



power to  
**change**

business in  
community  
hands

# Community business: The power on your doorstep

Power to Change 2020 Impact Report

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## About this report

This report looks at the impact the Power to Change grants programme and other activities have had on communities over the past five and a half years. Power to Change is an endowed charitable trust whose funding is used to strengthen community businesses across England. It commissioned the Research Institute to carry out this independent research, which includes the state of the community business marketplace and the challenges it faces.

The views expressed are those of the authors alone and do not necessarily represent the views of Power to Change or its trustees. For further information about any of the research or data referenced in this report, please visit [powertochange.org.uk/research](https://powertochange.org.uk/research) or email the Research Institute on [institute@powertochange.org.uk](mailto:institute@powertochange.org.uk).

## Executive summary

The world has transformed since Power to Change first opened its doors in 2015. And if the pandemic of 2020 has shown anything, it's that communities are a powerful part of our lives.

Across England, businesses that are locally rooted, and which benefit the local community, stepped up during the crisis. These community businesses – such as community hubs, shops, farms and pubs – were at the forefront of efforts to ensure that no one went hungry, that the need for physical isolation did not result in social isolation, and that thousands of volunteers could come together and play an active part in their communities.

As the champion for the community business sector, Power to Change believes community businesses make places better. During its first five years it has supported and given grants to more than 1,000 of them to improve their local areas. But has it made a difference? And what lessons can be learnt for the post-Covid world?

This report examines the impact of Power to Change – on its grantees, on the community business market and on communities. It looks at the people these businesses work with and the places in which they operate.

## What difference did Power to Change make in its first five years?

For individual community businesses



**Provided support where it's needed most:** invested £86m in community businesses. Two-thirds of this money went into the 30% most deprived areas.



**Put assets in community hands:** helped community businesses raise an additional £19m to keep local assets in community hands. There are now 6,600 community-owned assets across the country.



**Improved financial resilience:** improved business models and revenue streams. For example, participants in the Trade Up programme generated £13,584 more in trading income than a control group.



**Improved operational capacity:** enabled community businesses to create voluntary opportunities and jobs for local people, many of whom are likely to experience exclusion from employment and/or challenges with their physical or mental health.



**Strengthened capacity and skills:** enabled community businesses to improve their business models, better plan, build their networks and strengthen their skills.

For the community business market



**Grew the market:** the number of community businesses in England doubled, from c. 5,500 to c. 11,300.



**Built new opportunities:** leveraged an additional £70.3m into the market, in the form of grants, community shares, crowdfunding and social investment.



**Supported priority sectors:** tripled the number of community pubs in England, invested £40m in community energy and built 889 community-owned homes.

## How did Power to Change create that impact?

- **Funding and support:** provided more than £86m in grants plus more than 2,000 days of capacity-building support. This included blended finance – which has an element of repayable investment alongside a grant, and community shares.
- **Market development:** built capacity in the sector through experimentation, testing and iterating solutions in response to changing market needs. This included areas such as local economic regeneration, health and social care, and social investment.
- **Communications:** campaigned on behalf of the sector and developed new relationships with key partners, to help further build a movement and tell the story of community business.
- **Research and policy:** built a rigorous evidence base that not only helps community businesses improve practice and also shows the value of high-quality analysis in a sector previously overlooked by commissioners and policy makers.



## The impact of Power to Change on its grantees



£86,000,000

Funding for community businesses



1,938

Grants made



1,282

Unique community businesses supported



67%

Funds to the 30% most deprived areas

## The impact of Power to Change on the community business market



11,300



Increased total of community businesses in 2020, up from 5,500 in 2015



£70.3m

Additional finance from other sources leveraged into the sector



3x

Increase in number of community-owned pubs



£40m



Invested in community energy



889

Community-owned homes built

## How do community businesses help people?

Community business is a different way of doing things. There are many types – shops, pubs, solar energy farms, even leisure centres – yet they are all accountable to their community and use their profits to improve lives and places.

Community businesses improve people's lives in three ways:



**Improving employability:** community businesses support people facing exclusion from employment and/or challenges with their physical or mental health. They provide stable employment for 37,800 people in the most deprived areas of England, where most jobs go to local people. Many community businesses support the Real Living Wage and provide good working conditions. They also support local people to gain qualifications.



**Mobilising communities:** 148,700 volunteers play a key role in community businesses across England. They run various activities, from lunch clubs to mental health services, from pulling pints to doing the accounts. They make their communities better, while generating another £250m in value for the economy each year.



**Putting communities in charge:** community businesses are accountable to their local community. The average community business has more than 200 members, who get a say in how it is run and help facilitate its social impact.



## What impact do community businesses have on places?

Community businesses have many impacts. These are often bespoke to their local area and the challenges residents face. Yet there are notable impacts they all share.

- **Bringing communities together:** there are 11,300 community businesses running in 6,300 community-owned buildings in England. They bring people together from different backgrounds, serving as socialising spaces to create, build and strengthen mutual bonds and relationships. This facilitates trust and respect, and that's why 82% target improving community cohesion.
- **Making local economies more wealthy:** community-owned spaces contribute £220m to the UK economy, and 56p of every £1 they spend stays in the local economy, compared with just 40p for large private sector firms. Community and public ownership of high streets also leads to fewer empty units.
- **Improving access to services:** community businesses provide much needed social infrastructure. Many start after residents discover their only shop, pub, post office or other local facility is closing. Many then become a 'one-stop shop' or 'community hub' providing crucial services, often over and above 'basic' provision, in response to community needs and wants.

- **Reducing social isolation:** most community businesses (85%) tackle social isolation. Most are founded by local residents who come together over a shared cause or challenge. They put people at the heart of all they do. This aspect plays a key role in their social impact. Community businesses offer a safe and welcoming environment for people to enjoy and meet others. This might be through providing volunteering opportunities, targeted activities or a space to access services or learn new skills. It can even be through providing a space to just sit and talk.
- **Improving health and wellbeing:** a third of community businesses work with people with physical or mental health conditions. They support them to progress their personal lives and develop valuable relationships with others. This contributes to other positive health and social care outcomes. They improve an individual's confidence and wellbeing and also support community-level improvements, such as increasing community involvement and enhancing social relations.
- **Improving the local environment:** community businesses use their assets and experience to improve the places where they operate. This can mean leading local regeneration activities or delivering environmental initiatives and projects. For example, community energy businesses prevented a further 60,000 tonnes of CO<sub>2</sub> entering the atmosphere in 2019.

- **Improving employability:** the formation and management of community businesses improves employability. This happens through investment in volunteer skills development and by employing members of the community, as well as by working on the employability of service users or customers.
- **Promoting greater community empowerment and pride:** community businesses can use the assets and knowledge present within each community to address issues that the community faces. Evidence from a sample of neighbourhoods suggests community businesses may be contributing to increased social action locally, bolstering community empowerment and pride.

Community businesses are already working within those areas most likely to be hardest hit by Covid-19. And they have shown they can engage with people traditionally excluded or furthest away from the labour market, providing them with work, and spaces to meet and connect. They can harness the energy, knowledge and skills within communities to improve the local environment as well as morale. This provides cause for optimism that, as the social and economic impacts of Covid-19 take hold, business can persist, in a way that supports powerful communities, and builds better places.

## How do community businesses help people?

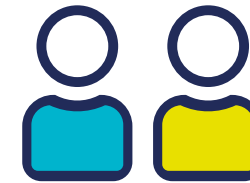


37,800

Jobs for people in the most deprived areas

148,700

Volunteers playing a key role in community businesses



200

Members per community business

## What impact do community businesses have on places?



6,300

Community-owned buildings



56p

From every £1 spent that stays in the local economy

60,000

Tonnes of CO2 saved in 2019 by community energy businesses



82%

Promote community cohesion



85%

Reduced social isolation

# Contents

Introduction	12
Power to Change's impact on its grantees	27
Power to Change's impact on the market	49
The impact of community businesses on people	60
The impact of community businesses on places	77
Next Steps	101
References	104
Appendix	108



# 01 Introduction



## 1. Introduction

Power to Change was set up by the National Lottery Community Fund in 2015 as an independent trust to support community businesses in England. Their belief was – and is – that the unique combination of locally rooted, socially motivated and commercially oriented behaviours exhibited by community businesses not only supports immediate beneficiaries but makes the places they are based in better.

This seemed a bold claim at the time, and the evidence to support it was patchy at best. To address this, 5% of Power to Change’s £150m endowment was set aside to create a Research Institute that would build a more robust evidence base. Two years ago, the institute published its first impact report (Harries and Miller, 2018), which set out how it intended to report on impact and some early findings. It did so against a framework of four key questions:

**What impact has Power to Change had on its grantees?**

**What impact has Power to Change had on the wider community business market?**

**What impact do community businesses have on local people?**

**What impact do community businesses have on local places?**

This report updates the assessment against that framework and includes substantially more data, covering over five and a half years from January 2015 to August 2020. This introductory chapter provides a recap on the definitions of community businesses and places, and how impact is being measured. It also includes a discussion of the activities and processes Power to Change has put in place to support community businesses, and an overview of who these community businesses are.



## 1.1. What is a community business?

Community businesses can be shops, pubs, solar energy farms, even call centres, that are accountable to their community and which use the profits they generate to deliver positive local impact.

Power to Change identifies four characteristics as fundamental to the definition of community businesses, informed by research (Swersky and Plunkett 2015) and a history of similar models dating back hundreds of years (Wyler 2017). Community businesses are defined as:

1. **Locally rooted:** they operate in a specific geographical place and respond to its needs. The area could be one of urban deprivation or rural isolation, and the area of benefit and area of business operation do not necessarily overlap.
2. **Trading for the benefit of the local community:** most of their income comes from activities such as renting out their workspace to other organisations, trading as shops or cafés, or delivering services commissioned by the local authority.
3. **Accountable to the local community:** they are accountable to local people, for example through a community shares offer that creates members who have a voice in the business's direction.
4. **Broad community impact:** the work they do benefits their whole community. Together with the other criteria, this means that community businesses are unambiguously about 'communities of place', not 'communities of interest'. They must be open to all.



## 1.2. How is place defined?

Instead of a defining 'place' for a community business, Power to Change asks community businesses to define the area they serve themselves, given their local knowledge.

For many community businesses, their definition of place corresponds with either administrative boundaries (e.g. electoral wards) or 'natural neighbourhoods', taken to be the way local residents would naturally navigate the local area. However defined, if the business is to remain locally rooted and accountable, the geography cannot be too large. This can pose challenges for particular business models, such as renewable energy providers and credit unions, where commercial imperatives require larger scales of operation.

For the purposes of analysis, this report defines place using administrative boundaries, such as electoral ward, postcode or Lower Super Output Area, as this is typically how official data is structured. The report clarifies the geospatial dimensions of this data where it is used.

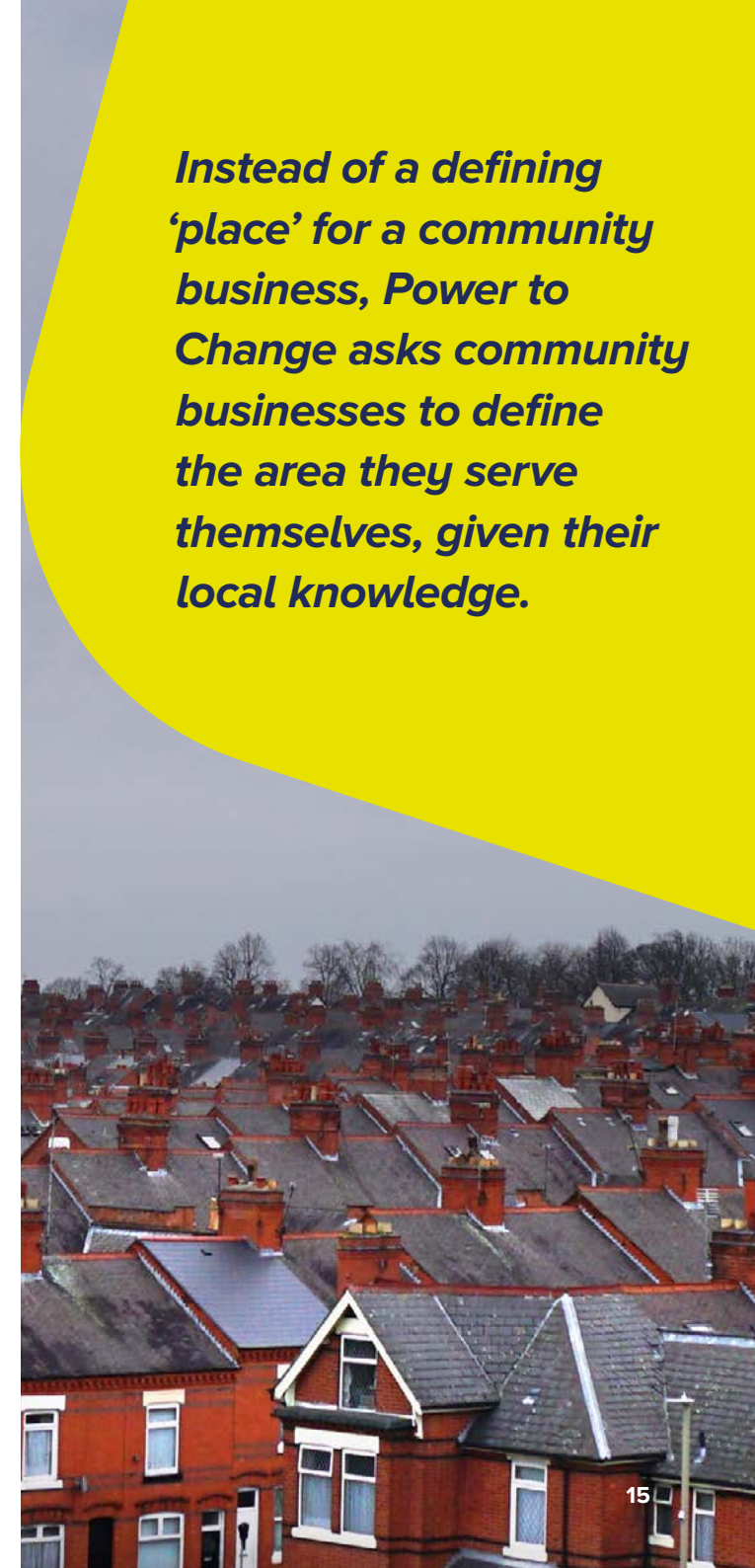
## 1.3. How is impact being measured?

The Research Institute has made significant investments in research, evaluation and data analysis to better understand whether community businesses improve places, and if so whether Power to Change has supported them to do so. Its work is broadly structured in response to two frameworks – a register of hypotheses, and an organisational impact framework.

### The register of hypotheses

In order to address how community businesses might transform their local areas and how Power to Change might help them to do so, the Research Institute published a register of its hypotheses (Harries, 2018). In May 2019, the Research Institute reviewed evidence for each of its original hypotheses, and published an updated register, which informs the analysis in this report, and is reported against in detail in the Appendix. The first five are statements about how community businesses might make a difference on their own, followed by two statements about how the sector operates, concluding with a hypothesis for how place-based change occurs.

*Instead of a defining 'place' for a community business, Power to Change asks community businesses to define the area they serve themselves, given their local knowledge.*



**Figure 1: Register of hypotheses 2020**

<b>Community business-level hypotheses</b>	<b>H1: Knowledge</b>	Community businesses have high levels of customer/service-user satisfaction because they understand what people want. This is because the majority of their staff, volunteers and/or customers/users are from the local area. As a result, they offer better products and services than alternative providers.
	<b>H2: Employability</b>	Community businesses improve skills development amongst local people by creating jobs and providing development opportunities for those who would otherwise not actively participate in the local labour market.
	<b>H3: Volunteers</b>	Community businesses use local volunteers to deliver their products and services. They do this by providing formal and informal volunteering opportunities. This also helps them keep their costs down. Volunteers will also report personal development and social benefits.
	<b>H4: Social capital (members/shareholders)</b>	Community businesses increase bridging social capital <sup>1</sup> by engaging members and/or shareholders in local decision-making through the development of skills and access to information.
	<b>H5: Sustainability</b>	Community businesses are less likely to close if they understand what local people want (H1), use local volunteers to deliver their products and services (H3) and engage local people as members and/or shareholders (H4).
<b>Sector-level hypotheses</b>	<b>H6: Infrastructure</b>	The provision of third-party business development support increases the productivity and resilience of community businesses.
	<b>H7: Assets</b>	The transfer of local physical assets from public and other bodies stimulates community business growth. This is because they contribute to financial resilience, provide a physical base for operations and generate goodwill.
<b>Place-level hypotheses</b>	<b>H8: Collaboration</b>	Community businesses collaborate with others, accessing more resources (i.e. skills and money). This enables them to offer more services, products and activities, benefiting their community.



## The impact framework

Power to Change provides a variety of grant programmes and support, to reflect the diversity and variety within the community business sector. This variety can create a challenge when assessing impact. To address this, the Research Institute evaluated impact using a segmented approach, separating the impact businesses (or grantees) have on people and places from the impact Power to Change has on those businesses and the wider marketplace. This report covers four impacts in turn, detailed in Figure 2.

**Figure 2: Four dimensions of impact**

The impact Power to Change has...	
<p><b>... on community businesses</b></p> <ul style="list-style-type: none"> <li>• What is the impact of Power to Change’s support on community businesses?</li> </ul>	<p><b>... on the market</b></p> <ul style="list-style-type: none"> <li>• What has Power to Change’s impact been on growing the community business market?</li> <li>• What approaches does Power to Change use to support market development?</li> </ul>
The impact community businesses have...	
<p><b>... on people</b></p> <ul style="list-style-type: none"> <li>• What challenges do community businesses tackle?</li> <li>• Who do community businesses work with?</li> <li>• How do community businesses generate social impact?</li> </ul>	<p><b>... on places</b></p> <ul style="list-style-type: none"> <li>• Why is ‘place’ important?</li> <li>• What is the impact of community business on the places in which they operate?</li> </ul>

1- Social capital refers to the networks of relationships between individuals, built on mutual trust, understanding and reciprocity (Putnam, 2001).

## 1.4. How does Power to Change support its grantees?

Power to Change uses its funding and research to strengthen the community business sector.<sup>2</sup> It does this by building grantee capacity, increasing their engagement with supporters and policymakers, and harnessing new opportunities to further develop and grow the community business movement. It has worked alongside delivery partners (such as Cooperatives UK, Locality and the Plunkett Foundation) to make significant investments in the community business sector.

In five and a half years, Power to Change delivered the following:

- 1,938 grants
- 1,282 supported businesses
- 2,217 days of capacity support
- 250+ Research Institute publications
- 381 pieces of media coverage in 2019, and more than 410,300 unique visitors to its website
- £70.3m of additional finance leveraged into the sector<sup>3</sup>

Demand for Power to Change funding and support is high. For example, between 2015 and 2019, there were 4,298 applications by 3,452 organisations to just four funding programmes: Booster, Bright Ideas, Community Business Fund and Trade Up. Only 12% of applications and 10% of organisations won grants, although these percentages varied across programme type.<sup>4</sup>

Over five and a half years, Power to Change provided a total of £86m to community businesses. This includes grants but also blended finance – which has an element of repayable investment alongside a grant, and community shares. This also includes £22m of emergency funding in response to the Covid-19 crisis, £10m of which was provided by the National Lottery Community Fund, with the rest from Power to Change’s endowment.

Alongside financial support, Power to Change has undertaken a number of supporting activities to strengthen the community business sector. These include:

- **Market development:** supporting existing infrastructure bodies, promoting collaboration for the benefit of community businesses, investing in the digital skills and capacity of the sector, encouraging a holistic approach to financial management

and asset ownership, and promoting opportunities in markets traditionally served by the private and public sector (e.g. health and social care).

- **Communications:** campaigning on behalf of the sector and developing new relationships with key partners, to further build a movement and tell the story of community business.
- **Research:** building a rigorous evidence base that not only helps community businesses improve practice but also demonstrates the value of high-quality analysis in a sector previously overlooked by commissioners and policy makers.

Further detail on how this works in practice, and the impact this has on community business, is covered in subsequent chapters.

<sup>2</sup> - Community businesses in receipt of its funding are referred to as grantees.

<sup>3</sup> - Covers the period 2015–2019. This includes the £20m contributed by Big Society Capital via CORE; £7.3m leveraged via the Blended Finance workstreams; £3.85m leveraged through the Booster programme; £5.5m committed by the Combined Authority for the Liverpool Region Fund; £15m committed by Bristol City Council for the Bristol City Funds; and at least £19m leveraged through the Community Business Fund.

<sup>4</sup> - Based on analysis by Braw Data, Power to Change Research Associates. Completed March 2020. Unpublished.

## 1.5. Who does Power to Change support?

To understand the impact of Power to Change on community businesses, it is first necessary to know who these community businesses are – where they are based, what types of communities they serve and who is involved in running them.

### Which areas benefit?

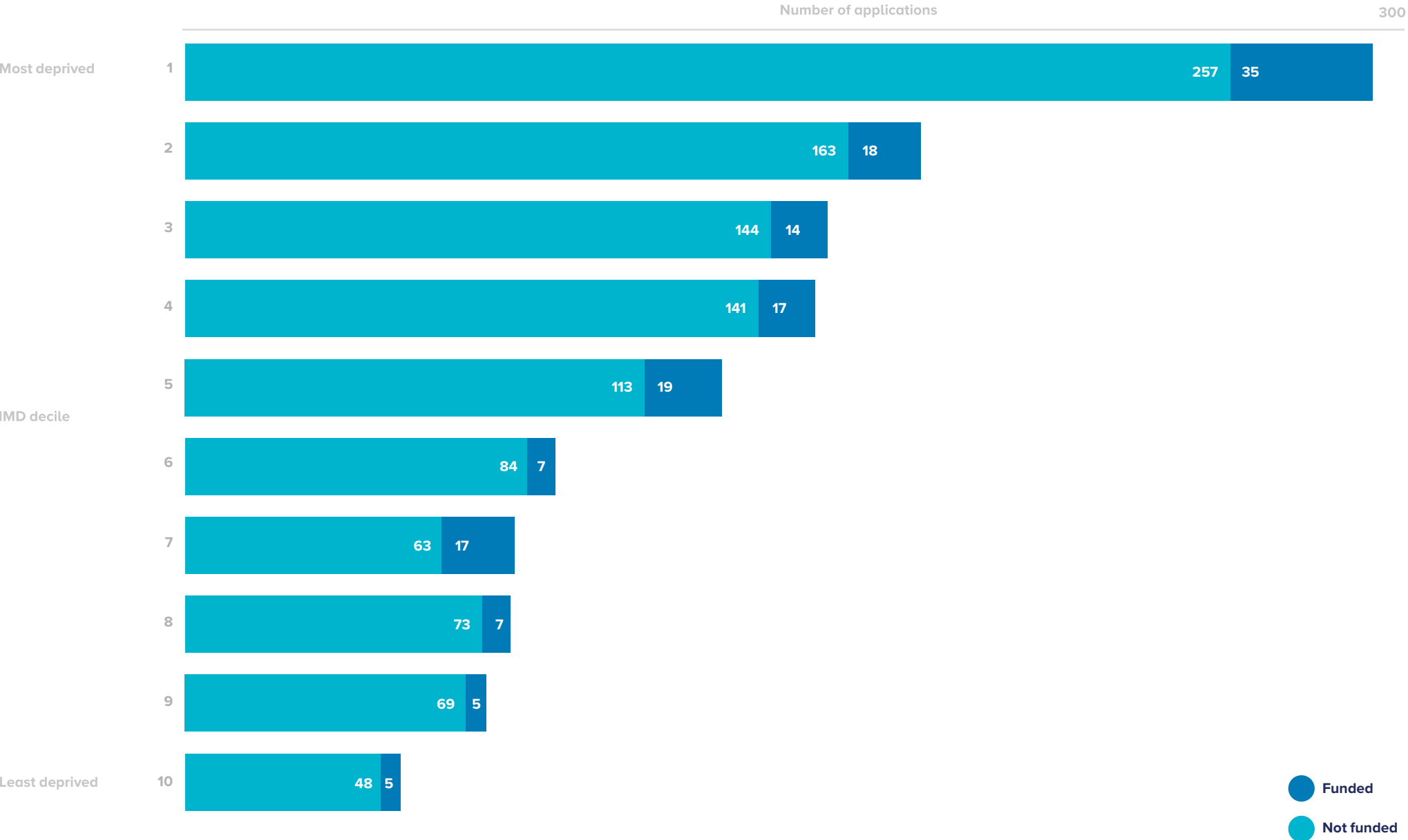
There is often a mismatch between where social need exists and where resources are located. For example, New Philanthropy Capital (NPC) found that deprived areas tend to have a lower concentration of charities (Corry, 2020). The Young Foundation supports this, who found a lack of philanthropic funding is strongly correlated with deprivation and local authority areas voting to leave the EU. Remain areas tend to be less deprived but benefit from greater funding and expenditure from both philanthropic and public bodies (Cabrita Gulyurtlu, 2020). There was a risk when Power to Change was established that its resources would concentrate in more affluent areas, with high levels of existing economic, social and cultural capital but less social need.

Power to Change made a public commitment to help more communities in more urban, less affluent areas, to take ownership of land and buildings, so they have more security and can deliver community benefit for years to come. In light of the Covid-19 pandemic and subsequent recession, this ambition has even more significance, and serves as a useful context for evaluating the impact of Power to Change.

Across five and a half years, most grantees have been based within the most deprived communities, with 67% of funds going to the 30% most deprived areas (Jan 2015 – Aug 2020).<sup>5</sup> This is not just a symptom of the selection process either. The majority of applications also come from more deprived areas, as the example below shows for the Bright Ideas programme.

5 - The Indices of Multiple Deprivation were updated in September 2019, with a slightly modified methodology from the 2015 version. Power to Change started using the new methodology from 1 January 2020.

**Chart 1: Applications to Bright Ideas – by index of multiple deprivation decile and funding status (n=1,300; Jan 2015 – Jan 2020)**



This runs counter to the previous analysis, which showed the uneven distribution of charitable resources (Corry, 2020). Even comparisons with charities and social enterprises suggest the prevalence of community businesses in deprived areas is high. Prior to partnering with Power to Change, Social Investment Business reported 53% of its portfolio was concentrated in the most deprived 30% of areas (Social Investment Business, 2020) while Social Enterprise UK report 48% of social enterprises are in the most deprived 40% of areas (SEUK 2019), and only 35% of UnLtd grantees are based in the 20% most deprived areas (UnLtd, 2019).

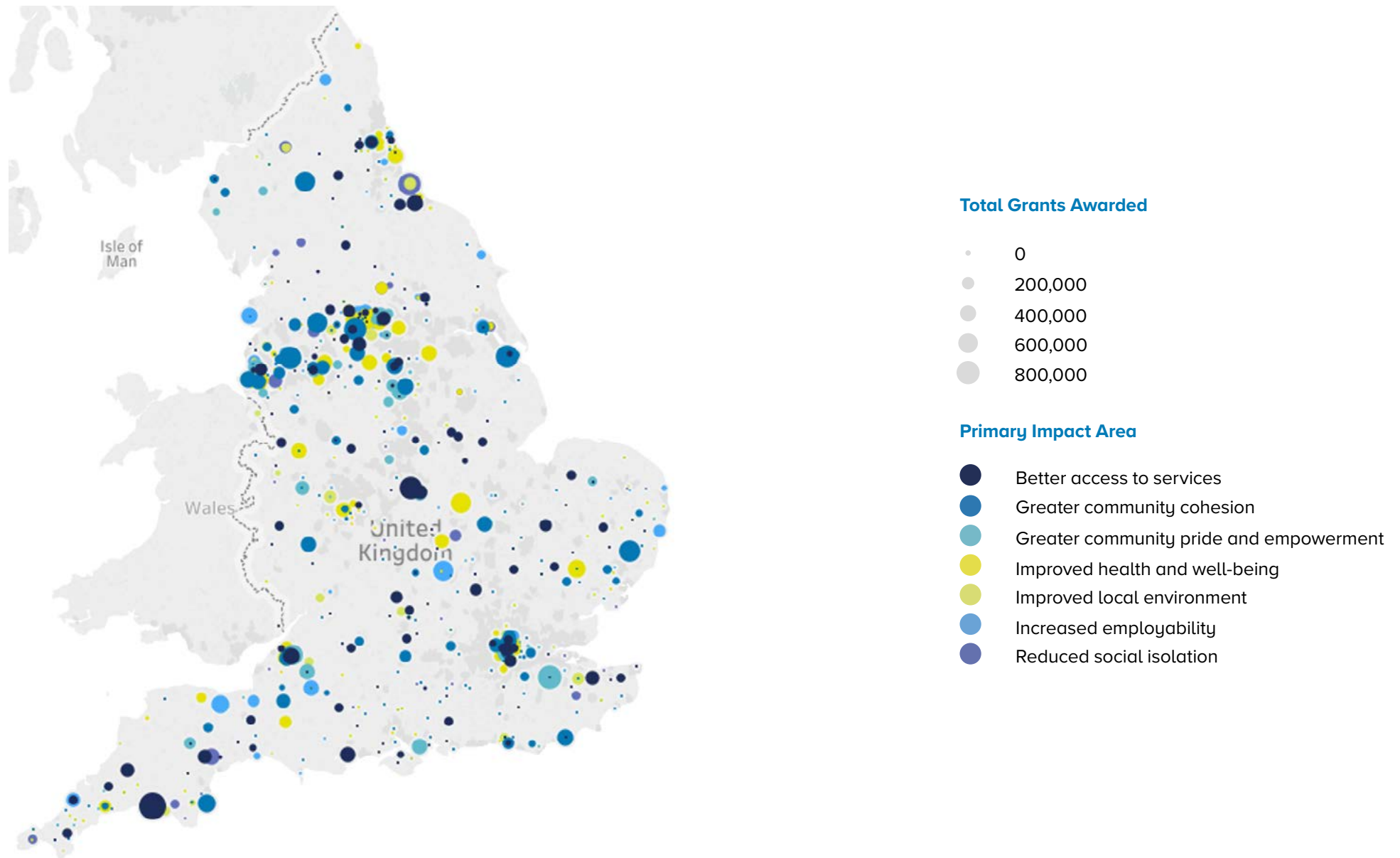
Evidence from the evaluation of the Community Business Fund also suggests grantees operate in areas with higher than average rates of unemployment. In 2018, the mean average unemployment rate of people aged 16–64 in England was 4%. The unemployment rate of local authority areas in which Community Business Fund grantees are based ranged from 2.4% to 12.2% during this period, with a median of 6.3% and a mean of 6.5% (Thornton et al, 2019). The impact of community businesses on employability is explored in more detail in chapter 5.

In terms of the regional distribution of its grantees, analysis shows that the majority (58%) are located in northern England and the Midlands.<sup>6</sup>



6 - Figure includes the East of England, East Midlands, North East, North West, West Midlands and Yorkshire and Humber.

**Figure 3: Location of Power to Change grantees, sized by total grants awarded and colour-coded by primary impact area (n=1,282; Jan 2015 – Aug 2020)**



Source: Power to Change grant-making data, 2015–2018.

## Who is involved in community business?

Power to Change has a commitment to equality, diversity and inclusion that has contributed to the concentration of its grants in the most deprived areas of England. But it remains important to understand who is involved in the running of community businesses, as well as who benefits from their work. While Power to Change does not currently have a comprehensive dataset for this, a range of data sources can be drawn from.

Leadership within community businesses is older and female. Ninety two per cent of respondents to the 2018 Annual Grantee Survey were over 45 years old, and 55% were women. The gender and ethnicity distributions are like those observed elsewhere (in SEUK and UnLtd data), although the age profile is much older.

**Table 1. Demographics of community business staff compared with social enterprises and SMEs**

	Power to Change (2018)	Social Enterprises (2017) <sup>7</sup>	UnLtd (2017) <sup>8</sup>	SMEs
Age: Proportion 45 years or older	92%	58%	-	-
Ethnicity: Proportion of BAME background	12%	12%	26%	5% <sup>9</sup>
Gender: Proportion who are female	55%	41%	50%	19% <sup>10</sup>
Base	139	1,581	646	66.27m

7 - SEUK, (2017), The Future of Business – State of Social Enterprise Survey 2017, [online]

8 - UnLtd, (2018), Our Impact 2017, [online]

9 - HM Government, (2019), Leadership of Small and Medium Enterprises, [online]

10 - Department of Business, Energy and Industrial Strategy, (2017), Small Business Survey 2017: Businesses with Employees, [online]

Secondary evidence suggests this is a trend. Prior to the Covid-19 crisis, many older people were starting businesses and entering self-employment (Institute of Directors, 2017), while many were also involved in volunteering (McGarvey et al, 2019). Yet there may be a link to skills gaps in community businesses, particularly around digital.

The evidence shows some community businesses are seeking new ways to reach out to and engage with the local community, especially through digital technologies and via social media. Yet the use of digital tools and technologies has been identified as an area where community businesses lack skills or experience, but one which younger volunteers may be able to help with (Diamond et al, 2018). This issue has become even more pressing since the Covid-19 pandemic, with many older volunteers having to shield at the same time as community businesses sought to move service delivery online.

In 2020 there have also been significant conversations about the inclusion and representation of people from Black, Asian and Minority Ethnic (BAME) groups in

community leadership<sup>11</sup>. Around one in 10 respondents (12%) to the Annual Grantee Survey identify as BAME. This is in keeping with the wider UK population (13%) and figures observed for social enterprises generally (13% BAME leaders, SEUK, 2019), and is higher than the proportion seen across the wider UK SME population (5%, HM Government, 2019). But it is nevertheless a crude measure of diversity because the ethnicity of the survey respondent may in no way represent the community business as a whole.

An alternative measure of the reach of Power to Change into non-White communities is to use data on the three 'impact' postcode areas that grantees are required to submit with their application. Comparing this with the Office for National Statistics (ONS) work on ethnicity, allows the identification of funding awarded to 'majority minority' areas (i.e. postcode sectors<sup>12</sup> where more than 50% of the population is non-White). On this basis, whereas 5% of postcode sectors in England are majority minority, 11% of Power to Change grants were awarded to these areas, representing 14% of all awards made.

<sup>11</sup> - Following national conversations about BAME not being an appropriate term we are planning to phase out our use of BAME in 2021. As this report is based on historical data, which used data previously structured around the identifier BAME, it is included here

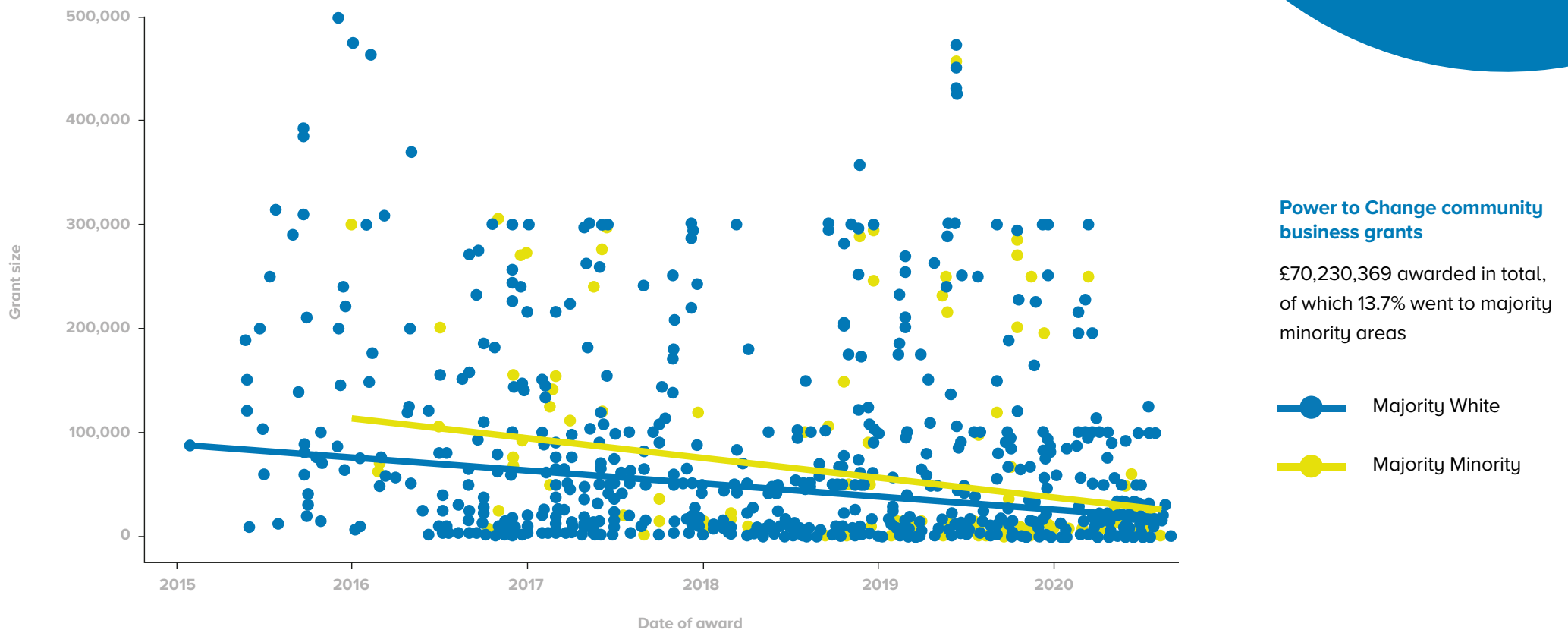
<sup>12</sup> - Postcodes are divided into four parts: the first one or two letters identify the 'area', the next one or two numbers identify the 'district', after the space the next number identifies the 'sector', the final two letters identify the 'unit'. In the UK there are 124 areas, 2,982 districts, 11,204 sectors and 1,765,422 units.



Chart 2 shows a plot of all grants up to £500,000 awarded by Power to Change since 2015. This reveals three important facts:

- no grants were made to majority minority areas in 2015, the first year of Power to Change's operation
- the average grant made in both majority White and majority minority areas has decreased steadily over time
- the average grant made in majority minority areas is larger than the average grant made in majority White areas

**Chart 2. Power to Change funding by ethnic composition of area**



On 13 July 2020, a consortium led by Power to Change launched a new scheme to distribute £9.55m on behalf of the National Lottery Community Fund. The scheme was designed to support all types of community-led organisation affected by the Covid-19 pandemic (i.e. not just community businesses), with a particular emphasis on BAME-led and BAME-supporting organisations given the disproportionate impact of the disease on BAME populations.

Working closely with its consortium partners, Locality, the Social Investment Business and the Ubele Initiative, great care was taken to ensure the scheme was widely known to BAME organisations and that a clear definition was used to define eligibility. The definition was modelled on an approach developed by Arts Council England.<sup>13</sup> To be BAME-led, organisations needed to demonstrate that either:

1. Fifty-one per cent or more of the board and senior management team are from a BAME background, or
2. They self-define as BAME-led based on who is making their key strategic decisions.

On this basis, around 65% of applicants to the scheme were BAME-led and around 75% were BAME-led or BAME-supporting. It is likely that Power to Change will continue to use and develop this approach in future to ensure its grant funding reaches the broadest possible range of community businesses.

75%

*applicants were BAME-led  
or BAME supporting*

65%

*of applications to the  
scheme were BAME-led*



<sup>13</sup> - Source: <https://www.artscouncil.org.uk/diversity-and-equality/consultation-defining-diverse-led-organisations> Accessed 05/10/20.



02

# Power to Change's impact on its grantees



## 2. Power to Change's impact on its grantees

Since its beginning, Power to Change has aspired to be 'more than a funder'. It has an ambition not only to provide financial support to individual community businesses, but to actively influence the marketplaces where they operate.

### 2.1 What is the impact of Power to Change's support on community businesses?

Since 2015, Power to Change has delivered more than 20 grants programmes supporting community businesses of various sizes, sectors and locations. Such a broad range of activity, allied with the diversity of business models, makes it difficult to generalise on the impact Power to Change has helped bring about, but there are five common areas.

#### Improved confidence

Power to Change's support improves the confidence of community businesses. Interviews with grantees on the Trade Up programme offer an insight into this (Litchfield et al, 2020).

"[I] didn't know what things I needed to know about running a business. [It was] helpful to speak to people in the same situation as me. Nice to have a focus of growth, not in a pushy way – [the support] got me to consider other aspects of my business."

#### Trade Up grantee

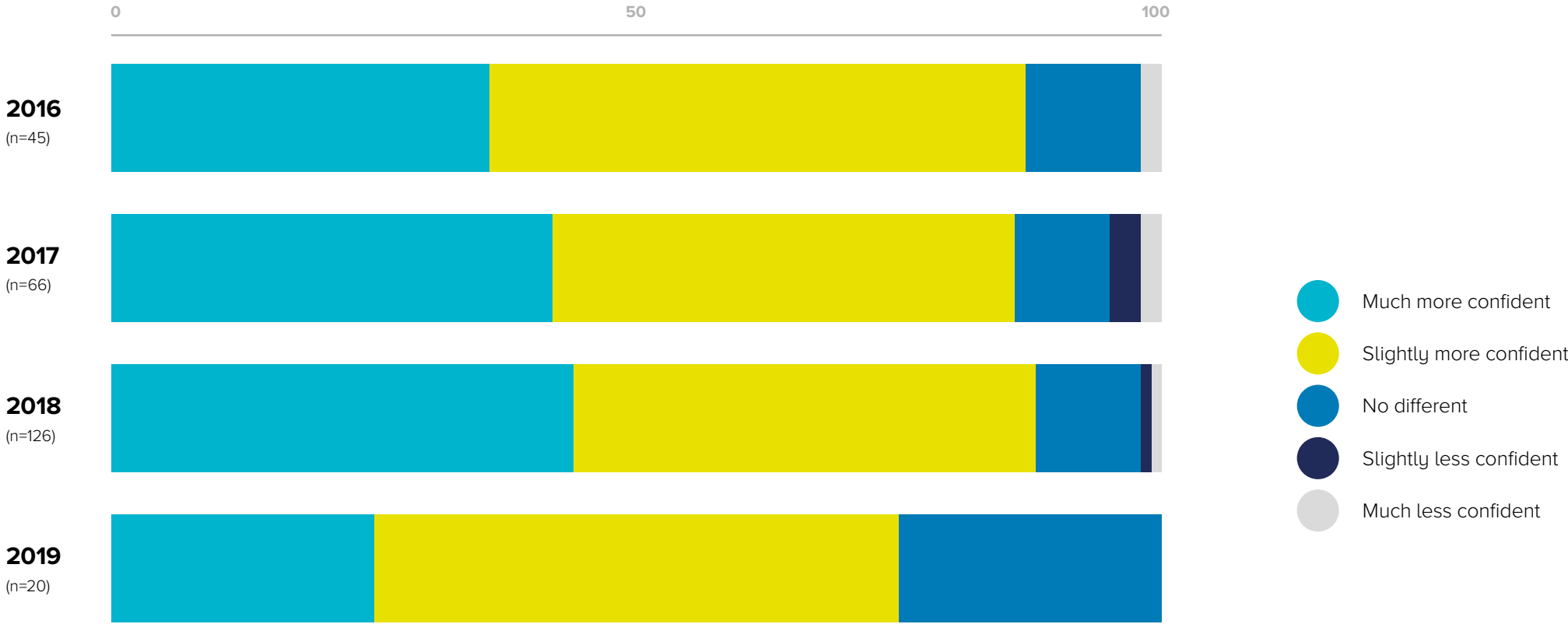
As this quote suggests, there is evidence Power to Change support improves grantee confidence, helping build stronger and more sustainable businesses. How it achieves this impact is explored later in this report, during the discussion of asset-based organisations as well as the impact of Power to Change on trading income and business models. However, evidence from the Bright Ideas programme (which supports early stage community businesses) provides a useful example.

By developing a more robust and sustainable business plan, Bright Ideas helped grantees progress their business faster than they otherwise would have been able to. It also helped grantees plan for additional funding, to apply for larger grants, such as capital grants from Power to Change. For some grantees, being on the programme helped

their financial sustainability by helping them to start trading and generate further income (Litchfield et al, 20). The combined effect of such support activities is to improve confidence about sustainability. Further evidence on the impact of Bright Ideas is also provided later in this chapter.

The chart below further illustrates the impact on confidence across several programmes, with the majority 'confident' or 'very confident' about their sustainability following their grant. To contextualise these results, around three in five (58%) in the wider community business market are at least 'slightly confident' in their future financial position (Higton et al 2019). This compares to just a quarter of respondents to the Institute of Directors' Confidence Tracker (Institute of Directors, 2019).

**Chart 3: ‘How confident do you feel in the sustainability of your business over the next three years because of your Power to Change grant?’ (Jan 2015 – Jan 2020)<sup>14</sup>**



<sup>14</sup> - Data for 2019 is taken from a pilot of a new survey, which replaces the previous Annual Grantee Survey and was due to be rolled out across programmes in early 2020 (but delayed due to Covid-19). As such these findings should be treated as indicative and are presented for illustrative purposes.

When it comes to securing future grant funding and managing external influences, community businesses are less confident. Prior to Covid-19, some expressed concerns regarding government policy and falling financial support in some sectors, especially childcare and energy (Higton et al, 2019). The pandemic has exacerbated these feelings of uneasiness. While eight in 10 community businesses received some form of financial support during the spring lockdown, nearly three-quarters of community businesses were less confident about their future financial outlook as a result of the pandemic, and their resilience to date could be dependent on the availability of further financial support (Higton et al 2020).

The patterns observed at market-level were repeated amongst recipients of Power to Change's emergency support programmes. In most cases, grantees reported cashflow issues and/or a reduction in trading income as a result of Covid-19. Many also reported losing funding (funding delayed or cancelled, a lack of non-Covid-19 funding available) or losing commissions/contracts.

An associated impact of this has been grantees using their reserves to cover costs, some of which increased during lockdown as they provided community-level support.<sup>15</sup> Power to Change's emergency support (which included grants of up to £20,000) is likely to have provided some reassurance given the external environment, although it was too early at the time of this report to ascertain its impact.



<sup>15</sup> - Based on analysis by Renaisi, Power to Change Research Associates. Completed July 2020. Unpublished.

## Bright Ideas – how Power to Change impacts its grantees

Through the Bright Ideas programme, Power to Change aims to support community groups to start, develop and grow their enterprises. In addition to grant funding of up to £15,000, the programme provides community groups with support and advice to develop, test and launch their business idea. The programme is delivered in partnership with Locality.

In early 2020, Bath Social and Development Research (BSDR) undertook an evaluation of the capacity-building support provided

by the programme, using their Qualitative Impact Protocol (QulP) methodology. The QulP methodology is purposefully open-ended and exploratory. By using this ‘deep dive’ approach, the research findings present a rich picture of the assortment of factors influencing change within the community business sector.

The QulP study found that Bright Ideas impacts on community businesses in several ways. These include:

- business advice enabled organisations to strengthen their capacity to plan ahead and make strategic decisions for the future

- grant funding increased both income and confidence
- networking support encouraged organisations to learn from each other, inspiring new ideas.

All these outcomes were voluntarily identified by grantees and attributed to the Bright Ideas programme. This enabled BSDR to create a causal map showing drivers and primary outcomes attributable to the business development support provided.

**Figure 4: Causal map showing outcomes driven by Bright Ideas business development support\***



\*The causal claims are codified by applying labels to the relevant portion of text, including: an **influence** factor (the reported cause/drive of change) signified by the money icon, a **consequence** factor (the reported outcome/change), visible on the right-hand side of the diagram, a **sentiment** label (whether the consequence is perceived to be positive/negative) signified by the 'thumbs up' icon or orange triangle, an **attribution** label (how closely the influence aligns with the programme's theory of change) signified by the turquoise dot. The numbers on the diagram indicate the strength of references, with higher numbers indicating the outcome was referenced a greater number of times.

## Strengthened capacity and skills

During its first five and a half years, Power to Change and its delivery partners provided 2,217 days of capacity-building support to community businesses. The impact this has had on community businesses has been shown in programme evaluations, in particular for the Community Business Fund and Trade Up activities.

Evaluation of the Community Business Fund by Renaisi, the Power to Change Research Associates, found that some businesses utilised peer brokerage to build their capacity. This was made possible by the flexibility of the programme, where particular needs could be addressed (Litchfield et al, 2020).

*“The business support element was really good and so was the peer support. We got help with marketing, fundraising and had a consultant helping us with monitoring and evaluation through the peer brokerage. Really helpful with the marketing because we’re mainly using social media but a lot of people in the area don’t use social media.”*

### Centre Manager, Sutton Hill Community Trust

During interviews, one community business spoke about the way in which resilience training impacted their way of thinking and their business model ideas.

*“He came and did the resilience workshop. We wouldn’t have come up with those workshops ourselves in a short space of time. Couldn’t believe the conclusions we came to. Worked out where [our] skills gaps lie.”*

### Project Manager, Byrne Avenue Trust

Other Community Business Fund grantees reported that they had developed new partnerships with other organisations, as a result of the peer learning, events and publicity provided by Power to Change.

*“Now we can offer the site for other organisations to come and use, so we don’t need to lead on the activities but just provide the space for others to use – e.g. Refugee Council, Age UK.”*

### Co-op member, Organic Lea



Further evidence about the impact of Power to Change’s support on capacity comes from the Bright Ideas and Trade Up evaluations. For instance, qualitative analysis of Bright Ideas final monitoring reports suggests that, by developing a more robust and sustainable business plan, Bright Ideas has helped some grantees progress faster than they otherwise would have (Litchfield et al, 2020).

*“The scheme has put us a million miles ahead of where we were this time last year, and has thrown up some unforeseen problems – finding the solutions to them has resulted in a more resilient and sustainable plan. It’s also allowed us to develop backup plans through getting to know our enterprise in detail by analysing different angles.”*

#### **Growing Sudley, Bright Ideas grantee**

Similarly the Trade Up evaluation has found that the programme has helped community businesses make difficult decisions that they would otherwise had continued to put off (Litchfield et al, 2020).

*“It helped us sort out our finances. It wasn’t going well with our previous treasurer and it forced me to think about it and address the issue. And tackle other problems like that.”*

#### **Squires Field Community Centre, Trade Up grantee**

There is indicative evidence that Power to Change programmes improve the skills of community business leaders and staff. For instance, the evaluation of Trade Up has found that between the start and end of their grant, recipients in the second cohort of the programme reported improvements against the following skills (Litchfield et al, 2020):

- maintaining professional networks
- developing and using personal support networks
- financial management
- income generation (gifts/donations, grant funding and voluntary income)
- new product/service development
- sales
- entrepreneurialism
- community engagement
- managing innovation




These changes are illustrated in more detail in the following table. At the beginning and then end of their grant, individuals participating in Trade Up were asked to rate their skill level across three core skills areas:

- networks and networking
- emotional resourcefulness
- business skills and entrepreneurialism

These areas consist of multiple indicators, each of which is ranked on a scale from 0 (not at all skilled) to 7 (highly skilled). The following table shows an initial analysis of individuals participating in Trade Up, and looks at the overall averages for each indicator.

**Table 2: Median average scores for skills indicators (7=highly skilled; 0=not at all skilled) (n=86)**

Skills		Start of grant (median)	End of grant (median)
Networks and networking	Connections with other community businesses	4	5 
	Developing new professional networks (i.e. networking)	4	5 
	Maintaining professional networks	4	5 
	Developing and using personal support network	4	5 
Emotional resourcefulness	Self awareness	5	5
	Persisting in the face of adversity	6	6
	Managing work/life balance	4	4
	Leadership	5	5
	Resilience	5	6 
	Conflict management	4	5 
	Relationship management	5	5

Skills		Start of grant (median)	End of grant (median)
Business skills and entrepreneurialism	Business planning	4	5 
	Communication skills	5	6 
	Financial management	4	5 
	Income generation (trading, contracts and earned income)	4	5 
	Income generation (gifts/donations, grant funding and voluntary income)	4	5 
	Negotiating	4	5 
	Pitching	4	5 
	Project management	5	5
	People management	5	5
	Marketing	4	5 
	New product/service development	4	5 
	Structure and governance	4	5 
	Sales	4	5 
	Volunteer management	5	5
	Social media	4	5 
	Entrepreneurialism	4	5 
	Community engagement	5	6 
Managing innovation	4	5 	

## Operational capacity

Improvements in capacity and skills are accompanied by changes in staffing, volunteering and membership. This section uses monitoring data to illustrate how community businesses change over the course of their grant. Typically it suggests growth in operational capacity – either by taking on more staff or volunteers. However it should not be interpreted as evidence that community businesses are there to create jobs. As the data shows, where jobs are created, the total volume is modest. Instead, the evidence indicates that this is another way in which Power to Change’s support contributes to operational capacity (Litchfield et al, 2020).

It’s also important to understand how much staff and volunteer numbers fluctuate across the length of a Community Business Fund grant.

For instance, the table on page 37 shows that the total number of full-time staff increased by 149 across the Community Business Fund cohort. Similarly the number of local full-time staff increased by 152. This suggests that, overall, community businesses hired more local staff full-time than staff from outside the local area. This potentially also includes a displacement effect. For example, Windmill Hill City Farm in Bristol reported having 33 full-time staff in their Community Business Fund application, of which 21 were from the local area. By the end of their grant however, this had changed to 36 full-time staff, of which 30 were from the local area. So while the total number of staff only increased by three, the total number of local staff employed increased by nine.



*“We used to have less volunteers coming before the renovations. Now [following the Power to Change grant] we can provide cooked lunch on both Wednesdays and Fridays for everyone – it makes people want to come.”*

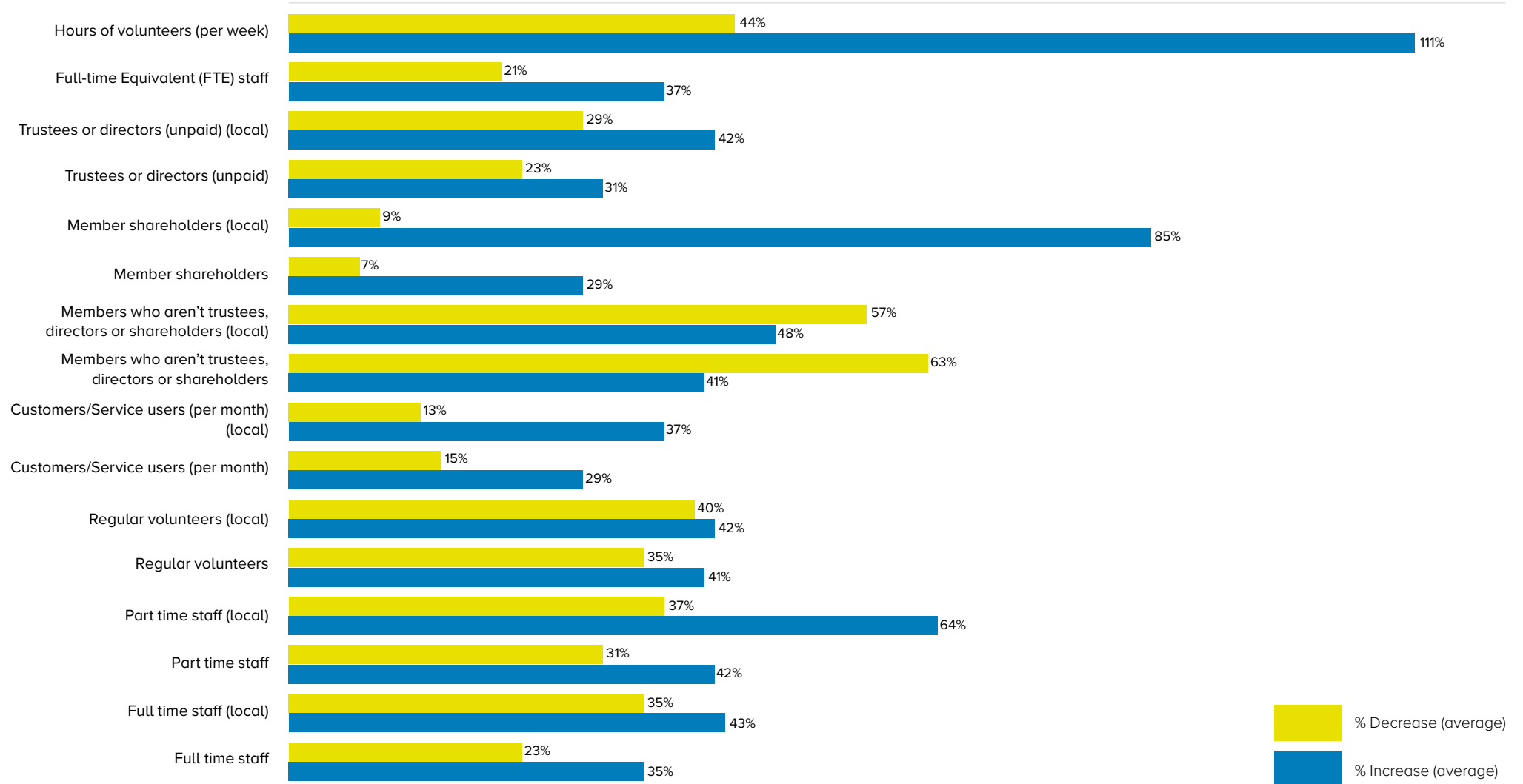
**Co-op member, Organic Lea, CBF grantee**

**Table 3: How community businesses change over a 12-month period – total values representing absolute change for each indicator (Community business fund only)**

Indicators	Increase (total)	Decrease (total)	Net change
Full-time staff	149	59	90
Full-time staff (local)	152	48	104
Part-time staff	274	114	160
Part-time staff (local)	246	96	150
Regular volunteers	1,006	580	426
Regular volunteers (local)	906	496	410
Customers/service users (per month)	43,091	9,225	33,866
Customers/service users (per month) (local)	43,011	4,027	38,984
Members who aren't trustees, directors or shareholders	4,962	13,415	-8,453
Members who aren't trustees, directors or shareholders (local)	3,513	13,085	-9,572
Member shareholders	3,255	3	3,252
Member shareholders (local)	2,955	32	2,923
Trustees or directors (unpaid)	74	102	-28
Trustees or directors (unpaid) (local)	89	88	1
Full-time equivalent (FTE) staff	281	80.5	200.50
Hours of volunteers (per week)	7,282	3,779.17	3,502.83

Across most indicators, the average percentage increase was higher than the average percentage decrease (see chart below). This suggests a potentially positive expansion of community businesses in terms of the people they interact with over the course of their Power to Change grant. It is not possible at this point, however, to attribute this change to Power to Change’s support alone.

**Chart 4: Percentage change in measured indicators (compared with initial application form) for community businesses who experienced any change (Community Business Fund only)**



Further analysis suggests this expansion is likely to benefit local people. Almost always, increases in people-related indicators are larger in local indicators than their corresponding broader indicators. For instance, full-time staff (local) increased 43%, while the increase in full-time staff overall was 35%. This suggests a relatively high rate of local recruitment has taken place. However, it appears that when staff numbers decrease, local staff are more likely to leave: local staff decreased by 35% on average, compared with 23% for all staff.

### **Financial resilience**

Community businesses are by definition trading organisations, generating at least some of their income this way. The 2019 Community Business Market report highlights that trading and other sources account for most income for 65% of surveyed community businesses. This proportion is higher than recorded in 2017 (56%), alongside a decrease in the proportion principally obtaining their income from grants (Higton, et al, 2021).

The proportion of income generated by trading varies by sub-sector. Community shops generate almost all their income from trading, while community hubs typically generate less than half this way (Higton, et al, 2019).

It is also likely to vary according to the maturity of organisations, with earlier stage community businesses more likely to rely on other sources of income (such as grants) as they start out. However, support from Power to Change via programmes such as Bright Ideas has been shown to have an impact on trading activity.

Understanding how its support has affected trading ratios is also an important measure of the impact Power to Change is having on its grantees. The assumption is that, while a grant might reduce the trading ratio in the short term, if it supports a sound business plan it will increase the ratio in the medium to long term.

Tracking a consistent cohort of 79 community businesses over seven years, there appears to be fluctuations over time in the percentage of income generated from trading. Comparing grantees (n=39) to unsuccessful applicants (n=40), both groups have experienced increases and decreases over this period, although unsuccessful applicants have typically generated a greater percentage of their income via trading (64% in 2019) than grantees (46% in 2019).

*“The grant enabled us to start trading and generate further income by paying for a temporary paid post to manage a darkroom facility and provide admin support, paying for a web developer to improve our website [and] paying for further mentoring for accounts training and support. Overall [Bright Ideas] helped us develop the business and involve more people as customers and participants.”*

**The Real Photography Company,  
Bright Ideas grantee**

Chart 5: Total trading income as a percentage of total turnover (n=79)

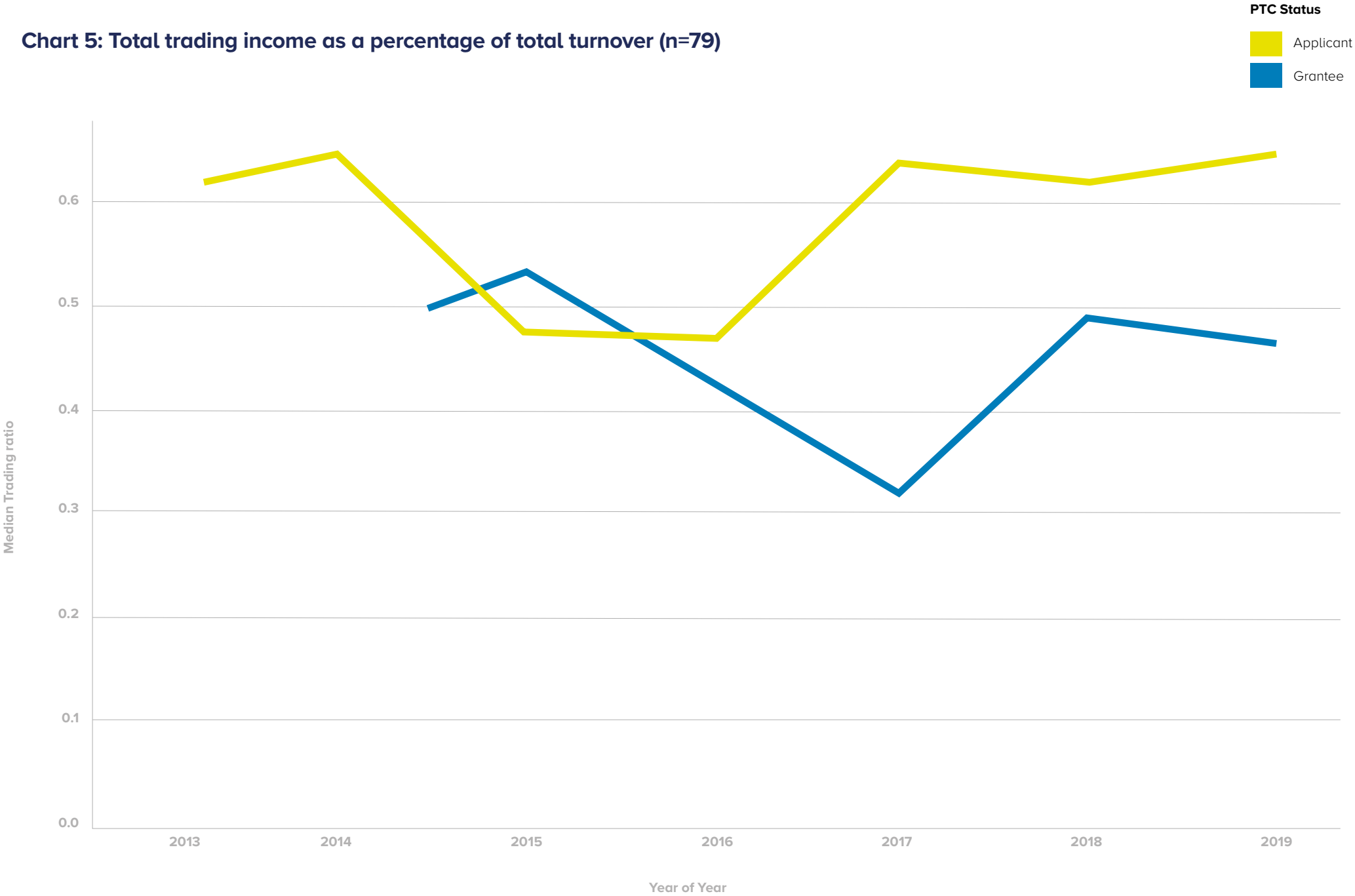
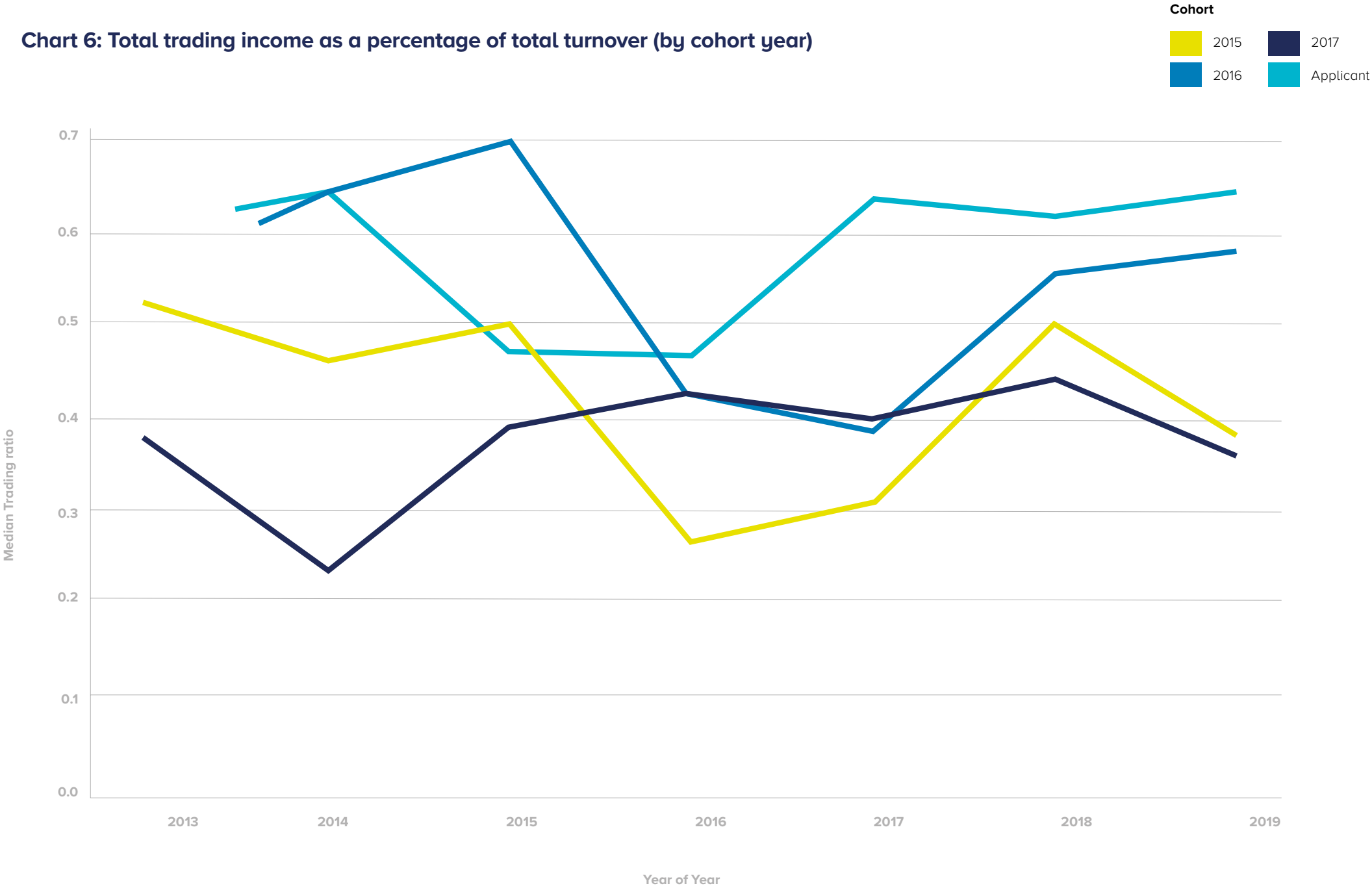




Chart 6: Total trading income as a percentage of total turnover (by cohort year)



To test whether Power to Change's grant is suppressing total trading income as a percentage of total turnover, further analysis was conducted to delineate the grantee cohort by the year they were funded. The previous chart shows that for those funded in 2015 (n=5), 2016 (n=16) and 2017 (n=13), the trading ratio decreases the year following their grant.

One way in which Power to Change seeks to have a positive impact on the trading activity of its grantees is through the Community Business Trade Up programme, administered by the School for Social Entrepreneurs. The programme matches pound-for-pound the year-on-year growth in trading income of participating businesses up to £10,000. Participants also benefit from a bespoke learning programme and a peer-to-peer support network.

Trade Up has run for three complete years, with quarterly trading data collected from 207 community businesses (29 in 2017, 99 in 2018 and 79 in 2019). In each year, a subset of organisations (10, 20 and nine respectively) was set aside as a 'control' cohort and those businesses received four quarterly payments regardless of their trading income. The core hypothesis of the programme is that the matched grants incentivise the pursuit of trading income over this sort of unconditional grant income.

With the Community Business Trade Up programme, the median increase in annual trading income in the match trading cohort was an impressive £13,584. Consistent with the core hypothesis of the programme, the trading performance in the control cohort was considerably less impressive.

**Table 4: Performance of Community Business Trade Up recipients of £10,000 match trading grants**

Year	Increase in annual trading income (£)	
	Mean	Median
2017	30,938	25,719
2018	31,509	18,047
2019	18,550	6,199
2017–2019	25,945	13,584

**Table 5: Performance of Community Business Trade Up recipients of unconditional £10,000 grants**

Year	Increase in annual trading income (£)	
	Mean	Median
2017	16,626	9,839
2018	13,355	5,837
2019	-3,039	-5,326
2017–2019	10,410	3,194

Alongside raw growth in trading income, however, there are other ways to measure the performance of Trade Up participants. A common measure used by funders is leverage, the additional income generated per pound of grant awarded.<sup>16</sup> Based on this measure, the leverage achieved by businesses in the control cohort was 0.4, and the leverage achieved by those in the match trading cohort was 1.4. The additional leverage that can be attributed to the incentive effect of the match trading grant is therefore 1.0 – so every pound of grant awarded increases trading income by another pound.

A better measure of grant dependence is the trading ratio (i.e. the percentage of total income generated through trading because it speaks directly to the degree of grant dependence. The average trading ratio across all 207 businesses was 58%. Businesses in the control cohort saw their trading ratio fall by 5.7 percentage points, while those in the match trading cohort increased by 3.8 percentage points. In other words, the average increase in trading ratio that can be attributed to receipt of the match trading grant is 9.5 percentage points.

Regardless of the performance measure or time period used, there appear to be clear differences between the trading performance of community businesses in the control cohort and the match trading cohort, consistent with the core hypothesis of the programme.

The key question is whether these differences are statistically significant. Using a standard Bayesian equivalent to the t Test<sup>17</sup> produces the following results.

<sup>16</sup> - Note this calculation typically excludes the cost of general grant administration. For the Community Business Trade Up programme it also excludes the cost of the associated learning programme

<sup>17</sup> - Bayesian estimation is generally preferred to traditional 'null hypothesis significance testing' because it makes fewer assumptions about data distributions and sampling intentions. For more information, see <https://jkkweb.sitehost.iu.edu/articles/Kruschke2013JEPG.pdf>.

**Table 6: Comparison of the difference in performance between community businesses in the control and match trading cohorts**

Performance measure	Frequency	Mean change	Effect size	Probability change is greater than zero
Trading income	Annual	£9,190	0.8	99.8%
	Quarterly	£2,210	0.6	100%
Leverage	Annual	1.0	0.9	99.9%
	Quarterly	1.0	0.8	100%
Trading ratio	Annual	9.5 pp	0.4	97.4%
	Quarterly	8.8 pp	0.4	99.9%

(Effect size: 0.2=small, 0.5=medium, 0.8=large)

This strongly indicates that the Trade Up programmes does incentivise trading growth. However, the programme has also helped community businesses think about their financial sustainability and business model, and in some cases this has turned into changes in the business model (Litchfield, et al, 2020). This is illustrated in the quote below:

*“I think it is encouraging people to be more businesslike in what they are doing, step back from the crutch that the grants provide. People don’t realise they have to run it and understand the costs and they’ve got to make money above the line. Despite the fact they are community, they are a business.”*

**Southport Contemporary Arts, Trade Up grantee**

## Supporting asset-based projects

Power to Change supports community-owned assets via several programmes. These include but are not limited to Bright Ideas, the Booster Fund, the Community Business Fund, Empowering Places, Homes in Community Hands, Next Generation Energy and More than a Pub. The Community Business Fund (CBF) in particular is the largest supporter of community-owned and community-managed assets in terms of total expenditure.

Early indicative findings from the evaluation of CBF highlight how assets play a central role in the business models and financial sustainability of many community businesses. Many CBF grantees use their funding to either make vital renovations/improvements to their assets or acquire an asset.

Analysis of application data for Community Business Fund grantees finds:

- 81% of grants went to asset-based projects
- 74% of these assets were buildings
- the most common form of building-related projects were ‘refurbishments’ (32%) and ‘new builds’ (19%)<sup>18</sup>

These developments enable community businesses to generate additional revenue, as exemplified in this quote from Sutton Hill Community Trust (Litchfield, et al, 2020).

*“The layout of the building has changed completely since doing the renovations. We used to have about 100 people coming through the doors each week, now we have between 300 to 500 people per week.”*

**Centre Manager, Sutton Hill Community Trust, CBF grantee**

In their evaluation, Renaisi also observed that two of the community businesses they interviewed had developed cafés using Community Business Fund funding, creating an additional revenue stream and thus helping to improve their financial sustainability.

*“It has enabled this to happen, which has expanded our horizons. It is much easier to do a community shop now, because we have the café. Once you start going into more than that, [you] enter a whole different ball game.”*

**Committee member, Sutton Hill Community Trust, CBF grantee**

The development of an asset also enables community businesses to access additional funding.

*“Since the renovations, we can now apply for funding to actually run activities. Having the right facilities helped us to get the funding we need. We couldn’t have become an official learning provider without having the right facilities. Also, we can now have multiple activities happening at the same time because we have enough space.”*

**Co-op member, Organic Lea, CBF grantee**

18 - Analysis conducted by Eva Trier, Power to Change Research Associate. Based on 72 unique organisations for which enough data is available. Analysis conducted in November 2019. Unpublished.

Similar comments were made in final monitoring reports for Bright Ideas (Litchfield, et al, 2020). Qualitative analysis of these documents suggests the programme has helped grantees plan for additional funding, and led to and supported applications for larger grants, including capital grants from Power to Change.

These observations are supported by further analysis of Community Business Fund application data.<sup>19</sup> This shows the extent to which the Community Business Fund has enabled grantees to leverage in additional resources:

- a total of over £19m additional resources by CBF grantees (n=72)
- for every £1 spent via CBF, an additional 50p is raised from other sources (ratio is 2:1) (n=47)
- the average leverage per CBF grant is £280,000 of secured and £400,000 of total additional resources
- one community hub used their CBF grant to unlock a £5m Heritage Lottery Fund grant<sup>20</sup>

The amount of additional resource leveraged varies by sector, however. For instance, transport facility projects appear to have limited leverage potential, while housing-related projects appear to have stronger reliance on leveraging once the Power to Change grant has been secured.<sup>21</sup>

Community assets also enable community businesses to engage communities and inspire local change. The Empowering Places programme has supported six community anchor organisations with £1m each over five years, to use their assets to build more resilient communities. These assets improve their visibility with the community, and give them a base for meaningful engagement. As well as being a useful tool in their work to catalyse other new community businesses, these assets have been used as a base for local people to begin their engagement with the programme. They have also provided space for local initiatives to try out ideas and activities that may later develop into community businesses (O’Flynn and Thornton, 2020).

Managing assets is not without its challenges. Making the most of the opportunities they can provide to communities takes investment, time, expertise and effective management, and long-term investment is needed to maximise the potential impact of asset ownership for local communities (O’Flynn and Thornton, 2020).

This analysis shows how, by supporting assets, Power to Change facilitates the economic and social impact of community businesses. It enables them to generate new revenue streams and raise additional funding. As the CBF evaluation also suggests, it enables them to move faster than they would have otherwise done (Litchfield, et al, 2020). This is in keeping with earlier findings from the new grantee survey, which alluded to the added value of Power to Change’s support to the development of community businesses. In turn, this financial confidence and physical base enables them to better engage their local communities and generate social impact.

<sup>19,20</sup> - Analysis conducted by Eva Trier, Power to Change Research Associate. Based on 72 unique organisations for which enough data is available. Analysis conducted in November 2019. Unpublished.

<sup>21</sup> - NB: these observations are based on small sample sizes. Analysis conducted by Eva Trier, Power to Change Research Associate. Based on 72 unique organisations for which enough data is available. Analysis conducted in November 2019. Unpublished.

## How Power to Change supported Byrne Avenue Baths

Having been closed by the council in 2009, Byrne Avenue Baths, a 1930s Grade II listed swimming pool complex, was taken over by local residents in 2017. The Byrne Avenue Trust intends to restore the Byrne Avenue Baths, retaining the surviving original features, and restoring the rest of the building.

The Trust had a four-year battle with the local authority to get the building listed, and eventually obtained the building through a Community Asset Transfer. Once they had acquired the asset, the task was then to find the funds to develop the building. The grant provided by Power to Change has gone towards funding Phase 1 of the renovation work, primarily the sports hall, which will enable a portion of the building to open to the public. The money has also gone towards funding a project manager. The substantial grant from the Community Business Fund (CBF) accelerated the speed at which the work could be done.

The Byrne Avenue Trust report that their experience of receiving funding was positive. They also benefited from the additional support elements of the CBF programme. For example, they became well-known in the sector as an encouraging example of acquiring an asset through a Community Asset Transfer, and built a network of supporters.

They recently won a Locality Save our Spaces award. Peer brokerage also supported them to identify skill gaps and build resilience.

In terms of challenges, the processes for claiming money were particularly strenuous on the Byrne Avenue Trust project manager, and they felt it would have been useful to have basic guidance around how to do so. However, they appreciate that they were provided with a single point of contact with the CBF delivery partner and saw this as invaluable. Their contact has been able to support the project manager in this regard.

*“It would have slowed things down [not having the CBF grant] ... [for] a lot of other funders [we] have had to bend over backwards. Power To Change are very flexible trying to shape their funds to meet people’s needs...”*

**Byrne Avenue Trust, CBF grantee**

*“It’s not just the money it’s the morale boost, spurs you on to other things. After each success, [you] think: we did that, so we can do something else”.*

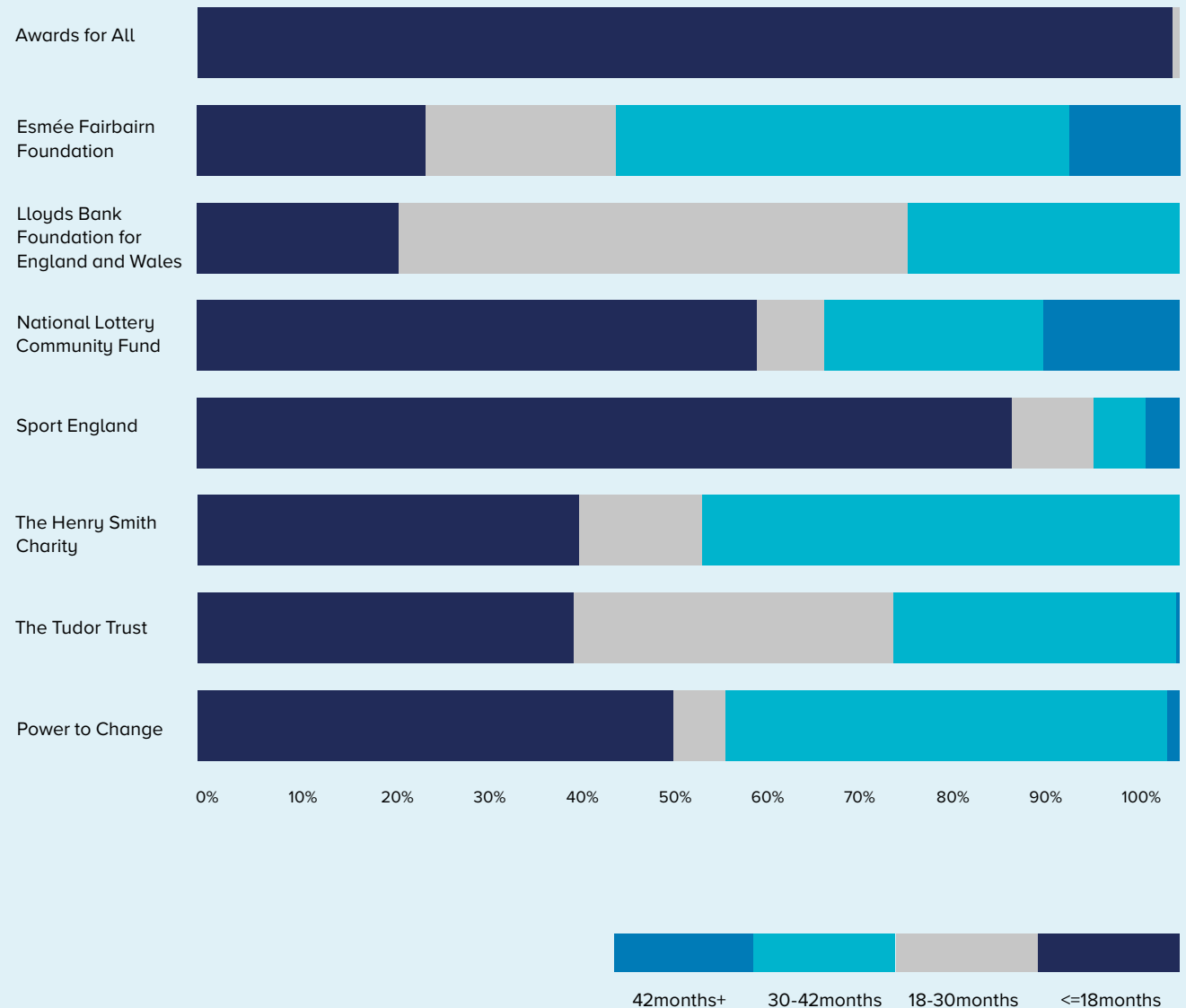
**Byrne Avenue Trust, CBF grantee**



All this activity facilitates the economic and social impact of asset-based community businesses. The estimated 6,325 assets in community ownership in England provide £216.8m worth of net additional Gross Value Added (GVA) to the economy per annum (Archer, et al, 2019). They have also created 7,000 net additional full-time equivalent (FTE) jobs, providing £15,753,000 in fiscal benefit savings per annum from reduced expenditure on benefit and health services. In addition, Power to Change estimates community-owned assets generate 151,000 net additional volunteer hours per week, the wellbeing benefit of which is equivalent to £131,926,000 in additional income for those taking up the volunteer roles (McClellan, et al, 2019).

While it is not possible to attribute all this impact to Power to Change’s support, it is one of the few organisations that fund capital projects like these. Analysis of 360Giving data highlights it also provides longer-term funding than most (Amin, et al, 2020). The chart to the right shows the proportion of grants made, by duration of award.

**Chart 7: Duration of grants<sup>22</sup>**



22 - Grants where duration was unknown are not included (not all funders publish duration information).





03

# Power to Change's impact on the market



This chapter explores the impact of Power to Change's workstreams, alongside its grant programmes, on the community business market. It addresses two questions:



**How has Power to Change impacted on growing the community business market?**



**What approaches does Power to Change use to support market development?**



### 3.1. The impact on growing the community business market

The term community business market refers to those places and areas of activity where locally owned and locally accountable enterprises have the potential to address gaps left by the state and private sectors (Dobson, et al, 2020). Over the past five and a half years, the size of this market has grown, with the estimated number of community businesses in England doubling from c.5,500 to c.11,300. The level of income generated by community businesses seems to be fluctuating over time and in 2019 was at its lowest level, £0.89 billion. Assets held have also fluctuated over time, sitting at just under £1 billion in 2019. These shifts are likely to reflect both genuine market fluctuations and methodological improvements in the underlying annual surveys (Lipscomb, et al, 2020).

There are some indications that the market is growing through an increase in smaller, earlier-stage ventures (primarily run by volunteers), although given methodological changes to the community business market survey between 2018 and 2019, this will be triangulated through the 2020 survey. That survey is also exploring the impact of Covid-19 on the community business market.

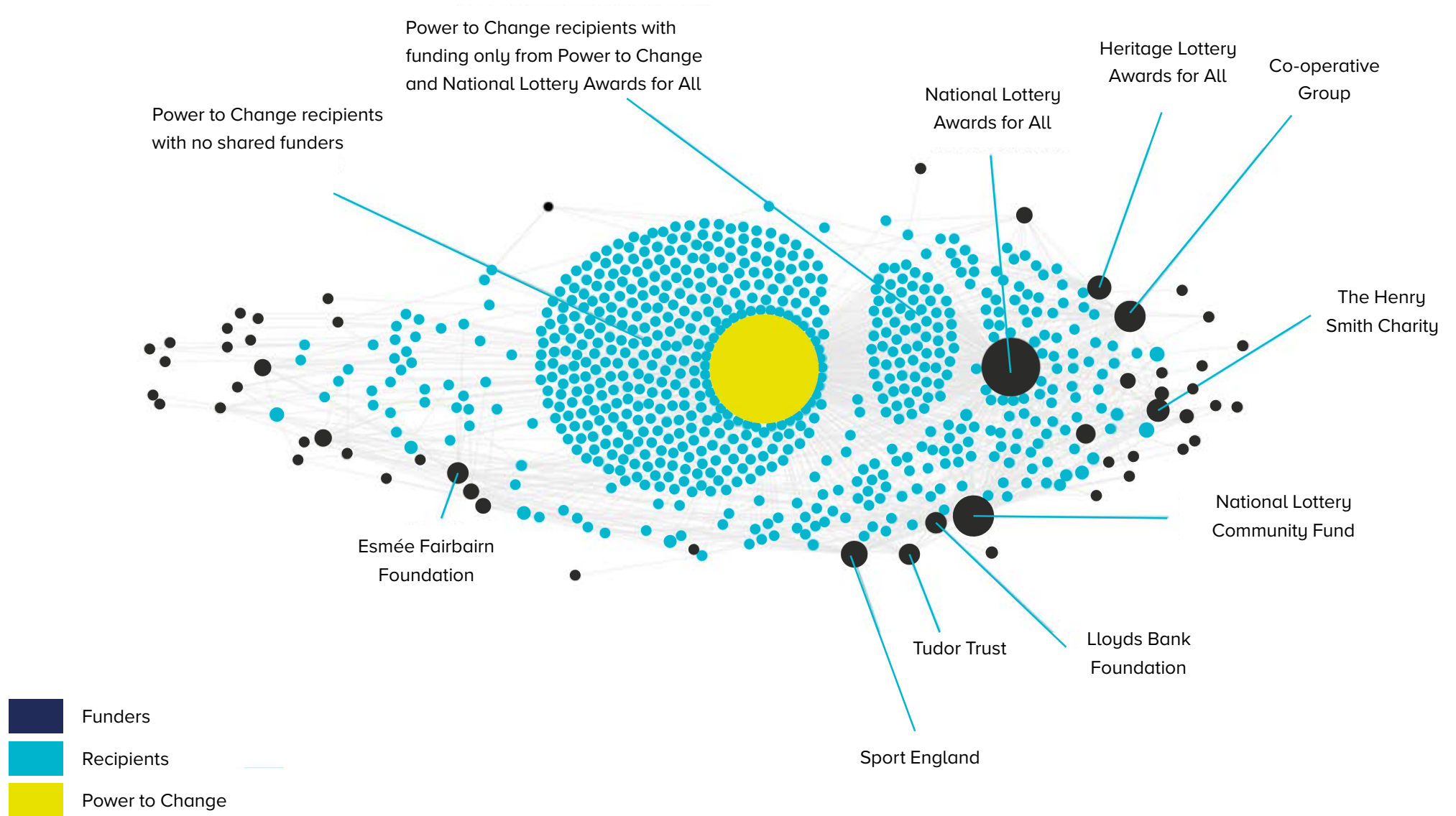
Power to Change has played a significant role in driving the growth of the community business market. Analysis of 660 unique recipients of Power to Change grants found 55% had not received funding from another grant-maker (Amin, et al, 2020). The same analysis also found:

- Power to Change has a wider range between its highest and lowest grant values (than other funders)
- grants are for smaller values and longer-term
- Power to Change is more likely to fund younger organisations, and a greater diversity of legal structures

This suggests Power to Change is a key supporter of community businesses.



**Figure 5: Power to Change's position in the funding landscape<sup>23</sup>**



23 - Based on 360Giving data. Yellow dots indicate 660 Power to Change grantees. Blue dots indicate funders scaled by volume of grants made.

## 3.2. Approaches to supporting market development

Power to Change's market development work covers two broad areas of activity: creating the conditions for community businesses to flourish, and supporting specific areas of business or localities. Its distinctive approach to market development combines an organic and often opportunistic set of activities, involving conversations and relationship-building, alongside more instrumental activities with harder outputs – notably in the work on blended finance and assets, where clear quantitative measures of achievement can be applied. The market development approach is also characterised by experimentation, an approach described as 'flying lots of kites' (Dobson et al, 2020).

### Taking risks, learning and iterating

It is this approach – the willingness to take risks, collaborate, learn and iterate – that facilitates the impact of Power to Change on the community business market. Researchers at Sheffield Hallam University argue there are five cross-cutting activities that characterise the Power to Change market development approach (Dobson et al, 2020).

**1. Lobbying and advocacy:** this includes lobbying outside of the dedicated research and policy function. Power to

Change staff have been working with central and local government to generate greater support and resources for community businesses.

- 2. Exemplar grants:** small grants to provide 'proof of concept' and support innovative ideas, such as promoting community link workers to undertake social prescribing in Gateshead, and the asset transfer of allotments in Newcastle to promote wellbeing and prevent ill-health.
- 3. Building relationships:** this is a long-term activity and has frequently taken longer than anticipated. Its role is to create an understanding of the needs and potential of community businesses among key stakeholders, such as local authorities and NHS organisations.
- 4. Peer networks and communities of practice:** efforts to promote community businesses by building networks and communities of practice appear to have had limited traction. While a health and social care community of practice involving eight community businesses has worked well, a peer network programme with infrastructure organisations 'ended rather abruptly'. This raises questions about the extent to which peer-to-peer sharing of learning and good practice can continue without the existence of funded facilitation.

**5. Events and research:** research is seen as a key tool of Power to Change in creating legitimacy for community business as a sector. The existence of an evidence base has given Power to Change authority in working with policymakers, especially in health and social care and the cities of Bristol and Liverpool. Events are viewed as complementary to research, creating opportunities to communicate findings and key messages to target audiences – 'getting Power to Change into people's minds'.

Examples of impact vary, and have included influencing organisations – such as the Association of Directors of Adult Social Services, Liverpool Combined Authority and the Greater London Authority – integrating community businesses into their plans, expanding support for the wider market. Power to Change has also demonstrated its risk appetite, and backed a number of innovative projects using alternative models for community business, and which have the potential to expand support and opportunities for the wider market. Examples include a social prescribing pilot in Gateshead, the Kindred Social Investment fund in Liverpool, the Bristol One City fund and the MyCommunity online platform.

Market development is viewed as a collaborative exercise, and notably Power to Change has nurtured collaborative partnerships with three key infrastructure organisations – Co-operatives UK, the Plunkett Foundation and Locality. Recently it has engaged with four further organisations to extend the range of strategically important relationships. These partnerships appear to be having an impact in terms of expanding support for the community business market, with several having integrated the concept of community business into their own strategies and work.

One indicator of the long-term impact of Power to Change's work will be how it has influenced the thinking and practices of each of these organisations, beyond the time-limited practical impacts of collaborating on grant-making and investment programmes. At present there are positive indications that each partner considers community business to fall within its remit.

## Supporting alternative finance

In addition to facilitating partnerships, Power to Change has also played a key role in developing sources of finance. This has contributed to:

**£8,085,250**

of social investment into community businesses, representing a return on investment of 4:1.

Unlocking additional funding from local authorities in Bristol and Liverpool worth

**£21,500,000**



Leveraging an additional £4.3m from almost 6,500 retail/community investors. So for every £1 invested to support the use of community shares, an additional £2.25 has been raised.

Promoting the use of crowdfunding through a successful pilot. Power to Change's investment of £85,000 leveraged an additional £312,000 for 24 community businesses across the country.

Given this success, Power to Change accounts for a significant proportion of activity within particular sectors and finance sources, such as community shares. Community shares are a form of withdrawable share capital, used to engage local people as shareholders. Many invest in them to support a community purpose, not to make a financial gain (Community Shares Unit, 2015). In return investors get a say in how community businesses are owned and governed. Since 2012, the Community Share Unit estimate community businesses and co-operatives have raised a total of £130m.<sup>24</sup> Between 2009 and 2019, energy, pubs and shops had the highest number of community share offers.<sup>25</sup>

Power to Change appears to have had a significant impact on the use of community shares. It has invested £1.8m in 27 community businesses, helping leverage an additional £4.3m from almost 6,500 retail/community investors. So for every £1 invested, an additional £2.25 has been raised. Based on data from the Community Shares Unit, this also means that the Booster programme accounts for 11% of all community shares raised since 2016.

The impact of Power to Change's intervention is even more pronounced in the community pub sector, where it has helped double the sector average share raise. The average community pub can expect to raise £111,492 in community shares, according to research by the Community Shares Unit.<sup>26</sup>

Yet for pubs participating in the More than a Pub programme, co-funded by Power to Change, the mean average value of community shares raised was £222,913, and the median was £231,910.

<sup>24</sup> - Figures taken from forthcoming analysis by the Community Shares Unit, and refers to the period 2012–2019.

<sup>25</sup> - Figures taken from forthcoming analysis by the Community Shares Unit, and refers to the period 2012–2019; plus: Floyd, D. and Gregory, D. (2017) Uncharted Investment in Charities, Social Enterprises and Community Businesses.

<sup>26</sup> - Figures taken from forthcoming analysis by the Community Shares Unit, and refers to the period 2012–2019.

## Developing digital skills

Power to Change has also helped ensure the market has the right skills and resources to adapt in changing times, although there is more work to do with regards to the digital maturity of community businesses.

Digital initiatives supported by Power to Change have had varying impact to date:

- Keep It In The Community has added 5,000 assets of community value to its database.
- The MyCommunity platform has attracted more than 40,000 unique visitors in just four months (May–Aug 2020), supporting third sector organisations respond to the Covid-19 crisis.
- Twine has supported hundreds of community businesses through its various digital products and services, including a volunteer management app and visitor sign-in app. In May 2020, the team released the Benchmark tool, which in its first four months supported 243 community businesses to better understand their finances as they responded to the Covid-19 crisis (May–Aug 2020).

This work has highlighted additional support is required to:

- improve the digital maturity of community businesses
- reach those who are at an earlier stage in their development
- help those who are dependent on volunteers
- help those with limited previous experience
- help those who have an older workforce or volunteers
- help those operating in more deprived areas

Nonetheless, Power to Change's existing investments have facilitated an agile response to the pandemic. Both MyCommunity and Twine have provided early release of key tools and resources to support the community-level response. Both are reflective of the aforementioned approach to experimentation, with the projects testing and iterating solutions in response to changing market need.





## Support for priority sectors

Power to Change has identified four sub-sectors as strategic priorities, where its market-shaping impact can be maximised. These are:

- community energy
- health and social care
- community-led housing
- community pubs

It is within these sectors that the experimentation, risk taking, lobbying, relationship building approaches combine with financial support to shape markets.

### Community energy

Power to Change is a key source of financial support for community energy businesses. It has run two initiatives to support the sector – the Next Generation programme, and Community Owned Renewable Energy (CORE), a £40m investment programme designed to purchase operational, ground-mounted solar farms in England and hand them over to community businesses.

The Next Generation programme supports community energy businesses to develop and test business models that will fill the gap left by government, such as the Feed in Tariff (FiT). The programme has already made Power to Change one of the largest funders of community energy businesses in England, with grants worth 15 times the sector average. While it is still early to ascertain the full impact on this programme on the market, it is currently one of the few sources of financial support for community energy businesses.

An evaluation of the programme by CAG Consultants concludes it is also enabling community energy businesses to explore opportunities generated by the transformation of the energy system into a more complex, flexible low carbon format. They argue this may provide new niches for community energy. By their nature, these new and emerging business models tend to be more complex and riskier than FiTs-supported solar development, and hence the need for initial support is greater (Anderson and Kirkup, 2020). In this respect, Power to Change is playing a key role in trialling and developing new models for the market.

The impact of Power to Change's support on the community energy sector is accentuated through CORE. In particular, CORE has taken on several distressed assets, which has helped reduce the risk of reputational harm to the wider community energy sector. CORE has also rescued a failing asset operation and maintenance (O&M) provider that services several community energy businesses. Establishing this as a self-sustaining community business helps to ensure that existing and future community solar initiatives have access to cost-effective O&M (Anderson and Kirkup, 2020).

The importance of both these activities for protecting the legitimacy and viability of the wider sector should not be underestimated, even though these changes have meant the programme is more challenging to deliver and manage.

## Health and social care

The importance of health and social care, and the role of communities, has been thrown into stark relief by the Covid-19 pandemic. Prior to the crisis, improving the health and wellbeing of the local community was the most frequently cited impact area for community businesses (Higton et al, 2021). Power to Change's work in health and social care seeks to build on this activity, and explore the conditions necessary for community-led and owned models of health and social care, and opportunities for community businesses, to generate income through commissioning. This is likely to become an even greater area of activity once the lockdown has been lifted.

The Market Development team has been supporting work at both national and local levels. Influencing activities at both levels are demonstrating impact. Prior to the pandemic, events had been well attended by a mix of community businesses, commissioners, academics and policy makers. These events also appear to have raised the profile of Power to Change and community businesses in the health and social care sector. Furthermore, the Market Development team has facilitated and maintained a community of practice involving eight community businesses operating in the health and social care arena, as well as providing exemplar grants that have piloted innovations to

promote wellbeing and prevent ill-health at a local level. While it is still too early to categorically evidence the impact of these activities, signs are positive.

## Community-led housing

Power to Change's community-led housing programme, Homes in Community Hands, seeks to harness the desire of communities to develop their own housing solutions, to deliver new homes that meet the needs of local people and benefit the wider community. Early indications suggest Power to Change has a significant market-making role in the community housing sector. It brought together key partners to work together for the first time, resulting in less duplication of effort. It was also pivotal in leveraging the £163m Community Housing Fund into the sector, and a recent evaluation suggests both these factors have played a key role in the rapid growth rate of the community-led housing movement (Archer, Moore and Mullins, 2020).

Data from Power to Change's grant management systems was used to build a picture of grant making so far. As of March 2020, the programme had allocated £3.88m in funding through 42 grants, with individual grants ranging in size from £21,000 to £500,000. Nearly half of all grants made have been to community-led housing projects, with a further quarter of the funding going

to enabler hubs. The funding of enabler hubs is seen as key to building long-term capacity and sustainability in the sector. One significant planned output is the number of new homes either supported by a hub or delivered directly by it – an anticipated total of 889 units (Archer, Moore and Mullins, 2020).

## Community pubs

When the More than a Pub programme was launched in 2014, the Plunkett Foundation estimated there were approximately 33 community-owned pubs in England (Plunkett Foundation, 2014). These were owned by groups of shareholders, predominantly local people, who had typically bought the pub to either re-open it after a period of disuse, or to prevent it from being privately developed. The most recent estimate showed that five years later there were 95 community-owned pubs in 2019 (Plunkett Foundation, 2019b), a growth of 287%, of which over half (54) have been supported through the More than a Pub programme. As previous papers have highlighted, using 360Giving data Power to Change is often the only funder of community pubs (Amin et al, 2020). While there are potentially other funders of community pubs not listed on 360Giving, it is reasonable to conclude that Power to Change is a major supporter and influencer of the community pub market.

## Making the case

Power to Change has had numerous successes in terms of making the case for community business. Its work is underpinned by a solid foundation of communication activities, which have helped raise awareness of community business. These activities have contributed to a shared sense of identity, delivered campaigns and events as well as supported communications and marketing for grants programmes. They are wide reaching in terms of the number of people exposed to them (a number that continues to grow), and are influential in terms of the types of people engaging with them. These include representatives from central and local government, as well as the third and private sectors, with influential activities in a number of policy areas, including high streets, localism and the Covid-19 response. Another key opportunity emerging from the Covid-19 pandemic is the potential to further build and crystallise community business as a coherent movement.





04

# The impact of community businesses on people

At the time of writing this report, it was still too early to assess the full impact of Covid-19 on community businesses and their communities. However, it is possible to assess the impact of community businesses on the people they interact with during normal times. Using data from multiple sources, this chapter investigates the degree to which community businesses have an impact on their customers, services users, staff and volunteers, and how they interact with their members and shareholders. This in turn provides a useful discussion of the potential and limits of the community business model. But to understand the impact of community businesses, it is important to first understand the challenges they intend to tackle, why they are important, and who they are working with.

## 4.1. What challenges do community businesses tackle?

Power to Change has identified seven challenges that community businesses can help to overcome. All were pressing issues prior to Covid-19, and in some cases have been worsened as a result of the crisis:

- **Access to services:** in deprived areas, basic services can be missing or difficult to access. The availability of local services such as shops, schools, community centres and pubs influences our life outcomes, satisfaction and wellbeing. That is why within the six Empowering Places priority areas, which are all within the 10% most deprived areas in England, residents reported being more dissatisfied with local services compared to similar areas elsewhere (Kantar, 2020). Community businesses are well placed to address this issue, and many seek to use the buildings they manage or own to improve service provision and access for everyone in their community.
- **Community cohesion:** creating and maintaining connections and trust between people has been shown to be a key factor in improving places. As locally based, trading organisations with physical assets, community businesses are well placed to

improve areas by supporting social capital (the networks of relationships between individuals, built on mutual trust, understanding and reciprocity) and promoting greater community cohesion.

- **Community pride and empowerment:** the UK has a persistent democratic deficit. Voter turnout has been falling since the 1950s (House of Commons, 2019) and electoral participation is falling fastest among the young and the least affluent (Gottfried et al, 2013). A key risk of this is that it reduces the incentive for political parties to address their interests. Research suggests empowering initiatives can help people exert some control in their local area, which in turn can improve their wellbeing. As such, community businesses are well placed to address the democratic deficit and boost community pride in the most deprived communities, by enabling local people to have a say and control in how they operate, via community shares and issues. Such forms of participation are an important complement to the deficiencies of formal representation.
- **Employability:** while Covid-19 has impacted the entire UK economy, certain sectors have been more affected than others – the retail and hospitality industries for example. It is likely that we will see more pubs and high street shops closing, a trend that was already accelerating before the crisis. Such sectors, which include

accommodation, food and administrative services, account for a third of all employment in the UK (ONS, 2019), and an even higher share of employment in areas of deprivation. Yet the jobs they provide are often low wage, lower productivity and less secure (Thompson et al, 2016), and that is why nearly two-thirds (63%) of people in poverty live in a family where someone works (Social Metrics Commission, 2020). As trading organisations, community businesses are well placed to provide alternative better quality employment, as well as support vulnerable adults and those distanced from the jobs market into paid employment.

- **Health and wellbeing:** Covid-19 has exposed how place, health and the economy are interlinked. For example, areas along the northern spine of England (including Nottinghamshire and South Yorkshire) were exposed to greater risk because of the clustering of relatively older, more deprived communities (Davenport et al, 2020). Before the crisis, mental health problems in the UK workforce cost employers almost £35 billion (Centre for Mental Health, 2017). People in the most deprived areas were also more likely to spend around a third of their lives in poor health, twice the proportion spent by those in the least deprived areas (Public Health England, 2018). Meanwhile, priority places were more likely to report lower levels of

self-reported health and wellbeing, than similar areas elsewhere (Kantar, 2020). There is extensive evidence that connected and empowered communities promote good health, while more active community involvement can lead to increased life satisfaction and wellbeing (McClean et al, 2020). Feelings of control over one's life have also been found to be key determinants of wellbeing at both the individual and community levels (Marmot, 2020).

- **Local environment:** our immediate environment can shape our identity and our relationships with others. It can affect who we see each day (Putnam, 2001), the jobs we have access to (Cheshire, 2007), the shops, goods and services we use (Cheshire, 2007), and our health and wellbeing (Public Health England, 2017). Many community businesses form when residents spot an opportunity to improve their local area and environment, and they are well placed to deliver services to improve satisfaction with the local area as a place to live.
- **Social isolation:** prior to the pandemic, an estimated nine million people in the UK across all adult ages described themselves as either 'always' or 'often' lonely. Loneliness and social isolation are particularly pronounced for older people, with two-fifths saying the television is their

main source of company (Campaign to End Loneliness, 2020). In total, social isolation and loneliness cost the UK economy £2.5 billion a year in lost productivity and staff turnover (Campaign to End Loneliness, 2017). Covid-19 is likely to exacerbate these challenges. With enforced lockdown restrictions and shielding in place, a third of all age groups said their wellbeing had been affected from being isolated or lonely (ONS, 2020a). Community businesses seek to improve places by reducing social isolation, by providing places and spaces where people can meet, to build and strengthen mutual bonds and relationships. This is important – research shows that the absence of social spaces and places to meet compound the effects of deprivation, and deprived areas that lack such social infrastructure also have higher rates of unemployment, ill health and child poverty (Local Trust, 2019).

Grantees work with a diverse range of people and seek to deliver a wide range of impacts. For example, in 2019, just under two-thirds (63%) of community businesses responding to the annual community business market survey stated they planned to deliver five or more impacts. This is in line with findings in 2018, where 51% planned to deliver five or more (Higton et al, 2021, Diamond et al, 2018). This illustrates an important distinction between the community business model

and more traditional, private sector models. Community businesses – like other types of social economy organisations – effectively price in the costs of both the positive and negative externalities they create (i.e. their social and environmental impacts). Many private sector firms externalise the social costs of their operations, which is how we entered the pandemic with more than eight million people experiencing 'in-work poverty' (JRF, 2020).

Figure 6: Community businesses' intended social impacts (n=312)

● Personal impact 
 ● Community impact 
 ● Other

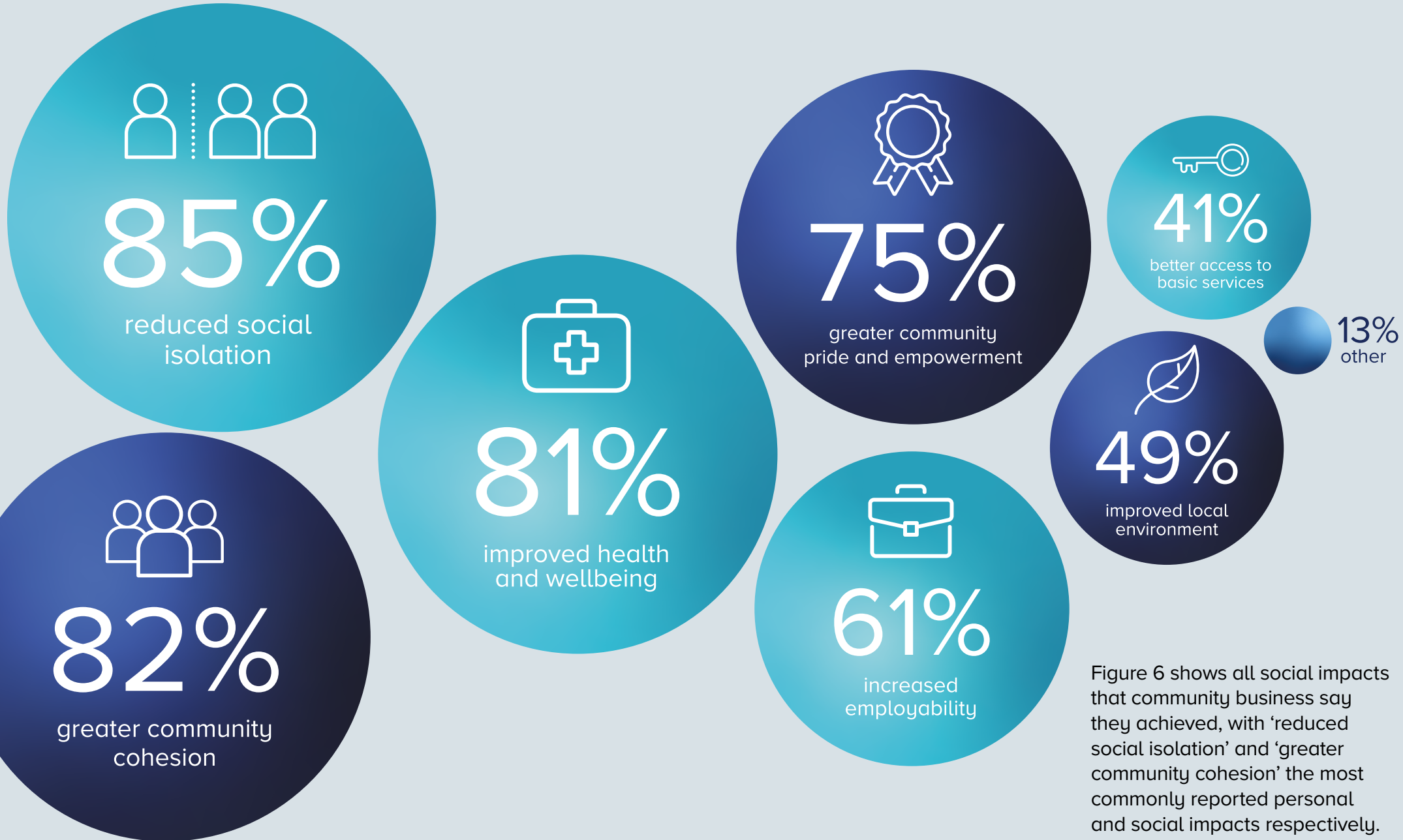









Figure 6 shows all social impacts that community business say they achieved, with 'reduced social isolation' and 'greater community cohesion' the most commonly reported personal and social impacts respectively.



Promoting greater community cohesion remains a high priority focus for all grantees, despite the diversity of activities, as illustrated in figure 6. In summary, community businesses support local and diverse needs, with a strong focus on impacts at both community and individual level.

**Table 7: Primary intended social impacts of Power to Change grantees (Jan 2015 – Aug 2020; n=1,282)**

Intended social impact	Power to Change grantees (n=1,024)
 Greater community cohesion	24%
 Improved health and wellbeing	22%
 Better access to services	19%
 Increased employability	12%
 Greater community pride and empowerment	9%
 Reduced social isolation	9%
 Improved local environment	5%



## 4.2. Who do community businesses work with?

Community businesses engage a wide range of stakeholders in a variety of ways. This includes customers (those purchasing goods or services) and/or service users (those paying for or freely accessing services, often related to health and social care-related activities). National data suggests that the average community business engages more customers than service users (2,444 compared with 1,173), reflecting their focus on revenue generation (Higton et al, 2019). On average, 85% of customers or service users are from the local area (Litchfield et al, 2020).

The people supported by community businesses are diverse and varied. At application, grantees can specify more than one type of beneficiary group. Analysis of the application data shows:

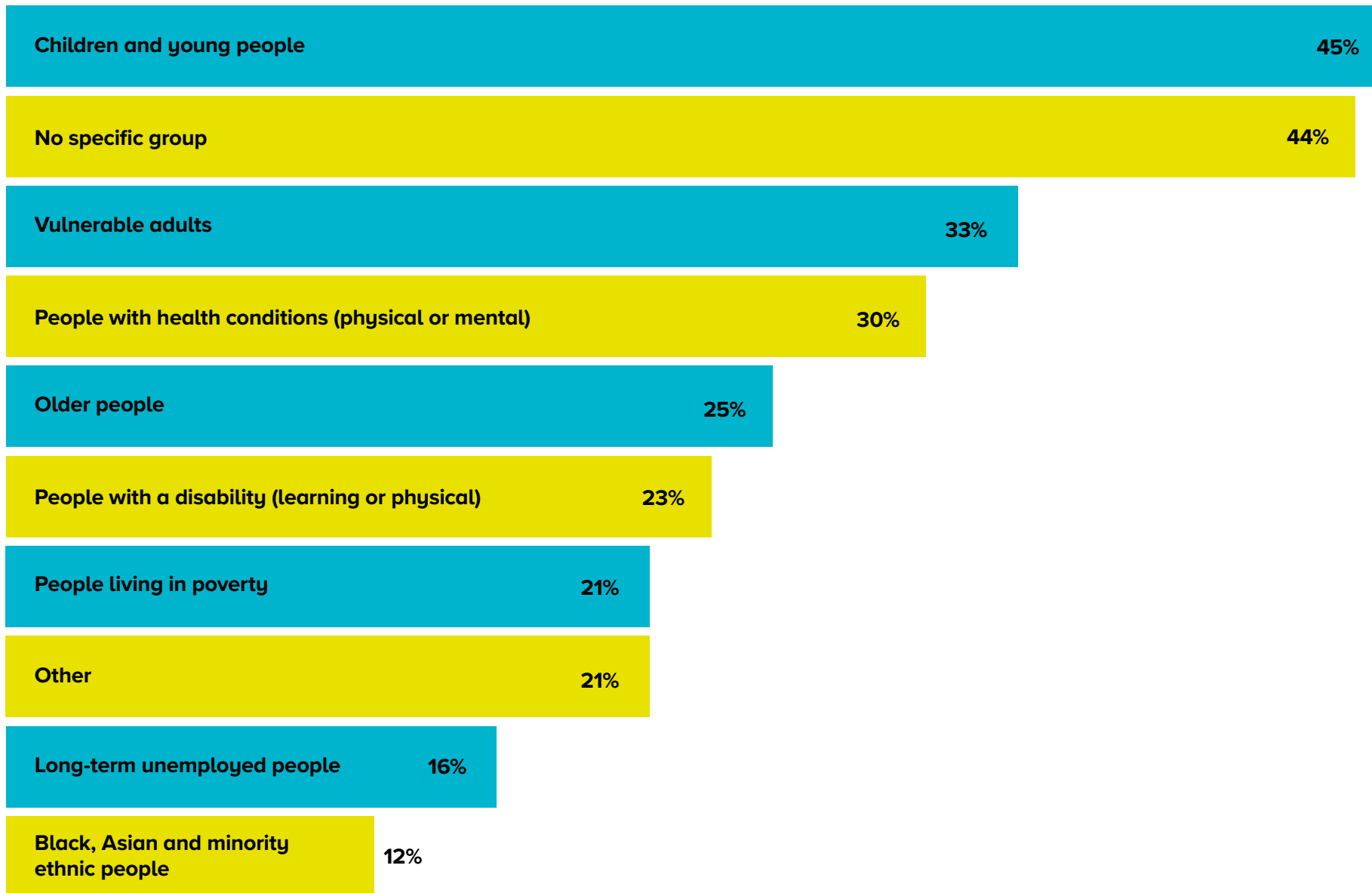
- almost half of Power to Change grantees work with children and young people
- almost half work with ‘no specific group’, reflecting the open nature of trading businesses and their ambitions to support the whole community

- around a third also identified ‘people with health conditions (physical or mental)’ and ‘vulnerable adults’ as potential beneficiaries of their work – the latter group includes ex-offenders, homeless people and people with addiction issues
- a quarter of grantees now work with ‘older people’, representing a considerable increase over the past two years
- only 12% of grantees have been focused on working with Black, Asian and minority ethnic (BAME) communities

The intensity and extent to which grantees work with these groups will vary. For example, some community businesses will provide dedicated childcare facilities throughout the year, while others may run one-off events, such as a summer play scheme.



**Chart 8: Community business beneficiaries (n=1,081, Jan 15 – Aug 20)<sup>27</sup>**



<sup>27</sup> - Represents distinct organisations. Each organisation could select more than one option.

Grantees seek to help these groups in different ways, recognising their unique challenges. For the beneficiary groups highlighted, the most common challenges being addressed are:

- **Children and young people:** 31% of grantees working with children and young people aim to improve their health and wellbeing. This is the most common intended impact at application.
- **No specific group:** grantees that say they do not target a specific group are most likely to specify their intended impact as greater community cohesion (35%), followed by providing better access to services (27%). This reinforces both their openness as trading businesses as well as the fact many operate within areas of deprivation, with long-standing issues such as access to services.
- **Vulnerable adults:** for a group that includes ex-offenders, homeless people and people with addiction issues, it is unsurprising that the most commonly intended impact is improving people's employability (30%).
- **People with health conditions:** 50% of grantees working with people with a physical or mental health condition aim to improve their health and wellbeing.

- **Older people:** improving health and wellbeing is also the most commonly intended impact for those working with older people (31%). Reducing social isolation is also a focus for 10% of grantees working with older people.



**Table 8: Intended impact within each beneficiary type (Jan 2015 – Aug 2020, n=1,081) <sup>28</sup>**

Intended impact	Beneficiary									
	People from Black, Asian and minority ethnic communities	Older people	Long-term unemployed people	People with a disability (learning or physical)	People with health conditions (physical or mental)	Children and young people	People living in poverty	Vulnerable adults	No specific group	Other
Better access to services	10.6%	11.0%	16.0%	4.4%	16.7%	10.7%	9.5%	3.3%	27.4%	0.0%
Greater community cohesion	16.1%	21.5%	16.0%	19.0%	12.5%	24.6%	19.0%	16.7%	35.0%	14.3%
Greater community pride and empowerment	14.3%	8.1%	0.0%	9.5%	0.0%	6.6%	14.8%	18.3%	6.8%	0.0%
Improved health and wellbeing	29.2%	31.1%	36.0%	33.5%	50.0%	30.5%	29.7%	20.0%	10.5%	28.6%
Improved local environment	5.0%	2.3%	0.0%	0.6%	0.0%	4.4%	2.3%	1.7%	8.4%	0.0%
Increased employability	20.5%	15.4%	16.0%	25.3%	4.2%	17.6%	19.0%	30.0%	7.8%	14.3%
Reduced social isolation	4.3%	10.5%	16.0%	7.6%	16.7%	5.5%	5.7%	10.0%	4.0%	42.9%

<sup>28</sup> - Based on total number of responses per beneficiary type. Each column adds up to 100%.

### 4.3. How do community businesses generate social impact?

Having established the various challenges community businesses tackle, and the diverse beneficiaries they aim to support, it is necessary to consider how they create impact before evaluating that impact. This can be summarised as improving employability, mobilising communities and putting communities in charge.

#### Improving employability

There are an estimated 37,800 people employed within the community business sector in England (Higton et al, 2021). The skills of staff affect the social impact created. Some interventions – such as dance, yoga or in public health – require specialist skills. These interventions in turn have a positive impact on people’s health and wellbeing (Power to Change, 2017). Paid staff provide subject knowledge and sector expertise. For a sector such as housing, employment and skills development both create impact (Davies et al, 2017), and have played a key role in community businesses’ response to the Covid-19 crisis.



Frontline community business staff have used their knowledge of local families and creatively responded to the challenge of helping children engage and learn. Here, a community business staff member is hosting a ‘Jungle day’ to support children struggling with their home schooling, dressing up to take part in geography and environment-themed lessons (Institute for Community Studies, 2020).



Community businesses are typically small or medium-sized enterprises (SMEs) and as such rarely create a huge volume of jobs individually. To put this into context, 96% of all UK businesses have fewer than 10 employees (Rhodes and Ward, 2020). Yet community businesses are more likely to create jobs than other types of third sector organisations (Chapman, 2020). Typically they also provide stable employment in areas of high deprivation and/or unemployment. In turn, their staff are central to their success and impact (Heap et al, 2019; Davies et al, 2017b).

Across the sector there are, on average, around 15 employees per business (14 (Higton et al, 2019); 15 (Power to Change Research Institute, 2019)). Community business employees may be more likely to work part-time, as over half of all staff are employed on this basis (2020, 72%; 2019, 64%; 2018, 55%) (Higton et al, 2021). Following a grant from Power to Change, the number of part-time staff typically increases by one. This new post is most likely to be held by a local person (Litchfield et al, 2019).

While many community businesses operate with a small team, they are deeply embedded in their local areas, particularly through their leaders, employees and volunteers (Swersky and Plunkett, 2015; Buckley et al, 2017; Heap et al, 2019;

Kotecha et al, 2017). As the emphasis is local, leaders benefit from holding a shared vision for the business and maintaining effective relationships with each other and the workforce (Davies et al, 2017b; Davies et al, 2017a; Buckley et al, 2017). Evaluation of Power to Change grant programmes suggests that 88% of staff in early stage community businesses, and 71% in mature community businesses, are from the local area (Litchfield et al, 2020). This is a unique feature of community business. Evidence shows that only 21% of social enterprises are operating at a neighbourhood or local level, with most operating across, and recruiting their staff from, the wider local authority area (SEUK, 2020).

Community businesses face challenges that all SMEs face in terms of fluctuating income and limited resources. Covid-19 has exacerbated these issues for some. Despite such constraints, previous research on the working conditions in smaller businesses (Croucher et al, 2013) has shown how many offer decent maternity protection (Lewis et al, 2014) and pay the living wage (Werner, 2016), in ways that also contribute to the sustainability of the business. Middlesex University was awarded a research grant by Power to Change in late 2019 to further explore what 'good work' looks like in community businesses. Its initial investigations have found that many community businesses

are supporting the Real Living Wage and are motivated to provide good working conditions – meaningful work does not have to be at the price of decent work conditions. This provides cause for optimism as the economic impacts of Covid-19 take hold. Not only are community businesses based within communities most likely to be hardest hit, but they have already demonstrated they can engage those traditionally excluded or furthest away from the labour market, and provide them with good work. Given the job insecurity and high degree of 'in work' poverty observed as the country entered the pandemic (JRF, 2020), as well as the observed links between good work and improved health and wellbeing (James et al, 2017), this is an important impact.

## Mobilising communities

Over a third (36%) of UK residents volunteered (with a group, club or organisation) at least once in 2018/19. Yet activity varies by socio-economic status, and in the most deprived areas of England only 14% were involved in formal volunteering regularly, compared with 29% in the least deprived (NCVO, 2020).

Volunteers play a key role in community businesses. There are an estimated 148,700 volunteers within community businesses in England (Higton et al, 2021). The average number of volunteers per business is around 28 (27 (Power to Change Research Institute, 2019); 29 (Higton et al, 2021)). Recent estimates suggest these volunteers provide between 15.5 and 18 million hours of time every year. This time is worth £210–250m each year, or the equivalent of £24,000–27,000 on average for each community business (Nicol, 2020). Following a grant from Power to Change, 41% of mature community businesses reported an increase in volunteers. Following the lockdown triggered by the Covid-19 pandemic, 10% of community businesses reported an increase in community support, while six per cent reported an increase in volunteers (Higton et al, 2020).

Volunteers are typically involved in community businesses from the outset,

and their involvement during the earliest stages of a business can be vital to success (Richards et al, 2018a; Davies et al, 2017b; Richards et al, 2018b). Volunteers cover a wide range of roles and typically engage in the same types of activities as employees (Higton et al, 2021; Plunkett Foundation, 2019a), including inputting into decision-making (Kotecha et al, 2021). Voluntary labour is only one way community businesses use volunteers, although it allows them to maximise the values of their assets. It also enables them to keep their cost base down and deliver activities that contribute to their social impact, but otherwise do not generate income (e.g. grounds maintenance and youth mentoring) (Miller, 2020). However, community businesses are less reliant on volunteers than other third sector organisations, which on average have fewer employees – 73% of community businesses rely mainly on regular volunteers compared with 83% of general third sector organisations (Chapman, 2020).

Prior to the Covid-19 pandemic, most volunteers within community businesses were older (aged 45 and over) and female. This is linked to life-stage and paid employment patterns. Secondary evidence suggests women and older people are less likely to be engaged in full-time paid employment, and thus more likely to volunteer (McGarvey et al, 2019).





Most volunteers (83%) live in the area local to their community business (Dunn et al, 2016). This is typical as it helps to ensure the businesses are rooted in and engage with the local community (Swersky and Plunkett, 2015; Gilbert, 2016; Richards et al, 2018a; Scott and Probert, 2018). For some businesses, former beneficiaries of the service go on to become volunteers (Richards et al, 2018b). In exchange for an individual's time, volunteering opportunities can provide an increase in confidence, skills and expertise which can help increase employability (Bailey et al, 2018). In addition, some community businesses specifically recruit volunteers who may be distanced from the labour market (Bailey et al, 2018). This may be to support the local area by increasing skills.

Community businesses have also played a key facilitating role in co-ordinating volunteer activity during the emergency response to the Covid-19 pandemic.

Many repurposed their buildings and assets, adapted their services and increased their local network of community organisations to support their communities through the crisis. This included co-ordinating and mobilising the upswell in volunteers to support those most in need (Institute for Community Studies, 2020).

*“We put systems in place that ensured we were able to have staff and volunteers available to collect prescriptions, undertake shopping and maintain contact through regular phone calls. This has been very successful and helped us to stay in touch with people as well as enabling people to understand that we are still available to help.”*

**Community hub**



“When the pandemic hit us it suddenly became apparent that we would have to change a lot to enable us to continue supporting our community... We turned our hall over to the main foodbank... and it soon became apparent that access to food was going to become a major issue. Also the need to keep two metres apart has become a way of life for us all, which is clearly marked now within our building.”

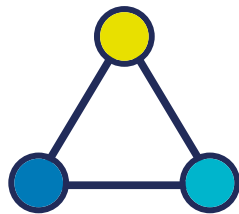
**Community hub (Institute for Community Studies, 2020)**



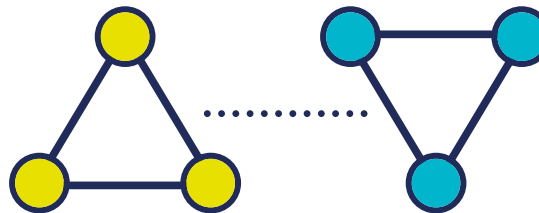
## Putting communities in charge

Many community businesses are focused on improving community cohesion in their local area, which typically refers to the levels of understanding and mutual trust between different groups (Cantle, 2001). Many commentators align community cohesion with the presence and strength of 'social capital', and this is an important concept for thinking about how community businesses work with individuals to create better places. The concept of social capital complements the concept of economic capital – typically the money you have access to – and it refers to the networks of relationships between individuals, built on mutual trust, understanding and reciprocity (Putnam, 2001). An individual with a large network, on which they can call for favours, is said to have good levels of social capital. It has been argued that, when considered across many people, these norms and networks can facilitate collective action (Woolcock, 2001).

Social capital is typically seen as taking one of three forms:



**Bonding capital:** this develops within a group of people who often share similar interests or backgrounds, and binds that group or organisation together.



**Bridging capital:** this enables groups or organisations to reach out and network with other groups and organisations that are not the same as them.



**Linking capital:** this connects communities to political decision-making, and relates to the capacity to lever resources, ideas and information from formal institutions beyond the community (e.g. local authorities and grant funders) (Kay, 2005).

While the concept is long-established, its importance is gaining recognition among policymakers. Andy Haldane, Chief Economist at the Bank of England, argues that our ability to nurture and develop our individual and collective social capital will be key to recovery from the Covid-19 pandemic (Haldane, 2020). Social capital was already 'recognised as a driver for economic growth and as a facilitator for a variety of improvements for individual and wider community wellbeing' (ONS, 2017). As this paper demonstrates, it can therefore play a key role in individual-level improvements, such as improving health outcomes and reducing isolation. The next chapter explores its role in improving outcomes at community level.

The formation of most community businesses requires the presence of strong 'bonding' social capital (CLES, 2019). This develops within a group of people and binds that group or organisation together (Putnam, 2001). In the case of community businesses, this is typically when local residents come together on the basis of a shared interest or challenge (Litchfield et al, 2020).

It is important for community businesses to generate buy-in – not just from staff and volunteers, but the whole local community. It can only happen through positive action, is a two-way relationship and demonstrates the

business's accountability to the community, partners and funders. It can take many forms.

Communities which are more 'community-oriented' are most likely to start community businesses, and the local support should make the venture a success. Recent research into success factors for community businesses found that engagement from the community is a common enabler (84% listed it) and for community hubs it is key (Richards et al, 2018a). This implies that community businesses also facilitate 'bridging' social capital between people, which enables them to reach out and network with others unlike themselves (Putnam, 2001). There is some evidence to support this. There is a high concentration of community businesses in South Liverpool, for example, with evidence that many are able to attract and mobilise additional skills and resources from outside their local area, particularly in terms of the staff they employ (CLES, 2019). While mixing between local areas facilitates the development of bridging capital, it also facilitates 'linking capital', as community business staff bring in resources from infrastructure bodies, the local authority and funders (CLES, 2019). However, at this stage there is not enough evidence to categorically confirm or disprove the hypothesis that *most* community businesses improve an *individual's* bridging capital.

However, there is sufficient evidence that community businesses are good at collaborating with, and building networks between, other local organisations. Community businesses foster a range of partnerships with other organisations to help them achieve their social aims. These relationships could be with other community businesses, with official bodies such as their local authority or with their community. These are collaborative and reciprocal relationships, distinct from other connections such as funder-grantee interactions (Byrne et al, 2020). This ability has been most evident during the Covid-19 pandemic, with strategic partnerships between local government and community organisations spontaneously emerging to address local need and support the most vulnerable (Alakeson and Brett, 2020). While there is some evidence that this was more likely to happen in more progressive local authority areas (Tiratelli and Kaye, 2020), this presents a new context in which to accelerate the movement of community power embodied by community businesses.

The average community business has more than 200 members (Higton et al, 2019). An overview of the distribution of members and shareholders indicates that community businesses tend to engage members more often in their activities (71%) than they do shareholders (28%), and involve more of the former than the latter on average (203 versus 49). The incorporation of more members than shareholders in business models could be an indicator of the value they place on achieving social objectives rather than a return on investment for shareholders (Higton et al, 2019). The State of Social Enterprise Survey 2019 shows a fifth (21%) of social enterprises generate income through their members, and this could be an effective approach for community businesses to adopt in order to grow if they are not doing so already (SEUK, 2020).

One reason that community businesses with an engaged community are more successful is that they can rely on the community to help them, particularly when:

- the business wants to raise community shares
- the business needs support to complete an asset transfer
- there is an ongoing need for a regular base of customers and volunteers

By raising awareness in the community and building on the sense of community ownership, community businesses were more likely than other types of businesses to be able to rely on the support of community volunteers or customers (Litchfield et al, 2020).

Community engagement is also key for those businesses to whom local authorities transfer ownership or management of an asset, and examples from two sectors reveal just how crucial community buy-in can be. The business model for community pubs, for instance, depends on local community customers for income (Davies et al, 2017b), and community buy-in is essential in the community housing sector, if opposition to planning applications is to be minimised so that work can progress smoothly (Davies et al, 2017a).

In practice, accountability is delivered not only through formal governance and meetings, but also through dialogue and communication such as consultation and social media. It is important for businesses to be able to demonstrate that effectively, particularly to funders (Buckley et al, 2017).

Four critical indicators of successful accountability are:

- connection to the community
- engagement and knowledgeable leadership and governance
- alignment with local partners and initiatives
- working with the community when the business is in difficulty

This engagement is not an end in itself. There is a range of evidence from previous place-based interventions that putting communities in charge can improve outcomes for those communities. For instance, greater participation in local decision-making has been shown to steer decisions towards addressing community needs and allowing local groups to achieve their goals, as well as reducing social isolation (Ipsos Mori/NEF, 2015).



05

# The impact of community businesses on places

## 5. The impact of community businesses on places

The local and dynamic nature of community businesses means they work with a varied and broad range of people, delivering numerous services to address a plethora of challenges. As earlier analysis highlighted, two-thirds planned to deliver five or more impacts. Rarely are the outcomes and impact they achieve mutually exclusive. There is evidence to suggest that success in improving local people's lives is linked to approaches that tackle multiple aspects of a local area – for example, working to improve the economic base (production/supply chains), supporting people (unemployed and socially disadvantaged) and improving the physical surroundings (infrastructure, housing and environment) (Tyler et al, 2019). Even seemingly simple interventions can generate multiple outcomes. For instance, in low-income areas, community-led housing can provide volunteering, education or training opportunities, generate higher satisfaction with the local area and housing, greater community cohesion, as well as empowerment through participation in projects (CRESR and JRF, 2016). All this

activity contributes to improving places. This chapter explores the evidence for how community businesses impact on the places in which they operate, beginning with a discussion of why 'place' is important.

### 5.1. Why is 'place' important?

The importance of place is backed by a large body of evidence. A person's immediate environment can shape their identity and their relationships with others. It can affect who they see each day (Putnam, 2001), the jobs they have access to (Cheshire, 2007), the shops, goods and services they use (Cheshire, 2007), and their health and wellbeing (Public Health England, 2017). Similarly, people also shape the places in which they live. Evidence from a study of 26 US cities suggests that attachment to an area can impact on its local economic activity in that it "makes people more willing to invest and spend in that area, and separately influences their perception of the local economy" (Knight Foundation, 2010).

The current high street crisis, which is affecting many communities across the country, can be viewed in this context. Across the UK, more than one in 10 shops are currently vacant<sup>29</sup>, and the first half of 2019

saw an average of 16 chain stores close every day – the fastest rate of closure since this measurement began in 2010.<sup>30</sup> Conversely, online sales continue to grow, accounting for one in five retail sales (up from 5% a decade ago).<sup>31</sup> The 'death of the high street' is only one example of the changes communities are undergoing, but it alludes to how the physical infrastructure of many communities is changing, as well as social infrastructure and opportunities for people to connect with one another.

Social infrastructure refers to "the range of activities, organisations and facilities supporting the formation, development and maintenance of social relationships in a community".<sup>32</sup> These are "the places and structures and buildings or clubs that enable people to get together, meet, socialise, volunteer and co-operate" (Gregory, 2018). Evidence suggests that "places to meet, connectivity – both physical and digital – and an active, engaged community are vital to secure better social and economic outcomes for people living in deprived neighbourhoods" (Local Trust and OCSI, 2019).

Yet such spaces and opportunities are reducing in number and frequency.

29 - Source: <https://www.bbc.co.uk/news/business-49311298>

30 - Source: Local Data Company for PwC, September 2019. Available at: <https://www.pwc.co.uk/press-room/press-releases/store-closures-hit-recordlevels.html>

31 - Source: <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsl>

32 - Source: <http://www.futurecommunities.net/glossary/1/letters>

Figure 7: Decline in social infrastructure (Gregory, 2018)



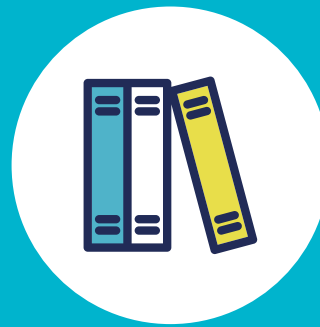
**Banks**

762 are set to close in one year



**Bingo halls**

Almost 200 fewer in 2014 than 2005



**Libraries**

121 closed in 2016 alone



**Post offices**

93 closed in 2016 alone



**Pubs**

A fifth closed within the past decade



**Youth centres**

600 closed between 2012 and 2016

Research by Local Trust and OCSI suggests that places lacking spaces to meet, and with little community engagement, have higher rates of unemployment and child poverty, and people's health is also worse than those living in other deprived areas (Local Trust and OCSI, 2019). Place-based interventions, such as those facilitated by community businesses, are therefore seen as one solution to local challenges.

## 5.2. What is the impact of community business on the places in which they operate?

Power to Change has identified seven long-term outcomes that together define what it means by a better place. These outcomes were co-produced in 2015 following extensive interviews with Power to Change trustees, staff and sector stakeholders. As part of its Community Business Market study, the Research Institute asked community businesses to indicate which of their social impacts they considered to be their primary impact. Improved local community health and wellbeing continues to be the most-cited primary impact (27%) in 2019, as it has been for several years. In addition, of all the impacts (primary and secondary combined) community businesses seek to achieve, reducing social isolation and increasing community cohesion are the most frequently reported (by 85% and 82% of survey respondents respectively). This is central to the ethos of community businesses – that they are supportive of local people and exist to make a tangible, positive difference to peoples' lives – while illustrating the capacity of community businesses to address what are also key political issues.

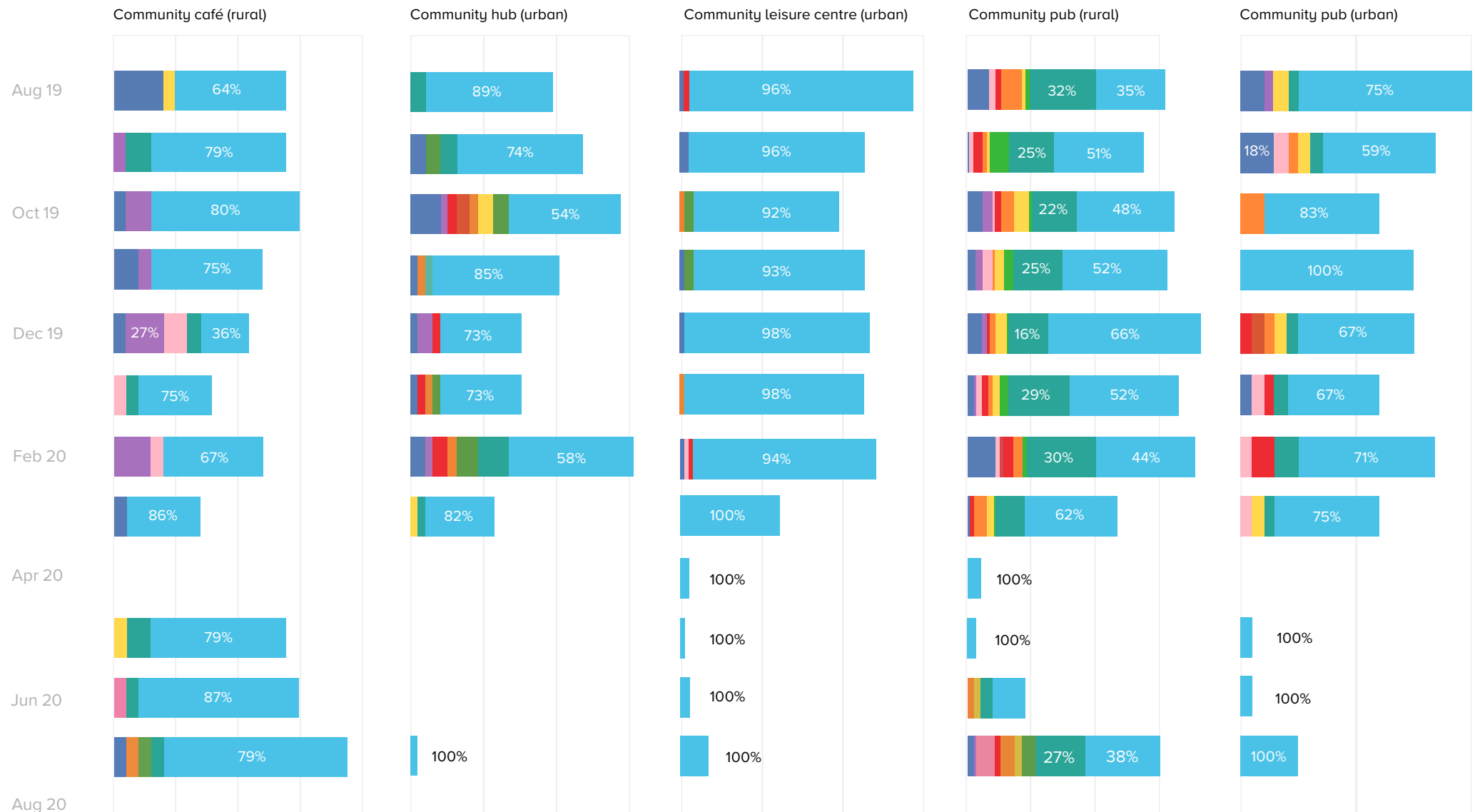
This chapter explores the existing evidence base for each of the core outcomes, as well as the economic contribution of community businesses to their local areas.

### Generating income locally

Most community businesses generate the majority of their income from their local area. The figure below illustrates where customers arrive from for five community businesses. Credit and debit card data illustrates how most businesses draw the majority of their income from local customers. It also highlights the impact of lockdown on total income, as well as an increased localisation of customers post-lockdown.



**Figure 8: Percentage of sales by driving distance of customers (for all transactions between August 2019 and August 2020)**



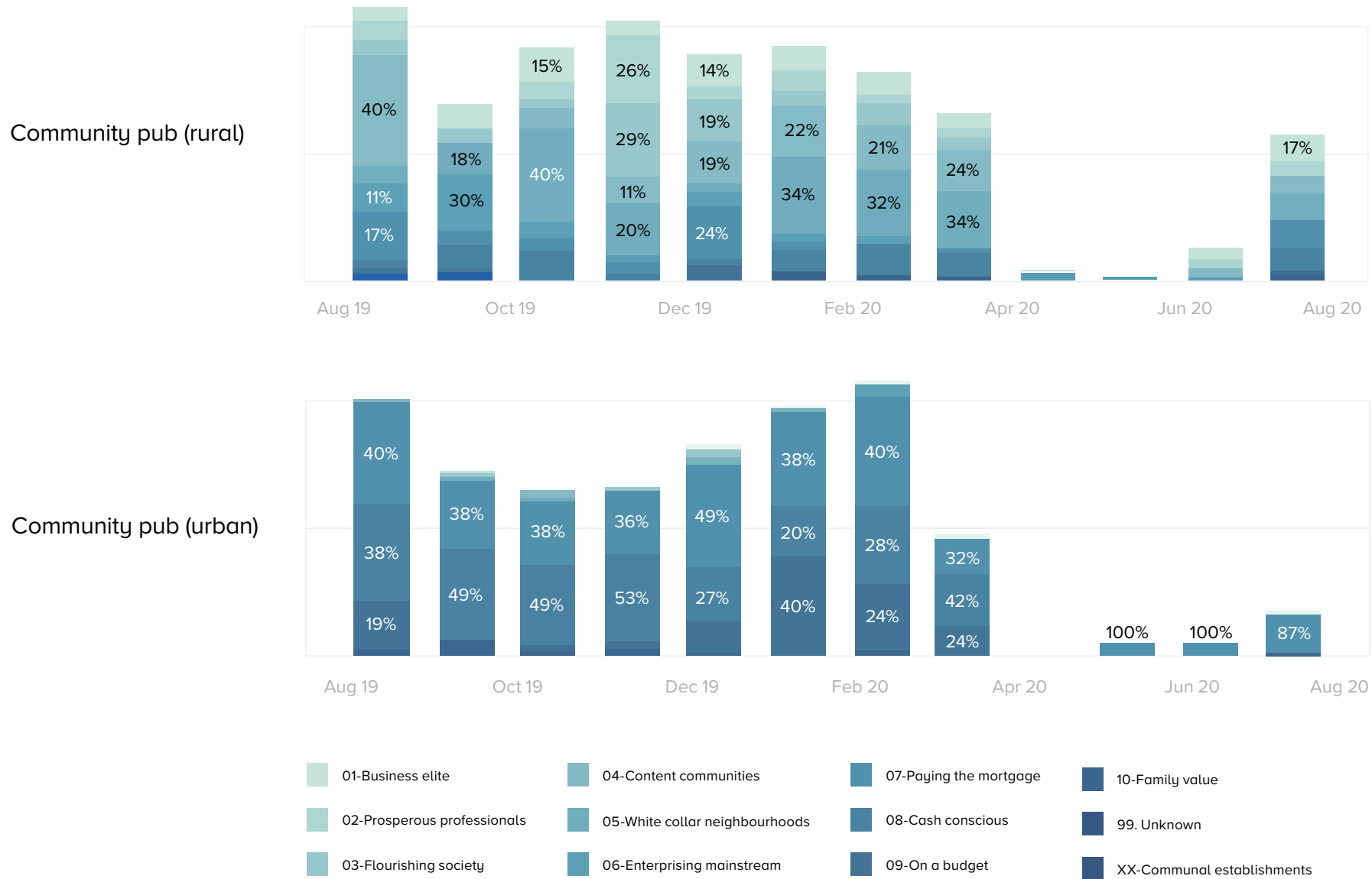
Key (miles): 0-10 10-20 20-30 30-40 40-50 50-60 60-80 80-100 100-120 120-140 240+

This is pertinent given the earlier finding about customer concentration within areas of deprivation, where disposable income to buy non-essentials is typically lower. As such, many community businesses also need customers from outside their immediate neighbourhood. This is evident when looking at where customers travel for both a rural and urban pub in Figure 5. This figure illustrates the demographic breakdown of customers for both pubs.

The rural pub draws in a more diverse range of customers, many of whom are classified as being affluent with disposable income. Conversely the urban pub, which draws almost all its customers from the local area, has a comparatively less affluent customer base, more likely to be aligned with the profile of its service users and beneficiaries.



**Figure 9: Percentage of sales by geodemographic classification<sup>33</sup> of customers (for all transactions between August 2019 and August 2020)**



<sup>33</sup> - This chart uses the CAMEO classification system of demographics. CAMEO is a commercial classification system used to segment customers and audiences on the principal that residents living near each other are likely to have similar demographic, socio-economic and lifestyle characteristics.

The relevance of this is that it highlights both the challenges and opportunities of the community business model in terms of supporting local economies. While operating in deprived areas with little disposable income can make trading conditions challenging, others have been able to bring money into their local area from outside. Regardless of source, the key point is that this money is then reinvested and retained locally, rather than leaving the area as happens with many larger private sector businesses.

### **Retaining wealth locally**

The models of economic growth and regeneration applied in towns and cities over the past 40 years were already under strain when Covid-19 hit. Whole business districts emptied overnight as more people worked from and stayed at home, while high street shops have grappled with reduced footfall. Without a change in economic policy and strategy, many high streets may fail to recover from the crisis.

The Institute for Public Policy Research (IPPR) summarises the prevalent approach before the crisis as “leading firms would set wage levels in the local labour market and, in turn, higher-paid workers would boost consumption, recycling the productivity gains to the wider community”.

But as they note, this model has not always worked in practice – “high pay in banks in Canary Wharf does not pull up the wages of shop workers in Tower Hamlets” (IPPR, 2018). Thus critics question who has benefited from efforts to raise business productivity and encourage agglomeration (where companies cluster together, often in town or city centres), strategies adopted by multiple local authorities with varying results (Community Wealth Fund Alliance, 2019). This has led to growing interest in community wealth building, “which redirects wealth back into the local economy, and places control and benefits into the hands of local people”.<sup>34</sup>

As place-based organisations, community businesses have the potential to contribute to this movement and generate employment and trading opportunities for local people and businesses. They also have the potential to stimulate local economies. For instance community-owned assets, including those on the high street, contribute £220m to the UK economy (Archer et al, 2019). Three-quarters of community-owned assets report being in good financial health, and (prior to Covid-19) community shops and pubs had a survival rate of 94% or more (Plunkett Foundation, 2019a; Plunkett Foundation, 2019b). What’s more, community businesses help retain wealth locally – 56p of every £1 they spend stays in the local economy (Archer et al,

2019), and 73% of community businesses report buying locally, with 34% buying locally for the majority of their supplies (Percy et al, 2016). By reinvesting their profits locally, the net impact on local economies could be significant.

34- Source: <https://cles.org.uk/community-wealth-building/what-is-community-wealth-building/>

## Stimulating community cohesion

Community businesses can facilitate community cohesion by providing spaces for people to meet and connect. Thus the community ownership and management of assets is important.

Research by Sheffield Hallam University found there are more than 6,300 community-owned assets in the country (Archer et al, 2019). They also found that this proportion is growing, with nearly a third of all community-owned assets coming into community ownership in the past decade.

In their evaluation of the Community Business Fund, Renaisi observed how community businesses use these assets to facilitate community cohesion. They concluded that community businesses that make a conscious effort to create spaces that are welcoming, and use them to foster a sense of community and belonging, are typically more impactful than businesses that have physical space but don't consciously use them to create community (Thornton et al, 2019).

Their observations resonate with findings from a systematic review of community businesses internationally. Evidence shows that community businesses develop and bolster social connectedness among their users. They serve as a socialising space, where

people meet and build social networks, which engenders community cohesion (McClellan et al, 2019).

Yet Sheffield Hallam also observed that the leverage of assets is not equally distributed. The 30% most deprived neighbourhoods in England account for just 18% of the assets in community ownership (Archer et al, 2019). They also noted that for community businesses, operating an asset within an area of deprivation is associated with poor financial health.

CLES also observed a lack of access to assets in deprived communities, which they argue acts as a barrier to new forms of social action and community business formation (CLES, 2019). While their study was concentrated in a small sample of areas, they observed that in these areas competition for use of existing community facilities was high and local funding constraints can prevent access to continued dedicated space. Added to this, research by Locality suggests more than 4,000 publicly owned buildings and spaces in England are sold off every year, thus reducing the supply of assets even further (Locality, 2019).



Most community businesses believe they have a positive impact on community cohesion, as the previous table suggests. To triangulate these findings, Power to Change has commissioned Kantar consulting group to run a longitudinal survey of residents in the neighbourhoods directly surrounding 13 community businesses (six of which are aligned to the Empowering Places programme)<sup>35</sup>. The aim is to track how these communities change over time. This includes whether resident perceptions of community cohesion improve or worsen. The survey draws on questions from the Community Life Survey (CLS), the standard national survey used by the government to track the health of communities. As such, the results can be compared with national averages.

The CLS carries a broad range of community cohesion measures, including:

- extent to which people feel that those from different backgrounds get on well in their local area
- strength of feelings of belonging in their neighbourhood
- levels of trust in their neighbourhood
- diversity of friendship groups
- level of neighbourliness

Results from the baseline study find few observed differences between the priority places and their matched comparison samples across specific measures of community cohesion (Coutinho, et al, 2019). This implies that the communities surrounding catalyst community businesses do not experience a significantly different degree of community cohesion than non-priority place areas.

There was, however, some variation in levels of trust. Residents in Abram Ward were more trusting of their neighbours, whereas residents living in the Marsh Farm and Nunsthorpe and Bradley Park priority places were generally less so.

<sup>35</sup> - One area left the programme in 2019, resulting in six priority places as part of the Empowering Places programme.

**Table 9: Perceptions of community cohesion (%)<sup>36</sup>**

		Abram Ward, Wigan		Manningham, Braford		Braunstone, Leicester		Nunthorpe and Bradley Park, Grimsby		Marsh Farm, Luton		Devonport and Stonehouse, Plymouth		Dyke House, Hartlepool	
		CB	MCS	CB	MCS	CB	MCS	CB	MCS	CB	MCS	CB	MCS	CB	MCS
<b>Agreement that people from different backgrounds get on well together (STogeth/ ZSTogeth)</b>	<b>Definitely agree</b>	8	8	23	17	9	10	6	9	17	13	17	12	8	9
	<b>Tend to agree</b>	60	68	52	60	61	64	60	63	66	67	57	64	59	63
	<b>Tend to disagree</b>	23	21	18	17	23	20	25	22	14	17	20	18	26	22
	<b>Definitely disagree</b>	9	3	7	6	7	7	10	6	4	3	6	5	6	6
	<b>Agree</b>	68	76	75	78	70	73	65	72	83	80	74	76	67	72
	<b>Disagree</b>	32	24	25	22	30	27	35	28	17	20	26	24	33	28
	<b>Unweighted base (all respondents)</b>	415	591	265	502	319	711	297	621	319	1,056	366	946	289	624

36 - MCS means matched comparison sample.

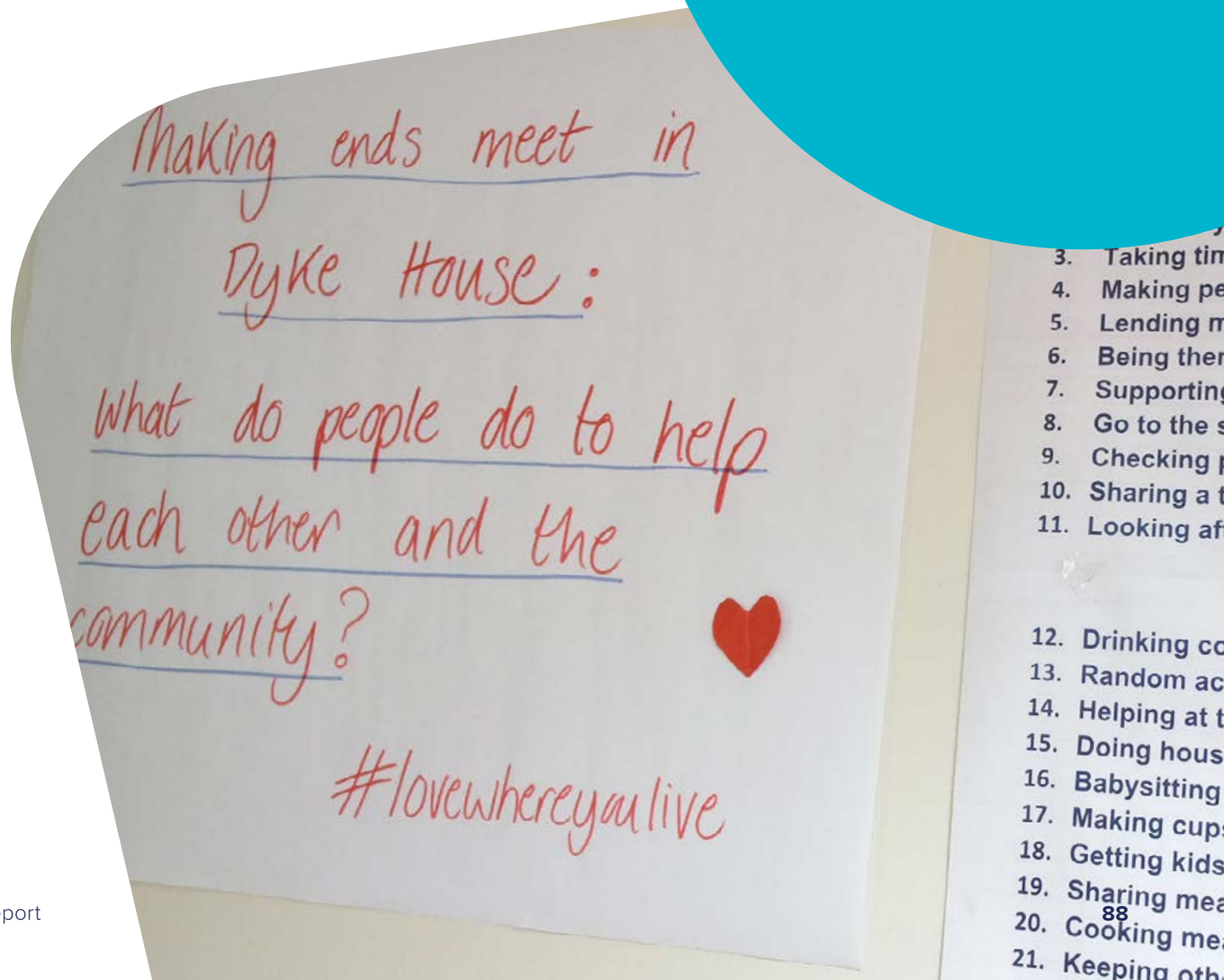
There were also some differences between priority places and their matched comparison samples in the ethnic and religious diversity of friendship groups:

- those living in Manningham, Dyke House, and Nunsthorpe and Bradley Park had less ethnically diverse friendship groups, whereas those living in Marsh Farm had more ethnically diverse friendship groups
- those living in Manningham and Nunsthorpe and Bradley Park also had less religiously diverse friendship groups

Residents in Dyke House and Manningham also reported high levels of trust in their neighbours. This potentially signifies strong levels of bonding capital in this area, and raises the question of what Power to Change would consider to be a good outcome in terms of community businesses facilitating community cohesion. Is it to strengthen existing bonding capital, or to facilitate greater bridging and linking capital?

At this stage, the results only provide a baseline picture of sentiment amongst residents in priority places, and future reports will track what changes occur over time. However, it is important to acknowledge that, as this paper has highlighted, areas often face multiple and complex changes.

Thus caution is required regarding the ability of one organisation to address these on its own, and it is possible that multiple factors influence outcomes within any particular community.



3. Taking time
4. Making pe
5. Lending m
6. Being ther
7. Supporting
8. Go to the s
9. Checking p
10. Sharing a t
11. Looking af
12. Drinking co
13. Random ac
14. Helping at t
15. Doing hous
16. Babysitting
17. Making cup
18. Getting kids
19. Sharing mea
20. Cooking me
21. Keeping oth



## Case study: social capital in South Liverpool

South Liverpool is home to a number of community businesses, and research by CLES suggests the area benefits from strong levels of social capital.

CLES observed high levels of bonding capital in the region, which they argue may be related to the strong, close-knit communities in areas such as Toxteth, where the majority of the community businesses are located. Forty-seven per cent of community business users agreed that they lived in a neighbourhood where people help each other. This was the highest response of any group, staff or user across three case study areas, and significantly higher than the benchmark.

The close-knit nature of the L8 postcode area, and the fact that more users live there compared with community business staff, may explain the slightly higher levels of bonding capital. Key stakeholder interviews highlight how L8 is a melting pot of culture and experience, where people help each other out and offer peer support. Eighty-one per cent of community business users in South Liverpool agreed that people from different backgrounds get on compared with 62% of community business staff.

Thus the presence of high bonding capital, plus a high concentration of community businesses, suggests a symbiotic relationship, with potentially beneficial feedback loops, between community activity and benefit. The local community supports the community business, and vice versa.

Yet community businesses, such as those in South Liverpool, are also able to leverage additional skills and resources to benefit their local area. For example, CLES observed high levels of linking capital among community business staff in the area. They argued this may be because community businesses need to bring in resources from infrastructure bodies, the local authority and funders. The dynamic, however, is different when it comes to local residents. At 31%, trust in the local authority was lowest for any group, staff or user across the three case study areas, and significantly half the rate reported in the benchmark. The exact reasons for this are unknown, although CLES speculate it may be due to issues around housing and regeneration, which has seen large swathes of derelict Victorian housing stock demolished.

Figure 7 below highlights how both users and staff of community businesses in South Liverpool score high for bonding capital, particularly in terms of agreeing they:

- meet up with relatives/friends more than once a month (indicated as FreqMtR/ FreqMtF)
- have somebody who would help you if you were in financial difficulty (Money)
- text/email/use the internet to talk to relatives/friends more than monthly (Txtrel/Txtfr)
- have somebody who would help you if you were ill (Illbed)

Figure 10: Social capital measures in South Liverpool – community business staff and users<sup>37</sup>

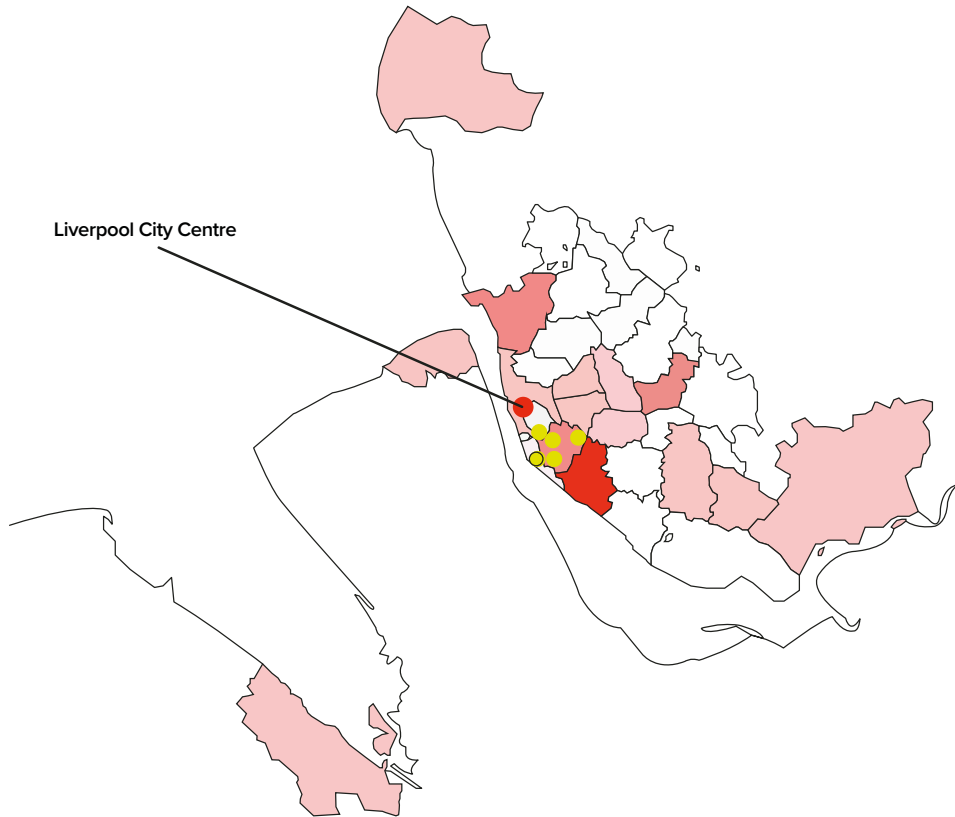


Over half of community business users live within the L8 postcode boundary, in contrast to just 9% of community business staff. We can see the wider distribution of community business staff by residential address, with staff being drawn from as far as Formby and North Wales.

The largest concentration of community business staff was in the L17 postcode, which covers the area south of the case study area and includes Grassendale and Cressington, the nineteenth-century gated private estates built for wealthy Liverpool merchants. CLES suggest that the community business hotspot in south Liverpool has therefore in some way benefited by the social capital of people from outside the community.

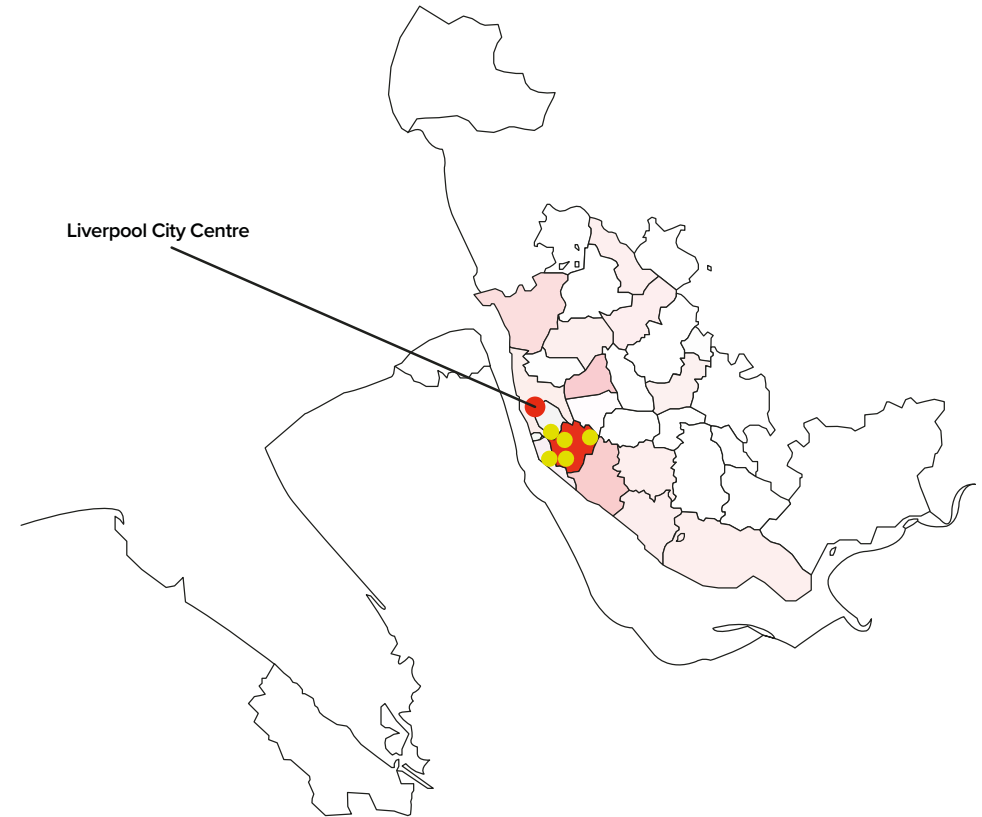
37 - See Appendix for a key to read the indicator labels

**Figure 11:**  
South Liverpool community business staff



These maps visualise the location of community businesses in south Liverpool (the yellow dots) and where their staff and service users live. The darker the shade of red, the greater the concentration.

**Figure 12: South Liverpool community business users and volunteers**



This case study therefore illustrates the nuance of how community businesses interact with, and benefit, their local communities. They are supported by, and supportive of, connections between local residents.

Evaluations of other place-based programmes suggest these are essential for transforming places. But community businesses are also able to draw on the skills and resources of those outside their local area, suggesting a different dimension to their impact.

## Providing better access to services

Community businesses create better access to a range of services for their local community. Some Power to Change grantees only exist because local people were motivated to set up a business after discovering that their only shop or other local facility was closing.

“I think it has created a social place for people to meet, it has created a pride in what we have achieved. It provides vital services.”  
Bright Ideas grantee

Community businesses are often used as a ‘one-stop shop’ or ‘community hub’, providing crucial services such as a post office or café. Sometimes they are used to hold important community meetings, as a food delivery service, or even as a contact point for community members in need.

“With the Start Network, you can call and just get someone to help you. I had someone come and do hoovering, sometimes they take you to the hospital.” Beneficiary

Community businesses sometimes provide services over and above ‘basic’ provision, for example drug and alcohol support services, housing support and other specialist services (Litchfield et al, 2020).

Many community businesses (46%) moved services online as a result of Covid-19, and 41% say they have discovered new ways of engaging customers or delivering products/ services as a result of the crisis (Higton et al, 2020). Examples of how community businesses have adapted their services include:

- Food delivery boxes: community hubs, shops, pubs and food production businesses all created a food delivery service.
- Takeaway service: some community pubs and cafés switched to a takeaway service.
- Community shop: some community businesses that were not community shops provided essential products for their community to buy. These included pubs and community hubs (Litchfield, 2020).

Others found their activities less affected by the lockdown, particularly those delivering local authority-commissioned services such as health and social care, education (particularly for vulnerable people) and youth services (particularly for vulnerable young people) (Litchfield, 2020).



## Improving health and wellbeing

People living in the most deprived areas of England have borne the brunt of the Covid-19 pandemic, and are twice as likely to die from it as those in the least deprived (ONS, 2020d). Health inequalities were already worsening prior to the pandemic, with a widening gap between the north and south of England and declining life expectancy among women living in the poorest communities (Marmot et al, 2020). Before the crisis, a girl born in the least deprived decile could expect to live about 70 years in good health. A girl born in the most deprived decile could only expect to live 52 years in good health – an 18-year disparity (Finch, 2020). Covid-19 has exposed these health inequalities and threatens to make them worse.

It is within this context that community businesses have been working to improve health and wellbeing outcomes in their area. They are more likely to cite improved local community health and wellbeing as their primary impact than any other social outcome (Diamond et al, 2019).

There is extensive evidence that connected and empowered communities promote good health (PHE and NHS, 2015), while more active community involvement can lead to increased life satisfaction and wellbeing (Jones et al, 2016). A comprehensive review

(McClean et al, 2019) of health and social care community businesses suggested that improving social connectedness is a core feature of the community business approach to health and social care, from which other positive health and social care outcomes often derive. These include an improvement in social participation and alleviating social isolation in specific community-related activities. A broader impact has been seen on social connectedness (social capital), feelings of belonging (social integration), a decline in feelings of loneliness, and engagement in meaningful social activity. This is why 81% of community businesses in northern England report making a 'strong' or 'good' contribution to improving health and wellbeing (Chapman, 2020).

As a result of their involvement with a community business, many people also described having more confidence and improved wellbeing. Others highlighted the role that the community business played in supporting them to progress in their personal life and to develop valuable relationships with others (Litchfield et al, 2020).

*“Then I heard that they do a soup day so I started coming here and it’s got me out more, I’ve got my confidence back. I’m in a flat now. I try and do my best to volunteer here as much as I can and help [staff members in the garden. Things are just falling back into place now, I’m closer to being back on my feet, close to getting back into work now. I’ll be happy.”*

**Volunteer**

In addition to supporting individuals, community businesses also improve community wellbeing. They do this in three ways:

- 1. Putting communities in charge:** engagement with the local community is vital to community business success, allowing businesses to adapt and shift to meet local needs. Beyond their core services, these businesses provide opportunities for local people to get involved. This could be as a customer or beneficiary, as a volunteer or a member of staff. Getting involved can reduce social isolation and enhance social relations.
- 2. Developing skills:** community businesses are great at developing the skills of local people. This often leads to increased confidence in communities – improving individual wellbeing and employment prospects, which lead to a stronger local economy.
- 3. Strengthening social infrastructure:** community businesses operate services or premises that are often not commercially viable. These services provide vital lifelines to communities. Through strengthening social infrastructure in this way, community businesses work to improve local neighbourhood environments, making them better places to live.

These processes reflect the values found at the heart of community businesses. They mean community businesses contribute to a number of improvements at local level (Bagnall et al, 2020), including:

- community involvement
- enhanced neighbourhood environment
- enhanced social relations
- reduced social isolation

These are all important facets of improving places, as by improving health and wellbeing, community businesses enable people to have greater control over their lives.



## Reducing social isolation

The highly relational and person-centred nature of community businesses is most evident in their ability to reduce social isolation. Community businesses provide a safe and welcoming environment for people to enjoy and to meet others. This might be through providing volunteering opportunities, targeted activities or simply a space to sit and have a chat. Those making use of community businesses voiced how they had been at risk of, or were experiencing, social isolation, and that community businesses had reduced feelings of loneliness and isolation (Litchfield et al, 2020). Allied to this, the majority (79%) of community businesses in northern England felt they make a 'strong' or 'good' contribution to reducing social isolation. This is much higher than comparative third sector organisations (Chapman, 2020). This is likely the result of organisations specifically targeting their activities at reducing social isolation and loneliness, as many see a need for this (Litchfield et al, 2020).

During evaluation of several Power to Change programmes, researchers observed that community businesses often attract people who otherwise feel disconnected from society. They serve as places where beneficiaries can use the space to learn new skills and access services, either directly delivered by the business or by other community groups using

space provided by the community business. For some people, the activities they have taken part in through the community business have been deeply meaningful.

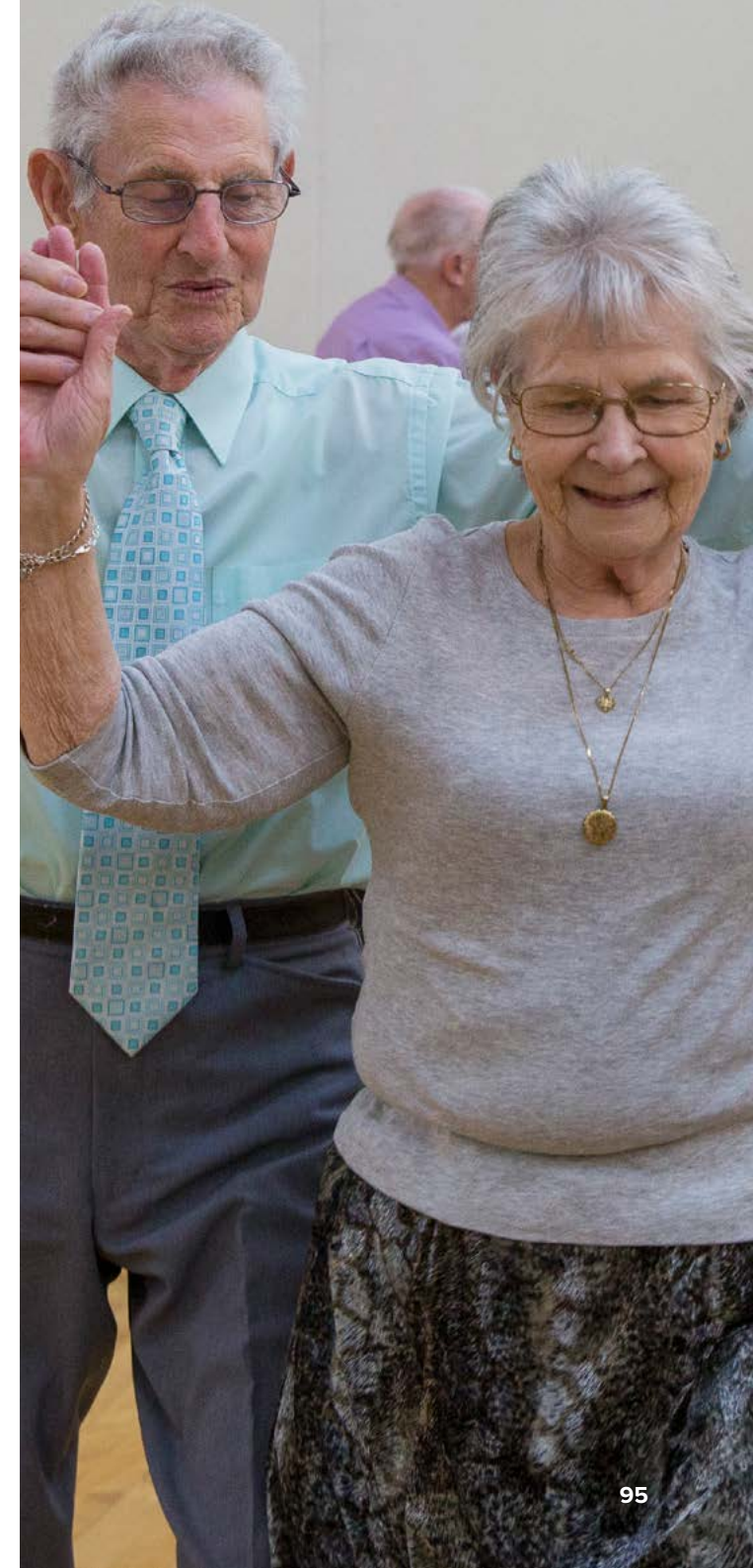
*"It's been life changing!"*

### Volunteer

People who were at risk of isolation and experiencing poor mental health appreciated the opportunity to be around others, and some described the people in the community business as family. For those that were retired, it gave them a chance to relieve their boredom and do something meaningful. This links back to an important feature of community business – many aim to be 'open to all' and open up their spaces in a way few other forms of social infrastructure do (e.g. to access some community-level services, individuals may require a referral from a statutory agency). The openness of community businesses is therefore a key feature of their social impact.

*"I can come and sit alone and chat to anyone."*

### Beneficiary



These positive benefits can be experienced by volunteers as well as beneficiaries. For example, one volunteer revealed that she had recently experienced a relationship breakdown and was suffering from alcoholism. Consequently, she had lost her family and friends and felt very lonely. Volunteering at the community business gave her somewhere to go where she felt welcome (Litchfield et al, 2020).

*“It’s just about everything I’ve got at the minute. It’s Thursday and some mornings I think, you know you look out and think ‘shall I go?’. But I get here and I’m glad that I’ve come because it’s always, always pleasant. For me it’s everything right now.”*

## Volunteer

Evidence also suggests that priority places either already benefit from strong social support networks (possibly connected to the formation of existing local community businesses) or will be further strengthened through the Empowering Places programme. The Community Life Survey found that those living in Abram Ward, Devonport and Stonehouse, and Dyke House were more likely to report that they talk to their neighbours on most days compared with their matched comparison sample. In the Kantar report there are few other observed differences (Coutinho, et al, 2019).

## Promoting greater community empowerment and pride

Research suggests that empowerment can help people exert some control in their local area, which in turn can improve local wellbeing (Hothy et al, 2007). Allied to this and a desire to improve public service delivery, a succession of policy commitments and place-based interventions have been developed since the turn of the century, aimed at improving community empowerment. These have ranged from New Labour’s New Deal for Communities and emphasis on a ‘whole-place’ approach to service delivery, through to the Coalition government’s Big Society agenda and the Localism Act of 2011. All have had varying degrees of impact, although are underpinned by a common aim of transforming citizens from “passive recipients... into mutually dependent individuals, as active members of their communities” (Mayo et al, 2019).

While the genesis and raison d’être of a community business may differ from that of government-initiated interventions, they are arguably premised on a similar belief that there are assets and knowledge present within each community that can be mobilised to address the issues faced by that community. As such, understanding perceptions of community pride and empowerment, plus levels of social action

and civic engagement, are useful indicators of the degree to which community businesses are achieving this aim.

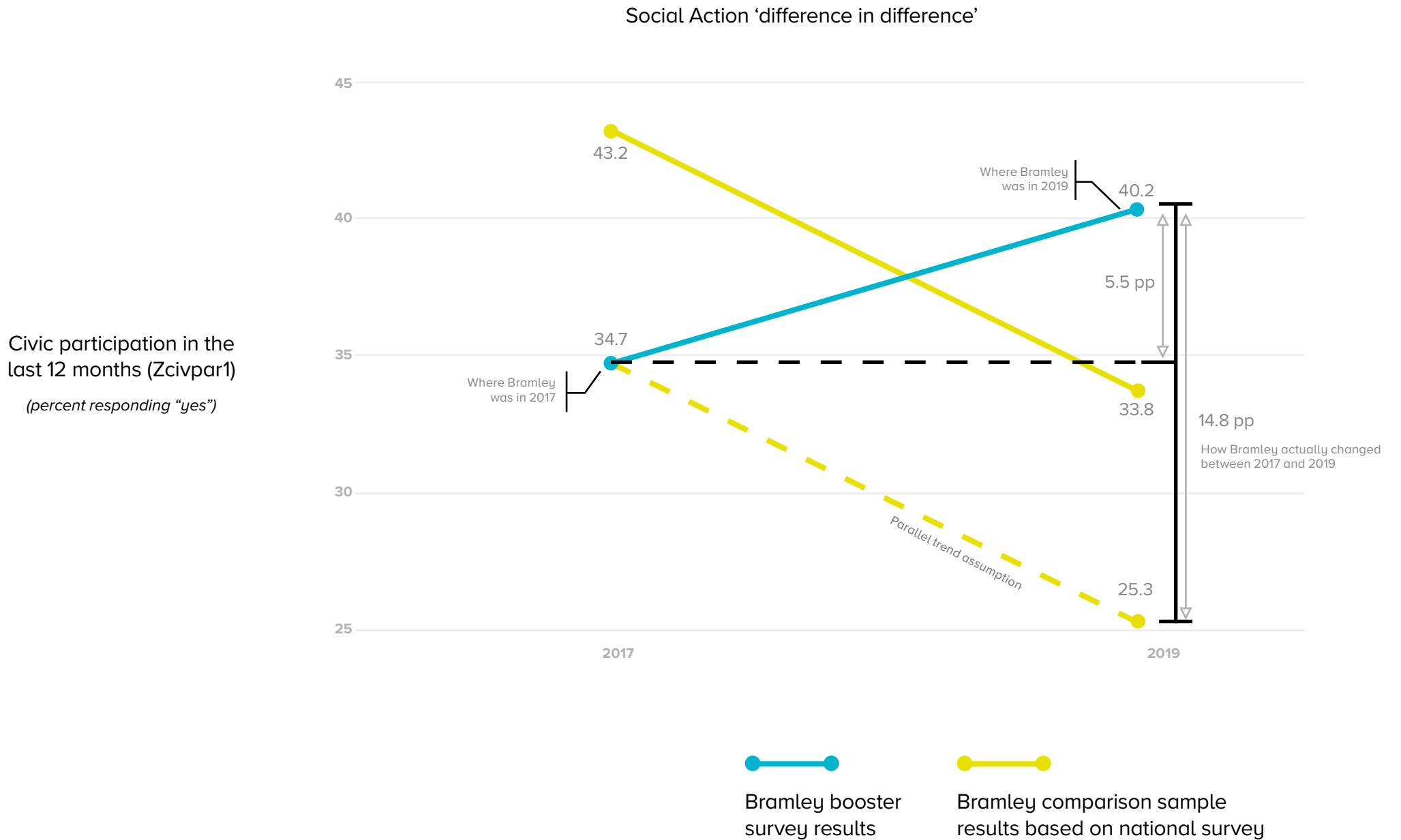
The Community Life Survey provides one way of understanding this further. While more time needs to pass before it is possible to report conclusively whether or not community businesses improve community pride and empowerment, the survey has already returned interesting results in two areas for which more than one round of surveying has been administered.

Consider the data represented in the chart below, which is based on Community Life Survey responses to a question about civic participation in the neighbourhood directly around Bramley Baths in Leeds.

Bramley Baths is tightly rooted in Bramley and the neighbouring suburbs of west Leeds. It provides health and fitness services and a community centre. In 2017, 34.7% of respondents in Bramley said they had been involved in some sort of civic participation in the previous 12 months. This was significantly lower than the comparison sample, implying the neighbourhood around the Baths was worse than should otherwise be expected.



**Chart 9: Levels of 'social action' in Bramley, Leeds (difference-in-difference analysis)**



When Bramley was surveyed again in 2019, positive responses to this question had increased by 5.5 percentage points, to 40.2%. By contrast, positive responses in the comparison sample had fallen to 33.8%. If Bramley had fallen by the same extent (the ‘parallel trend assumption’ used by difference-in-difference models) just 25.3% of the population would have been involved in some sort of civic participation. Hence the real, like-for-like change in Bramley between 2017 and 2019 was a significant 14.8 percentage point improvement.

This of course is not definitive proof that Bramley Baths was responsible for the improvement in civic participation locally, but the combination of propensity score matching and difference-in-difference modelling removes the influence of all unobserved characteristics that remain constant across time between the two groups. It is therefore fair to say that the result provides strong support for the hypothesis that ‘community businesses like Bramley Baths make places like Bramley better’.

### **Improving employability**

The formation and management of community businesses inherently improves employability. For instance, the process of community asset transfer has been identified as increasing training and employment opportunities,

by making volunteers more confident and therefore more employable (Bruni et al, 2017). Depending on the community business, this happens through investment in development of volunteer skills and by employing members of the community, as well as by working on the employability of service users or customers.

In delivering their services, many community businesses support people likely to experience exclusion from employment and/or challenges with their physical or mental health. In particular they provide people with a chance to develop their skills through volunteering. This includes those with physical and mental health needs, or who have been out of employment for a significant amount of time.

One reason they can do this is because of the community business model. Specific groups and individuals can be targeted with income retained within the local community. It is this small but often strategically important source of income and employment that can be of significant value in helping specific individuals or groups, enabling the provision of core services or a community facility (Tyler et al, 2019).

An example of this is an organisation that works primarily with refugees and asylum seekers. Despite some volunteers not

being able to take on paid employment due to their immigration status, they have a reward scheme so that they can work with the community business in exchange for vouchers. One person on this reward scheme had been seeking asylum for five years . Once they were given their status, it meant they had developed a lengthy CV and were able to secure a job running a café. Another beneficiary secured jobs as a cleaner and standby cook because they had acquired work experience with the community business, and were provided with training to handle food.

*“We are leading people to other employability even if they don’t want to stay [with us].”*

### **Bright Ideas grantee**

Community businesses also support local people to gain qualifications through their support services. There is a mutual benefit for the employees, who often feel good about their impact, and beneficiaries, who report improved self-esteem or can progress to their desired employment and/or education. This is illustrated in the case of a member of staff who supported a young woman looking for work who lacked advanced level qualifications and had unfortunately lost her certificates from school. She also lacked confidence, which stopped her from applying for jobs. The staff member called the school on her behalf to retrieve her list of qualifications, and since then the young woman has attended college and is looking to go to university (Litchfield et al, 2020).



## Community-led housing

Community-led housing supports employment and skills training. Ten of the projects funded by Power to Change are explicitly based on a model that creates ongoing social enterprise opportunities for non-residents, in relation to newly built or co-located community facilities and landscaping or grounds maintenance. These schemes are not only intended to contribute to interests and skills in particular trades, but also to develop confidence and build relationships with others after periods of difficulty.

Community-led housing also supports employment and training opportunities by offering housing at below market rent or at local housing allowance levels. People living in supported housing have typically had very little choice about the housing available to them, are only eligible for housing for a limited period of time (anything between six and 24 months), and are often segregated from wider communities by being placed in housing for people with specific needs. By addressing an issue like this, which impacts their employment prospects, many community-led housing projects are indirectly improving employability (Archer et al, 2020).

## Improving the local environment

Community businesses take an active role in using their assets and experience to improve the places where they operate. This can mean leading local regeneration activities or, less commonly, delivering environmental initiatives and projects.

As previous chapters reported, community assets generate significant value for the economy (£220m) and help retain wealth locally. The majority are in good financial health, and they have an extremely high survival rate. Evidence also suggests that there are fewer empty units on community or publicly owned high streets, when compared with those areas where private ownership is the norm (Alakeson and Brett, 2019).

Some community businesses have a major role in delivering green business activities, for example removing waste from their locality and repurposing what would otherwise go to landfill. Others have been described as instrumental in improving open spaces for their local neighbourhood.

*“I just look at what this area was 20 years ago, I just think they are incredible with what they have done really, not just here but in the whole area, and outwards.”*

### Staff member

The impact of community businesses on the local environment is generally around their support or leadership in regeneration (Litchfield et al, 2020). While evidence on their impact on the natural environment could be improved, there are positive impacts observed in terms of carbon emissions, with community energy businesses preventing a further 60,000 tonnes of CO2 entering the atmosphere in 2019 (Robinson and Stephen, 2020). This is equivalent to offsetting more than 12,900 car journeys.<sup>37</sup>





# 06

# Next Steps

## 6. Next steps

The Covid-19 pandemic revealed deep, structural inequalities across England, lifting the veil on job insecurity and poor working conditions across the economy. It exposed major differences in health outcomes between the best and worst-off in society and made visible the huge number of people who every day experience loneliness and social isolation. The recession that follows is likely to be the worst on record. Industries such as retail, accommodation and hospitality, which account for a disproportionate number of jobs in deprived areas, are expected to bear the brunt of job losses (Thompson et al, 2016 and Resolution Foundation, 2020). Having navigated the first blow of the virus, many areas face the prospect of further economic decline and the significant social damage that accompanies it.

None of this could have been envisaged when Power to Change opened its doors in January 2015. Yet five and a half years later, the case for community-led intervention has never been stronger. While the pandemic exposed the worst of England's national economic settlement, it also revealed the best of our local community spirit. Overnight more than 4,000 mutual aid groups spontaneously emerged, with an estimated 10 million people volunteering at the height of the spring lockdown (Legal and General,

2020). When the country came to a standstill, communities kept moving. Indeed, many see the community response to the crisis as one of its few silver linings, and something to build on as part of the 'new normal' (Demos, 2020).

Community businesses played a vital facilitating role, helping to co-ordinate volunteer activity during the emergency response. Many re-purposed their buildings and assets, adapted services and drew on local networks to help communities get through the worst of it. As the crisis deepens, community businesses are likely to play an even more important role and this has profound implications for the support they will need from Power to Change in the years to come.

As a spend-out trust, Power to Change expected to exhaust its £150m endowment by 2022 and that was the date set for the last of these biennial impact reports. However, the pandemic changed everything. Instead of closing down in 2022, Power to Change now plans to continue to 2025 at least. To achieve this, many of its current workstreams and grant programmes are being wound up faster than previously planned and resources redirected to focus on the recovery and renewal of the community business market.



While this reorientation will have profound implications for Power to Change itself, the framework set out in this report and its predecessor (Harries and Miller, 2018) remains valid. Power to Change will continue to influence its grantees and the wider marketplace supporting all community businesses. Those businesses will continue to make a difference to the people they work with and to the places in which they are located. However, the balance of impact will shift to reflect the new reality.

Critically, the core methodological approaches developed by the Research Institute will remain in place, with a priority on:

- the collection of secondary data to benchmark and triangulate analysis, particularly in relation to community business performance over time
- the use of control groups and an experimental approach where possible to ensure fair comparisons are being made
- the continued use of qualitative data to explore the nuances of how community businesses evolve over time, and the depth and quality of their impact on local communities



# 07

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# 08

## Appendix

# Community business hypotheses – supporting evidence

Power to Change's hypotheses explore *how* community businesses might transform their local areas and how Power to Change might help them to do so. There are eight in total. The first five are statements about how community businesses might make a difference on their own, followed by two statements about how the sector operates, concluding with a hypothesis for how place-based change occurs.

This appendix presents the evidence for and against each hypothesis to date. While not exhaustive, it has been aided by an independent review conducted by researchers at Sheffield Hallam University – Dr. Tom Archer, Ben Jessop and Joe McMullan. Their review captured, in a structured form, any evidence relating to the hypotheses developed by Power to Change. Reports relating to the following programmes were reviewed by the Sheffield Hallam team: the Community Business Fund, Trade Up and Bright Ideas<sup>1</sup>, Empowering Places<sup>2</sup>, Homes in Community Hands<sup>3</sup>, and Next Generation programme for Community Energy.<sup>4</sup> Additional evidence has been reviewed and added by the Power to Change Research Institute.

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## Community business-level hypotheses



### HYPOTHESIS 1

#### Knowledge

Community businesses have high levels of customer/service user satisfaction because they understand what people want.

This is because the majority of their staff, volunteers and/or customers/service users are from the local area. As a result, they offer better products and services than alternative providers.

Across multiple programmes there is evidence that, on average, 85% of community businesses customers or service users are from the local area (Litchfield et al, 2020). Further to this, some of the intermediary organisations in the Homes in Community Hands programme are putting their ‘customers’ at the heart of organisational strategy, service design and allocation of resources. This includes empowering users to control tendering processes for advice and support (Archer, Moore and Mullins, 2020). Likewise, community energy businesses are responding to local demands for cheaper or cleaner energy, but may also respond to other local needs through the distribution of their surpluses (Anderson and Kirkup, 2020).

Yet, there is no consistent evidence that these community businesses are measuring customer satisfaction. The Sheffield Hallam team add that more developmental projects may not yet be at the stage where this is appropriate. As such, the attribution/contribution of being locally rooted to satisfaction or service quality remains unknown.

Nonetheless, programmes such as Trade Up are enabling community businesses to reach out to different parts of their local community to understand their needs. The associated

learning programme has encouraged community businesses ‘to reach more people with different interests and backgrounds within our local community’ (Litchfield et al, 2020). Grantees in the Empowering Places programme are ‘listening and being led by the community’ (O-Flynn and Thornton, 2020). The impact of these processes on customer satisfaction however is unclear.

Certain evidence helps unpick and problematise this hypothesis. One community business involved in the Empowering Places programme sees their mission as one of educating local people, and offering learning opportunities which can help change behaviours, rather than adapting and developing services to meet local needs (O-Flynn and Thornton, 2020). Clearly there can be tension between leading change, and delivering requested services.

Financial pressures also mean that some grantees are seeking economies of scale through a broadening of their geographical remit. This can also create a tension between service design/delivery and local knowledge and control.



## HYPOTHESIS 2

### Employability

Community businesses improve skills development amongst local people by creating jobs and providing development opportunities for those who would otherwise not actively participate in the local labour market.

Community businesses provide stable employment for 37,800 people in the most deprived areas of England (Higton et al, 2021). Most of these jobs go to local people (Litchfield et al, 2019), and a significant proportion of these are likely to be considered 'good' jobs.

Many of the people they support (either through direct employment or other opportunities such as volunteering) are likely to have experienced exclusion from employment, and/or challenges with their physical or mental health (Bruni et al, 2017; Tyler et al, 2019).

Perhaps the strongest evidence for this is in the Empowering Places programme, where several community businesses have focused efforts on skills development and job creation for those currently out of work. An exemplar of this is the ethical recruitment agency established by Centre4 in Grimsby.

Centre4 'work with potential employees to provide training and up-skilling, and work with employers to place people into local jobs...They also offer access to a range of local community projects to help potential employees to practice skills, apply knowledge from training and build confidence. Participants can collect points which can then be exchanged for products, paid courses and services at local businesses' (O-Flynn and Thornton, 2020).



## HYPOTHESIS 3

### Volunteers

Community businesses use local volunteers to deliver their products and services. They do this by providing formal and informal volunteering opportunities. This also helps them keep their costs down. Volunteers will also report personal development and social benefits.

Community businesses have volunteering at their heart, mobilising 148,700 volunteers (Higton et al, 2021). They do this by providing formal and informal volunteering opportunities, such as in the case of the community business supporting asylum seekers (Litchfield et al, 2020). There is also evidence that volunteering opportunities provide social benefits, like reduced social isolation (Litchfield et al, 2020).

The Sheffield Hallam team also found evidence of significant volunteer input in the Power to Change programmes evaluated. Estimates suggest that 16,000 people regularly volunteer in organisations funded through the Community Business Fund, Trade Up and Bright Ideas programmes (Litchfield et al, 2020). Seventy percent of those organisations funded through the Next Generation Energy programme are wholly run by volunteers (Anderson and Kirkup, 2020).

There is some evidence to suggest that volunteers have made previously unviable or undeveloped businesses possible through the use of volunteers, ‘...some grantees only exist as a community business because local people were motivated to set one up after discovering that their only shop, post office or other local facility was closing’ (Litchfield et al, 2020).

And yet, the recruitment and retention of volunteers is clearly one of the biggest challenges facing grantees (Higton et al, 2019; Litchfield et al, 2020). This creates questions about the hypothesis and whether contextual factors, or the nature of work undertaken by the community business, affects whether this hypothesis actually operates in practice.





## HYPOTHESIS 4

### Social Capital

Community businesses increase bridging social capital by engaging members and/or shareholders in local decision-making through the development of skills and access to information.

The average community business has 200 members (Litchfield et al, 2020), and for many their formation is dependent upon the pre-existing presence of ‘bonding’ social capital (CLES, 2019). But sustained and meaningful engagement with the local community is vital to their success, allowing community businesses to adapt and shift to meet local needs.

Engagement from the community is a common enabler of community business success, and for community hubs it is key (CLES, 2019). This implies that community businesses also facilitate ‘bridging’ social capital between people, which enable them to reach out and network with others unlike themselves.

There is evidence of bridging social capital from the Empowering Places programme. The evaluators identify new initiatives that have formed through grantee’s community engagement activities, which have inspired people to collectivise and take action on issues they care about. Grantees are connecting specific groups, such as aspiring female leaders, to develop their business ideas and other projects (O-Flynn and Thornton, 2020).

Some grantees are also building significant memberships. In their review, the Sheffield Hallam team found that this is creating localised ownership of assets, bridging diverse groups within local communities and city regions, and enabling them to make decisions about new housing. However, as noted previously, tensions might arise between the locational priorities of members and financial priorities.

The Sheffield Hallam team also found that Power to Change programmes have enabled community businesses to engage with a range of strategic partners at a local level, connecting those working in neighbourhoods to wider decision-making processes. This is an example of ‘linking capital’.

As such, there is a good evidence base that community businesses support social capital in a number of ways. However, the evidence is not yet sufficient to prove or disprove that community businesses increase bridging capital in the way the hypothesis describes.



## HYPOTHESIS 5

### Sustainability

Community businesses are less likely to close if they understand what local people want (H1), use local volunteers to deliver their products and services (H3) and engage local people as members and/or shareholders (H4).

Whilst there is evidence concerning Hypotheses 1, 2 and 3 in isolation, the precise ways in which these connect to make community businesses more sustainable was not a focus in the evaluation reports reviewed by Sheffield Hallam.

Grantees in the Community Business Fund, Trade Up and Bright Ideas programmes show important processes related to sustainability not captured in the hypotheses. Some grantees are using their focus on community benefit as a way to secure professional services (e.g. roofers, architects) at cheaper rates. This leverages a 'local belief in the strength, purpose and impact of the community business on the local community' (Litchfield et al, 2020).

Sustainability may be more to do with contextual factors (such as local spending power) than generic ways-of-acting. In the Empowering Places programme some small community businesses have flourished in terms of their community engagement, but growing trading income has proven difficult. Difficulties are experienced 'generating income through trading, especially where local people have limited spending' (O-Flynn and Thornton, 2020).

## Sector-level hypotheses



### **HYPOTHESIS 6**

#### **Infrastructure**

The provision of third-party business development support increases the productivity and resilience of community businesses.

The evaluation of the Trade Up programme suggests that certain support has improved grantee planning and focus new opportunities. For some it had, 'equipped them with the evidence to support new plans, approaches and ideas to develop focuses and sustainable models across the business' (Litchfield et al, 2020). This led to 'stronger community businesses at the end of the project' (Litchfield et al, 2020).

Similarly, in the Empowering Places programme, support components appear to have had an impact. The support of the Catalysts has been important, 'helping them to strengthen and grow' (O-Flynn and Thornton, 2020). Whether this outcome equates to more resilient community businesses is an open question.

Financial sustainability may be enhanced through business development support. For instance, support provided by intermediaries in the Next Generation programme has 'improved the financial sustainability of those groups that had existing solar assets by reducing their financing costs' (Anderson and Kirkup, 2020).

Nearly a third of the Homes in Community Hands grants have been made to enablers or national community-led housing bodies, and these are key infrastructure and providers of third-party support (Archer, Moore and Mullins, 2020). By using those funds to support, and buy-in professional services, for community-led housing groups the probability of these schemes being developed is greatly enhanced. The proportion of projects developed in these areas (compared with areas without funded hubs) may tell us something about the hub's contribution in terms of the productivity and resilience of local groups.



## HYPOTHESIS 7

### Assets

The transfer of local physical assets from public and other bodies stimulates community business growth. This is because they contribute to financial resilience, provide a physical base for operations and generate goodwill.

Assets are central to community benefit objectives, and in addressing concerns regarding financial sustainability (Archer, et al, 2019). For grantees in the Community Business Fund these dual priorities were shown to be related as acquiring and renovating assets enabled more income to be generated, which could 'then be re-invested in factors such as making other facilities more accessible for those with wheelchairs and prams' (Litchfield et al, 2020).

Those holding assets were often bolstered by grant funding. Counter examples were seen where asset holding organisations had received little grant support and were far less resilient.

And linked to this, the Next Generation programme suggests offering both financial returns to members, whilst using resources for community benefit, can be a powerful way to increase goodwill and local engagement (Anderson and Kirkup, 2020).

It is unclear whether this process is universal however, and whether some assets become liabilities that can drain resources.

There are signs that assets are being/could be used to incubate other community businesses. This is noted in reference to B-Inspired, an Empowering Places grantee, as well as in reference to the Observer Building in Hastings (O-Flynn and Thornton, 2020).

For enabler organisations, such as those funded in the Homes in Community Hands programme, there can be a tension between them pursuing their own asset acquisitions and supporting others to acquire. Which is best depends on what outcome is of a higher priority (Archer, Moore and Mullins, 2020).

## Place-level hypotheses



### HYPOTHESIS 8

#### Collaboration

Community Businesses collaborate with others, accessing more resources (i.e. skills and money). This enables them to offer more services, products and activities, benefiting their community.

Community businesses can collaborate with others (including public, private and social sector organisations) in a number of ways.<sup>5</sup> These include:

- **Learning:** exchanging knowledge, ideas, contacts
- **Influencing:** seeking collectively to change policy and practice
- **Connecting:** acting as community anchors and hubs
- **Sharing:** distributing funds, staff, skills, equipment, space
- **Designing:** co-designing services or products
- **Market-building:** joint promotion and sales, building social supply chains
- **Bidding:** partnerships to win contracts and grants or attract investment
- **Delivering:** joint implementation of projects and programmes
- **Place-shaping:** working together to develop social economy ecosystems

In their review of the evidence, Sheffield Hallam reflected on the nuances of how community businesses collaborate with

others and the benefits of this. This includes access to more resources (such as skills and money) as well as facilitating community impact. The benefits of collaboration thus fall with the community business, and there is evidence that this enables them to deliver more or different services, products and activities. This suggests that collaboration impacts upon places.

Evidence from the evaluations points to some of the important benefits arising from collaboration. At a local level, the reports highlight instances where 'new collaborative relationships led to new projects as well as increases in opportunities, learning, profile and income'

Programmes such as Trade Up have directly facilitated collaboration between grantees, with the peer support elements deemed the most valuable by participants (Litchfield et al, 2020). Similarly, in the Empowering Places programme, grantees have been actively supporting each other (e.g. to incorporate themselves and access business advice). Learning camps are seen as important in developing long term collaborations between community businesses (O-Flynn and Thornton, 2020).

5. Wyler, S. and Adjaye, M., (2018), Community business and collaboration, [online]. Accessed 10/10/20.

Co-operatives may provide a structure through which collaboration can be organised, helping each to become more resilient. This model is being explored by several of the community energy businesses in the Next Generation programme (Anderson and Kirkup, 2020).

Collaboration is not a panacea however, as Empowering Places grantees identify how over-reliance on Catalysts could create problems in future (O-Flynn and Thornton, 2020).

The Homes in Community Hands programme has some inherent features which foster collaboration between 1) hub grantees and project grantees, which enables the latter to access essential support services and the former to generate revenues, and 2) between different hub grantees through various fora and action learning opportunities created by the programme, and 3) between projects and other community businesses (such as community energy companies). It will be important to see if this innately reciprocal arrangement generates the intended impacts priority (Archer, Moore and Mullins, 2020).



## Social capital measures - % of people who...

Further detail on the indicator labels used in Figure 11.

Bonding capital		Bridging capital		Linking capital	
Agree this is a neighbourhood where people help each other	NeighTyp	Speak to neighbours more than monthly	Spkng	Trust in the police	TrIntro_Police
Meet up with relatives/friends more than once a month	FreqMtR/FreqMtF	Agree that people from different backgrounds get on	Nbackg	Trust the local authority	TrIntro_LA
Have somebody who would help you if you were in financial difficulty	Money	Think that if you lost your purse/wallet you would be likely to get it back	Slost	Trust the courts	TrIntro_Courts
Text/email/use the internet to talk to relatives/friends more than monthly	Txtrel/Txtfr	Agree that by working together people can influence decisions that affect the area	InfNgh	Undertake some form of civic participation at least once in the last year	SolvLP
Have somebody who would help you if you were ill	Illbed	Believe most people can be trusted	Ntrust/Ptrust	Trust in parliament	TrIntro_Parliament
Speak to relatives/friends on the phone more than monthly	Spkrel/Spkfr	Are involved in voluntary activity more than once a month	VolFreq	Agree that they can influence decisions which affect the area	InfArea

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