



Community business and anchor institutions



Centre for Local Economic Strategies

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About this report

This report seeks to draw on and extend the Centre for Local Economic Strategies' (CLES) existing work around anchor institutions and the local wealth-building movement, by developing an understanding of how anchor institutions can support community businesses to evolve and realise their local economic and social potential. Alongside a review of existing policy and literature, the report draws on primary research conducted in three localities – Liverpool, Bristol and Ipswich.

The research was funded through the Power to Change Research Institute's open research grants programme. This programme aims to support the community business sector and its partners in delivering the evidence the sector needs for its own development, and to make the case for the value of community business. The research is conducted independently of Power to Change. The work and any views presented are the authors' own.

About the Centre for Local Economic Strategies

CLES is the UK's leading, independent think-and-do-tank realising progressive economics for people and place. Established in 1986, CLES aims to achieve social justice, good local economies and effective public services for everyone, everywhere.

CLES has a long-standing interest and extensive body of work on the role of anchor institutions in advancing good local economies, as part of our local wealth building work. For a number of years, CLES has explored the role that individual anchors play in the local business supply chain as regards contracts for goods and services to local private business, social enterprises and community businesses. In the last six years this has focussed on the collective role that anchors play. There has been notable work in Birmingham and Preston (CLES, 2018a, Jackson and McInroy, 2017).

The work has identified that while there are many challenges associated with harnessing the potential of anchor institutions for local social, environmental and economic benefit, there are many opportunities.

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Executive summary

This report seeks to draw on and extend existing work around anchor institutions and the local wealth-building movement by developing an understanding of how anchor institutions can realise their economic and social potential by supporting community businesses.

What are anchor institutions?

Anchor institutions are sites of 'sticky capital' which make a significant contribution to the local economy as employers and holders of land and property assets. They are defined by a number of key features, as defined by the UK Commission for Employment and Skills (Mosavi, 2015), including their:

Spatial immobility – anchors are unlikely to leave a place once they have taken root, as they have strong ties through invested capital, mission and relationship to customers and employees

Size – they are large employers with significant purchasing power

Tendency to operate not-for-profit – while there are examples of for-profit organisations as anchor institutions, such as airports and football clubs, it is much simpler for private businesses to move, meaning there is 'no guarantee they will continue serving the local community in the long term' (Mosavi, 2015).

Examples of anchor institutions include local authorities, universities, hospitals and clinical commissioning groups, religious institutions and housing associations.

At CLES we believe that current pathways to economic development focus too much on external development, and not enough on inclusive economic approaches which seek to ensure that economic activity supports local supply chains and benefits local people. Building from within is crucial to a good local economy – harnessing the available assets, businesses and people to make sure investment and pre-existing wealth is used for local benefit.

What is local wealth-building?

Local wealth-building has emerged as a powerful tool to democratise the economy and create wealth for all. It develops locally-controlled economies and puts communities first by taking control of the wealth that exists in the local economy, and exploring different means of ownership, to ensure that the economy works for local people. There are four key strands to local wealth-building (CLES, 2018: 6).

1) Workforce

Anchor institutions are often the biggest employers in a place, so their approach to employment can have a defining effect on the employment prospects and incomes of local people. Building progression routes, committing to paying the living wage, and recruiting from lower income areas are all actions that can stimulate the local economy and bring social improvements.

2) Purchasing

The purchasing power of anchor institutions is important and can be locally enriching, especially if it is used progressively to develop dense local supply chains of local enterprises, small and medium-sized enterprises, social enterprises, co-operatives and other forms of community ownership. These types of business are more likely to support local employment and retain wealth and surplus locally.

3) Land, property and assets

Developing under-utilised assets for community use and supporting equitable land development are two ways that anchors can use their position as major landholders to build local wealth. They can also direct pension funds to local investment priorities which has had a transformative effect on local communities.

4) Ownership of the economy

This is at the heart of local wealth-building. Co-operatives, mutually-owned businesses, municipally-owned companies and local banks enable the wealth generated in a community to stay local and play a vital role in counteracting the extraction of wealth.

What are community businesses?

Community businesses can be seen as a subset of the social enterprise market, as businesses with primarily social objectives. However, they are distinct in that they focus on a particular place and are locally accountable.

Another defining feature of community businesses which separates them from other socially-motivated organisations is that they aim to impact on their localities through the means of production, not just the ends, creating a 'special kind of impact by engaging local people as creators, not just consumer, of their outputs' (Percy *et al.*, 2016:4).

Power to Change (2018) defines the four key features of community businesses as:

- 1) **Locally rooted** in a particular place and respondent to its needs, e.g. high levels of deprivation or isolation
- 2) **Trading for the benefit of the local community**, with income coming from things like selling produce, trading as cafés, generating energy or renting out space
- 3) **Accountable to the local community and local people**, e.g. through community shares
- 4) **Broad community impact** which benefits and impacts on the local community as a whole.

Key findings

For this report, primary research was conducted in Liverpool, Ipswich and Bristol. These were chosen as they have a strong presence of community businesses and a willingness to consider a shift in the dominant economic model. The research found a number of drivers that enable, and barriers that prevent, more collaborative working by community businesses and anchor institutions for the benefit of local economies, places and people.

Drivers

There were a diverse range of factors and approaches that have seen more effective working between community businesses and anchor institutions in the three localities, including:

- community businesses that are successfully delivering public services have built trust in the sector, particularly in Ipswich

- anchor institutions are seeking to measure the effectiveness of procurement in broader terms, placing social value alongside cost and quality. This approach will further highlight the benefits of community businesses
- Liverpool CCG has been proactively engaging small to medium-sized enterprises (including community businesses) at a pre-market stage of the procurement process, to support them to develop innovative solutions to their most prominent challenges.

Barriers

Despite the contextual differences and specific conditions for community businesses in each of the areas, there were some common barriers to closer relationships between anchor institutions and community businesses:

- anchor institutions' procurement processes are often complex and difficult for community businesses to engage with
- community businesses find it difficult to get anchor institutions to engage with them as businesses seeking contracts, rather than charities looking for grant funding
- many anchor institutions expressed interest in diversifying their supply chains by working with community businesses, but struggle to identify local businesses of this nature
- community businesses are not referenced in key strategies in the three localities.

Recommendations

Our recommendations have been informed by the primary research in the three localities, the literature and policy review and several policy and industry experts who scrutinised earlier versions. The final recommendations are divided by target audience:

- community businesses
- anchor institutions
- procurers and commissioners
- national and local policymakers
- the community.

They are framed by the need to create an environment in which anchor institutions and community businesses can collaborate and thrive.

Community business

1: Visibility and collaboration

Visibility was a key barrier to more successful working between community businesses and anchors. Many anchors were aware of the benefits of engaging and working with community businesses but had limited awareness of the local market. There are several ways in which community businesses can make themselves more visible, including:

- forming a consortium with other local community businesses to work at scale
- involvement in local groups and networks
- investing in communications and utilising existing resources, such as Power to Change's community business map.

2: Evaluation

Community businesses must ensure they can demonstrate impact, showing the outcomes of their work to anchor institutions and how these outcomes relate to them. Being able to communicate their work and success effectively, builds engagement with stakeholders who can readily appreciate the added social value and return on using community business within their supply chain.

3: Language

More work needs to be done so that the language of community business becomes widely adopted and understood. Clarity is important and being able to clearly communicate the difference between similar terms, such as social enterprise, is key.

Anchor institutions

4: Harness local spend

Anchor institutions can undertake a number of activities under the umbrella of local wealth-building that support the community business sector, including procurement:

- broadening the focus of procurement strategies to consider more than compliance and cost – embedding and scoring social value as part of the tender process is one way to do this
- making procurement accessible for the full range of actors, ensuring that a broad range of suppliers are able to access their procurement portal, that contracts are not all at a scale which prohibits smaller organisations bidding, and that tender processes aren't unnecessarily complex
- providing early engagement support at pre-commissioning events for community businesses, to enable them to innovate and provide alternative solutions and products.

5: Support community businesses

The 'community-based business advisors' recommended by the Organisation for Economic Cooperation and Development (OECD) and EU to support 'inclusive entrepreneurship' would be useful – attached to community institutions like community centres and hubs (which can also be community businesses), libraries and other places regularly used by a community. These advisors could be introduced by agencies of economic and business development, and provide considerable support for the inception of community businesses.

6: Maximise use of assets

Anchor institutions often have significant assets in the form of land and property. By re-imagining how these are used and putting strategy and policy in place to support this – including utilising assets as operational sites for community businesses – it is possible to ensure a more democratic use of assets that public funds have gone some way to developing.

Local policymakers

7: Community businesses as strategic partners

By involving community businesses at a strategic level, local policymakers could hear first-hand of the challenges they face and develop creative, co-produced solutions. Community businesses or sector representatives need to be around the table to contribute at a strategic level. They are important both as representatives of business and also as members of the community.

8: Identify a key driver

Having a strong voice driving activity, championing progressive procurement, and being keen to engage with community businesses is vital in enabling institutional change.

National policymakers

9: Entrench in policy

The Public Services (Social Value) Act 2012 is a key route in for community businesses, but their role within this needs to be developed. In particular, national government departments need to be made aware of the importance of anchors as a means of advancing community businesses. The role of community businesses could be advanced by shifting responsibility and policy to a more deliberate, streamlined approach, and following this up with resources that can be accessed to provide material support and encouragement.

10: Community of practice

Establish a forum to identify leaders in local government or anchor institutions that are seen as 'best practice' or innovative from a service delivery point of view, and facilitate a round-table environment to encourage good practice to be shared. This will encourage innovative ways of working across the country.

The community

11: Get involved

Communities themselves are responsible for the development of community businesses. Community businesses can be vital in protecting local public goods such as parks, libraries and post offices – they recognise that local voices are best-placed to shape local provision, and ensure communities are able to take control and ownership of their area. Community businesses rely on volunteers and the skills of the local population to survive.

1. Introduction

Anchor institutions are organisations which are rooted in local places and hold significant wealth as employers, purchasers of goods and services, and holders of land, property and investment assets. Universities, local authorities and hospitals are all examples of anchor institutions. If it can be harnessed, the wealth of these anchor institutions has potential for the greater benefit of local businesses and people. Although the need to realise the wealth of anchor institutions for local economic benefit is long recognised in the US, it is relatively new in the UK context (Democracy Collaborative, 2014). For the last 30 years, UK places have tended to focus on relatively standard approaches to wealth-attraction, such as inward investment and tax breaks, without fully understanding and harnessing the full potential of the wealth that already exists.

In addition, current pathways to economic development fail to advance community businesses sufficiently. Community businesses are vital to inclusive growth, which seeks to ensure that economic activity supports 'local' supply chains to benefit local businesses, voluntary and community sector organisations and people. Crucial to a good local economy is building from within – local economies using the assets, businesses and people they already have at their disposal to make sure investment and pre-existing wealth is used for local benefit.

The purpose of this research is to identify the ways and conditions under which anchor institutions can support the evolution of community businesses, helping them realise their local economic and social potential.

Report structure

- **Section 2** outlines CLES's methodology
- **Section 3** presents a review of literature and policy around community business and anchor institutions, definitions, why they are important for good local economies, and how and why they should collaborate
- **Section 4** details primary qualitative research that CLES has undertaken in Liverpool, Ipswich and Bristol, reflecting on the factors that act as barriers and drivers for community businesses in each place
- **Section 5** outlines the key learning and recommendations.

2. Methodology

The research is framed by a number of key questions to identify how anchor institutions can support community businesses to evolve and realise their potential:

- What support are local authorities and other anchor institutions already providing to community business?
- What barriers and challenges do community businesses face in engaging with local authorities and other anchor institutions?
- What should local authorities and other anchor institutions be doing to support community business to evolve and deliver enhanced benefits?
- What processes need to shift to enable greater benefit to be realised?
- What do community businesses need to do to realise the opportunities offered through engagement with local authorities and other anchor institutions?
- How can a more effective relationship be brokered between anchor institutions and community business to realise wealth?

To answer these questions, CLES conducted a policy and literature review to inform primary research work in three localities in England.

2.1 Policy and literature review

This first section of the report aims to identify the key potential roles of anchor institutions in supporting community businesses to evolve, develop and realise their full potential.

The review explores academic literature, legislation and policy documents, and case studies from across the UK, Europe and beyond to explore how and why anchor institutions and community businesses are important for local economies. The review also identified common barriers and challenges associated with anchor institutions engaging with community business and vice versa.

2.2 Primary research work in three localities

The primary research tested whether the common roles and challenges identified through the policy and literature review correlate with the experiences of anchor institutions and community businesses in three localities.

The three localities chosen were Liverpool, Bristol and Ipswich. CLES drew on evidence from the policy and literature review, previous work, and our wider networks to select these localities. They have a culture of social and community business alongside a willingness from anchors and other organisations to consider a shift in the dominant approach to economic development, which tends to downplay the role of anchor institutions. All three areas are bases for the School of Social Entrepreneurs (SSE), which supports people who want to transform their communities and help people in need, as well as other socially focused organisations such as The Women's Organisation in Liverpool and Voscur¹ in Bristol. Finally, these locations are three of Power to Change's priority places for place-based working.²

¹ Voscur is the support and development agency for Bristol's Voluntary, Community and Social Enterprise sector (VCSE)

² <https://www.powertochange.org.uk/news/funds-launched-tackle-inequality/>

CLES interviewed representatives and stakeholders from a variety of public sector anchor institutions, including:

- local and (in the case of Liverpool) combined authorities
- hospitals and the NHS
- universities
- housing associations

Interviewees were chosen due to their specific role in these institutions, for example procurement officers and those in charge of policy and strategy. While it was sometimes not possible to speak to representatives from all of these anchor institutions, we interviewed a cross section from each area.

When deciding which community businesses to engage, CLES began the search through Power to Change's community business map. Anchors were also asked about community businesses they engaged and had linkages with. Engaging with community businesses was sometimes difficult, due to time and capacity issues.³ Where this was the case, we consulted social enterprises with a local focus – such as Transform Lives in Liverpool and Your Own Place in Ipswich – to build as clear a picture of anchor and community business interaction. The difference between social enterprises and community businesses is an important one, and is explored in more detail in the policy and literature review.

2.3 Key findings and recommendations

Findings from each of the primary research localities were analysed to identify correlations. From this, CLES identified several key findings and recommendations that could be adopted in order to encourage and enable better collaboration between anchor institutions and community businesses.

These recommendations are targeted towards different groups:

- Community businesses
- Anchor institutions
- Local policymakers
- National policymakers
- The community

Drawing up the recommendations was a twofold process; initial draft recommendations were presented to a number of policymakers and industry experts for stress testing. The recommendations were then refined and strengthened in light of feedback from these conversations.

³ Capacity constraints are a key issue identified in the literature surrounding community businesses, who can be 'heavily reliant on a few key volunteers' (Hull *et al.*, 2016: 41)

3. Policy and literature review

This section is a review of literature around anchor institutions and community businesses. The aim is to define anchor institutions and community businesses and show why they are important for local economies.

3.1 Anchor institutions

3.1.1 What are anchor institutions?

Anchor institutions are large, spatially immobile organisations that play an integral role in their local economy. The concept of an anchor institution emerged in the 2000s as a 'new paradigm for understanding the role that place-based institutions could play in building successful local economies and communities' (Taylor and Luter, 2013: 4). There is no fixed definition of an anchor institution. According to a review of the literature by Smallbone *et al.* (2015), characteristics of anchor institutions include:

- spatial immobility
- embeddedness in the local economy and community
- a large resource base that is manifested in local purchasing, employment and business support
- a social role/purpose, which enables it to develop mutually beneficial and sustainable relationships within the host community.

In UK research the most commonly identified anchor institutions are universities, but other examples given by Netter Centre for Community Partnerships (2008) include non-profit organisations such as local government institutions, cultural institutions (e.g. museums and community arts centres), libraries, hospitals, community foundations and other locally-focused philanthropies, and faith-based institutions.

There are differences between anchor institutions within the US (where a lot of literature is centred) and the UK, relating to different levels of state power and role in public services, different governance arrangements for anchors and differences between institutions. For instance, the UK also has institutions such as local authorities which share many of the characteristics of other anchor institutions but for whom the economic development and regeneration of their local area is a primary concern, whereas for other anchors this is likely to be a secondary aim. The Work Foundation (2010) distinguishes these institutions as 'anchor coordinators' – organisations which can play a vital role in bringing partner anchor institutions together to ensure that activities are adding value and making the most of limited funds.

These differences notwithstanding, it is clear that, just as in the US, anchor institutions in the UK represent a form of 'sticky capital' in the sense they are 'tied' to a particular place by their histories, missions, physical assets and local relationships and cannot easily move away from where they are located.

3.1.2 Why are anchor institutions important for local economies?

Recognising the scale of anchor institutions is key in unlocking their potential for local economies, as:

“ *Large, often public organisations which create jobs and purchase goods and services have a key stake in a place. They have significant levels of spend and numbers of jobs, and are extremely unlikely to leave due to market forces*

(Jackson and McInroy, 2016: 9)

Being an anchor involves making some strategic contribution to the local economy but is likely to be a secondary aim rather than the main focus for the institution (apart from local authorities, as discussed above).

Anchor institutions can play a critical role, particularly in terms of coordination and support of economic activity. For instance, a key feature of anchor institutions is their size, which is likely to have some influence over local economic development – a function of their high levels of employment and significant purchasing power. In their anchor institution definition, Democracy Collaborative states: ‘[as they] ... control vast economic, human, intellectual, and institutional resources, [they] have the potential to bring crucial, and measurable, benefits to local children, families, and communities’ (Democracy Collaborative, 2018).

In many places these anchor institutions have surpassed traditional manufacturing corporations to become their region’s leading employers (Community Wealth, 2018). The Anchor Institutions Task Force – a growing network of more than 700 leaders promoting the engagement of anchor institutions in community and economic development – suggest that, as economies become increasingly dependent on service and knowledge sectors, the role of these institutions has grown in importance (Taylor and Luter, 2013 and MARGA, 2018). Their scale and local links mean that they can play a key role in local development and economic growth, representing the ‘sticky capital’ around which economic growth strategies can be built and innovation fostered at a local level (Work Foundation, 2010).

CLES’s work with anchors in the UK has sought to demonstrate the importance of anchors to their places. They should have a keen interest in their local economies due to the fact that they recruit from and serve local communities, have a profile in the economy, and can contribute to wider outcomes including better health and crime reduction (Jackson and McInroy, 2016).

3.1.3 What are the traditional roles of anchor institutions in supporting small and medium-sized enterprises (SMEs), social enterprises and the voluntary and community sector?

A report from the Work Foundation (2010) lists the ways in which SMEs, social enterprises and the voluntary and community sector can be supported by, and benefit from, their local anchor institutions:

- **Economic benefits:** anchors' employment of substantial numbers of people and generation of demand for, and purchase of, local goods and services
- **Environmental benefits:** anchors' occupation of sizeable amounts of land may lead to them preserving and caring for buildings, as well as providing venues for community activities
- **People benefits:** anchors' contribution to education and skills training
- **Reputational benefits:** anchors' ability to act as recognisable ambassadors for a particular town or city, helping to attract talent, investment and tourism to the area.

Though the role of anchors in supporting social enterprises and third sector organisations in the UK is historically less developed, there is good learning from abroad that demonstrates the importance of this. In Cleveland, Ohio in the United States, Mondragon in Spain, and Emilia-Romagna in Italy, the engagement of anchor institutions with social economy models that seek to develop from within a local area has been critical to creating more virtuous local economies (Jackson and McInroy, 2016).

In Cleveland, anchor institutions were encouraged to think about their procurement practice in terms of newly-formed co-operatives with scope for delivering goods and services. Co-operatives in the city now deliver laundry, energy and catering services for a number of anchor institutions, including universities and hospitals (Jackson and McInroy, 2016).

CLES has been working with anchors in Preston, Manchester, Birmingham and beyond to build wealth locally as a means through which greater local economic, social and environmental benefits can be achieved for local places and people. By encouraging behaviour change in institutions in Preston, for example, CLES has supported the University of Central Lancashire and Preston City Council to create a Preston Co-operatives Network. The University and Council are also looking at associated architecture to support existing co-ops and create new worker-led co-operatives which fill particular gaps in the market and which can potentially provide goods and services to anchor institutions in future (Jackson and McInroy, 2017). In this, CLES has identified four key strategies for anchor institutions in developing local wealth (CLES, 2018b):

- **Workforce of anchors:** the approach anchors take to employment can have a defining effect on the employment prospects and incomes of local people

- **Anchor purchasing:** progressive procurement of goods and services can develop dense local supply chains of local enterprises, SMEs, employee-owned businesses, social enterprises, co-operatives and community businesses
- **Land, property and assets:** anchors are often major landowners and can support fairer land development and development of under-utilised assets for community use
- **Ownership of economy:** a range of different forms of businesses within a locality, including community businesses, enable more of the wealth generated in a community to stay in that locality.

The Anchor Institutions Task Force has suggested that communities cannot be transformed without a greater alignment of goals across institutions, civic organisations, citizens, policy and the private sector. They suggest that if anchors are to realise their full potential as agents of change they must be prepared to serve a larger purpose (Taylor and Luter, 2013: 12). Such a mission would place social responsibility at the heart of the institution's culture and operation. Hodges and Dubb (2012) define the anchor institution mission, particularly for urban universities, as 'the conscious and strategic application of the long-term, place-based economic power of the institution, in combination with its human and intellectual resources, to better the long-term welfare of the community in which it resides'. Culkin (2016) suggests that such a role will include providing a wide range of formal and informal support, knowledge and resources, complementing usual SME support.

3.2 Community businesses

3.2.1 What are community businesses?

Power to Change

Community businesses are 'led by local people and bring benefits directly to their community and local area'. While they can take many forms, they are all 'accountable to their community' and the 'profits they generate deliver positive local impact' (Power to Change, 2018). Power to Change defines the four key features of community businesses as:

- Locally rooted in a particular place and respondent to its needs
- Trading for the benefit of the local community
- Accountable to the local community and local people
- Broad community impact which benefits and impacts the local community as a whole.

Community businesses can be seen as a subset of the social enterprise market. Indeed, in many ways they are similar, with social enterprises defined as businesses with ‘primarily social or environmental objectives whose profits are reinvested for that purpose, rather than being driven by the need to maximise profit for shareholders and owners’ (Young Foundation, 2009). What makes community businesses distinct from social enterprises, however, is that they are locally accountable and focus on a particular place (Percy *et al.*, 2016: 4).

Another important differentiator of community businesses from other socially-motivated organisations is that they aim to impact on their localities via the means of their production, not just the ends, as Percy *et al.* (2016) make clear:

“*While many organisations deliver valuable and socially beneficial services to a local population, such as healthcare or education, community businesses create a special kind of impact by engaging local people as creators, not just consumers, of their outputs.*”

Wider literature

While Leeming (2002: 260) points out that the term ‘community business’ has existed since the late 1970s – coming from initiatives developed in Scotland – in the wider literature it is somewhat nebulous. Though there is much written about social enterprise, the literature around community business is broader, with a variety of definitions.

Hayton (1996: 4) defines ‘community business’ as a trading organisation:

- that creates jobs for residents ‘of a particular area usually having high levels of unemployment and social deprivation’
- where these jobs are eventually to be self-sustainable, ‘in so far as costs are covered by trading income’
- where ownership and control of the business ‘is vested in those living within the area of benefit’
- whose ‘profits are to be either reinvested or used in ways which benefit local residents’.

This definition excludes co-operatives and credit unions, yet Hayton argues that these ‘can be categorised along with community businesses and community enterprises’ (Hayton, 1996: 4). Johnstone and Lionais (2004: 218) further this linkage of community business with community enterprise, with their concept of ‘community businesses entrepreneurship’. They highlight how this form of entrepreneurship can benefit ‘depleted communities’ – communities where ‘the economy is in decline and the resources of the area, according to profit-seeking capital, are used up’ and yet which continue to exist as social entities with a ‘strong and active network of social relations’.

Johnstone and Lionais conceptualise community business entrepreneurship as having four distinguishing features. They

- ‘evaluate wealth in terms of the benefits accruing to the broader community, rather than as personal profit’
- ‘aim to create community benefits’
- are ‘focused on business organisations, rather than charities, social ventures and purely social organisations’
- have ‘a strong commitment to place’ (Johnstone and Lionais, 2004: 226, 228)

Peredo and Chrisman (2006: 310) have developed the concept of ‘community-based enterprise’, which they define as ‘a community acting corporately as both entrepreneur and enterprise in pursuit of the common good’ which are ‘managed and governed to pursue the economic and social goals of a community in a manner that is meant to yield sustainable individual and group benefits over the short- and long-term’. Under this definition, community-based enterprise is ‘the result of a process in which the community acts entrepreneurially to create and operate a new enterprise embedded in its existing social structure’.

Although all these definitions differ in their full conceptualisations, what is similar amongst them is a distinct focus on place. As Hayton points out, even in the early days of community business back in 1979, they were ‘to have a spatial focus, being set up to benefit the residents of a particular deprived locality’ (Hayton, 1996: 3). This focus on place continues through the literature, with Johnstone and Lionais contrasting space – ‘an economic (capitalistic) evaluation of location based on its capacity for profit’ – with place – ‘a social evaluation location based on meaning’ (Johnstone and Lionais, 2004: 218). Peredo and Chrisman similarly stress the importance of community as meaning a ‘shared geographical location, generally accompanied by collective culture ... and potentially other shared relational characteristics’ (Peredo and Chrisman, 2005:315).

3.2.2 Why are community businesses important for local economies?

Community businesses are important for local economies, as they ‘actively develop social capital, thrive where others cannot and strengthen community resilience’ (Percy *et al.*, 2016: 4). They play a key role in creating better places, with a strong sense of pride, possibility and positivity.

As place-based organisations, community businesses can generate employment and trading opportunities for local people and businesses, by expressing a preference for locally-based staff and suppliers. Power to Change’s review of the community business market found that 73 per cent bought locally, with a further 34 per cent buying locally for the majority of their supplies (Percy *et al.*, 2016: 7). By reinvesting their profits locally, the net impact on local economies can also be significant.

Homebaked, Liverpool



Homebaked, a community land trust and co-operative bakery on the border of Everton and Anfield is just one example of how community businesses are important for local economies. The project is co-owned and co-produced by people who live and work in the area.

After saving the 85-year-old Mitchell's Bakery from demolition, Homebaked became a thriving bakery, café and pie shop that employs and trains local people and pays a living wage. From the success of the bakery, Homebaked Community Land Trust (CLT) was formed.

The CLT crafts the vision for a better neighbourhood and provides the planning, funding and business structure, while the bakery generates the brand and income, and acts as a focal point for the local community (Pugh, 2017).

The CLT is developing a community-owned high street with beautiful and affordable apartments for local residents that sit above real shops and amenities. This began in 2017, with refurbishment work on the flat above the bakery, and the inception of a training programme for local young people to learn about construction and design. Homebaked began seeking their first tenant in January 2018 (Homebaked, 2018).

By using money that is spent in the neighbourhood to benefit its communities, Homebaked seeks to regenerate the high street 'brick by brick and loaf by loaf'.

Analysis of Local Enterprise Partnerships' (LEPs) plans, conducted by IPPR North, found that LEP support for value-led businesses and social enterprises was largely down to the economic value they bring, rather than their social value (Cox *et al.*, 2014: 34). While this does show that LEPs potentially have further to go in engaging with the importance of social value, it is interesting as it is an example of the importance of community businesses for local economies across the country.

Research conducted by CLES also found that across the country there are 'a wide variety of social sector organisations involved in locally-rooted approaches to the creation of sustainable jobs and enterprises and skills training' (CLES, 2016: 29). In a time when economies are going through rapid change, which is likely to be accelerated by Brexit and further technological advancements, community businesses which seek to 'nurture creativity and empowerment through work' will be a key factor in ensuring local places continue to thrive (CLES, 2016: 29).

3.3 Anchor institutions and community business

3.3.1 What are the roles of anchor institutions in supporting community business?

As symbols of stability which 'root themselves in a geographic location and establish strong connections to their surrounding communities', anchor institutions can be of particular relevance to community businesses, though they remain a largely untapped resource for local job creation and equitable economic development (Dubb and Howard, 2012: 3, Clarke, 2017). Through supporting community businesses, anchor institutions have a significant role to play in revitalising places that have been impacted by economic crises, public sector spending cuts, and decades of extractive economics.

According to Smallbone *et al.* (2015) small firms are typically perceived as lacking managerial skills and, owing to resource constraints, are often vulnerable to cost and demand shocks that require the agility to adapt flexibly and promptly to ensure survival and growth. There is a potential role anchors might play in supporting small firms to develop their managerial and leadership capabilities and to address any limitations.

The UK Commission for Employment and Skills (UKCES) partnered with anchor institutions (such as universities, Chambers of Commerce and enterprise networks), to explore whether they could play a more proactive role by using their influence, purchasing power, networks and supply chains to access, engage and upskill small businesses in their areas, supporting them to prosper. The project worked with eight organisations across the UK to explore what works when anchor institutions create opportunities for small firms to improve their leadership and entrepreneurial skills. The evaluation of the programme (2015) concluded that the:

“ ... established reputation and reach of these anchors, as well as their existing work in unifying and setting common goals for their localities, have brought together businesses and encouraged them to engage in their leadership and entrepreneurship programmes’. While for the businesses, ‘having the opportunity to meet other managers like them in their area and learn from trusted organisations, without having to travel far, is encouraging them to think about managing their business in a whole different light.

Through working with the eight separate projects across the UK, UKCES (2016) concluded that there are certain characteristics that successful anchor institutions have which allow them to make a positive contribution to their local community. These include:

- ambition to utilise their strengths to support other firms in their local area
- understanding of the challenges facing their local economy and the opportunities available for businesses
- clarity of vision on the role they can play on the wider strategic aims for the local community/economy
- clarity on how helping businesses in their local community helps them achieve their own organisational goals
- ability to forge strong local partnerships.

A number of benefits for anchor institutions were also found through this work:

- an opportunity to tackle local skills issues and tailor to the needs of the local economy
- develop relationships with new public and private partners that could support the evolving devolution agenda
- an additional market for trading expertise amongst small, ambitious businesses
- improving the student learning experience and outcomes by developing better knowledge of the needs of local businesses to input to course design, opportunities for work placements and graduate employment and identifying new research collaborations between business and university departments, all of which are important contributions to the Teaching Excellence Framework.

3.3.2 What evidence is there of anchor institutions and community businesses working collaboratively?

As the UKCES example highlights, there is evidence of anchor institutions working with small businesses. Similar research conducted by the British Council also found that 75 per cent of Higher Education Institutions (HEIs) across 12 countries (and 89 per cent in the UK) were working with social enterprises (British Council, 2016: 10). HEIs are engaging with social enterprises through a variety of ways, including facilitating placements for students in social enterprises, offering accredited courses, providing incubation spaces and dedicated support for entrepreneurs and enterprises, and inviting social entrepreneurs to serve as student mentors (British Council, 2016:

4). By engaging with social enterprises, HEIs are able to ‘interact closely with local businesses and communities to create inclusive and financially sustainable solutions to pressing local and international issues’ (British Council, 2016: 5).

However, while both of these examples are encouraging, there is a gap in the literature around collaboration with community businesses specifically. This could be due to the higher proliferation of social enterprises compared to community businesses, yet this gap should be addressed in order to embed local wealth and long-term economic sustainability more deeply.

CLES’s work in Preston, which harnessed the potential of anchor institutions through progressive procurement and local wealth-building activities, sought to encourage social enterprises to bid for contracts. Yet there is further work to be done around expanding the concept, not only to other public institutions, but to further within the business and social sectors – including community businesses (Jackson and McInroy, 2017: 9).

“ *To accelerate progressive local economics and build community wealth at scale, a new socially just pluralism in organisational form and ways forward, is required. In this, there is much to be said for greater ownership and deepening of wealth in the form of community shares, mutual, co-operatives, community interest companies, public sector owned trading arms, charities, and social enterprises.*

Local wealth-building in Preston



After a major developer withdrew from Preston, the city's economic development plans were dashed. To combat this, Preston sought to reimagine the ways in which economic development could be pursued and challenge 'trickle down' economics (CLES, 2018c). Instead, they sought to harness the potential of its existing wealth in anchor institutions including Preston City Council, Lancashire County Council, Lancashire Constabulary, Cardinal Newman College, the University of Central Lancashire, Preston's College, and Community Gateway – a housing organisation and co-operative.

CLES worked with Preston to engage senior stakeholders in each of these anchor institutions to place less emphasis on cost alone, towards a greater consideration of social value. In collaboration with Preston City Council, CLES identified a range of businesses – including social enterprises and co-operatives – based in the Preston boundary across a range of sectors which could potentially deliver goods and services for the City Council and other anchor institutions (Jackson and McInroy, 2017: 20).

There has been a marked change in behaviour since 2013, and this is reflected in an increase in local and regional spend across the anchor institutions. Comparing 2016/17 to 2012/13, there was an increase in spend with businesses that have a presence in Preston of £74.8 million and an increase of £199.7 million in Lancashire (including Preston).

The Bronx Community Development Initiative (BCDI) is an example of where anchor institutions have successfully supported community businesses. The BCDI is a network of grassroots leaders, labour leaders and anchor institutions whose mission is:

“ To end generational poverty in the Bronx through shared wealth and democratic ownership. Using a framework of economic democracy, BCDI partners are collaboratively building institutions and programs that leverage the Bronx's existing assets to address the borough's economic, social and environmental challenges and support collective ownership models to distribute wealth and decision-making equitably (CoLab, 2018)

One of their organisations, Mothers on the Move, created a community business to win two contracts from the New York City Housing Association (NYCHA):



The Bronx is amongst the poorest urban counties in the US, with some of the highest rates of obesity and asthma, and the lowest per capita income (Capital Institute, 2010). Many of the Bronx's resources are in anchor institutions, including one of the largest hospitals in the Greater New York region, the NYC Housing Authority, Fordham University and the Bronx Zoo.

Mothers on the Move (MOM), one of the member organisations who make up the Bronx Co-operative Development Initiative, were supported by the New York City Housing Association (NYCHA) to achieve community economic development.

When NYCHA began a programme of energy performance contracting, they awarded contracts to MOM who had partnered with two companies to train residents and locally assemble and sell the efficient equipment. MOM's business was organised as a shared-wealth enterprise, and thus created jobs and wealth for low-income Bronx residents, including NYCHA tenants themselves. MOM then leveraged their relationship with NYCHA to expand their business to cover other public housing agencies and private multi-family buildings within and beyond New York City.

This created a 'virtuous cycle' whereby NYCHA developments [became] more sustainable (financially and environmentally), residents [enjoyed] more comfortable homes, and the economic benefit from NYCHA's investment can stay with the residents the agency serves (Tishman, 2017: 184).

3.4 What are the challenges associated with anchor institutions and community businesses working collaboratively?

The literature suggests that in the absence of intervention, collaboration between anchor institutions⁴ and small firms tends to be low because of a combination of demand and supply side influences. According to Smallbone *et al.* (2015), on the supply side:

- universities often lack a real understanding of SME knowledge transfer needs
- third sector (or enterprise) activity is not always reflected in promotional criteria for university staff
- the bureaucratic culture within universities tends to favour fewer links with larger enterprises as being more efficient.

Whereas on the demand side:

- SMEs have a low intensity of research and innovation, particularly in low and medium technology industries – this limits their demand for collaboration, especially since universities tend to be perceived as ivory towers by business owners
- SMEs also face difficulties in finding out how to approach complex organisations such as universities.

As there is limited research on community businesses, it is useful to look at similar research undertaken on other third sector organisations. The British Council (2016) undertook a large study to examine the ways in which universities collaborate with social enterprises. Though there is a distinction between social enterprises and community businesses (local, community-focused social enterprises can be community businesses, but not the other way around), the challenges identified are still applicable:

- 1) Funding:** the most frequently cited challenge by institutions was a lack of funding to cover the time and resources required to work with social enterprise(s). For many institutions, the absence of central university funding, or other viable funding streams such as government finance, means that HEIs are often uncertain of the future of their activities.
- 2) Resources and time:** partnerships may often be set against a context of challenging workloads.
- 3) Limited understanding and cultural attitudes:** students can lack understanding around the concept of social enterprise making them difficult to mobilise and limiting levels of buy-in
- 4) Governance and structures:** ‘... bureaucracy ... and institutional barriers’ were found to be among the key challenges [institutions] faced in establishing partnerships with social enterprises.

⁴ This quoted piece of research related specifically to universities, although its finding may be applicable across other anchor institutions

- 5) **Definition and understanding:** a ‘lack of understanding regarding how social enterprise differs from enterprise or charitable organisations has been challenging’
- 6) **Partnership working and communications:** a lack of communication between partners and a variable level of commitment has meant that some HEIs have struggled to establish good working relationships with social enterprises.

The UK Futures Programme tested how local anchor institutions could use their expertise and influence to develop leadership and entrepreneurial skills in small businesses. Universities in particular may be put off developing offers for small firms because of a bias that it is a difficult market to serve, with varying needs. The Federation of Small Businesses has recently recommended universities could overcome these biases to develop a more systematic offer for small businesses (UKCES, 2016).

On the other side, the projects showed how some small businesses have their own biases about universities and are wary of academic learning styles they thought universities were offering. But universities in this programme fought back by delivering essential management skills through ‘hands-on’ learning methods (UKCES, 2016).

3.5 The policy landscape

This section looks at current policy and potential conditions for community businesses and anchor institutions.

The legal and administrative frameworks of an area are major influences on the establishment and support for community businesses, whilst creating opportunities to deliver services and to provide facilities which would not otherwise be available. Power to Change’s research across three European countries concluded that there was a lack of clear policy framework for social enterprise and in particular for community businesses. Responsibilities are also divided between several different government departments, sometimes with unclear ministerial accountability (Bailey et al., 2018). For instance, the responsibility for social enterprise in the UK lies with a minister in the Department for Digital, Culture, Media and Sport, whereas the responsibility for the Localism Act (2011) lies with the Ministry of Housing, Communities and Local Government.

The Localism Act, which promised a ‘fundamental shift of power’ from central government to local communities, is argued by Kerslake *et al.* (2018) to have not yet been achieved, and has instead been eclipsed by the devolution agenda which does not focus on neighbourhoods or communities and ‘risks entrenching the disconnection and lack of accountability felt throughout the rest of the political system’ (Kerslake *et al.*, 2018: 5).

However, Greaves and Romice (2015) argue that shifting towards localism would be of valuable support to community business. At the local authority level, practice could also be shifted to support people and groups to set up community businesses of their own. While community businesses are distinct from mainstream types of business and entrepreneurship, they still require business knowledge and skill to set up, maintain and succeed.

By shifting their procurement processes, anchor institutions themselves are also well-equipped to support community businesses. Anchor institutions can adapt their processes so that social value becomes more prominent in procurement and even have the ability to scope the potential of developing co-operatives to fill gaps in delivery (CLES, 2016b).

The OECD and EU's recommendations of support for 'inclusive entrepreneurship' could be useful if applied to community businesses. They recommend 'community-based business advisors', attached to community institutions such as community centres and hubs, libraries and other places used regularly by members of a community. These advisors could be an extremely helpful tool implemented by local authorities to support the inception of community businesses. Visiting a community centre to obtain business advice does not present the same psychological barriers that many potential community business owners may face in relation to support agencies (OECD, 2014).

Similarly, by tailoring the support and advice given by community-based business advisors towards community business and social enterprises, groups, activists and other members of the community may be inspired to set up a community business where they may not have considered the possibility before.

4. Evidence from Liverpool, Bristol and Ipswich

This section covers the primary research conducted in three localities. The aim is to understand what the drivers and barriers are for anchor institutions and community businesses to work more collaboratively for the benefit of local economies, places and people. The three localities were chosen as each has a strong presence of community businesses and a willingness to consider a shift in the dominant economic model.

Liverpool has a number of well-established community businesses that appear frequently in the wider literature, and policies such as the Blueprint for Better Business⁵ and the Fair City Statement⁶ exemplify a progressive political will apparent in Liverpool City Council. Similarly, the devolution deal and the election of a metro mayor in Liverpool also presents opportunity across the City Region to do things differently and create an inclusive economy based on differing models of ownership.

There is a similarly vibrant culture of social businesses in Bristol. The social enterprise sector here is comprised of more than 1,000 organisations, with over 9,000 employees and an annual turnover of £223 million (West of England Local Enterprise Partnership, 2016). Community businesses also have an opportunity to shape the future of Bristol with the One City Plan,⁷ which aims to create a vision and strategy for Bristol to 2050, that brings together the public, private and voluntary sectors, with a shared vision and collaboration as key drivers.

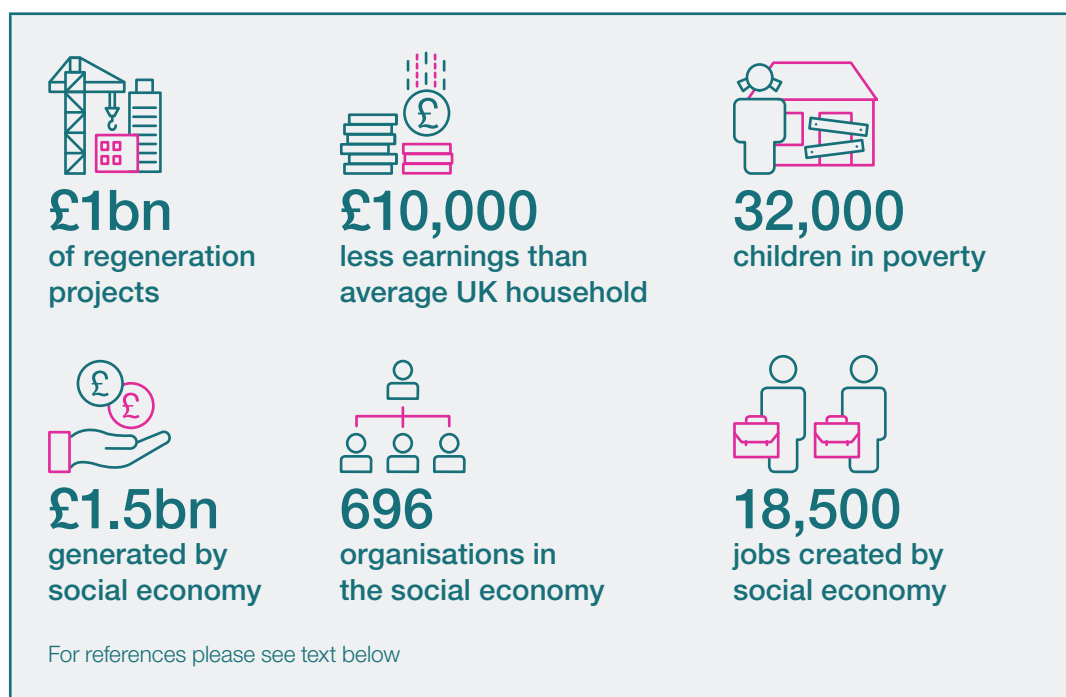
There are also positive contextual factors in Ipswich for the community business sector to flourish. The School for Social Entrepreneurs (SSE) has an eastern base, supporting people who want to make positive social change in their local communities, and anchors in Ipswich are also willing and open to working differently to encourage the third sector and spend locally. Indeed, Suffolk County Council was instrumental in bringing SSE to Ipswich and is well connected to the community business network.

⁵ <https://www.blueprintforbusiness.org/>

⁶ <https://liverpool.gov.uk/council/our-aims/>

⁷ <https://news.bristol.gov.uk/news/one-city-plan-2>

4.1 Liverpool



Context

Though Liverpool is a city with a rich and vibrant history and culture, it has also experienced steep economic decline. The 1970s and 1980s saw Liverpool's population fall from almost a million before 1940, to just 440,000 by 2000 (Cobain, 2017). Though the steady programme of regeneration to combat this decline does not look to be slowing down (the city is on track to complete regeneration projects valued at more than £1 billion for the fifth consecutive year, with more than £1.4 billion in construction schemes scheduled to complete in 2018), the extent to which this is benefitting local people is debatable (Farrell, 2018). Household earnings in Liverpool are over £10,000 less a year than the UK mean, at £27,046 compared to £39,884. More than 32,000 children live in poverty in the city, with some areas seeing 60 per cent of children living in poverty (Sneddon, 2018).

However, despite adverse economic conditions, Liverpool has an established reputation for social innovation (Heseltine Institute, 2017). Indeed, the social economy of Liverpool comprises some 696 organisations that employ around 18,500 people, and generate £1.5 billion of revenue (Heseltine Institute, 2017). The city has also been a breeding ground for community businesses. There are several community land trusts in the city, including the Granby Four Streets and Homebaked projects, and SSE also has a base in the city, where it runs 'Start Up' and 'Scale Up' courses to support people running social enterprises, charities, community projects and impact-led organisations.

Similarly, Liverpool City Council is one anchor that is thinking about how it can use its status to build local wealth. The council has worked with Bulky Bob's, a social enterprise which holds the contract for the household waste collection service, since 2000, and the Blueprint for Better Business and Fair City policies seek to ensure a fair economy where the benefits of growth are more equitably shared amongst all citizens.

Anchor institutions

All of the anchor institutions consulted in Liverpool – the City Council, Liverpool Clinical Commissioning Group (CCG), Plus Dane Housing Association, University of Liverpool and Liverpool John Moores University – reported good links with one another. The Vice Chancellor of the University of Liverpool, for example, is a member of the LEP and an advisor to the City Region Mayor. Similarly, Plus Dane reported that working in partnership is vital for housing associations in the city in order to 'join up resources in the wider system'. To this end, there is a City Region-wide group where chief executives from all the major housing providers support each other with commissioning and identifying locally bespoke plans for neighbourhoods.

However, while there is a strong anchor network, the extent to which anchors engaged with community businesses varied. Though there was some understanding that community businesses were those that are accountable to their community with profits delivering positive local impact, overall there was limited engagement with them, and awareness of where they existed locally was lacking. It was consistently reported that understanding 'what's out there' was an issue in terms of what community businesses exist, where they are and what they offer.

“ *We need to be better at working with community businesses*
– anchor institution representative.

Many anchors did have an understanding and awareness of the value of procuring locally and socially. Liverpool City Council has the Fair City Outcomes Framework which has embedded objectives around making the city's businesses purpose-driven, eliminating poverty and focusing on fairness into the use of social value. There is also the Blueprint for Better Business, which 'asks suppliers to ensure that their approaches are moral and ethical', including removing zero-hours contracts, paying the living wage, and offering flexible working. However, while these policies exist, no anchor institutions had specific policies in place targeted at community or social businesses.

Capacity was seen to be a challenge by the anchors that had engaged with community businesses. Many community and social businesses have a small product or service range, and it can be difficult to get them to scale up. Liverpool CCG reported that solving this is about 'working in a nurturing and protective way' to enable small and social businesses to have conversations with them. As part of work funded by the European Commission, Liverpool CCG recently visited Holland with 10 local SMEs, to work through the challenges they face when engaging with health. As part of this, a platform is now being developed to help SMEs and social enterprises move their ideas from prototype to deployment stage, to be able to compete for procurement contracts.

Similarly, Liverpool City Council works to nurture and support smaller businesses through pre-market engagement events to ensure they're up to the standards required. The council has also diluted the procurement process for contracts less than £100,000, to help smaller suppliers feel confident and able to respond to opportunities.

However, anchors also recognised that there were several difficulties in working with community businesses that stemmed from the nature of the anchors themselves. As large and complex organisations, they can be difficult to navigate – while community businesses often ask 'how do we engage with you?' there can be difficulty in sustaining these relationships as community businesses often only have a few members of staff 'wearing many hats' which puts limitations on their time. Liverpool CCG also reported that it can be difficult 'tempting businesses into this space' as health and social care is seen as a very specialist area of work which 'speaks a very different language'.

While there have been some good attempts made by all of the anchors consulted to work social value into their supply chains, engage with small, local businesses and support them to engage in the procurement processes, what was lacking was an explicit recognition of community businesses within these strategies.

Community businesses

The community businesses in Liverpool that were consulted for this research were Homebaked Community Land Trust, Homebaked Bakery, Squash Nutrition, Transform Lives, and Fusion21. All had engaged with public sector anchors to some extent. Some community businesses had catering contracts with the council and local universities, had been commissioned by the CCG to deliver health and wellbeing workshops, and worked with housing associations to encourage investment. Other community businesses had also worked with anchors from other sectors – Homebaked deliver between 800 and 1,000 pies to Liverpool Football Club every match and Transform Lives have worked with Liverpool Cathedral to set up a work experience project to connect the cathedral more effectively with the local community.

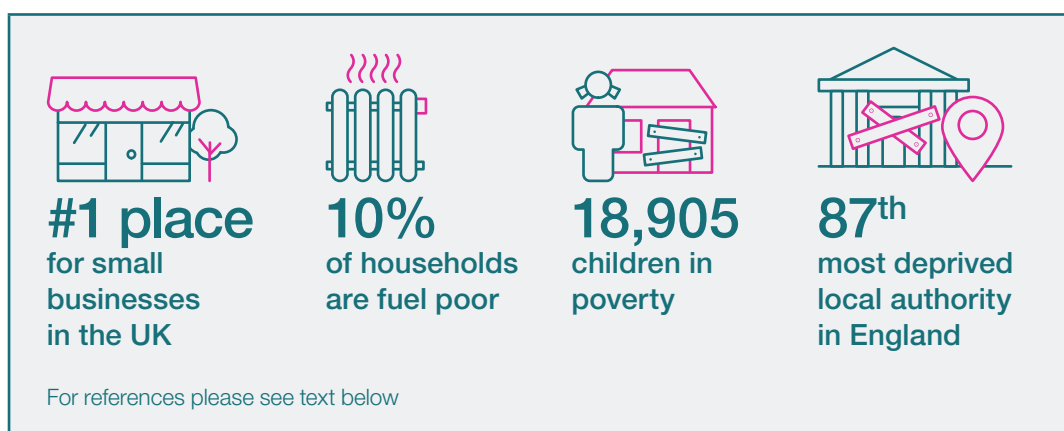
However, engaging with anchors has been difficult for some community businesses, due to a lack of understanding around what they are and a lack of recognition of them as businesses capable of delivering contracts.

“ We really had to work to build understanding that we're not looking for charity, but for business. It takes some anchors a while to understand the wider value that could come from a simple business transaction – community business representative

For community businesses who do not deliver goods or services or engage with anchor institutions' supply chains, there was also an issue with anchors viewing them as equals. These community businesses recognised the value of having good relationships with public and private sector anchors but reported that this could only happen if they were viewed as a partner, rather than an agitator or activist group.

Visibility is also an issue for community businesses. Community businesses want further information about how to access supply chains and what anchors' requirements are. For small organisations, capacity can be a challenge, so getting access and visibility to information on what is required from anchor institutions in a timely enough manner for them to prepare is vital.

4.2 Ipswich



Context

Ipswich has undergone extensive redevelopment in recent years, principally around the waterfront, transforming a former industrial dock area into a residential and commercial centre. The area has a number of community businesses and social enterprises based within it as well as, until recently, the Eastern Enterprise Hub – a ‘not-for-profit’ organisation which was one of the 12 locations for SSE.⁸ Based in Cambridge, Social Enterprise East of England (SEEE) is the membership organisation for social enterprises in Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk.

In 2017 the online business support platform Informi ranked Ipswich as the best place in the UK to start a small business, out of more than 60 towns and cities across the country (Brodie, 2017). Some of the town’s key qualities were cited as its high business survival rate, good availability of ultrafast broadband and low levels of pollution.

Suffolk has a higher proportion of fuel-poor households than similar authority areas (9.7 per cent) (Health and wellbeing Suffolk, 2015b). 18,905 children in Suffolk aged under 16 live in poverty, equating to approximately 15 per cent of children in Suffolk. The proportions are higher in Ipswich at 21–22 per cent. (Health and wellbeing Suffolk, 2015a). Ipswich remains the most deprived local authority in Suffolk, and ranked 87th out of 326 local authorities in England (Suffolk County Council, 2016).

⁸ Although the Eastern Enterprise Hub closed in July 2018, SSE programme will continue to support entrepreneurs from the area.

Anchor institutions

The anchor institutions based in Ipswich that were consulted for this research were representatives from Ipswich Borough Council, Suffolk County Council and the University of Suffolk. Several representatives pointed to social value policies linked to procurement, 'promoting local' etc. However, when asked about community businesses these stakeholders could not point to any policies or strategies relating to them specifically. Indeed, many were unsure about what a community business was.

Whilst anchor institution stakeholders could not point to any explicit community business strategies, one stakeholder described his organisation, Suffolk County Council, as being 'plugged into the [community business] network'. For instance, it was instrumental in SSE to Ipswich, and initially provided the organisation with prime funding. The county council has also embarked on a significant process of 'spinning out' some of their internal services to be run by community businesses. Initially this was undertaken by asking staff what services they thought would suit becoming a social/community business and whether they were interested in working on the spin-out. This resulted in a good take-up of around 15 ideas, some of which are now established independent community businesses. Later, the council undertook an evaluation to identify which other services had the potential to be spun off. An example of a successful spun-out service is Suffolk Libraries, the Community Benefit Society which manages all libraries across the county. Whilst they have some statutory obligations, they have a lot of freedom in how they operate the libraries, which has enabled service development in a different way. For instance, the top of the Ipswich Library has been converted into a business hub. Moreover, this approach described by a stakeholder as 'putting something out to market to create a market' can be seen in the Sensory Services' community business, Sensing Change, which was previously an internal service of the County Council, but which is now catering to a much wider market (i.e. outside of Suffolk) as a result.

This was not done because of an explicit strategy or a 'doctrinal approach to outsourcing', but because of a belief from anchor institutions' senior leaders that diversity of provision, where a range of sectors deliver different goods, can result in more effective services. This is not necessarily just due to cost – for instance, an anchor institution stakeholder gave the example of the charitable sector being able to access funding that the public sector cannot, in addition to a community organisation developing services in a way in which an anchor institution may not, like Ipswich Library and its business hub.

If other areas were to follow this example, those involved in setting up and leading this process require 'energy, determination and resilience'. There were challenges involved in the 'separation', and as it was treading new ground the whole experience represented a 'learning process'. How, for instance, do you separate out the I.T. systems which have been embedded into an anchor institution's systems? Although the 'spun-out' community businesses initially used the same I.T. systems as its parent anchor institution, this was merely a transition arrangement and they now use their own. The anchor institution also found that financial independence can take time, especially when the new community businesses are using assets (primarily property) that are owned by them.

A stakeholder from an anchor institution noted that they have a lot to offer small businesses, including community businesses.

“ *Our university has incubator spaces, and we run events on skills training, networking etc. The challenge is how do we successfully articulate this offer to the community business community?* – anchor institution representative

Another stakeholder from an anchor institution noted that they haven't been good at embedding and connecting with this community, acknowledging that this needs to be a priority if they are to deepen their working relationship.

Community businesses

The community businesses consulted in Ipswich were Sensing Change, Leading Lives, Ipswich Furniture Project and Your Own Place. Community businesses spoke about their 'frustration' at a perceived lack of direction or strategy towards their organisations from the perspective of an anchor institution commissioner. For instance, one community business told of a county council restructure that led to its commissioning department being abolished and devolved to individual councils, only for it to be brought back to a county level a few years later. For community businesses wishing to gain business from anchor institutions, this process has the effect of sending conflicting messages about what anchor institutions want to commission. The fact that the commissioning 'team' is sometimes just one person – as a result of nearly a decade of austerity – means that their approach to commissioning can be 'piecemeal', as one stakeholder described it.

Whilst commissioners and staff within procurement departments of anchor institutions were described by stakeholders as 'naturally predisposed to commission locally', a challenge cited was the need to bridge the gap between a large voluntary sector that was negatively described by a stakeholder as 'hopelessly local', with firms that dominate current procurement, described by the same stakeholder as 'mindlessly national'.

Some community businesses in the area have a tendency, according to one anchor institution stakeholder, to be 'unprofessional'. To explain their point, the stakeholder noted that in other areas it is common for up to half a dozen community businesses to group together and form a consortium that is able to deliver something such as a social impact bond (a large project consisting of smaller separate services like debt advice, employment advice etc.). However, they said this type of approach was not widespread in their county. In their experience local community businesses are more likely to suggest they can 'do it all'. As a result, commissioners tend to procure large national firms which are able to deliver all these services to an adequate standard.

4.3 Bristol



Context

There is a vibrant culture of social business in Bristol. The social enterprise sector there is comprised of more than 1,000 organisations, with over 9,000 employees and an annual turnover of £233 million (west of England LEP, 2016). Community businesses in Bristol cover a large geographical area and focus on diverse needs in the city. There is a broad range of actors in the sector who offer support, these include the Bristol Pound,⁹ SSE and Voscur.¹⁰

It is also a place that pulls people in from across the UK and further afield (Bristol City Council, 2018, 3). In addition, there is a history of engagement in alternative agendas including community business, co-operatives, social enterprise, and Community Interest Companies (CICs).

Despite this economic ecosystem, Bristol has socio-economic challenges that persist. For example, 16 per cent of residents (around 73,000) live in areas within the 10 per cent most deprived nationally, according to the Indices of Multiple Deprivation (Bristol City Council, 2018: 3–4). In addition, child poverty is higher than the national average (16.8 per cent) at 20.1 per cent (Bristol City Council, 201: 4). Similarly, 24,600 households

⁹ The Bristol Pound is Bristol's own paper and digital currency: <https://bristolpound.org>

¹⁰ Voscur is Bristol's voluntary and community sector support organisation. <https://www.voscur.org/>

are in food poverty, a rate of 12.9 per cent – the national rate is 11 per cent (Bristol City Council, 2018: 4). In terms of employment, Bristol had 11,800 working-age residents who were unemployed in June 2017 (Bristol City Council, 2018: 11). This is below the national average but represents a large number of people. Finally, the affordability of housing is an issue; just 6.8 per cent of housing granted planning permission in Bristol in 2016/17 could be considered affordable, and in 2016 Bristol had a housing affordability ratio of 8.61 for average house prices to average earnings. This was the highest of all the English Core Cities and above the national average of 7.72 (Bristol City Council, 2018: 7).

Anchor institutions

Representatives from the following Bristol-based anchor institutions were consulted for this research: University of Bristol, Bristol City Council, City of Bristol College, Unison and University Hospitals Bristol NHS Foundation Trust. All the institutions were receptive to the idea that a thriving local economy needs to include a broad range of actors, including the community business sector. The sector is seen as an important part of the economy because of the diverse range of services offered and benefit provided to local communities, through their activities and their role as employers. There is also a feeling, as noted by one anchor institution representative that ‘Bristol has a thriving social enterprise and community business scene’.

There is certainly a strategic will in the city. For example, a consultation found that there is support for the community business agenda in the council chamber, particularly now that the Green Party is represented. Austerity has been a driver of thinking in a different manner, although the council has bought-in to the concept and ensured that it is referred to in policy terms, such as having an economic strategy that refers to inclusive growth. One issue here is that the council's capacity to engage community businesses and build relationships, particularly around procurement, has been reduced through austerity. In addition, none of the anchor institutions have a specific strategy for community business.

Our consultation found that one element of the relationship between anchor institutions and community businesses in Bristol is through the procurement of goods and services. Anchors across the city have community businesses in their supply chains and, in most cases, procurement teams encourage community businesses to engage in the process of procurement. In addition to this rhetoric, social value is considered in tenders across the anchors. Bristol City Council for example, aims to ensure that 40 per cent of its total procurement budget is spent with micro, small and medium sized businesses, social enterprises, and voluntary and community organisations. Concerns have been expressed about the potential for this to be branded as protectionism, however the intention is to provide support so that community businesses are in a position to engage with the procurement process, not to favour them overtly.

Bristol also has a wide range of assets amongst its anchor institutions, and anchors and community businesses recognise that it is asset-holding community businesses that have been successful in the long-term. Strategy is also being developed around this agenda – the city council is developing a strategy with Power to Change, for example, and the West of England joint assets board is looking to catalogue and make best use of assets. However, it was also recognised that some of the assets of Bristol anchor institutions that have been proposed for asset transfer represent what an anchor institution representative referred to as ‘a transfer of risk, rather than a true asset’, due to their condition and the costs required to maintain them.

Finally, there are plans to develop a Bristol-wide strategy, that among many potential outcomes may support closer ties between anchor institutions and community businesses in the city. The One City Plan is driven by the mayor and aims to create a vision and strategy for Bristol to 2050. It aims to bring together the public, private and voluntary sectors, with a shared vision and collaboration as key drivers. This is an opportunity for community businesses to shape the future economic, social and environmental direction of the city.

Community businesses

The community businesses that were consulted for this project were Windmill Hill City Farm, Bristol Energy Co-op, BS3 Community Development, Coexist CIC, Buzz Lockleaze, Bristol Bike Project, and Business West.

The most common relationship between community businesses and the anchor institutions was through procurement, in which there were several areas noted for improvement:

- Procurement portals can be unwieldy and are often limited to approved suppliers.
- The duration a tender is active for is often not suitable for a community business to respond. It takes time to develop the evidence base to meet the needs of a commissioner.
- Community businesses also reported that the profit margins for service delivery contracts create financial pressure within the organisation and are often loss-making. This must be taken in the context of continued austerity, which has created budgetary pressures and a risk that lowest cost bids will be most likely to succeed.

Collaboration between community businesses in Bristol was considered to be infrequent. There was a feeling from consultees that community businesses should have done more to collaborate and form consortia. As one community business put it: ‘we knew that the direction of travel has been city-wide large contracts and we have not done enough to up-scale, so we can get involved’.

Bristol was considered as a desirable location to live and do business by consultees from anchor institutions and community businesses. Community businesses felt that this provided an exciting marketplace for them, however it also exacerbated a common challenge in the sector, which is the availability of affordable premises for rent or purchase. Feedback from our consultation was that more information and support is needed around the process of asset transfer, and that hubs and incubator spaces are valuable not only in providing a physical location for community businesses, but also in sharing ideas and generating innovation.

Although there are challenges, there is a range of support organisations for community businesses in Bristol, including Brave enterprise, SSE and Voscur. Some of the consultees had been engaged with SSE on their Start Up and Scale Up programmes. These have provided valuable business skills to complement the ideas and local knowledge of community businesses.

Finally, there was recognition from community businesses and anchor institutions that a reliance on grant funding is now providing the sector with a stern challenge. However, there have been moves to change this model. For example, council funding has been remodelled through the Bristol Impact Fund, which has brought together a number of funding streams, and is looking to support organisations to develop long-term in a sustainable manner through capacity building (Bristol City Council, 2018b).

5. Key learning and recommendations

This section presents the key learning from the research. Initial recommendations were presented to a number of policy and industry experts in order to hone them. The recommendations are divided by intended audience – community businesses, anchor institutions, procurers and commissioners, national and local policymakers, and the community. The recommendations are framed by the need to create an environment in which anchor institutions and community businesses can collaborate and thrive.

5.1 Community businesses

Visibility

A key barrier to more successful working between community businesses and anchors was the issue of visibility. Many anchors were aware of the benefits of engaging and working with community businesses but had limited awareness of the local market. Indeed, CLES's work with anchor organisations has shown that community businesses are rarely part of the supply chain or involved in the procurement process.

Recommendation 1

Community businesses need to make themselves more visible

There are several ways in which this could be done. These include:

- Forming a consortium with other local community businesses to work at scale
- Involvement in local groups and networks
- Investment in communications and utilising existing resources, such as Power to Change's community business map.¹¹

Impact

Impact measurement works as a way to demonstrate that community businesses are well-run and can make a contribution to the wider aims and objectives of anchor institutions. Information must be presented clearly to appeal to a wide audience, including procurement leads, grant funders, and other anchor stakeholders. Many community businesses are good at producing case studies of their beneficiaries, however there is a lack of capacity when it comes to alternative ways of demonstrating impact, such as reducing cost to public services and cost-benefit analysis. We do not want to reach a point where the impact on individuals is lost but, by limiting the type of impact measurement, community businesses are not demonstrating the true value of their work.

¹¹ <https://www.powertochange.org.uk/get-inspired/find-local-community-business/>

Recommendation 2

Invest time and resource into effective measurement and evaluation to demonstrate impact

Community businesses must ensure that they are able to demonstrate impact in order to be able to show the outcomes of their work to anchor institutions and how these outcomes relate to them. Being able to effectively communicate your work and successes builds engagement with stakeholders, who can readily appreciate the added social value and return on using community business within their supply chain. There are existing free resources online that provide an introduction to these mixed methods, such as the New Economy unit cost database.¹²

Collaboration

A key challenge this research has shown is that community businesses are not able to engage in the procurement processes of anchor institutions, particularly for the delivery of services, due to the size of contracts. However, it has also been considered (by anchors and community businesses alike) that community businesses should have done more to recognise and address this weakness.

Recommendation 3

Explore opportunities to work together

Community businesses who wish to engage in delivering larger contracts should invest resources in forming partnerships or consortia. This gives them the scale of operation and the geographical coverage that providers often seek and will allow them to compete on a more equal footing with traditional businesses. For example, iSE¹³ in Birmingham has helped facilitate the development of five social enterprise consortia in the fields of health, tourism, built environment, creative and food.

Language

A key finding from the primary research was the confusion among anchor institutions regarding the term 'community business' and how it was defined. There have been many new terms introduced and phrases can become lost or misunderstood.

Recommendation 4

Promote the term

More work needs to be done so that the language of community business becomes widely adopted and understood. It is important to communicate clearly what differentiates community businesses from social enterprises and community interest companies.

¹² <http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database>

5.2 Anchor institutions

Harness local spend

Local wealth-building is an approach that seeks to reorganise the local economy to put control back into the hands of the local communities, so that wealth is broadly held with local roots and where benefits are recirculated.

All anchor institutions, from local authorities, hospitals, colleges or universities, purchase goods and services and as such they all to some extent have a potential relationship with community businesses. Anchor institutions have a key role to play in the local wealth-building movement and can take concrete steps to reshaping local economies in a way which supports people and places to develop in a socially, economically and environmentally just manner. Adopting a local wealth-building approach requires buy-in at all levels, but can realise wide-ranging outcomes.

Recommendation 5

Adopt a local wealth-building approach

There are several activities that anchor institutions can undertake under the umbrella of local wealth-building that support the community business sector, including a number of actions around procurement:

- Broaden the focus of procurement strategies to consider more than compliance and cost. Embedding social value and scoring it as part of the tender process is one way to do this.
- Make procurement accessible for the full range of actors to engage with the process by ensuring that a broad range of suppliers are able to access their procurement portal, that contracts are not all at a scale which prohibits smaller organisations to bid, and that the tender process is not over-complicated.
- Provide early engagement support at pre-commissioning events for community businesses, to enable them to innovate and provide alternative solutions and products.

Support for community businesses

Across the country, economic development and business support has tended to privilege business support that focuses on high-tech and growth industries, with some success. However, a diversification of business support could be vital in supporting community businesses which are distinct and offer wider social benefits. Our consultation and wider work has shown that those establishing community businesses are passionate people that have a desire to improve the lives of people in their communities. However, many had admitted that they did not have a background in business, and required support for activities such as business-planning, marketing, bid-writing, and networking.

Recommendation 6

Re-focus business support to cater for community businesses

The ‘community-based business advisors’ recommended by the OECD and EU to support ‘inclusive entrepreneurship’ would be useful here: attached to community institutions such as community centres and hubs (which themselves can also be community businesses), libraries and other places used regularly by the community. These advisors could be introduced by agencies of economic and business development, and provide considerable support for the inception of community businesses.

Maximising the use of assets

The learning from this work includes that community businesses often face a barrier to accessing premises at the start-up or expansion phase of their operations. As council budgets shrink, services can be put at risk of cuts and public amenities such as buildings, parks and green spaces can become harder to manage. By taking a more custodial role, anchor institutions can become collaborators, especially in the case of community land-ownership and community asset transfer. By thinking in terms of stewardship, councils could create innovate and democratised solutions to pervasive problems.

Recommendation 7

Conduct a strategic review of under-utilised assets

Anchor institutions often have significant assets in the form of land and property. By re-imagining how these are used and putting strategy and policy in place to support this, including utilising assets as sites of operation for community businesses, it is possible to ensure a more democratic use of assets that public funds have gone some way to developing.

5.3 Local policymakers

Community businesses as strategic partners

A key issue that was consistently raised across all primary research regions related to the issue of visibility and relationship management between anchors and community businesses. By involving community businesses at a strategic level, local policymakers could hear first-hand of the challenges they face and be able to generate creative, co-produced solutions. In Scotland, Enterprise Networks have been set up across the country to provide social entrepreneurs with a real opportunity to engage and be open to working with key stakeholders.

Recommendation 11

Engage community business in strategy

Community businesses or sector representatives need to be around the table to contribute at a strategic level. They are important as representatives of business and also as members of the community.

Identify a key driver

Places that are seeing real change as a result of adopting a local wealth-building approach all have a clear driving force behind the movement, with buy-in at a political, worker, and community level. Having a strong voice driving activity, championing progressive procurement, and keen to engage with community businesses will be vital in enabling institutional change and changing behaviour.

Recommendation 12

Be an advocate

Whether it be someone from an anchor institution or from a community business, it is vital to have an individual or group that drives the community business agenda. It is important that political and strategic leaders are engaged and their buy-in secured and maintained.

5.4 National policymakers

Community business entrenched in policy

As outlined in the literature review, in the UK there are a variety of responsibilities and powers related to social enterprises and, to a lesser extent, community businesses. However, there is little evidence of clear, strategic policy, with a number of government departments being in control of different elements, and while there has been some action taken at the national level to look at social enterprises, this has not been backed up with resources for delivery.

One clear way to support community business at a national level would be to shift responsibility and policy to a more deliberate, streamlined approach, and follow this up with resources that can be accessed to provide material support and encouragement. This could be done either through ensuring strategic alignment between the three departments (Trade and Industry; Digital, Culture, Media and Sport; and Housing, Communities and Local Government) in terms of social enterprise and community business, or having the responsibility lie with one department.

The devolution agenda, through the Cities and Local Government Devolution Act 2016, has seen the rise of nine directly-elected mayors and new combined authorities. It is probable that anchor institution strategies will emerge from combined authorities. As such, it is imperative that community businesses play into this agenda, either through existing connections with chambers of commerce, social enterprises or through new umbrella organisations.

The Public Services (Social Value) Act 2012 is a key route in for community businesses. Indeed, the government has announced plans to amend the Social Value Act so that commissioners do not just have to 'consider' social value when awarding contracts but make it an explicit requirement in central government contracts. This aims to encourage more charities, public service mutuals, co-operatives and social enterprises to apply for and win central government contracts (Kay, 2018), although research commissioned by Power to Change (Jones and Yeo, 2017) suggests there are still barriers preventing this becoming commonplace. CLES argues that the Social Value Act needs to be enhanced if it is to make a real impact. This might include lowering the financial threshold at which the act applies, or applying it to a broader range of situations, including goods and work as well as services.

Recommendation 13

Embed community business in national policy

The role of community business needs to be developed within the context of recent announcements on social value. In particular, all national government departments need to be made aware of the importance of anchors as a means of advancing community businesses. Many departments oversee significant local anchors, e.g. NHS hospitals. It is important to advance the extent to which these departments provide steering and advice to individual health institutions on the role of procurement and community business in their local supply chains.

A community of practice

Community businesses across the UK are doing some remarkable things, from providing families free access to nature in a core city, running libraries, post offices or other community assets, to regenerating a community. To continue to make the most of the learning from this it is important to share knowledge, success and failure.

Recommendation 14

Create a community of good practice around community business

Establish a forum to identify leaders in local government or anchor institutions that are seen as ‘best practice’ or innovative from a service delivery point of view, and facilitate a round-table environment to encourage good practice to be shared – for innovative ways of working to be assimilated across the country.

5.5 The community

Get involved

It is important to note that communities themselves are responsible for the development of community businesses. In the case of Homebaked Liverpool, the local community came together to hold on to the houses that were at risk of being sold off to developers and demolished.

The last decade has seen services cut and public amenities such as parks, community centres, libraries and post offices put at risk. Community business is a vital route out of this, one that recognises that local voices are best-placed to shape local provision, and ensures communities are able to take control and ownership of their area. Community businesses rely on volunteers and the skills of the local population to survive.

This can seem a daunting task, but organisations such as Power to Change are best-placed to provide support. Alongside grants, Power to Change’s community business map provides inspirational best practice, and the organisation has a number of other available resources.

Recommendation 15

Support community businesses

We all have issues within our local community, whether that be a street, an estate, or a town. The chances are someone else feels the same way. Engage with others in your community to see if people might be able to unite behind a common cause.

Your support might be financial, in the form of the purchase of goods or services, but could also take the form of volunteering or providing of expertise.

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