unit and meet a customer for somebody if they're away. The recent lockdown and small grant schemes, we've been lobbying on behalf of our tenants to get small grants and then we've been lobbying on behalf of our charities and our social enterprises and we've established a really good relationship with Plymouth city council economic development and they said to us 'you're the only business that's lobbying on behalf of your tenants'.
(Multi-Sector community business, Plymouth)

So, each of our community businesses made a difference to individual lives, albeit not at a scale to quickly impact on social inequalities. These impacts could perhaps be more clearly seen when thinking about the role of community businesses in place-making: making a difference to the material and social infrastructure in places, and changing how people connect to those places, with prospects for long-term change.



5.3 Place-making

The role of FECBs in place-making came through strongly across the four localities. This was inherent in their motivations and intended impact, showing understanding of the potentially far-reaching impact of development in a single 'infrastructure sector'. Such a view was sometimes at odds with other people working within the wider sector for that form of infrastructure, as the following anecdote from a respondent in Leeds shows:

■ ■ We had architects who were coming in with architect brains and were like 'right we're going to build housing', but this project isn't just about housing, it's about regenerating and bringing prosperity to the local area, inspiring confidence in people, running community projects alongside everything. (Housing community business, Leeds)

The focus for many community businesses then was on long-term improvement of places. Community businesses felt they were well placed to do this, and perhaps better than – for example – local authorities:

■ ■ There's a longer term game to be played and a longer term impact but we're in a position to do that because the local authority sees what we've done with other services and gone, 'you do it slightly differently, you do have community buy-in, let's try and shift this sense of ownership of who delivers services, who owns those services' ... then it changes the relationship of how that service is perceived, how it's delivered, who delivers it and I suppose the wider impact that it can have with people. (Multi-sector community business, Grimsby)

There was also an understanding that community businesses were investing in places that the private sector wouldn't. This came through strongly in Plymouth and Grimsby, where community businesses had invested in buildings that would otherwise have remained derelict and potentially problematic for local areas. This action was rooted in a duty of care for places based on having a stake in the community:

■ ■ We are a local business, we are owned by us, we live here, we care about this. For instance our first building we developed at the Guildhall which was a Grade I listed beautiful old building in the wrong end of town you might say, the old dock area, no private company is going to come in and invest in that, do it up and make it work because there's no, it pays for itself, there's no profit on top of that but actually we care about the social and environmental outcomes and the outcomes for the community so we'll run it and we run it as a business but no private company would do that I suppose because there isn't necessarily a profit incentive in it, it pays for itself, but for us we get the social and the environmental return with it and the community return. (Multi-sector community business, Plymouth)

In Grimsby an FECB acted as a hub to bring together different services into one place, as well as providing important services which had been missing from the area. These developments in turn revitalised a sense of place, seen as important to the long-term sustainability of the community. From a local authority perspective making the community more self-sufficient also had benefits across the borough:

■ ■ The breadth of stuff that sits in [community business's building] is part of its success, it's amazing. That was a school that was empty and it was just sitting there. They had to find millions to be able to start it and started off with a meeting space in the middle, did that up, little bit of office space to operate out of and then they got partners to come in and then they got the café, then the gym, then the community shop ... for the community in that area it's incredible and that has then had a wider

impact across a bigger part of Grimsby because it's meant that people have been able to go from that bit of the community there for help and not have to be a drain on other parts of the borough.
(Local authority, Grimsby)

Ownership of assets was important to developing a long-term place-making agenda, and addressing structural inequalities:

■ ■ ... actually a lot of these assets, the things that make the money, land and buildings, are concentrated in very few hands and therefore we are an unequal society and therefore people don't have power ... So we're really interested in that idea.
(Multi-sector community business, Plymouth)

Putting ownership of infrastructure into community could change mindsets both within communities but also more widely:

■ ■ this idea that the community could own assets rather than continually rely on grants, that idea was around but it was a big leap really for the city council in conjunction with local people to get that mindset really where they helped draw down funding but didn't keep it themselves.
(Housing community business, Plymouth)

Place-making potential and motivation were particularly strong among community businesses whose mission related to land use and/or buildings. For others it was less central, partly because of the nature of the infrastructure or service they were delivering. Community energy projects spoke about the role of community investors or a commitment to providing energy supply to local organisations with a social mission. Usually they put any surplus revenue into some form of community benefit funds. But while these funds were seen to provide help to local communities they were very small scale, and sometimes respondents questioned the value of these funds as opposed to simply working more closely with other organisations.

■ ■ [For instance] I think we won't do a social fund or community benefit fund for the YMCA project cos we might as well just give them a lower energy bill, cos they're already doing a community benefit.
(Community energy community business, Grimsby)

For community energy and other community businesses not focused on land or buildings, place-making was often an indirect aspect of a wider network of activities. In Grimsby, a community energy community business was closely linked to the Freeman of Grimsby, a local charity involved in a long-term regeneration project in the town. The community energy community business was seen as an important facet of this project, with ambitions for community-owned solar powered vehicle charging sites, and discussion of long-term goals to develop a micro grid, potentially making the community energy self-sufficient.

All projects faced limitations on the scale of impact possible, at least in the short to medium term. A particular challenge is that the benefits of bottom-up activity (even when supported by organisations like Power to Change) are unevenly spread. While pockets of our case study localities benefited from community business activities, other areas did not:

■ ■ I think the challenge we've had in other places is we haven't necessarily got the same people, the same vision and drive, money, community willingness to muck in and help support and drive it. The way we've tried to approach it is to work with the willing wherever they are and wherever we've got an asset transfer we support them to achieve what they want for that place ...
(Local authority officer, Grimsby)

5. Meeting individual and community needs

This challenge seemed less pronounced in Plymouth where the activities of the local authority (as a cooperative council and founding member of the Social Enterprise Places network), social enterprise network and other community business-related intermediary organisations helped to produce a broader ecosystem of activity. This highlights the importance to community businesses of support from organisations with a social mission, rather than expecting the activities of community businesses on their own to produce positive change in places. We pick this up again in our final empirical section, on long-term sustainability of community businesses.

5.4 Conclusion

Most of the FECBs we spoke to operated in deprived areas where basic social needs were unmet. We know that community businesses more broadly are concerned with meeting social and material needs. FECBs are no different. Our research has highlighted some important nuances across different FECBs about the focus and extent of activity. We found that the scope of their vision varies but is characterised by a ground-up approach that starts with particular needs (e.g. better greenspace provision, more accessible care) which links to wider community issues. Community development hubs, such as the one in Grimsby, were important in advancing place-making agendas.

The foundational economy can vary over time and between places – the bundle of ‘essential’ goods and services form a tacit ‘social contract’. This is commonly understood as an agreement made nationally (through the government) which is how it is outlined in touchstone writings on the foundational economy. Community businesses can be important in producing a bottom-up understanding of the foundational economy. They are a route to understanding what matters to people in particular communities, and what they are missing. Often straddling the role of community activists and entrepreneurs, FECBs are well placed to respond to those needs. Community development hubs and organisations seem central to bottom-up understandings of, and responses to, place-based needs.

A real challenge is to find ways to connect and spread activity across places to meet needs in a variety of communities, rather than in small numbers of places where funding has been secured or where there are people and organisations already actively promoting community businesses. At the same time it is important to retain the community ethos that is critical to responding authentically to local need.

6. CREATING DECENT EMPLOYMENT OPPORTUNITIES

Summary

The foundational economy is an important source of employment and FECBs have the potential to create decent, reasonably-paid work in some of the most disadvantaged communities. However, the constraints they face limit their opportunities to maximise their potential to generate employment.

Smaller FECBs tend to outsource specialist work, employing staff to run the organisation and relying on a mix of staff and volunteers for community-based activities.

FECBs saw employment as an important form of empowerment for people living in disadvantaged areas. They were concerned to pay staff fairly, but were sometimes constrained by the prevailing conditions of the markets in which they operated.

Often FECBs were also dependent on volunteers, and grappled with the challenge of rewarding volunteers adequately. They felt it was important that volunteering should be a form of empowerment and be seen as a way of developing skills.

Founders and directors were often under pressure to put in unpaid time to keep their organisations afloat. Such pressures can restrict FECB leadership, excluding those who do not enjoy the privilege of free time and financial security.

6.1 Introduction

The foundational economy is an important source of employment (see Section 2). But foundational economy sectors have also experienced increasing casualisation, insecurity and often poor pay and conditions. The social care sector is notorious in this regard, but there have also been assaults on pay and conditions in the energy sector as British Gas used controversial 'fire and rehire' techniques to change working conditions for employees.⁵⁰ Work in the community development sector is often precarious due to insecure funding arrangements. Could FECBs offer an alternative model for people working in foundational economy sectors?

We asked community businesses to tell us about employment practices and the labour that went into their operations. We were interested to know whether community businesses offered good, or better, employment conditions than their comparators. We were also interested to know about unpaid labour (such as volunteering) and how this varied between different types of FECB. We found that these practices varied significantly between sectors, with a marked contrast between service-provider community businesses and others. This section is divided into four sub-sections. First we outline how FECBs manage the division of labour in their operations, including divisions between paid and volunteer staff, and by outsourced labour. We then consider how FECBs seek to empower people through labour, looking at the extent to which our FECBs provided good quality employment to those who most need it, the role of volunteering, and the stresses and rewards of working for a FECB.

50 <https://www.theguardian.com/business/2021/apr/14/hundreds-british-gas-engineers-lose-jobs-fire-and-rehire-scheme-tougher-employment-terms>

6.2 A division of labour in FECBs

Smaller FECBs (<10 employees) we spoke to tended to organise labour around three broad sets of activities: organisational admin; people and community organising; and infrastructure technicalities (physical, regulatory, financial and legal). The division between paid, unpaid and outsourced labour varied but in most cases FECBs carried out organisational admin 'in house', usually done by paid staff. People and community organising was most likely to involve volunteer labour, and at least some technical aspects were often outsourced to contractors (or in some cases specialist volunteers). Nonetheless, it was felt that technical specialists needed to share an understanding of FECBs' wider missions:

■ The day of the interview with [architects who were appointed] they'd gone and walked through the site and spoken to local residents and just sat and watched things and took it in and that just really rang true to us ... you can have all the technical expertise in the world, but in something like community-led housing you have to understand community work and there's no short cuts around that.
(Housing community business, Leeds)

The widespread contracting out of specialist roles largely passed without comment, other than gratitude towards the specialists involved. However, one interviewee felt that there was a lack of emphasis on developing and retaining skills within less affluent neighbourhoods:

■ [some people say] 'oh we'll just get professionals in to help communities' and yeah that's good but also you're not providing skills to people, you can't just apply for funding and get somebody to do it for you because then you're not learning that skill yourself. Part of the empowerment and part of driving the movement forward needs to be getting those skills developed from the bottom and working up.
(Housing community business, Leeds)

This quotation suggests that the short-term practicalities of getting a project done quickly and affordably can work against longer-term change and empowerment. In another context, one interviewee saw volunteering as crucial to building local confidence and collective responsibility, and felt over-reliance on paid staff could jeopardise this:

■ On the other hand we don't want somebody who will do that work and therefore other people don't feel they can get stuck in and do things too, it's a balance. [interviewer: Yes you don't want it all to end up on one person's shoulders because that's their job.] Exactly, 'we're not doing the marketing, they can do it': well actually it doesn't work like that. [Name], who's the centre manager here, who's great, has got things very nicely balanced ... a volunteer comes in and says 'how about running a table tennis club here?' he'll say 'great, how can I help?' but they have to do it.
(Multi-sector community business, Leeds)

These two quotations are not making exactly the same point. The building of professional skills and confidence among residents of low income, stigmatised neighbourhoods (first quotation) is a more significant form of empowerment – in terms of social change and enabling people to make 'strategic life choices' – than the encouragement of a DIY spirit among residents of more mixed/affluent neighbourhoods (second quotation). Nevertheless, there is a common thread – they express a belief that achieving something yourself, and of not having things 'done to' you, however positive those things might be, is important and valuable.

6. Creating decent employment opportunities

Although most community businesses followed the same general division of tasks there were differing views on which tasks were ‘volunteer’ roles and which weren’t. One FECB, for example, was clear in their view that voluntary activity should be limited to issues such as governance and board membership rather than the practical tasks of running an enterprise. More broadly, there is a reluctance to use volunteers as a substitute for paid roles. In practice, however, the distinction is less clear-cut. Often it is simply not practical to achieve desired goals within available resources of paid staff. Still others saw volunteering as a route to empowerment, as discussed below.

6.3 Providing decent paid work

In our research we found that many FECBs offer paid work to individuals living in deprived communities or who are otherwise disadvantaged. This is one of community businesses’ successes, especially among those with a community development mission. The impact of a (relatively) secure income for someone in a low-wage community should not be underestimated. FECBs also provide employment that is socially beneficial and provides employees with a sense of purpose and self-worth.

That sense of purpose and inclusion is an important but often invisible aspect of the difference a community business can make. An interviewee in Leicester described how one member of staff felt she had become part of a ‘family’:

“ I was talking to an employee from childcare and I had one to one, she was expecting and I was discussing maternity leave and so on and I remember asking, how do you find working for [this community business]? And she said I’ve never worked in a place like this cos initially ... I thought it was just for Somalis and when I started working ... I felt empowered, I felt I’m part of the team. That was a young girl who is White British, when I heard that it made me happy because it’s really good to hear cos she’s feeling I’m part of the family.
(Community development community business, Leicester)

In line with this ethos, some FECBs differentiated themselves from private businesses through their commitment to creating decent, paid work for those who were less ‘employable’ elsewhere:

“ I would say we have an interest in creating employment and jobs for people at a much higher priority than probably private markets would do in that we’re keen to employ those furthest from the market to give them employment experience so they can move on ... So it’s about the social aspects of markets rather than necessarily breaking the private sector down, it’s about using it with a set of different objectives.
(Multi-sector community business, Grimsby)

However, there is a limit to the number of workers community businesses can take on. Margins are tight, but especially among FECBs that are seeking to plug gaps between private and public sector provision in deprived areas. During the lockdown significant numbers of staff were furloughed – one multi-sector community business in Leicester furloughed half its workforce, and incurred additional costs because it topped up furloughed workers’ wages to full salary although the government was only covering 80 per cent of costs.

There are also systemic issues to address. If a worker is receiving tax credits or other state support, offering a pay rise may simply increase the costs to the employer without improving the prosperity of the worker. This could be a barrier to providing employment or offering more than the minimum wage:

■ ■ [Name] is our senior debt worker, she's got two children, single parent, she gets tax credits. We were talking about increasing her salary, it's not economically viable for us to do that for her, she gets £4,000 in tax credits, so if I gave her a £4,000 rise she would see no more money from that and we would lose money.
(Multi-sector community business, Leicester)

Dependence on contract or grant income means that staff levels fluctuate as contracts begin and end, so although staff are not usually on zero- or variable-hours contracts, it can be difficult to offer long-term job security. One community business manager in Grimsby explained how they negotiated dilemmas about employing new people in the context of longer-term uncertainty:

■ ■ There's definitely no zero-hours contracts, we are always open to staff as to the fact that this is from a time-limited funding pot. The majority of staff are employed on a permanent contract just on the basis of if this is the right thing to be doing, then we'll find a way to keep it going somehow ... fully aware that if no additional funding comes in then that's it.
(Multi-sector community business, Grimsby)

Although a commitment to being a good employer mattered to FECBs, in some instances employment practices were also shaped by the wider market conditions for the sector. In the care sector, FECBs felt they needed to operate within existing pay rates and conditions in order to compete and (in their view) not distort the local labour market (as also explored in Section 4). At the other end of the scale, a finance community business said managers' pay levels had to be high enough to attract people to roles with high levels of responsibility and accountability:

■ ■ So, fair remuneration, we want to be, actually our aim is to be a better than real living wage employer and also to have a maximum ratio between the bottom and the top, we haven't entirely settled on that but it'll certainly be nowhere near 20, it will probably be less than 15, closer to 10. It's an industry where to persuade people to take on being director of a bank, which carries criminal sanctions if you bugger it up, the reality is to get people with that expertise costs money, but we still think we can do it for 10 times.
(Finance community business, Plymouth)

These community businesses still felt that what they were doing was an improvement on existing employment standards within their sectors.

6.4 Volunteering as empowerment

Almost all the FECBs contacted for this study use volunteers in one form or another.⁵¹ Some have quite clear demarcations between paid staff and volunteers and will not use volunteers to substitute for paid staff.

Others have been clear that using volunteers helped to keep costs down. But relying on volunteers (or other forms of unpaid labour such as probation service referrals) has its downsides. One interviewee said the number of experienced volunteers is reducing rapidly, and increasingly the volunteer workforce are people who are themselves vulnerable and in need of support:

So what we see now is that day care has closed around the city over the last few years and what we've got is lots and lots of adults with learning difficulties being assessed as independent learners [...] suddenly they're not in care of the state any more, the voluntary sector is going to pick them up and look after them for free ... So our food growing project now has become, realistically, a project that adults with learning difficulties kind of, and I use this term very loosely, work on, but come to really. (Multi-sector community business, Leicester)

This story was replicated elsewhere but was framed positively as a way to provide people with meaningful activity, potentially develop new skills and help a greater diversity of voices to be heard in running FECBs – and potentially, in turn, the sectors they work within:

The volunteers we've been able to bring into the hub, that's the last four or five weeks now, without exception those volunteers have additional needs. In our area we've got a high percentage of sheltered housing of different types, and our volunteers are coming to us in the day so they're generally not working so they would have a higher level of needs. So right from the beginning we're trying to create, well we're trying to co-create activity that we can do together that as part and parcel of that activity we're encouraging those voices to come through. (Greenspace community business, Plymouth)

This empowerment extended to people with a range of needs and motivations for volunteering, including supporting other enterprising ideas and projects. An energy community business in Plymouth ran a volunteering programme focused on coaching and mentoring individuals to pursue their own ideas.

Yet, FECBs continued to deal with the dilemma of how volunteering roles were valued. In the absence of funds to turn them into paid jobs, they have to think creatively:

I've felt that for a while now, not just for myself but for all the other volunteers that we try and engage and bring into this, at what point are we able to provide a meaningful value to that volunteer work, cos we all know it's really valuable but how do we reimburse that to its correct value ... We're looking at training, [Multi-sector FECB] have got a badge scheme that they're exploring so that people can get badges, they're not proper accredited qualifications but they have got a degree of accreditation and just some way of being able to recognise that, that people would feel that their volunteer work had some significance. We're also trying to look at volunteer expenses in ways that are creative. For example we've got a volunteer artist who's interested in getting involved, so if we can fund her materials then she gets those for free then for her own use, so that sort of thing, and that means she doesn't have to come off her long-term incapacity benefits. So we're trying to explore ways and means for that kind of thing to work in a legal and safe way. (Greenspace community business, Plymouth)

51 See also the following for more on this from across the sector: Higton, J., Archer, R., Merrett, D., Hansel, M., and Howe, P. (2021) *The Community Business Market in 2020*. London: Power to Change.

In Grimsby volunteer-led community projects were part of a wider scheme to support people into employment through a community business employment agency. Where the community business wasn't able to offer a paid employment opportunity they offered volunteering work, through which volunteers could gain reward points which could be used to buy local goods and services:

■ ■ We reward them for the hours they put in by giving these points, similar to like Tesco points I suppose, you collect so many points and then you redeem them for vouchers for things. So these points under our scheme are called Zlto,⁵² this Zlto thing has come from Cape Town originally, it was a scheme to incentivise young men to get working ... So we've adapted this. We've been getting people doing different schemes and we've got different reward partners in to try and do local things as a voucher. So somebody might do a couple of hours work on an allotment or help somebody on another scheme, they get these points on their account, they can change them for vouchers that we've connected with local businesses ...
(Employment support community business, Grimsby)

FECBs clearly grappled with the tension between paid and volunteer roles, particularly where volunteers were performing roles that – ideally – would be paid jobs. FECBs saw no easy answers and were, in many cases, pragmatically feeling their way through challenges as they arise.

6.5 A labour of love or self-exploitation?

FECB leaders will often volunteer or do unpaid work because they think what they are doing matters. But this carries risks. Anyone familiar with small enterprises will be aware of the amount of time and effort that business founders put into their operations, both out of a sense of responsibility, and out of passion for their project. Many of the people interviewed for our study were no different in this regard. Where community businesses differ from traditional businesses is reliance on volunteer labour which can also often include the community business managers:

■ ■ To be honest I put in an awful lot [of hours]. I've heard that from other people who are really passionate about it, it's put their families under stress and themselves under stress.
(Energy community business, Grimsby)

This is a well-worn story, but FECBs, often working in deprived areas, were also under pressure because of the effects of austerity, reducing resources to pay for staff but also reducing the pool of volunteers. A director of the energy community business in Grimsby explained:

■ ■ A lot of it falls on me ... maybe you will find volunteers who will do this in other places but not in Grimsby because it's a town that the graduates leave and they stay in Nottingham or Derby or Leeds or wherever ... 15 years ago, before austerity and the 2008 crash and all that, if you held a public meeting you'd get quite a few teachers and quite a few local authority types and you'd get an attendance and a lot of that's gone now because people are just trying to survive, so maybe I've got a mindset from then and I've just kept doing it. And you're accountable to the people who've put the money in, so at the minute I'm trying to do an hour a day and I'm probably going to spend a lot of the weekend on it.
(Energy community business, Grimsby)

52 <https://www.zlto.co/>

Another FECB leader noted Power to Change's efforts to provide support to community business leaders. At the same time, they felt that setting up and running a community business was always going to attract a certain kind of person who would be willing to put in long hours without financial reward:

“ I think it's a barrier to more community enterprise that apparently you've got to be slightly insane to want to be a community entrepreneur, or maybe you're lucky because you've got resources behind you financially or you are robust enough and resilient to be able to put up with the strain, but generally people don't attempt this sort of thing because they think there's a chance of becoming a multi-millionaire at the end of it, which is what most entrepreneurs are after, it's a bit different with community enterprise cos that's not the payoff.
(Finance community business, Plymouth)

Social inequalities, combined with the stresses and demands of running a community business, means that many founders tend to be older, White, middle class men. But as our interviews in Leicester show, this is not always the case. The relative lack of participation in deprived neighbourhoods shouldn't be taken as lack of latent skills, interest or ambition – but rather as evidence of the obstacles to participating and taking on additional leadership responsibilities. This requires work by organisations like Power to Change and local institutions to recognise and champion a diverse community of existing and potential leaders.

Despite the stresses and strains, most interviewees said that being associated with a FECB had been a positive experience. One who worked in a community shop recalled that when he lived in the area, people came to his house for supplies when the shop was closed – this was presented, with humour, as a source of both pride and minor annoyance. For some their community business work impinged less on their personal lives. These interviewees either worked for the less neighbourhood-focused businesses, or did not live in the neighbourhood where their community business was active. In contrast to the research team's experiences of community land organisations in the Scottish Highlands, there were no reports of community business staff or volunteers needing a 'thick skin' to cope with political conflicts associated with their role.



6. Creating decent employment opportunities

6.6 Conclusion

The foundational economy literature⁵³ highlights the potential to provide decent jobs through economic models that reduce profit motivation and focus on social benefits. Our research shows both the possibilities but also the limitations in the case of community businesses. Our findings also resonate with those of others exploring the role of community businesses in employment and skills, which emphasised community businesses' strengths in developing people and supporting disadvantaged and marginalised people into volunteering and employment.⁵⁴

FECBs – perhaps more than many VCSE organisations – work in a context of delivering essential goods and services, usually with limited financial resource, uncertainty over future funding and in some cases limits on their ability to diverge from employment norms. Yet, from our research it was clear that they took the responsibility to value workers (paid and unpaid) seriously, and grappled with dilemmas about how best to provide decent work in the context of uncertainty and limited resource.

A particular challenge is the division of labour between paid and unpaid work, which varied between FECBs and the different sectors they represented. FECBs felt the need to act, sometimes quickly, to support and empower local communities, but did not often have the resources to directly employ all their staff. This in turn created moral dilemmas about how their community was best served. This dilemma was acutely felt within the FECBs we spoke to because most operated in deprived areas where decent jobs were desperately needed. If volunteers were needed, it felt imperative that they were also provided with empowering experiences and received some reward for their efforts. While many of our sample of FECBs did this, there is a need to consider how the precarious situation of many FECBs prevents them from maximising opportunities to offer decent, paid work to local citizens. This raises further questions of what models for community business development and growth could create such opportunities.

53 See for example: Sayer (2019) Moral economy, foundational economy and decarbonisation. *Renewal journal*, 27(2). <https://lwbooks.co.uk/product/moral-economy-the-foundational-economy-and-decarbonisation-renewal-27-2-summer-2019>

54 See, for example: SERIO (2020) Employment and skills: The role of community businesses. Power to Change Research Report No. 27.

7. CONNECTING BETWEEN FOUNDATIONAL ECONOMY COMMUNITY BUSINESSES

Summary

While connections between FECBs are important, there is limited evidence of mature ecosystems of community businesses. The network is most advanced in Plymouth, where there has been strong local authority support, and there is a significant network of housing-based community businesses in Leeds.

Intermediary organisations play an important part in bringing FECBs together and catalysing change. The role of the Real Ideas Organisation in Plymouth provides a good example.

Local authorities are key partners, not only in offering direct financial support or contracts, but also through facilitating activity through the planning system or by making land available to FECBs.

Other funding providers such as Power to Change can help to catalyse FECB activity.

7.1 Introduction

Although the foundational economy made up of a number of different sectors, these interconnect within communities to make places liveable. In places where one form of foundational economy is not functioning, our research suggests it is likely that other forms are also not functioning. Community businesses are usually small enterprises and in order to achieve change it is necessary for them to connect with other organisations, and to make connections between different foundational economy sectors to facilitate place-based improvements. Generating connections across different types of organisation representing different population groups is also important to democratising the foundational economy.

Throughout each of the sections above it was clear that FECBs' connections to other FECBs, to community business networks, to local authorities and other local stakeholders were important to their ability to deliver change. In this section we consider the extent and form of these connections, finding significant variation between sectors and places.

7.2 Community business ecosystems

The extent that community businesses connected with one another as part of a community business or social enterprise ecosystem varied substantially between our four localities.

In Plymouth there was a strong sense of a growing ecosystem of enterprises owning and delivering different foundational economy goods and services across the city, focusing especially on deprived areas. In the other locations this was less pronounced. Grimsby and Leeds had geographic hotspots where there was more activity, in particular where local development trusts or community hubs operated. Leeds is also a centre for housing community businesses within England, in part thanks to funding from Power to Change.

7. Connecting between foundational economy community businesses

In Leicester, however, there was less evidence of a network of FECB activity. The community businesses there could be considered as a constellation rather than a network: they operated in proximity but not generally in collaboration. Their most important relationships were with their immediate communities of service users and with the public services they rely on for contracts and support. Talking about wider social enterprise activity in Leicester and Leicestershire, one respondent described it in the following way:

“ I wouldn't say there is a social enterprise sector, there are organisations who operate in that sphere who I would say make up the totality of what we call the third sector, the voluntary and community social enterprise sector. We tend to lump the social enterprises in with the general voluntary and community sector because their aims and objectives tend to be the same ... in the sense that their main aim is to provide social good and they just have a slightly different way of operating. (Local authority, Leicestershire)

This speaks to a wider problem of identifying a community business sector as distinct from social enterprises or the voluntary and community sector more generally.

Connections in our four localities were often project-focused, most often working with community businesses and other organisations within a sector. For instance in Leeds housing groups collaborated with each other and other housing market actors, local development trusts collaborated, and so on. Sometimes these collaborations arose through a deliberate search to find partners for a project, and at other times through pre-existing personal connections. Similarly, in Leicester, while community businesses were aware of each other and sometimes joined forces, the majority of their work was focused either on their locality or their group of service users. Connections were historic: two of the community businesses we spoke to had been operating for well over 40 years, and another had a 20-year history. Relationships arose through the provision of particular services over time; an embeddedness in the local community which means the organisation was a first port of call; and informal knowledge within networks of service providers.

Examples of cooperation between different types of community business and social enterprises were also evident. In Plymouth, for example, a community energy community business was working with a housing community business to develop projects, and in Grimsby a community energy community business worked closely with several different foundational economy organisations. The Reaching People partnership in Leicester brings together voluntary and community sector service delivery organisations to tender for public contracts. Reaching People also offers general support and advice to the voluntary and community sector, and delivers the Leicester Food Bank Plus programme for the Big Lottery Fund.

In each locality there was a sense that the community business and/or social enterprise sector was growing – albeit at different rates. Some respondents reflected on the history of community business in a place, suggesting that there might be waves of growth and common purpose, and then periods of consolidation where some organisations lost connection to others. In Leeds one interviewee recalled a more interconnected cooperative movement in the 1970s:

“ [In the 1970s] ... there was a lot of co-ops, people had started Suma wholefoods, Wall Street café, Beano wholefood shop, all those things, there was lots of crossover, people lived here and worked at Suma [but now] we're not as connected with other co-ops in Leeds as we could be. (Housing community business, Leeds)

7. Connecting between foundational economy community businesses

Links between community businesses delivering different kinds of infrastructure and a wider sense of community business ecosystem were most evident where intermediary organisations were actively promoting connections and collaboration, which we explore in the next section.

7.3 Intermediaries

Where it is possible to say that there is a genuine community business ecosystem (rooted in a wider voluntary, community and social enterprise ecosystem), the role of different intermediaries has been critical. These intermediaries provide a range of functions, including facilitating connections and collaborations between community businesses, providing opportunities for training and skills development, as a source of sector-focused information, and in some cases providing funding to community businesses. On the whole, such an ecosystem applies to community businesses or social enterprises in general, rather than a specific group of community businesses delivering urban infrastructure.

In some instances this has involved community businesses acting as coordinators and connection points for community business activity. In Plymouth, Real Ideas Organisation had an important role in both providing elements of urban infrastructure (such as education) and offering business support to community businesses, providing workspace and delivering programmes. One such programme was Enrich, delivered in partnership with Plymouth Council, focusing on community businesses looking to work in and with urban greenspace.

The Enrich programme involves bringing together social enterprises with council officers and other people with an interest in the city's parks and greenspaces. The aim of the programme is to support greenspace-focused social enterprises and community business start-ups and to change council working practices to facilitate the work of social enterprises and community businesses with ideas to improve parks and greenspaces. For example, one organisation hoped to manage part of one park in the city to create a more inclusive space:

■ ■ They're taking on a disused bowling green and the corner of a park which was essentially an epicentre of anti-social behaviour, day drinking, IV drug use etc. and they were like, we'll take this on and turn it into a creative kindergarten for the community, so children's services in a really environmental and creative way.
(Multi-sector community business, Plymouth)

When we spoke to community business participants in the scheme at the end of its first year, they were very positive about its potential to support their own goals as well to develop better ways of working between the council and community businesses in general.

■ ■ It was very interesting to be able to meet different people, obviously not just from this area but from all across the city who were interested in doing things within their parks, so we've built up quite a lot of new and interesting relationships, that's been fantastic. We've got a much better relationship with the local council than we used to have because we've been able to have face to face meetings rather than just send out emails to generic departments ... So we've been able to learn a bit better about how the council works in terms of who does what and it's much easier for us to find somebody.
(Greenspace community business, Plymouth)

7. Connecting between foundational economy community businesses

Community businesses in Grimsby, Leicester and Plymouth had each received funding from Power to Change through the Empowering Places programme, which had clearly been catalytic in providing organisations with funds to direct resources to community businesses (some of which delivered urban infrastructure) in deprived areas. The Empowering Places-funded community business in Grimsby provided a physical hub for community business activity, including a number of community businesses and social enterprises delivering urban infrastructure. Providing space for community businesses to operate was important, but so was the fact that they were located in the same place: this allowed collaborations and connections between businesses and often meant that users of one community business or social enterprise then came into contact with another community business that could help them.

Local authorities

Local authorities emerged as crucial stakeholders for the development of the community business sector in each place.

Local authorities were a stakeholder in physical infrastructure, such as land-based activities. As well as playing a supporting role through their responsibilities for planning decisions on new developments, they were often the main landowner willing to talk to, and make sites available to, community businesses. In some cases the authority has even proactively offered sites to community businesses. Although some of these were felt to have been 'difficult' sites that were not particularly commercially attractive, in other cases there was competition for the site:

■ ■ Meanwhile [developer] said ... 'can we have the rest of the site?', council, bless them, said 'no we've told these [community business] people they can have that'.
(Housing community business, Leeds)

This is not to say that community businesses always find it easy negotiating with councils. They still have to present themselves as professional and reliable. It was notable that in Leeds several businesses said that their local MP – or in one case, a former MP – had been very helpful in enabling them to approach the council and get a positive outcome. However, there was a sense that councils in Grimsby, Leeds and Plymouth were increasingly willing to listen to community businesses and saw them as potentially useful to achieving local authority objectives.

For FECBs delivering infrastructure services like health and social care and education, relationships with statutory organisations could be variable. In Leicester, health and social services organisations, and Leicestershire County Council, have long-established relationships with community businesses and the county council actively encourages the sector. Leicester City Council, unlike the county, is viewed as having limited interest in supporting community businesses. One interviewee said interest varied between departments, but overall there was little support:

■ ■ It is a crying shame to be honest. We tried many times and in fact Power to Change have come forward to even offer, you know, a sort of fairly modest sum, but a sum of money into Leicester to try and boost the community business economy, you know, to try and encourage more interest, encourage more support, encourage the council to be more actively involved and to see it as a sector that they really ought to take notice of, but a lot of it falls on deaf ears. Sadly we've got very – a very narrow and very weak support structure through the council for community business and social enterprise ...
(Multi-sector community business, Leicester)

7. Connecting between foundational economy community businesses

This view was echoed by another prominent community business, which said it had not contracted with the city council to support social enterprises or co-ops for the last ten years. On the other hand, individual organisations spoke positively of their connections with particular officers at the city council. One healthcare community business praised the city council's history of multi-agency working and support for its homeless clients. Service providers are often more clearly part of a market for provision to councils and other statutory organisations. This might make councils feel that they are more bound by procurement rules and norms, and be unwilling to appear to favour a particular type of organisation.

In some places, however, local authority commitment to community businesses can be more formal, sometimes linked to political commitment to social enterprise and cooperative models of economic and social development. Plymouth stood out in this regard, politically labelling itself as a 'cooperative council', and was also one of the first 'Social Enterprise Cities'. There has been a concerted effort to create a 'cooperative mindset' within the council – including a formal cooperative development plan, published in 2019 – which respondents felt could be seen in the way it has sought to promote community businesses in the city. The council lead for social enterprise outlined some of the key community business-related services the council ran or supported:

■ We have a business relationship programme with about 50 social enterprises and co-ops, we have two funds that we manage, one social enterprise, one for cooperative development. We run things like co-ops fortnight and social enterprise and community business celebration events, we manage the relationship with VCS infrastructure organisations and we've got a social enterprise network, obviously those people have got relationships with all sorts of different parts of the council, but from a development point of view we have a close relationship with them. We also get involved in things like community asset transfer, we've got five, maybe six, community development trusts ... [This commitment has] been long-standing I believe. It's really got a lot of momentum.
(Local authority officer, Plymouth)

The council benefited from having champions for community business and social enterprise at senior levels within the council on both the elected and officer sides. This ensured that momentum to support and develop the sector was sustained over time. This view was shared by community businesses in other localities,

■ [it needs] ... a person in that council who has got a passion for it ... without that connection to the local authority it does make it a lot harder for organisations to, they're constantly hitting that wall of who to talk to, bureaucracy
(Community Business stakeholder, Leeds)

More broadly, FECBs have benefited over time from connections to a range of funding providers, prominent among whom is Power to Change, as well as central government grants, regional bodies and other national organisations like Locality and Lottery funding distributors. These funding opportunities have been critical to the development of the sector and Power to Change's Empowering Places scheme had clearly been important to developing networks and community business capacity in Grimsby, Leicester and Plymouth. An ongoing concern was the lack of continuity between funding streams, which often lasted for a few years before disappearing, to be replaced by new funding opportunities with different criteria and rationales. We discuss this in more detail in Section 8.

7.4 Conclusion

Connectivity between FECBs varied and it was not always clear that there was a community business or even VCSE ecosystem in the four localities. Community businesses seemed more focused on connections with whatever organisations were important for their everyday operations, whether that meant others active in their part of the foundational economy (food, housing etc.) or in their local area (generally taken as smaller than the city/case study area as a whole). These might be other community organisations, but they also included small businesses, funding organisations, or often the local authority. This follows findings on the wider community business sector which suggests that community business connectivity varied between places and was often dependent on there being existing networks in local areas.⁵⁵ This previous research, grant funded by Power to Change, identified tensions between community businesses' desire for autonomy and the need to access resources to achieve goals, which matches our findings regarding goal-oriented collaborations to deliver specific projects.

What did come through was that local authority political and executive support was important to developing community business networks, and organisations that were supported by funders like Power to Change to bring community businesses together were also important to developing local capacity. A distinctive FECB ecosystem was not really possible to discern, except that FECBs were sometimes involved in wider community business or VCSE networks within each of our locations. FECBs were seemingly at the most transformative when they were involved in offering a range of foundational goods and services through partnership with other organisations, or acting as a hub for foundational economy activities (see Section 5.3) and some examples of this diversification were apparent in our case study areas. A focus for future support could be on supporting FECBs to diversify through such partnerships.

55 Chapman, T. and Gray, T. (2019) Striking a balance: A study of how community businesses in Bradford, Hartlepool and Middlesbrough build working relationships with the public, private and third sector. Power to Change.

8. FINANCIAL AND OPERATIONAL SUSTAINABILITY

Summary

FECBs face a range of challenges to their long-term financial viability. Even those with an asset base are vulnerable to changing market conditions. However, we identified six factors that were important in enabling organisations to be sustainable. These are:

01. Longevity – FECBs benefit from the reputational advantage, trust and connections that are built up over an extended timescale.
02. Market identification – FECBs are more likely to be successful when they have clearly identified the market they serve.
03. Public service contracts – long-term service contracts can provide some security of income.
04. Asset-ownership – assets provide a long-term stake in a place, a capital asset that can secure funding, and opportunities to generate revenue. However a physical asset is not usually enough to cover the costs of FECB activity.
05. Local authority support and relationships – local authorities can offer a range of practical and financial support to FECBs.
06. Connections – community businesses are more likely to thrive when they are part of a network of connections and able to work with other VCSE organisations.

The perceived long-term sustainability of community businesses was mixed but many respondents spoke about the challenge of maintaining financial viability. Those that owned assets had a degree of stability, as did those that provided contracted services to public sector organisations, but they were still vulnerable to changing market conditions or loss of contracts.

In our study we identified six criteria that were important for the likely long-term sustainability of community businesses.

Longevity. Community businesses that appeared to have a more stable future had often been established for a number of years – in some cases for several decades. They have had time to build a reputation and establish areas of expertise, and find their niche within the local market. They have also had time to seize opportunities for funding and investment, and in several cases have built up an asset base that provides some protection against unforeseen events. For newer community businesses, the immediate goal was survival, after which they could consolidate and broaden activities:

■ the future, if we've got certain things, we can do activities that are community-focused, that's supposed to be the whole idea but at the moment we need to be making more money for it to work long term.
(Employment agency community business, Grimsby)

8. Financial and operational sustainability

Market identification. Stable community businesses had successfully identified a market for their services. They either serve a particular locality or particular community of interest, and have built up their knowledge of that market. One multi-sector community business in Leicester described how faith-based organisations had recently moved into the local neighbourhood and set up food distribution services, but found they had to work with the community business because its staff already know the community and are providing appropriate services to address food poverty. This model does not apply so neatly to energy FECBs given that they often sell electricity to energy suppliers, but in this instance there is a relatively clear and stable market for their services (notwithstanding government policy changes which have reduced stability in recent years).

Public service contracts. Many community businesses have long-term contractual relationships with public services. This is both a strength (in terms of continuity of income) and a vulnerability (because this source of income is generally under pressure and service delivery organisations are expected to do more for less).

■ ■ that eternal contradiction is where it's needed most, the market, i.e. the ability to spend doesn't exist, so to ask you to go ahead on a non-grant basis is almost impossible. So for that reason it isn't all over the place.
(Multi-sector community business, Leeds)

Asset-ownership. Those that don't have public service contracts own assets that generate revenue. The extent to which this revenue can cover full costs varies substantially. Housing was one sector where asset-ownership was seen to provide long-term security. This is less the case for community energy, where assets have a more finite lifetime and recent subsidy reductions have resulted in lower returns.

■ ■ We're doing a community housing thing now ... we can do development projects, we are going to be around for 20–25+ years at least because of our renewable assets and it's core to our mission, why don't we build some new ones [houses]?
(Energy community business, Plymouth)

Note, however, that even relatively large and successful community energy groups were rarely able to fund their local service provision – energy advice and home insulation – out of revenue from renewables. Even housing businesses generally needed financial support to be able to address inequalities through their market activity. Such support was mostly sought from the public sector – typically local authorities or specialist government agencies – but sometimes also from local private benefactors.

Even once housing has been built, viability relies on continued occupation and tenant/members having the income to cover expenses: that is, the existence of a community that wants and is able to support the business. Other asset-owning organisations, such as community hubs, were even more reliant on grants and revenue-raising activities to generate income. Covid-19 has created additional risks for the asset-based model, as community businesses have been unable to hire out premises during lockdowns and have incurred extra costs to maintain safe environments when they have been able to open.

8. Financial and operational sustainability

Relationships with statutory organisations. Beyond contracted services, relationships with local statutory organisations, especially local authorities, are important. For physical infrastructure organisations this was particularly important in terms of access to land/sites, gaining funding, planning and regulation.

Connections. In the long term, the connections community businesses build up through a sustained presence in their communities contribute to resilience. However, without security of income they remain constantly at risk, especially when set within a wider VCSE sector that is also vulnerable to continuing austerity or changes in the wider economy. One stakeholder had concerns about the ability of community businesses to collaborate with one another in a difficult public sector and market environment:

When there's not a lot of money around for example, rather than collaborating they tend to compete against each other for very small amounts of funding; no orchestration of what I'll call the social economy sector is trying to do.
(Local authority, Grimsby)

Overall, these criteria raise questions about how viable an infrastructure business model can be within a low-income community. One director put it starkly:

We're commercially-minded in the sense that we are running a charity, a successful charity is a business in a sense, you've got a balance sheet, you've got cashflow, you've got income and expenditure exactly like a business would have, the problem is that the predominance of our work is for poor people who've got no income.
(Multi-sector community business Leicester)

For community businesses to survive and thrive in providing foundational infrastructure, there needs to be sufficient support to fund that infrastructure on a non-commercial basis. Inevitably, that comes down to the role of the state in one form or another – whether through the allocation of personal budgets to people with disabilities, or a benefits system that provides more than a minimal safety net, or through paid work that provides a living wage and housing that is genuinely affordable.

8.1 Creating the conditions for viability

From this short study we can identify five conditions needed for community businesses to thrive while providing foundational goods and services, although these conditions may not be sufficient in themselves.

01. Those who buy from community businesses, whether they are individuals buying a service or public services tendering a contract, must be able to afford the services they buy. This may sound obvious but there is no magic factor that enables a community business to provide a service at significantly below market costs. If they are cheaper than a public service it is because they may have lower overheads; if they are cheaper than a private company it is likely to be because they have lower profits. Community businesses might also have the advantage of being able to operate at the small scale with at least some input from volunteers (making them cheaper) and more detailed local knowledge that might allow them to better navigate local communities and markets.
02. A community business needs a clear *raison d'être* that gives it, in market terms, a competitive advantage. The reason many of the community businesses we spoke to can serve their communities well is because they are rooted in and care about those communities. They have a connection with their customers that another organisation could not offer, and often the services they provide have arisen from listening to local people. But this connection with communities is an intangible asset: it arises from serious engagement over time. So commissioners and client organisations need to both recognise the value of these intangibles, and support community businesses in sustaining them.
03. In order to improve the services it offers and investigate new opportunities, a community business must have sufficient financial security to take risks. In many cases this means owning assets that produce long-term stability, although these assets can bring their own risks (as the Covid-19 experience has demonstrated).
04. The role of the state should not be underestimated, even where the state is not the provider of a service. Community businesses provide foundational goods and services when there is a gap, and the private sector has not been able to fill it adequately. The ultimate client and/or funder for many services offered by organisations in our study is the public sector.
05. Public services need to recognise the importance of community businesses in filling gaps where neither the market nor the state have met community needs. Support needs to be active and consistent, both in terms of providing funding and providing wider capacity- and network-building: this varied significantly between our four case study localities.

Overall, while community businesses are creating change in a variety of ways, most remain relatively precarious and many would not function without continued support from government and charity funders (like Power to Change). Our study suggested that, in poorer places where addressing inequalities through community development is the key rationale, FECBs will likely always require external funding to continue: in a period of extended austerity this creates an uncertain medium- to long-term environment.

9. CONCLUSION

9.1 FECBs as forces for democracy?

FECBs making a difference

Our research set out to explore the role of community business in the foundational economy. It was exploratory, and the research questions were broad in focus. But the research has begun to set out some important findings on how we understand community business in relation to the foundational economy.

A starting point is that community businesses are very much involved in delivering and shaping the foundational economy in places. Our investigations suggest that most community businesses are involved in supporting foundational economy activities even where they are not directly delivering them. Community businesses in our study wanted to empower communities by strengthening the everyday infrastructure of places, enabling people to better participate in urban life as a result. Such activity was urgently needed in deprived, isolated communities within the towns and cities we studied.

There would seem to be a natural fit between the foundational economy as composed of ‘low return/ long horizon’ activities that are essential for a decent life; infrastructure, which is to some extent always tied to a particular place; and community businesses as place-based organisations, motivated by social and environmental outcomes. Community businesses’ exposure to markets – whether for public contracts or wider infrastructure markets – can threaten their long-term commitment to a place; these organisations may not have the permanence of, say, a local authority. However, public sector organisations are exposed to political risks of reorganisation (or even abolition, in the case of the pre-2010 regional development agencies). Where the knowledge, skills and connections that community businesses develop are retained by locally-resident staff and volunteers, rather than lost to external providers, they can create a legacy of empowerment for their area that might outlive specific organisations. And where FECBs are able to sustain their presence in a community over an extended period, building trust and networks and a track record of delivery, their chances of long-term sustainability are greater.

FECBs democratising places to meet needs

Although we covered a range of research questions, our strongest findings related to democratising the foundational economy and meeting local needs through foundational economy delivery. The two sets are linked. Community businesses that seemed to offer the most potential to positively shape the future of places provided opportunities for local people to engage with the foundational economy in new ways, including improving access to services, supporting community action, and fostering greater involvement in decision-making. At a time when established democratic institutions are increasingly at risk, or seen as unfit for purpose, many FECBs are seeking to foster democracy from the ground-up, centred on meeting needs through empowerment and participation: ‘democracy by doing’.

There are challenges of course, and an important task for organisations like Power to Change and other supporting bodies is to support FECBs to become beacons of local democracy by providing challenge and support to diversify their leadership to further democratise decision-making processes.

Meeting these two challenges will be just that: challenging. And many FECBs are primarily focused on delivering specific projects or services to meet needs. But in doing so they can generate democratic possibilities. Developing those democratic possibilities further can create stronger long-term outcomes for people and places, and produce lasting legacies of empowerment.

9. Conclusion

A third democratic challenge is for FECBs to connect more systematically with other FECBs and other foundational economy stakeholders in and between places. In places like Plymouth the existence of strong social enterprise and cooperative networks, supported by a proactive council, has generated good conditions for action across the city. Power to Change's investment through Empowering Places has also been important, supporting development of a community business support hub (much of which focuses on the foundational economy). Elsewhere this connectivity is less well developed. But if – as we argue – democratising the foundational economy is an essential aspect of meeting local needs, then connections across and between places will be needed. Movements of FECBs in places can collectively achieve more than they do individually. The role of organisations like Power to Change and local authorities will be vital.

FECBs as pragmatic market actors

We can take this argument further by considering FECBs as part of a movement to transform the foundational economy. As Barbera and colleagues argue,⁵⁶ 'The foundational economy is inherently trans-scalar'. That is, foundational activities are not and cannot be organised locally and in isolation. There are at least three domains that need to be considered: the scale of operation; the scale of networks; and the scale of influence. In very basic terms the material and providential foundational sectors must engage with logistics, regulation, finances (and so on) whose geographies often stretch across the globe. This contextualises FECBs' potential: they are small players in multinational networks. But it also challenges them to look beyond 'the local', not just in terms of the well-worn maxim of 'act local, think global' but to act global: to consider more fully their role in shaping supply chains through procurement practices and making connections to other ethical foundational economy providers across places, countries and continents. In this way they can make the most of their activities to democratise markets as well as places. Again there is a role for organisations like Power to Change to support those actions and to amplify voices calling for change in, for example, business rates or public procurement policies.

The flipside to this is that FECBs emerge from local needs, circumstances and interest. In many instances there is no market as such to engage with. They find a role where neither the state nor the private sector have met community needs and aspirations, and are often (not always) a pragmatic response to these needs. Even where there are idealistic goals to change or escape markets, if FECBs want to achieve something tangible it is hard, if not impossible, to do that against the grain. Their position as hybrid organisations creates vulnerabilities. Their services cannot as easily be cross-subsidised as public sector operations and margins can't be as high as for private companies: they are squeezed both ways. They will often need some form of external financial support to operate successfully where there aren't viable markets, or to shape existing markets effectively. Such support should be a priority for funding bodies because community businesses can complement the public and private sectors by providing more responsive and accountable services, and are consequently important players in the foundational economy. They also play an important role through their focus on vulnerable and marginalised groups, and the social good they provide should be recognised.

56 Barbera, F., Negri, N., Salento, A. (2018) From individual choice to collective voice: Foundational economy, local commons and citizenship. *Rassegna italiana di sociologia*. <https://core.ac.uk/download/pdf/302261727.pdf>

9. Conclusion

9.1 Recommendations for policy and practice

- FECBs make a difference to people and places by meeting local needs and improving opportunities to participate in urban life and decision-making: there is a role for Power to Change and local statutory stakeholders to promote FECBs as a potential model for local foundational economy transformation.
- There is growing interest in the potential of the foundational economy for local renewal, and Power to Change could build on interest in the foundational economy concept to promote the work of community businesses as an important part of transforming the foundational economy at the local level.
- FECBs can play an important role in democratising the foundational economy locally. The role of community businesses as democratising and empowering forces should be recognised and could provide an important way of marking out the importance of community businesses' provision locally. Power to Change should more clearly orient its emphasis on democracy and empowerment as a way to achieve fundamental change in communities.
- There is a need to create space, through long-term funding for community businesses, to develop local solidarity economies that bring together different forms of foundational economy to work for local communities. Community development hubs like those funded through the Power to Change Empowering Places programme appear to offer a good vehicle to do this, but long-term funding must be guaranteed: Power to Change has a role to work with government and other funders to deliver this funding.
- Asset ownership can help to offset some of this fragility but comes with other risks (e.g. not being able to put assets to use during Covid-19 restrictions). Beyond grant funding, FECBs could be supported by central government and local authority policies including:
 - business rates/tax exemptions
 - public procurement policies to support FECBs in delivering goods and services
 - funded employment schemes that enable community businesses to employ staff in need of work, allied to training: for instance redirecting apprentice levy funds to pay for apprenticeships in FECBs
- FECBs can create opportunities for skills development and employment but these are constrained by uncertainty over long-term viability: further work by Power to Change and other organisations seeking to promote the community business sector is needed to develop sustainable business models that provide secure, decent employment possibilities.
- FECBs need to be encouraged and supported to connect with other FECBs to fully realise their potential benefits: local authorities have an important role to support development of FECB networks, while Power to Change can champion FECB connections, building on the experience of programmes such as Empowering Places.

9. Conclusion

- Local authorities and organisations like Power to Change should consider investing to catalyse FECB activity in communities where there are clear prospects that social needs can be met through trading activities: in particular by developing and promoting more diverse leadership. Action might include:
 - FECB leadership schemes focused on people from less well represented groups in places where there is less FECB activity
 - grants to encourage outreach from existing FECBs into communities not well represented by FECBs
 - FECB hub schemes (similar to the wider community business hubs being developed through the Empowering Places programme)

APPENDIX: METHODS

The study employed a qualitative case study approach, aiming to understand in detail how different FECBs operated and negotiated different aspects of their operations, within a particular place-based context. The place element was important to being able to explore connections and understand how FECBs might thrive or otherwise in different contexts. Although in the event connections between FECBs proved not to be as prevalent or deep as anticipated.

We intended to include work with users of FECBs within our case studies as well as FECB leaders. Unfortunately the timing of our fieldwork coincided with the outbreak of the Covid-19 pandemic in Spring 2020 and FECB participants were not able to support this element of our work.

Case study locations were chosen based on a purposive sampling model, choosing places that were known to have a number of FECBs in operations and, three of the four places, had received funding through the Power to Change Empowering Places programme. The four case study locations were:

- Grimsby
- Leeds
- Leicester
- Plymouth

Across the four locations we conducted 40 interviews with FECBs and local stakeholders, covering the following sectors:

- Community development/Community hub
- Education
- Energy
- Food provision
- Health and social care
- Housing/Land
- Greenspace
- Retail banking
- Transport

Interviews were audio recorded and transcribed. We then used NVivo qualitative data software to theme and code the data according to our research questions.



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