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Social Enterprise UK

The role of community businesses in providing health and wellbeing services: Challenges, opportunities and support needs

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power to change | business in community hands

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About this report

This research was funded in 2017 through the Power to Change Research Institute's open research grants programme. The open research grants programme aims to support the community business sector and its partners to deliver the evidence the sector needs for its own development, and to make the case for the value of community business. The research is conducted independently of Power to Change. The work and any views presented are the authors' own.

About the authors

Middlesex University London

The Centre for Enterprise and Economic Development Research (CEEDR) at Middlesex University has been at the forefront of research on social and community business for the past 20 years. Research has examined innovative practices, social entrepreneurship in different contexts, and support for social enterprise. This report is part of a wider programme on social investment and alternative organisational forms as part of the ESRC Centre for the Understanding of Sustainable Prosperity.

Social Enterprise UK

Social Enterprise UK (SEUK) is the national body for social enterprise in the UK, representing the 68,000 organisations that have adopted the ethos of the 'triple bottom line' – social, environment, business. SEUK's policy and research team produce the 'State of Social Enterprise Survey' about UK social enterprises, the biggest of its kind internationally. SEUK shapes policy across government and was one of the main authors of the Public Services (Social Value) Act.

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Executive summary

Introduction

This report examines community businesses that deliver health and wellbeing services to address the needs of individuals and communities, including those who are vulnerable and disadvantaged. There are many types and forms of community business, but what they all have in common is that they are accountable to their community and aim to generate positive local impact. They give primacy to a social mission while adopting a business-like approach to trading in goods or services to ensure their financial viability.

A growing body of research shows how community businesses may be well-placed to address a wide range of health and wellbeing challenges. Recent survey evidence shows 'improved health and wellbeing' to be the most common primary aim for 25% of community businesses and a secondary aim for nearly 50%.

This research utilised a qualitative case study approach to gain in-depth insight into the factors that enable health and wellbeing community businesses to thrive. The ten case study businesses were selected from across England and involved a total of 30 semi-structured interviews with leaders, staff, volunteers, service users and other community stakeholders including public service commissioners. The report also makes recommendations for policy and support providers interested in promoting the growth and sustainability of the community business sector.

Please see the Power to Change website to see five of the case studies written up. **www.powertochange.org.uk/research**

Types of activities and wellbeing outcomes in community businesses

All ten of the community business cases were delivering services with a primary focus on mental or physical health, often in conjunction with other activities and a broad and inclusive conception of health and wellbeing. The range of services offered can be summarised in terms of the following (sometimes overlapping) categories:

– **Statutory public services for physical and mental health and social care** – delivered under contract from the public sector;

– **User-funded health and wellbeing services** – individually funded, including from state-allocated personal budgets;

– **Leisure, sports and physical fitness** – facilities, classes and events including for people with special needs;

– **Vocational and volunteering activities for therapeutic and rehabilitation purposes** – including traded services:

- Arts/design crafts and music;
- Cafés and catering;
- Community gardening and horticulture.

– **Other commercial services for individuals, local businesses and civil society organisations** – including:

- Room and facilities hire;
- Training and conference facilities.

A strength of many community businesses is their local knowledge and ability to utilise community embeddedness and relationships as a resource while tailoring their services in response to needs. Service users were also found to be playing an important role in the design and delivery (co-production) of services.

Sources of income and business models

All ten cases had varied income streams and most were attempting to reduce their dependence on grants and donations, with trading income becoming increasingly important.

Many of the community businesses demonstrated the entrepreneurial capability needed to identify and take advantage of opportunities, and to diversify their income streams. Some opportunities and funding sources were directly linked to social missions to promote wellbeing (such as paid-for health and fitness services), while others involved commercial services that were less directly related to wellbeing (such as room hire or cafés) which generate a surplus which is being used to cross-subsidise activities that contribute social value. A more diversified funding base can bring greater freedom and flexibility, although for some organisations it had brought additional pressures and complexities.

The public sector is a major source of income opportunities for community businesses, although relationships with public sector funders or commissioners were often under pressure in a time of austerity. Cuts in public sector spending have also been accompanied by an increased level of competition for the limited funding available, particularly from large private sector operators. Smaller organisations often lack the size and capacity to lead large bids and the tendency of public sector commissioning to favour contracting with large businesses has contributed to the decline of many smaller organisations.

Generating income from clients with personal budgets may allow community businesses to benefit from public funding while avoiding the challenge of competitive bidding for large contracts. Community businesses are able to increase this form of income when they are accredited or approved to deliver services and have developed a strong local reputation that attracts personal budget holders.

The role of partnerships and sources of support

Community businesses are often highly dependent on their local networks and partnerships, most frequently with other civil society and public sector organisations with a similar or complementary focus on the needs of client groups. Relationships and long term partnerships are built on the mutual trust and respect gained from their rootedness in communities. The varied relationships include:

– **Formal and statutory partnerships** – notably with the commissioners of public services within local authorities and NHS clinical commissioning groups, who may also play a role in the governance and strategic direction of community businesses that hold public service contracts.

– **Delivery partnerships** – to pool the resources needed to address complex and varied needs, and help access client groups including through referrals from hospitals, general practitioners (GPs) and social care services. This can also include sharing premises and working in community facilities including schools, libraries and community centres to increase the accessibility of services for particular groups.

– **Business support** – to address specific gaps in skills and competency through the provision of advice, mentoring and training. This may be related to marketing, access to finance, managing volunteers and other management issues.

– **Other less formal relationships** – including with:

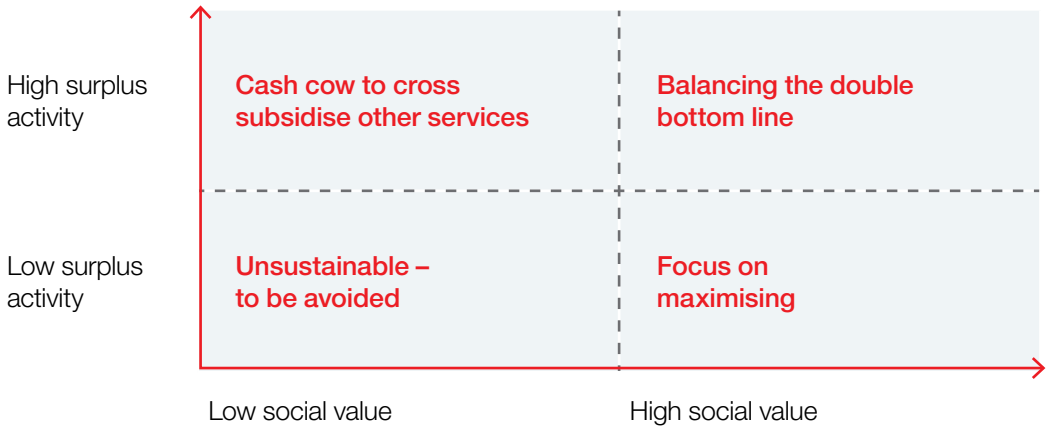
- Donors, volunteering and those providing assistance with fundraising
- 'Communities of practice' for sharing knowledge and models with other public and civil society organisations.

It is also the wider 'community business ecosystem' that is vital for their survival – the key elements of support and network of relationships that includes other service delivery organisations, sources of funding and other support. Effective ecosystems are dynamic and work best where there is flexibility, mutual learning and co-ordination amongst the interacting parts.

Navigating the tensions between social and commercial objectives

The success of health and wellbeing community businesses is dependent on the skills and capabilities required for a flexible and strategic approach. Managing in this context is therefore more challenging than in the case of a purely commercial or public sector service provider as there is a need for strategies that balance social objectives with the commercial imperative to generate the income needed to be financially viable. An over-emphasis on the social at the expense of the commercial is likely to limit organisational development and growth, and even lead to closure, unless there is a ready supply of grant funding or philanthropic donations. Too much emphasis on the commercial elements of strategy can result in community businesses becoming overly focused on income generation which can lead to a 'mission drift' away from their core objective.

Figure 1: Strategies for community business activity



Analysis of the case studies reveals two main strategies:

1. The mission integrated model involves a combined social and commercial strategy, with trading activity that directly meets the organisation's social objectives.
2. The cash cow or cross-subsidy model uses a predominantly commercial activity to generate a surplus that is reinvested to support the social mission.

Some organisations may utilise both strategies, but changes in the balance between them vary over time. These strategic adjustments depend on priorities, the opportunities available, and the entrepreneurial capability of organisations to identify them.

The case study evidence shows the danger of being absorbed by immediate challenges (or 'firefighting') which can be to the detriment of a strategic approach to developing the organisation and ensuring its viability over the longer term.

Managing staff and volunteers

Community businesses must also balance social and commercial objectives when managing people – both salaried staff and volunteers. As with all businesses, skilled staff need to be recruited to key positions, but in a community business staff may need to have a particular ability to combine the social and commercial dimensions of their activity.

Community business are often highly dependent on volunteers for service delivery. This lowers their costs and can allow the flexibility needed to adjust resources in line with fluctuating demand for their services. However, over-reliance on volunteers can sometimes result in a lack of stability and control. Some organisations were moving to reduce their dependence on volunteers by replacing them with qualified paid staff as part of a strategy to become more professional and to improve service quality.

Growing and scaling-up impact

Many of the cases had experienced periods of growth and contraction within their locality, with some having expanded their services to a greater number of clients, at a higher quality and in new locations. In the current difficult funding environment, however, some organisations were having to manage reductions in their income or were choosing to remain at a 'steady state' as a way of surviving.

The growth imperative was found to be greater in cases dependent on public sector funding, since this often requires a critical mass in terms of capability to deliver. Furthermore, procurement regulations are requiring bidders to demonstrate sufficient reserves to minimise financial risk. Partnerships with other local providers can help to address capacity issues in relation to bidding for and delivering contracts.

Managing declining income and ending contracts

Just as community businesses must develop the capability to generate income, they must also find ways of coping when a funding stream ends. The management challenges raised include a need to ensure that vulnerable clients are not left without a service which they have come to rely on and may still need. There may also be a need for difficult commercial decisions to cut staff and other costs in order to ensure financial sustainability.

Recommendations for policy in England

The findings of this study can inform the development of a more supportive ecosystem for community businesses across the country, and feed into the programmes of Power to Change which are aimed at helping community businesses across England to thrive. They can also inform policy development at a national level through the Civil Society Strategy of the Department of Digital, Culture, Media and Sport. The following recommendations also involve strategies and actions by other policy actors and support providers at national, regional and local levels:

1. Raising awareness and building and communicating the evidence base – NHS England, the Department of Health and Social Care, Public Health England and commissioners across the country should devote much greater attention to the potential offered by community businesses delivering health services. This can include:

– building the evidence base around community business-related health innovations and recognising success;

– better understanding their financial performance vis-à-vis public bodies (NHS or local authority);

– analysing their care quality and assessing their ability to address inequalities in health care provision and access;

– developing a programme with general practitioners and other health professionals to better understand how community businesses can take pressure away from the NHS more widely (such as through social prescribing);

– identifying good practice in communication between commissioners and providers; and

– ensuring smaller community businesses are not disadvantaged by the accreditation processes needed to ensure quality.

2. **Public service commissioning** – The Office of Civil Society at the Department for Digital, Culture, Media and Sport should work with other departments and local authorities to recognise and collectively raise awareness of how the additional value created by community businesses can feature in the commissioning process. There is scope for all commissioners, in central government, local government and health services, to make greater use of the Public Services (Social Value) Act 2012 to deliver greater value to taxpayers and communities.

3. **Support and infrastructure** – The Department for Business, Energy and Industrial Strategy should systematically review their full range of support programmes, the activities of Local Enterprise Partnerships and government's finance interventions to ensure they better respond to diverse business forms, including community businesses, which seek to balance social and commercial imperatives. For instance, Growth Hubs should be directed to specifically aim their efforts at supporting community businesses, allowing them to tailor business support to their needs, such as through a voucher system. Local authorities and other funders can also target their business support through using vouchers and other programmes.

4. **Reducing regulatory barriers and unfair competition** – The Department of Health and Social Security and NHS England, working with NHS Improvement and the Competitions and Markets Authority should identify where community businesses and other social enterprises are disadvantaged compared to other private and public sector providers, such as in terms of costs related to accreditation, staff salaries, pensions or VAT. This must assess progress since the Fair Playing Field Review (2013), urgently address unfair practices and put mechanisms in place to ensure future policies are proofed against unfair competition.

1. Introduction

1.1 Aims and background to the study

This report examines community businesses that deliver health and wellbeing services to address the needs of individuals and communities, including those who are vulnerable and disadvantaged. The research was guided by five main questions:

1. How are community businesses able to address the health and wellbeing needs of individuals and communities?
2. What are the sources of income and business models utilised?
3. How do they build supportive networks and partnerships, both within their communities and further afield?
4. What are the challenges facing health and wellbeing-focused community businesses and what skills and capabilities are needed to address them?
5. What are the implications in terms of policy and support for the community business sector?

There are many types and forms of community business, but their four key features are:[1]

– **Locally rooted:** They are embedded in specific places and seek to respond to the particular economic, social and health inequalities of communities.

– **Trading for the benefit of the local community:** They are businesses with income from things like renting out space in their buildings, trading as cafés, selling produce they grow and contracts to deliver public services.

– **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.

– **Broad community impact:** They benefit and impact their local community as a whole and are often neighbourhood hubs, where all types of local groups gather, for example to access the facilities (such as broadband) and vital life and vocational skills needed for economic and social inclusion.

The category of community business is a subset of social enterprise – a diverse range of organisations which operate at the boundaries of the private, for profit, public and civil society (third) sectors (Diamond *et al.*, 2017; Doherty *et al.*, 2014). A defining feature of such mixed purpose or 'hybrid' organisations is that they give primacy to a social mission while adopting a business-like approach to trading in goods or services. This enables them to sustain their contributions to communities by ensuring the ongoing financial viability of the organisation. Social and community enterprises can take various legal forms but often adopt civil society sector governance structures which facilitate the democratic involvement of community stakeholders, including employees and service users, in strategy and decision making.

[1] https://www.powertochange.org.uk/what-is-community-business

An important part of the context of the study is the situation facing public health and social care services in the UK which are severely resource-constrained under conditions of public sector financial austerity and struggling to respond to the diverse health needs of populations that are growing and ageing. Awareness of such problems has been accompanied by a growing interest in the potential of organisational models that offer 'alternative' and potentially more cost-effective approaches to addressing the health and wellbeing needs of communities. It has been argued that the promotion of a more holistic model of health is congruent with the objectives of many social and community businesses and their ability to offer new pathways to wellbeing.

This report therefore explores the diverse approaches adopted by health and wellbeing-focused community businesses, the strategies and capabilities needed in a challenging environment, and the implications for practice and policy support. The report is structured as follows: The next section of this introduction presents an overview of the literature (policy, practice and academic) on new approaches to wellbeing and the contribution of social and community enterprises, followed by a description of the case study methodology. Section 2 examines the range of activities and outcomes delivered by the case study community businesses. Section 3 looks at the origins and motivations behind the start-up of organisations. In Section 4 we present the sources of income and business models utilised. Section 5 focuses on the role of networks, partnerships and sources of support. Section 6 examines the challenges faced and the skills and capabilities needed to address them. In Section 7 we conclude by drawing out the implications in terms of policy and support provision.

1.2 New pathways to wellbeing – a role for community businesses?

The holistic understanding of health suggested by the concept of wellbeing, although not new, has grown in influence over more than half a century as a potential complement to established medical and health service models. There are long-standing criticisms of the dominant biomedical model for the treatment of illnesses which, despite its technical successes, is seen to have limitations and blind spots that tend to marginalise or exclude important environmental and social determinants of illness and disorder (Conrad, 2005; Davis, 2016). A key landmark influence was the broader conception of health adopted by the World Health Organisation in 1948:

> *Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.* (WHO, 2014)

The 1970s saw the growth of the holistic health movement and of 'alternative' and complementary therapies in the United States and Western Europe, reflecting in part consumer dissatisfaction with established systems of medical care delivery. The term holistic has been used to refer to a wide range of mind-body practices, including acupuncture and healing touch, herbal medicines, naturopathy and 'talking therapies' for health and wellbeing (Davis, 2016). At the same time, some critics have pointed out that, while being of value, such alternatives cannot be an entire answer for the failings of a dominant medical model if they remain narrowly focused on the individual and ignore the political and social dimensions that contribute to ill health – the conditions under which people are born, raised, live, work and age (Berliner and Salmon, 1980). Thus, recent evidence confirms the persistence of health inequalities, shown to be widening and deepening within and between countries, and the need to address the

social determinants of health (Marmot, 2010; WHO, 2008). Such understanding of health and its determinants has contributed to increasing emphasis in public health policy in a number of European countries on areas such as health promotion and prevention within communities, as well as personalisation and self-management (Bauer, 2015).

The National Health Service (NHS) in the UK is funded by taxation and provides universal access to healthcare that is free at the point of access for permanent UK citizens, and is still largely delivered by organisations from within the public sector. There have been a range of government strategies, such as Care in the Community,[2] to expand and develop primary and 'out of hospital' care, to transfer resources into the community and promote more integrated approaches to care (e.g. Department of Health, 2006; Boyle, 2011). Although an infrastructure has developed which aims to promote innovation in terms of a more 'social model of health', there have been bureaucratic and resourcing barriers to its implementation (Bauer, 2015). Mental health provision in particular continues to be under-resourced, with recent reports providing evidence of inadequate care and of the scale of unmet needs in England (CQC, 2015; Mental Health Taskforce, 2016).

A growing body of research shows how community businesses may be well-placed to promote a social model of health which may also have benefits in terms of economic development that includes those who are currently excluded for reasons of ill-health and disability (Donaldson *et al.*, 2014; Gordon *et al.*, 2017; Macaulay *et al.*, 2017; Munoz *et al.*, 2015; Roy *et al.*, 2013; Vickers *et al.*, 2017). As well as the causes of ill-health being linked to aspects of socio-economic disadvantage, research on contemporary geographies of health inequality draws out the role of space, place and community as dimensions of healing and wellbeing (Fleuret and Atkinson, 2007; Munoz *et al.*, 2015). Munoz *et al.* (2015), for instance, argue that social/community enterprises can be conceptualised as 'spaces of wellbeing', with a particular ability to address health challenges, including those related to lack of physical activity, social isolation and lack of vocational and employment opportunities.

Recent decades have seen social enterprise and community businesses being promoted by governments, to some extent at least, alongside public sector reforms that have resulted in the creation of new quasi-markets and an increased role for private and civil society sector involvement in public service delivery (Sepulveda, 2015). Regarding the scale of community business involvement in service delivery, survey evidence shows 'improved health and wellbeing' to be the most common primary aim, identified by 25% of respondents (total n=259) and identified as a secondary aim by nearly 50% of community businesses (Diamond *et al.*, 2017). Similarly, a survey of UK social enterprises (total n=1,581) shows that 8% identify 'health care' as their principal trading activity but with a greater proportion (27%) identifying 'improving health and well-being' as an explicit objective (SEUK, 2017). As previously suggested, this seeming disparity can be explained by reference to the argument that many social/community enterprises (and not just those delivering specific health services) promote wellbeing in its widest sense and contribute towards social and economic inclusion. Other research suggests that health and wellbeing community businesses face particular pressures due to the complex contracting systems for public services encountered, and that they are highly reliant on grant funding (Richards *et al.*, 2018).

[2] The reforms associated with this were outlined in the National Health Service and Community Care Act 1990.

The recent complex and turbulent policy context in the UK has sharpened the issues facing many community businesses. This includes how to balance social mission objectives to address the wellbeing needs of communities with the requirements of financial viability in an era of public sector austerity (Diamond *et al.*, 2017; Sepulveda, 2015; Rees and Mullins, 2016). This challenging environment highlights the importance of the specific resources, skills and capabilities needed for the sector to thrive (Doherty *et al.*, 2014; Vickers and Lyon, 2014). Successful community businesses often draw on support from a wide range of sources and have a particular ability to mobilise place-specific assets, including social capital – defined by the OECD as "networks together with shared norms, values and understandings that facilitate co-operation within or among groups" (Keeley, 2009: 103). Social (or relational) capital is therefore an intangible resource which fosters local ties and identity and its presence and strength varies from community to community. Social capital is intertwined with other forms of capital, e.g. finance, physical and human, the availability of which is also crucial for flourishing and sustainable communities and local organisations (Kay, 2006; CONCISE, 2003).

Also useful in terms of understanding the situation of community businesses is the concept of an entrepreneurial ecosystem, originally introduced to explain the context of private sector entrepreneurship, its key elements and how they interact (Isenberg, 2011). An example of such a framework applied to the social economy (including community businesses) is depicted in Figure 1. This shows the role of public policy, regulations and governance at different levels (including city region and national levels in this example) and helps to understand the multiple factors involved and their interaction (Spear, 2015; Vickers *et al.*, 2017).

Figure 2: Elements of the city social economy ecosystem

Source: Vickers *et al.*, 2017

For health related community businesses, the ecosystem concept provides a way to consider the mix and sustainability of different elements and resources, such as finance, knowledge, sources of support and the networks and collaborations involved. The state clearly plays a key role in governing the national system of health and social care provision in the UK, including with respect to setting the policy agenda and commissioning and regulating public services. Relevant here are recent debates concerning the effectiveness of public services and the extent to which there is a sufficiently funded and integrated system of joined-up elements.[3] There has been concern that increasing competition between providers (including private and community businesses) risks duplication, fragmentation and the undermining of co-operation and sharing of useful knowledge (Calò *et al.*, 2017; Vickers *et al.*, 2017).

1.3 Methodology

The research utilised a qualitative case study approach to gain the in-depth insight needed to address the 'how' and 'why' questions which are less amenable to purely quantitative and survey-based methods (Yin, 1994). The inclusion of multiple case study organisations also helps us to compare, contrast and generalise from the evidence emerging from each case (Eisenhardt, 1991; Yin, 1994).

The ten community business cases were drawn from across England and involved 30 semi-structured in-depth interviews with leaders, staff, volunteers, service users and other community stakeholders including public service commissioners in some cases. Organisations were purposefully selected to meet the defining criteria of community businesses (see Introduction) while at the same time ensuring a representative cross-section. All of them delivered services with a specific focus on mental or physical health while also often addressing social and economic inclusion dimensions of wellbeing. The selection also represents the diversity of the sector and different characteristics in terms of size, type of funding and support received, activities and services, and types of geographic location and context.

The study builds on previous research conducted by Middlesex University on wellbeing centres (Stumbitz *et al.*, 2015; Vickers *et al.*, 2016) with three cases from this being revisited for the current research, thus adding a longitudinal element.[4] Cases were identified through SEUK's and Middlesex University's databases of social enterprises, our organisational networks and internet searches. Approval was obtained from the University's Business School Ethics Committee to ensure the research was ethically conducted.

The majority of the interviews were conducted face-to-face, on the community business' premises, enabling the researchers to gain a valuable 'feel' for the organisation and its activities (Creswell, 2003). Three telephone interviews were conducted overall. The interviews lasted between 30 and 90 minutes and were recorded and transcribed verbatim. The topic guide (see Appendix) was designed to collect data on: the history and characteristics of organisations and their services; sources of income; trading activity; perceptions of challenges, barriers and support needs; and strategy and plans for the future. The analysis involved the data being coded according to existing understanding as identified in the literature and also

[3] For instance, see: https://www.kingsfund.org.uk/publications/making-sense-integrated-care-systems.

[4] One of these, Case 8, had subsequently grown its operations to deliver services across England and internationally and could be seen to no longer be a community business. It is nevertheless included in this report due to its community origins and as a valuable example of organisational transformation and growth that has also involved the replication of its service through new community business start-ups.

issues emerging from the interviews. A series of analytic tables were constructed in order to facilitate cross-case comparison in relation to the key themes and to draw out the findings.

Table 1 presents an overview of the ten participating organisations. As can be seen, most were small, with eight employing a maximum of nine full-time staff, although one organisation that had spun out from the public sector had 290 staff (including full and part-time and regular casuals). In addition, eight cases drew on the help of varying numbers of volunteers, with one case reporting 75 regular volunteers. Half of the organisations (five out of ten) had adopted more than one legal form, often reflecting the combination of organisations' social and business activities. The majority (six) were charities, most of which had a trading arm (Community Limited by Guarantee – CLG), two were Community Interest Companies (CICs), and one was a Community Benefit Society (CBS).

Table 1: Overview of participating organisations

Case no	Main activity/focus	Legal form	Staff	Volunteers
1	Healthy living centre – to reduce health inequalities and improve employability	Charity, with associated CLG	5	40
2	Mental health day care service and arts college – to promote recovery, mental wellbeing and inclusion through the arts	Charity, with associated CLGs	5 full-time 43 part-time	75 per week
3	City farm – providing educational, therapeutic and recreational activities	Charity, with associated CLG	72	400 volunteers per year – 63 per week are regular
4	Leisure and fitness centre – to improve the physical activity levels of a diverse community including outreach activity for vulnerable/ disadvantaged groups	CBS	300 staff, including 110 contracted staff (73 full-time and 37 part-time) and more than 190 casual staff	6 regular and a pool of additional volunteers for special events
5	Substance misuse project – supporting mental health and employability	Charity	80	40
6	Arts and design studio – supporting people with mental health needs	CIC	5 part-time	12
7	Wellbeing day centre for older people	Charity, with associated CLG	4 full-time	25
8	Yoga for people with special needs	Formerly charity with trading arm, now limited company	8 full-time	None currently
9	Therapeutic horticulture and community garden, promoting healthy living	Charity, with associated CLG	5	30+
10	Day-to-day support services and social activities for vulnerable adults	CIC	1	6

2. Types of activities and wellbeing outcomes in community businesses

All ten of the community businesses participating in the study were delivering services with a primary focus on mental or physical health, often in conjunction with other activities and a broad and inclusive conception of community health and wellbeing (see Table 2). The range of services offered can be summarised in terms of the following (sometimes overlapping) categories:

– **Statutory public services for physical and mental health and social care** – delivered under contract from the public sector;

– **User-funded health and social care services** – i.e. through private funds or personal budgets allocated by the state;

– **Leisure, sports and physical fitness –** facilities, classes and events including for people with special needs;

– **Vocational and volunteering activities for therapeutic and rehabilitation purposes** – including traded services:

  - Arts/design crafts and music;
  - Cafés and catering;
  - Community gardening and horticulture.

– **Other commercial services** – for individuals, local businesses and civil society organisations, including:

  - Room and facilities hire;
  - Training and conference facilities.

Table 2 provides further detail on each case and shows how diverse services and activities are often combined in innovative ways to address the needs of target groups and to leverage opportunities and resources from the communities and networks in which organisations were embedded.

All of the community businesses examined were local in scope and strongly embedded in their particular geographic contexts (i.e. typically a borough or city council area) and generally well known to local residents. In a few cases, organisations had successfully extended the scope of their operations beyond the immediate locale (e.g. notably Cases 2 and 8). In most cases, however, the closeness of organisations' relations with their user communities and key stakeholders was reported as a key strength in terms of their ability to tailor their services and to adapt their activities to meet needs that were often complex and varied.

Table 2: Key activities and health and/or wellbeing outcomes of participating organisations

Case No	Key activities and outcomes
1	Healthy living centre – varied services/activities to support healthy weight, mental health, sexual health, smoking cessation and substance misuse. Also opportunities to volunteer on community projects (including café) and basic IT support sessions. Emphasis of work has been shifting towards volunteering and supporting employability.
2	Mental health day care centre and arts college – supporting people with moderate mental health issues by promoting the use of creativity and the arts in long-term wellbeing. Related outcomes have included increased discharge from wards/sections and reduced likelihood of hospital re-admissions, improved self-esteem and confidence of service users, increased social participation and access to opportunities (including employment). Service users play an important role in the design and delivery (co-production) of services, including a series of ventures related to sports/leisure, landscaping/horticulture, design and publishing services.
3	City farm – educational, recreational and therapeutic facilities and activities for a variety of client groups, including farmyard animals, community gardens, picnic area, community café and farm shop, adventure playground, community building with rental spaces and nursery. The key focus is on delivering health and social care (mental health, learning difficulties, addiction recovery), although the venue also serves as a community facility that attracts general visitors from the local population and aims to build community cohesion.
4	Leisure and fitness centre – to improve health and physical activity levels including for vulnerable/ disadvantaged groups and promoting community cohesion by involving diverse cultural groups in sporting activity and events.
5	Supporting people with substance misuse problems and addiction to medicines, mental health care, helping people with barriers to employment. Providing a community focussed approach compared with larger bureaucratic organisations.
6	Supports people with mental health and challenges mental health stigma through arts and design. Studio designing and making commissioned art work and products for retail (art work for walls, sculptures using e.g. textiles, glass, ceramics, mosaics and recycled materials); providing a safe space in which members can flourish, develop self-confidence and self-belief.
7	Wellbeing day centre and lunch club for over 50s, and community centre providing physical and other activities for people of all ages, and room hire. The centre serves as a community hub, reduces isolation in the elderly and reduces A&E admissions of day centre users by collaborating with NHS locally on prevention scheme.
8	Specialised yoga teacher training for parents, teachers, care workers and existing yoga practitioners to facilitate support of children (and adults) with special needs using therapeutic yoga interventions. New focus on training rather than yoga classes and one-to-ones has enabled organisation to widen their impact by reaching increased numbers of people with special needs.
9	Community garden and services for people with learning disabilities. Activities include growing food, tending plants, creating wildlife habitats and making permanent garden features. Reported outcomes include weight loss, improved eating habits and improved wellbeing of people attending group sessions.
10	Services to vulnerable adults in the local community include offering practical daily support that enables older residents to continue living independently in their own homes. This includes helping with day-to-day house and gardening chores, preparation of meals and general DIY, as well as village transport services and weekly lunch clubs to reduce rural isolation and improve social inclusion.

Although organisations often targeted their services at particular groups, some sought to be inclusive in the range of services offered and to cater for people of all ages and backgrounds (notably Cases 3, 4 and 5). For instance, for Case 4, this meant overcoming cultural barriers to physical activity by reaching out to those who would not normally use a gym facility. For example they deliver exercise classes in residential homes for older people and also women-only classes in the Pakistani community. This organisation was also working, in cooperation with the local police service, to address the town's history of ethnic and cultural division and conflict, including by bringing together individuals from diverse backgrounds through sports activities in order to foster mutual understanding (see the second quote in Box 1).

The cross case evidence therefore shows that a strength of many community businesses is their local knowledge and ability to utilise community embeddedness and relational ties (social capital) as a resource while tailoring their services in response to needs (see Box 1). In half of all cases, service users played an important role in the design and delivery (co-production) of these services (Cases 1, 2, 3, 6, 7, 9).

Finally, although a defining feature of community businesses is their rootedness within particular places, some were found to have exerted a much wider influence, reflecting that they also participate in 'communities of interest' that often span geographic boundaries. For instance, Case 2 has kept its primary focus on the city borough where it has been based for many years, but as an innovative leader in using artistic activity and diverse social enterprise ventures to address mental health needs it has also shared its ideas and service models with many other organisations. In this way, it has been able to have a wider impact both nationally and internationally, including through the recent replication of its model by another organisation in Norway.

Box 1: Examples of community embeddedness and meeting needs

> *The Board of Directors, who run the company, are members of the community. There are three staff representatives […] also two council representatives, but the majority of Board members are just volunteer members of the community. They've all got different backgrounds and skill sets […]. So, there's a range of community members who strategically manage the business. We also consider ourselves a community organisation because we do a lot of additional work […] in the heart of communities […] my definition of a community business is a business whose main purpose is to serve the needs of the community, but also has a mind on how the business flows, how the cash flows as well and to try and keep that on a community level, so making sure that our supplies for the café and stuff like that are from local suppliers etc., because that ultimately benefits the community and putting on activities that generate a sense of not only personal wellbeing." CEO, Case 4*

> *We are doing some work with asylum seekers. [One] thing that we did was integrating through football. Language doesn't matter, football is a language and initially, once you know that you can't step in the D and you can't kick the ball high, that very quickly formed a nice little team, even though they couldn't communicate through language. Every time we start the session, everyone shakes hands, everyone high fives each other when a goal has been scored, but nobody speaks English and that's not, sorry, there are English speaking people there, but the non-English speaking people can look at communication through non language.* Community and Partnership Development Officer, Case 4

> *Many of our clients are the socially excluded people, who probably feel most isolated and not a part of their community.* CEO, Case 5

> *We were so local [and] connected within the community here, apart from me, every member of the team, pretty much, has been born here, gone to school here and now works here […] Then, all the founding team are still here, the three main people who founded it, so they're very rooted.* CEO, Case 6

> *[This organisation] is like a community and that's […] so powerful, because it accesses a different side of the brain, this is what the neuroscientists are saying, the right side of the brain is a power source for wellbeing and if they're cutting money from these services to put into new medications, that's what's crazy, in a sense, because medication can be a help, but if you're treating a flower or a plant, you move it to a better environment, then it might start becoming, you know, it's like treating a flower on the dark side of the room with Miracle Gro and it just continues. So, [C2] is almost like that beautiful environment and then you move the flower like, if I use myself as an example in that, I was in that dark space and I found [C2] and started to just bloom a little bit again […] this isn't a traumatic space, it's a really healthy space a lot of people thrive in.* Member and Trustee, Case 2

> *The school system is in such crisis that funds are being made available to try and deal with some of the mental resilience problems that we are facing within our schools and I mean, it's crisis situation, these kids have no coping strategies whatsoever. What we teach is coping strategies for children; […] people experience it and realise its efficacy and then want more of it.* Project Manager, Case 8

3. Drivers and motivations for starting up

Although the circumstances and motivations behind the start-up and early development of the ten case study organisations were varied, as shown in Table 3 below, all had been created through a largely 'bottom-up' process of community activism in response to unmet local needs or a threat to withdraw an existing service.

In four cases (4, 6, 7 and 10) the process had been triggered by a 'top-down' threat to close or outsource an existing public service which was subsequently challenged by local stakeholders who wished to maintain the service and keep it under local control. In Case 4, the staff at the council leisure centre objected to a plan to outsource the service to a private sector operator. The staff developed a counter proposal to establish themselves as an independent co-operative, and have subsequently grown and developed the organisation, working closely with the council to address low levels of physical activity and poor health in their diverse and deprived town. In Case 7, a decision had been taken by the council to close a day care centre for older people since it was judged to be running at a substantial financial loss. This decision was challenged by a group of local people who organised a petition demanding that the service be kept open, since there was no affordable alternative in the local area. When their efforts were unsuccessful, they decided to take over the service themselves. The group was initiated by one of the locals, whose mother was highly dependent on the service, and who later became the chair of trustees. She explained how the community group's vision for the centre was strongly linked to the roots of the organisation and wider role within the community:

> *"While we were protesting and collecting signatures for our petition, we discovered that there were a lot of people that had fond memories of the building from when they were a child or a young woman, having their babies weighed, coming here to discos, karate and things like that, and we decided that we wanted to recreate as much of that as we could. So, we became an organisation with a wider purpose than just keeping the day centre open, which was our initial fight.* Chair of Trustees, Case 7

Case 2, which promoted positive mental health through the arts was also formed in response to a local need and had evolved to become more formal and professionalised over time. As the founder argued, "it took a couple of years before it really settled down into something and we established the charity" (Director, Case 2). He described the formation process as follows:

> *"I suppose the fact that it's quite a deprived area and happens to be next to a psychiatric hospital, so there was an instant kind of market. [...] We took advantage of the closing of the old psychiatric hospital. I went in only just to do some painting myself, not to set up a project, and encountered a group of people who still stayed around the hospital although they might have been discharged. They were being creative in their own way independently but not sharing anything, so there was an interest in being creative. So I was selfishly just allowing people into my room because I was a bit bored and it wasn't a plan to really set it up, [...] but that was born out of the fact that there was a need, there were facilities, there was support from community development people, so it [...] wasn't a false vision."* Director, Case 2

For a number of cases, the nature of their activities had shifted over time in response to changing local needs as well as the funding landscape, whereas others appeared to have changed little since their inception. For example, Case 3 had been set up with a broader wellbeing aim of providing a space for recreation and education in a disadvantaged inner-city location and only moved into specific activities to address mental health and challenges around learning difficulties over time. However, although most organisations had diversified their services, they had also retained the original vision and social aim that had motivated their start-up.

Table 3: Drivers, motivations and processes for starting up

Case No	Drivers, motivations and processes
1	Church vicar and congregation concerned with health inequality initiated and developed vision for the centre – application for Healthy Living (HLC) funding was unsuccessful, but secured funding from the district council, thus formalising HLC centre in 2009.
2	Founded by two young artists 26 years ago in response to local mental health needs. Initially very informal and somewhat anarchistic in its operation but has evolved slowly to become more formal and professionalised. Strongly driven from outset by user/community needs, rather than commercial/business growth logic.
3	City farm that is tied to the local community, set up by local residents 40 years ago with an emphasis on education and environment, as well as addressing disadvantage providing a green space in the city centre. The venture moved more into wellbeing over time as there now is a focus on mental health, learning difficulties and disabilities.
4	Spun-out from local authority as a public service mutual – set up by staff originally employed at the council-owned and run leisure centre who objected to the original outsourcing contract being awarded to a private sector operator. Staff successfully developed a counter-proposal to establish themselves as a co-operative, resulting in the establishment of the new organisation, with a Board of Directors including council, staff and volunteer community members.
5	Started as a community substance misuse charity in 1983 when HIV was becoming an issue. Visionary and caring volunteers launched the venture back in 1983, with the aim of providing practical support to users of street drugs.
6	Started up 25 years ago as a very encapsulated unit in an NHS day care setting – a new staff member with a background in arts joined and, with her input, the activity first became semi-independent and then finally independent of the NHS.
7	Council-run day care centre for older people was due for closure but local protest group organised a petition demanding that the service be kept open given lack of any alternative provision in the local area. When they 'got nowhere with this', they decided to take over the building/service themselves.
8	Founded by yoga teacher and local yoga community in 2004. The community was created as a consequence of the yoga teacher's experience of travelling the world and witnessing the invaluable difference yoga made to the lives of children with special needs.
9	Local group wanted a community garden and this has expanded to offer wider services for those with learning disabilities and others.
10	Group of residents took over local post office and village store to save it from closure and turned it into a social venture with the broader remit of providing support to the most vulnerable adults in the local area.

4. Sources of income and business models

> *We seem to be doing pretty well! We've got a model that seems to be working and it's one that we're flexible and adaptable on. We've got a very mixed income base where it's earned income, as well as grants, as well as contracts, so we do pretty well on that.* CEO, Case 3

While all of the case study organisations had expertise in the delivery of their specific health and wellbeing services, they had also had to develop the capabilities needed to generate income. As businesses, they had to develop the entrepreneurial capability of alertness to opportunities which could be exploited to generate a surplus and to maximise their social and community impacts. We can therefore identify a particular 'community business orientation' where key players are able to scan for, identify and respond to relevant opportunities. For some organisations this can pose a challenge and additional pressure, while for others opportunities to diversify their funding can bring greater freedom and flexibility.

This section examines the sources of income and business models utilised, including how the cases sought to diversify their income streams. All ten cases had varied income streams and most were attempting to reduce their dependence on grants and donations, with trading income becoming increasingly important. Sources of income from trading included contracts to deliver public health and wellbeing services, and diverse services for private and civil society sector organisations and for the general public. Income from renting out space and provision of related facilities and services was a particularly important source for some cases.

4.1 Public sector contracts

The shift from grants to competitive contracting has pushed community businesses to develop their ability to bid for contracts to deliver public services. Most case study organisations generated some of their income from public sector contracts, although the proportions varied. For instance, in Case 6, all of their service users were referrals, often through Community Mental Health Services and some via GPs. As a local authority spin-out, Case 4 had a contract with the council to run its leisure and fitness facilities, and offered exercise activities through GP NHS referrals related to falls prevention for older people and for patients with heart disease.

However, this funding source was often seen as uncertain and at risk due to austerity measures and changes and uncertainty related to the commissioning system. For instance, although Case 3 had been successful at winning NHS and local authority contracts for its addiction recovery service, this type of funding was reported as increasingly drying up and with seemingly little prospect of new opportunities, despite the organisation having (successfully) made considerable effort to join the local authority commissioning and procurement framework. This trend was also confirmed by local authority interviewees, including a Head of Health and Wellbeing Services who stated that, in his borough, the funding available had been reduced by 80% over the past five years:

> *When I first started working within leisure, I worked for the [council] and obviously funding, money, activities, the amount of people you had, resources, were a lot bigger and obviously in a competitive world of competitive tendering, everyone has to be a lot more savvy in what they can provide and I imagine that's in every industry, not just us. [...] It is more difficult to provide very much with very little resource. I think obviously the Government are getting services a lot cheaper maybe than what they used to pay, but then I'm not sure if they've actually gone a bit too far in what they actually pay to provide that service. When I think back of what kind of resources they used to have and what kind of resources I've got now, it's really, really difficult, you know, it is, it's hard.* Senior Health and Physical Activity Development Officer, Case 4

Community business interviewees also observed that cuts in public sector spending had been accompanied by an increased level of competition for the limited funding available, with large private sector operators seen as particularly 'predatory' in this respect. Smaller organisations were felt to be particularly at risk of 'losing out' and being closed down, since they often lack the capacity to bid for increasingly large contracts (see also Section 6.3). They also often do not qualify under procurement rules which require that bidding organisations are able to demonstrate financial reserves to give confidence to commissioners and avoid the risk of providers having to close midway through a contract. A local commissioner interviewee confirmed that, although local politicians wanted to support local organisations, there continued to be an emphasis on larger contracts covering sizable geographical areas.

For example, Case 5 found themselves unable to lead on large bids related to substance misuse due to the procurement regulations. They had overcome this by becoming a subcontractor to a large health and social care charity and earned 60-70% of its income from this arrangement. However, the CEO felt that, as a small subcontracting organisation, they were highly dependent on the continuing success of the prime contractor and therefore remained vulnerable. They have also had to build their capability for negotiating contracts and understanding the implications of specific clauses in highly complex legal documents.

Other cases expressed concerns about increasing competition from large private sector organisations that have the advantage of professional bid writing teams and strong financial reserves, but lacked the local experience and connection with the locality offered by community businesses:

> *The big boys [...] have got the capacity and the negotiating power, you know, we're lucky, I think, if we're going to get the crumbs from the table. [...] With [name of organisation], we want to maintain that local knowledge and that local feel, but the contracts that are going out are either sort of the CCG area or a specific area, we haven't got the capacity. We can sit there as a delivery partner but, you know, we're not big enough, we don't have the capacity to put in contracts for a wider area.* Centre Manager, Case 1

However, Case 4 had won and continued to retain the contract to operate facilities and services on behalf of the council against competition from private competitors, due in large part to their ability to contribute 'added local value', building on their local embeddedness and knowledge of the needs of diverse and vulnerable groups (see also Section 5).

4.2 Personal budgets

A personal care and health budget is an amount of money given to an individual from the state to help them design a package of care support from clinicians and others, allowing them more control over the nature of the treatment provided and choice of a range of specialist providers. Income from personal care and health budgets was reported by half of the case study organisations, although this was a relatively small proportion of overall trading income in most cases. One very small organisation, Case 9, received two thirds of its income from this source but had recently experienced difficulty in attracting personal budget holders. Some interviewees referred to a degree of confusion around how personal budgets were supposed to work and who did or did not qualify for such support, and particularly so where recent cuts to state personal allowance entitlements were affecting clients.

Generating income from clients with personal budgets can allow community businesses to benefit from public funding while avoiding the challenge of competitive bidding for contracts. Four of the case studies were trying to increase the uptake of their services from this source through advertising, encouraging word of mouth recommendations from their existing service users, and by reaching out to other organisations and individuals who were involved in supporting personal budget holders in different ways. One referred to this as a way of "side stepping some of the difficulties experienced in dealing with commissioners" and bidding for large contracts. Community businesses are able to increase this form of income when they are accredited or approved to deliver services but also where they have a strong local reputation that attracts personal budget holders. However, experiences were mixed and one of the cases had suffered a dramatic drop in personal budget holders. They attributed this in part to public sector cuts but also their lack of professionally produced publicity.

Despite some difficulties associated with personal budgets, at least one organisation expected its income from this source to grow (from about 25% of its existing income) and viewed them as an increasing opportunity, given cuts and uncertainty affecting public spending in other areas:

> *"Because the two [public sector] contracts at the minute, we don't have confirmation for next year yet, so that's the one thing I'm thinking about, and that's because the local commissioners have the freedom to change contracts as they will. As I said, the personal budget situation gets around that, because the individual decides what they want to buy, not the commissioner and so [...] ultimately that could be our best avenue.* Director, Case 2

4.3 Trading with the public

All ten of the cases were generating income from trading with the public and this was the principle source of income in three cases. For some, trading with the public was directly linked to their social mission. For example, in Case 7, their day care service and lunch club for older people (their main target group) was the main source of income. In Case 6, the outputs of the arts and design studio produced by mental health users were sold to the general public, with commissioned work providing a particularly important source of income.

In other cases, income from trading with the public was used to cross-subsidise social mission-related activities. For example, the main income of Case 3, a city farm, was generated through its nursery and café and the surplus was used to cross-subsidise the organisation's mental health support activities. Similarly, Case 4 used income generated through its 'main earners' – gym memberships followed by swimming lessons – to cross-subsidise activities such as outreach work with vulnerable groups. However, in one case (Case 1), the café run by the organisation was seen as 'nice to have' but did not cover its costs, let alone generate a surplus, and was highly dependent on the input of volunteers in terms of staffing and donations of produce (e.g. cakes) for sale.

Finally, some cases reported on the difficulty of developing paid-for services when some groups have an expectation that wellbeing services should be provided free of charge. The tensions that can arise between the different expectations of local authority funders (who wish to reduce their contribution to the service) and older people in particular are illustrated in the following quotation:

> *A lot of older people don't believe that they should have to pay for an activity, they think it should be free, because maybe they've been brought up with that kind of culture. It's difficult now, when you haven't got funding and then a group says, 'I'd like you to provide us a class', and if I say to them, 'Well, actually, if you want the class, you'll have to pay for it, maybe as a group you could pay for it?', and they're like, 'Well, no, we don't want to pay for it'. So even though it's good for their health and it'll be beneficial, people don't want to pay into it because they don't feel the benefit of it. But then the people who fund it say, 'Well, if these people aren't going to stick to it, we're not going to fund it.' It's a bit of a muddle really. [...] Yeah, it's a big question, that.* Senior Health and Physical Activity Development Officer, Case 4

4.4 Renting buildings and facilities

Apart from Case 8, all case study businesses were operating from premises that they either owned or rented full-time. One venture had taken over their building from the council, together with a handover grant. Most organisations were renting out parts of their premises to increase their trading income by maximising their use of building space and related facilities. This was done either by giving exclusive access to tenants or by renting out space by the hour, attempting to maximise uptake by adjusting pricing systems to offer preferential rates at times of lower demand, or for organisations with a shared social objective.

Most ventures had established partnerships with renting organisations or individuals that were offering regular classes whilst also offering opportunities for one-off bookings for meetings, conferences, or family celebrations (see Box 2 for an example). The income could then be used to cross-subsidise activities which were less profitable but popular with service users. With respect to the types of activities, some organisations required that these were closely related to their social mission (e.g. other services needed by their target groups), whereas others accepted tenants and activities that were not directly related to their own (for example, hosting a local driving test centre).

Box 2: Example of creative building use

Case 7 – Day centre for older people

This example of a very entrepreneurial approach to generating income combined the delivery of the community business's own services with a mix of activities delivered by other service providers, many of which were complementary to their social mission and the needs of their main target group:

Own services

– Provision of day care and lunch club for older people (mostly paid for privately and by personal budgets);

– Assisted bathing;

– Shopping and laundry service;

– Seated exercise and Zumba classes (mostly paid for privately);

– Clubs (e.g. Bingo, after school play, toddler stay and play) – some of which are free;

– Regular and seasonal events (tea dance, indoor car boot sale, summer fair, Christmas party).

Room hire services

– Hairdresser and podiatrist;

– Sports hall (badminton, football etc.) and football pitches for public hire;

– Room-hire for one-off events, such as meetings, kids birthday parties and other family celebrations (e.g. wedding anniversaries);

– Local theatre and church groups;

– Local driving test centre – although not directly contributing to the organisation's mission, this type of rental income was used to cross-subsidise some of the less profitable activities (e.g. clubs – see above).

However, buildings can also be a source of financial burden and other problems, for example if not owned by the organisation and where use restrictions may limit the scope for adapting the structure and facilities to better meet the organisation's needs, as in Case 1. A very small venture had been offered an asset transfer by the council but had concerns about the practical and financial implications involved:

> *"The council owns the building that we use to run our service which used to be a sports pavilion. We manage it and any rental income we generate goes towards funding our work. Realistically, because we use the building for our own projects most of the time, and it's very small, there is not a lot of opportunity for external income generation. The council is currently very supportive and sees us as embodying best practice regarding community asset management. However, they are keen for us to take on not only the management of the building, but also responsibility for its fabric (which they currently maintain) to allow them to make savings. We are resisting this as it would make us financially unviable. They also asked us to take on the management of the allotments and the football side of the pavilion, but we declined as both would have incurred costs*

> *greater than their generation potential. In the end you start to wonder what is the purpose of local councils if they want to offload all their services onto voluntary groups.* Chair of Trustees, Case 9

In Case 8, occupancy of a rented building and other costs associated with sustaining the organisational structure and staff team had contributed to the repeated collapse of this venture:

> *This model of running a yoga centre, running one-to-ones, having an administration staff, running trainings [...] it was never a financially sustaining model, it went bankrupt on the first charity, it ran out of money when set up as a limited company, it then got rescued by being reset as a charity so we had some charitable donations in and then it ran out of money again when we had to move again, so it has never been a sustainable model and the drain on the sustainability was in the fact of having the building, definitely.* Project Manager, Case 8

These challenges drove their reinvention as a 'virtual organisation' which now delivers all its services in various community, public and private sector organisational spaces across England and internationally (see also Box 4 in Section 6.3).

4.5 Grants and donations

The majority of case study organisations reported grants as an income source, although the relative importance of these in comparison to other funding sources was in decline. The challenges associated with obtaining grants were similar to those reported for public sector contracts. Smaller organisations often lack the capacity to prepare comprehensive bids for larger grants, although smaller grants were also found to be difficult to access. This creates challenges to the sustainability of services. The following case illustrates this dilemma:

> *We do get grant aid from a number of organisations, we've never cracked the Big Lottery. If you mention it to the staff, they'll tear their hair out, [laughs], and weep mightily, because the amount of work that they've put in, in terms of applying, but never got any. There's small grants that we got, but nothing really to enable us to expand or to become more self-sufficient really.* Director, Case 1

All organisations, particularly those with charity status, continued to receive donations from a variety of sources including, for example, service users, their relatives and others in the community, as well as contributions from small local businesses and corporate donors in some cases. For instance, Case 7 received donations that included solar panels and surplus food donations from large corporates, plants for their garden from the charitable sector, as well as monetary and other donations (e.g. clothes, walking aids, raffle prizes) from service users and their relatives. As the organisation's care manager remarked:

> *Some people will just come in Monday and say, here's a tenner, some people, it's their birthday, instead of getting birthday presents, they'll bring a cheque in for £100 and say 'that's for the fund, this is amazing, this has changed my life I wouldn't be here if it wasn't for you.' [...] It just astounds me, it never, ever fails to get to me. I just cannot believe people's generosity.* Chair of Trustees, Case 7

5. The role of partnerships and sources of support

This section examines the partnerships, networks and support used by community businesses to access resources, customers and clients, and to improve their ability to deliver effective services. As already suggested, community businesses are often highly dependent on their local networks and partnerships, most frequently with other civil society and public sector organisations with a similar or complementary focus on the needs of clients groups. The varied relationships involved can be divided into four main categories which are sometimes overlapping:

– **Formal and statutory partnerships** – notably with commissioners of public services within local authorities and NHS clinical commissioning groups, who may also play a role in the governance and strategic direction of community businesses holding public service contracts (e.g. Cases 4, 8).

– **Delivery partnerships** – to pool the resources needed to address complex and varied needs, and help access client groups including through referrals from hospitals, GPs and social care services (Cases 2, 3, 4, 5, 10). This can also include sharing premises and working in community facilities to increase the accessibility of services for particular groups (e.g. Case 4: schools, libraries, community centres; Case 5: GPs; Case 7: GPs, police, other local organisations; Case 8: no building of their own so dependent on other organisations' facilities to deliver service, e.g. schools, yoga centres, NHS premises).

– **Business support** – to address specific gaps in skills and competency through the provision of advice, mentoring and training, which may be related to marketing, access to finance, IT and systems, managing volunteers and so on.

– **Other less formal relationships** – including with respect to:

- Donors, volunteers and those providing assistance with fundraising;
- 'Communities of practice' for sharing knowledge and models with other public and civil society organisations, including at national and even international levels in some cases (e.g. Cases 2, 3 and 8).

Community businesses were often found to participate in complex webs of mutually supportive relationships, with the longer-established partnerships having been built on the mutual trust and respect gained from their rootedness in communities. Also relevant here is the notion of an 'ecosystem' involving various organisations and the interconnections between them and sources of support, as introduced in Section 1.

Partnerships with the public sector were particularly significant in those cases that were delivering public services. In Case 4, a public sector spin-out, the close relationship with the 'parent' local council was also based on their ability to work closely with them to add 'local value':

> *There were national organisations that bid for [this contract] – they didn't win, [Case 4] won and one of the reasons for that was because of that local added value [...] it's the additionality [...] that they could then demonstrate in their contract, and being able to work with us, rather than for us, I think is probably a crucial way of looking at it, that they are embedded into the infrastructure of [the area] that's quite critical, rather than me having to contract manage them, it's more of a relationship management.* Head of Health and Wellbeing, Borough Council, Case 4

However, it was also apparent, from interviews with commissioners and others (e.g. Cases 1, 4, 5), that the constrained and diminishing financial resource available for public services was impacting on relationships. For at least one organisation, commissioners were perceived as having become "more detached" and less likely to engage in "productive dialogue" since the onset of public sector austerity (Case 5).

Most of the delivery partnerships across the cases tended to be with other civil society and public sector organisations. Although some had partnerships with private businesses, these were more often seen as competitors rather than delivery partners, except in a few cases where such links were with corporate donors (i.e. related to corporate social responsibility) and socially-minded local entrepreneurs and small businesses offering support (e.g. Cases 4 and 6).

The threat of increasing competition, for private funds as well as for limited and diminishing public funding, was a challenge for many of the cases, forcing some to carefully assess their relations with other organisations who could be both partners and competitors, including public sector and other civil society organisations. Some were responding to increasing competition by seeking to develop partnerships with new or incoming organisations that were potential competitors and in order to reduce 'duplication' in provision:

> *We've been here, quietly plodding away, for 12 years, building up that reputation and those networks and all of a sudden there's organisations who sort of want to parachute in, 'cause they've got vast sums of money to do something that we've already been doing. [...] that's my biggest bugbear, reinventing the wheel or duplication, I hate it, I really do hate it with a passion. So, I have those real honest conversations with people to say, look, you know, we're already doing this, let's work in partnership.* Centre Manager, Case 1

Other examples of sharing knowledge, expertise and other resources are given in the quotations in Box 3.

Box 3: Examples of sharing resources, knowledge and support

> *We support others to set up their own community wellbeing spaces, so it's one of the sort of services we offer, so I think over the last two years we've helped 30 others, from schools, community groups, etc., to set up their own, so they can come and learn from us, we can go and give them some advice and they can then buy lots of plants off us. […] We've been asked to build a garden on a housing estate, you know, it's a Bangladeshi area and if we can get these communal spaces turned into sort of growing pocket gardens and create ownership for the locals."*
> Director, Case 2

> *Because we're so local and connected within the community here, […] it's just through conversations and yeah, the frame shop donates, it is probably our biggest supplier, which is a Perspex factory on the industrial estate, they do shop fittings for [large retail chains] and stuff and they donate all our Perspex and…we get a lot of wood. Our problem sometimes is that we get donated so much, we've got nowhere to put it, but that's a good problem to have. So, we have a lot of local partnerships and it all happens through who people know and then there's all the members, there's 70-ish members at the minute, they're all local people, we've got contacts and people will always say, well, I've got this mate who's found all this stuff.*
> CEO, Case 6

> *[The] hospital volunteer car service, […] when one of their buses has broken down, they've borrowed ours, haven't they… And likewise, when we have our Christmas party and we've got 100 people to bring in, I will spend an afternoon with Rosemary who runs this and they will do four or five runs for us, so you know, you scratch my back and I'll scratch yours.* Care Manager, Case 7

> *There was somebody from [name of city], she phoned up here because something very similar had happened to her, where her mother… […] they were closing it down and she was like, we can't allow this to happen, so I just had a conversation with her, told her what we'd done, told her how we ran things and how we were incorporated and I think it just gave her the confidence. [Interviewer: Would you have been just as willing to give her advice if she had been from the local area or would you have been more careful?] No, I'm happy to talk to anybody and work with anybody, provided they're not just in it for themselves, do you see what I mean? I don't think that people and organisations should profit from something like this. We do run at a profit, but all our profits go back into the organisation.* Chair of Trustees, Case 7

> *We set up a village links scheme, where we provide a transport service to and from [older people's] homes to the local GP surgery or to the local dental practice or to the veterinary surgery, anything that keeps them being able to access the local services within the community. […] We're the first social enterprise to have a working partnership with our local GP who social prescribes to us and [name of the] council are saying "how have you managed to do that, you know, they have been trying to achieve that with other local practices. GP practices have asked me to go along and give a talk because it's something that they know is very much needed, is a valuable service and they just want other rural villages to come together and do very similar things to our village link scheme. So we're sharing good practice by doing what we've been doing over the last three years, which is quite an invaluable service.* Director, Case 10

With regard to the use of business support, there were some mixed experiences. For instance, Case 5 had received £100,000 from the Investment and Contract Readiness Fund but, according to the CEO, had to spend this on consultants with a government owned agency that charged £1,000 per day to talk about "all the stuff we already knew and we got very little out of that".

For another organisation, it appeared that availability of good quality support was less of an issue than having the time to apply the learning gained:

> *"I'm constantly seeking advice from agencies or organisations that I think will help and I do get some good advice and it comes back to the time, you know. It's like funding, I've been on some fantastic funding, this is how you do funding and I've come back really, really fired up, and then not having the time to carry it through, so I've done training, we've bought in sort of training, but it's only effective if you've got time to follow it through."* Centre Manager, Case 1

6. Managing community businesses: capabilities and challenges

The success of community businesses in the health and wellbeing sector is dependent on the skills and capabilities required for a flexible and strategic approach to managing both their social mission and the commercial imperative to be financially sustainable. Managing in this context can therefore be more challenging than in the case of a purely commercial or public sector provider. In this section, we further explore the challenges experienced by the case study organisations and the key entrepreneurial and management capabilities that have enabled them to survive and flourish.

6.1 Navigating the tensions between social and commercial objectives

The evidence from across the cases demonstrates the challenges involved when seeking to combine social and commercial objectives. An over-emphasis on the social at the expense of the commercial is likely to limit organisational development and growth, and even lead to closure unless there is a ready supply of grant funding or philanthropic donations. Although none of the cases were found to have drifted to a purely commercial focus, four reported that they had to adjust their original social mission in order to survive. In Case 8, a strong social mission and lack of income to support it had led to the organisation going bankrupt, both as a charity and a business, on two occasions in its past. However, it was subsequently able to reassess and adjust its business model, allowing the organisation to renew itself and thus continue to meet its social mission.

The commercial imperative to survive and precarious financial positions can also result in many community businesses feeling that they are absorbed with addressing immediate challenges and crises (or 'firefighting') and less able to take a longer term strategic approach or invest in their business to meet their social mission (e.g. see also Richards *et al.*, 2018). In Case 3, a city farm, the CEO related how the organisation had at one point faced the threat of closure due to lack of income but had overcome this by investing in the organisation's future development rather than continuing with a short-term strategy of cost-cutting:

> *When I came here, the place was essentially bust, it was right on its knees [...] There was a Save Our Farm campaign, that produced money for a full-time Chief Exec and that's when I came on. The philosophy from the interim Directors they'd put in before that was very much cutting down costs, but you get to the point where your ultimate success with cutting the costs is there's nothing left – we spend nothing, we do nothing – you've gone, in other words, and that's really not a very long-term sound philosophy. So I said, what we've got to focus on is generate income, stop cutting things, start building things and that's what we've done and we've generated income and done it successfully. So, the last seven years have been growth the whole way and turnover is now double what it was when I joined.* CEO, Case 3

There is also a danger of giving too much emphasis to the commercial elements of organisational strategy. While community businesses clearly need to be financially viable, there is a risk of becoming so focused on income generation that they suffer a 'mission drift' away from their core objective. One CEO (Case 5) felt that this could also be a risk when bidding for public sector contracts and observed that some community businesses were becoming like private businesses where there is "more of a focus on winning contracts rather than delivering quality".

Case 2 particularly exemplifies how creativity following a business logic can be moderated by the social mission and focus on the community of interest. Although they were one of the more entrepreneurial and innovative cases (i.e. having created a varied portfolio of commercial activities), the focus on the needs of their service users was still the core of the organisation's social mission:

> *"[...] we don't sort of flex and hire and fire and start and stop things like others do, if we bring a workshop on we keep it, unless people don't want to do it. Stability and regularity is a key thing for a lot of this and that the group at the higher levels of need benefit from. So our first life drawing class started on a Tuesday afternoon 21 years ago and it's still on a Tuesday afternoon, so it's that kind of thing that, you know, we've just grown doing the same thing.*
> Director, Case 2

Two other organisations gave examples of having turned away from opportunities to develop certain income-generating activities where it was felt that this could detract from the quality of their core services and client experiences.

Strategies to combine social and business objectives

A challenge facing all community businesses is the need to develop strategies that balance their social objectives with the commercial imperative to generate the income needed to be financially sustainable. Figure 1 (see the Executive Summary, page 5 of this report) shows four potential types of strategy. While the low surplus and low social value scenario is obviously to be avoided, the other three quadrants show strategies that can be justified according to the priorities and circumstances of the organisation.

Analysis of the case studies reveals two main strategies. First, the mission integrated model involves a combined social and commercial strategy, with trading activity that directly meets the organisation's social objectives (Haugh *et al.*, 2018). Secondly, the cash cow or cross-subsidy model uses a predominantly commercial activity to generate a surplus that is reinvested to support the social mission. Some organisations combine both strategies, but with changes in the balance between them varying over time, depending on the opportunities available and the entrepreneurial capability of organisations to identify such opportunities and take advantage of them.

The mission integrated model, whereby social and commercial objectives are combined within the same service, was found in most of the cases examined here. Examples of this include Case 2 where its social mission to improve the lives of client groups was met by providing an income generating service to individual budget holders. Other examples include work integration community business activity, such as where a café is used to create employment experience for the client group while

also generating income by selling to the general public, as in Case 3. It should also be noted, however, that such activities may not generate the surplus needed, as in Case 1 where its community café, while generating some income, was not able to cover its full costs and would have failed as a purely commercial venture, according to the CEO.

The second set of strategies, the cross-subsidy model, involves income generation activity that is less directly related to the core social mission, such as from letting-out building premises and facilities to commercial tenants as in Case 7. Most of the community businesses examined, however, were found to be generating income from activities that, although not directly related to their core social mission, nevertheless contributed social value to their communities, as illustrated by the following example:

> *"We've moved enormously towards trading for most of our income, so that the nursery and the café and the room hire are really important to keeping us going [...] without those, we'd be tiny. [...] [Community] projects are critically important to the social mission. We could run this as a business really quite easily, but you'd have to close a lot of the overhead down, so e.g. gardens would be much smaller or more neglected. [...] The social mission thing costs money, that's the bit where we're constantly, constantly battling to get money.*
> CEO, Case 3

Similarly, Case 4 were able to make a surplus from some of their core leisure and fitness services, notably gym memberships, and to use this to cross-subsidise their community outreach activities. This included provision for groups that would not be comfortable using a gym, such as activities for older people in residential homes and women only classes for those from the local Pakistani community.

The case study evidence therefore shows the difficult choices faced and the need to combine flexibility with a strategic approach in a challenging funding landscape. This is explored in further detail below in relation to some specific aspects of community business management and strategy.

6.2 Managing staff and volunteers

How staff and volunteers are managed also poses challenges that can be understood in terms of the tensions between social and commercial objectives. As with all businesses, skilled staff need to be recruited to key positions, but in a community business staff need to have a particular understanding of, and ability to negotiate and combine, the social and commercial dimensions of their activity. While some organisations reported difficulty in recruiting staff with specific skills, one felt that recruitment had become easier since the onset of public sector cuts due to the greater availability of skilled applicants who had been made redundant from the public sector and other social/community enterprises that had been forced to downsize or close.

Smaller community businesses often rely on the abilities of generalists, given that their turnover and customer base is usually insufficient to justify recruiting specialist management and administrative staff. For instance, Case 8 had had to close due in part to the cost of its administrative team, but was able to develop a new business model that removed the need to employ administrative staff.

Although staff training was recognised as vital for the improvement of services, three organisations reported that they found it difficult to invest in training while also having to make savings due to the decline in income from public sector sources (including from personal budget holders in some cases). One business felt particularly vulnerable and at risk of losing its public sector contracts, making it hard to justify investment in the training of service delivery staff who might ultimately be transferred to a new provider.

Seven of the ten cases were highly dependent on volunteers for service delivery. This lowers their costs and can allow the flexibility needed to adjust resources in line with the highs and lows of variable demand over the course of the week. However, concerns were also expressed that an over-reliance on volunteers could result in a lack of stability and control. Case 9, for instance, a small venture, was reliant on volunteers for administrative tasks, such as accounts and publicity, and the running of certain activities but felt this was sometimes impeding their day-to-day operation:

> *"[If they are] an employee, you can tell them what they're supposed to do and expect them to do it within a certain timeframe, but volunteers don't necessarily feel the same responsibility; it may not be a priority for them and that's absolutely fine because they're volunteers, but it can be frustrating.* Chair of Trustees, Case 9

Three of the cases were moving to reduce the input of volunteers and to replace them with qualified paid staff as part of a strategy to become more professional and to improve service quality.

Case 4, a large organisation, made little use of volunteers, although it was suggested by a stakeholder interviewee in the local council that the organisation could explore the potential of taking on more volunteers as a way of reducing staff costs and to cope with cuts to its public service contract. However, this also suggests a tension with the organisation's co-operative ideal (as well as the local authority who also described themselves as being a 'co-operative council') and the importance attached to supporting paid local employment and the delivery of specialised services by qualified professionals.

Over half of the case study organisations were involving their clients in volunteering as a way of delivering health benefits, and as a form of therapeutic rehabilitation (notably Cases 1, 2, 3, 5, 6, 7). In Case 3, for instance, the volunteering process was used to engage recovering clients in meaningful activity and used the concept of *"inclusive supported volunteers … [we] don't really like to use terminology of clients or service users, we use the word volunteers, which is great for people's self-esteem"*. This approach to volunteering was also found to be particularly important as a way of providing some continuity of contact with clients whose state-funded sessions had come to an end but who were still in need of support.

It is important to note, however, that such therapeutic uses of volunteering also raise issues relating to the safeguarding of vulnerable individuals, and the need for appropriately qualified staff to be involved in supervision. This comes at a cost which either has to be covered by contracts with health services or other income sources. Two organisations were using personal budgets to cover the cost of supervising volunteers, while also encouraging other clients with personal budgets to become volunteers:

> *We have changes to our funding and we're trying to then get people paying – they're a little bit confused because they're telling the people that are doing the assessments that they volunteer and we're trying to explain that is true, but that sort of highlights our success – that people believe that they're a part of something, which they are, but at the same time it's quite hard. That perception of being a volunteer and supporting us but having paid for it is really challenging the whole system.* CEO, Case 3

6.3 Growing and scaling-up impact

Many of the cases had experienced periods of growth and contraction within their locality, with Cases 2 and 8 in particular having expanded their services to a greater number of clients, at a higher quality and in new locations. Case 8 had grown beyond its original focus within a particular geographic community by transforming its business model to deliver services on a much wider scale, reaching more beneficiaries across England and internationally. Being able to grow beyond their local neighbourhood was crucial to the survival of the organisation and to fulfilling their mission to reach as many children with special needs through yoga as possible (see Box 4). The organisation has also contributed to the birth of new community businesses with similar social missions in other parts of the country.

In the current difficult funding environment, however, some organisations were having to manage reductions in their income or choosing to remain at a 'steady state' as a way of surviving. In addition, one small venture (Case 9) emphasised that staff capacity issues were providing a vicious circle hindering their growth potential.

Box 4: Case example – from struggling to survive to scale

Case 8 – Yoga for people with special needs

This case provides an interesting example of a community business that, after struggling to survive over a number of years, has been able to grow and significantly increase its impact by transforming their business model. Throughout this journey, the focus on helping as many children with special needs through yoga has remained central to its social mission. The organisation has been located in the same geographic area from 2004 to 2017 and is well known in the local community. It provided support for children with special needs using therapeutic yoga interventions, offered yoga teacher training and generated additional income by providing yoga classes to the local public. In light of the venture's philosophy to 'never turn a child away', the additional trading income was used to cross-subsidise their social mission related activities.

The organisation also experienced ongoing challenges, despite various attempts to adjust its model of operation in response and in an effort to become more sustainable. The biggest challenge was the costs associated with running the organisation from its building and a very administration-heavy staff structure. During 2004 and 2017, the venture collapsed twice as a charity and twice as a limited company.

In 2017, a strategic decision was taken to completely remodel the organisation and to operate as a much leaner virtual team, delivering training on the premises of other organisations (e.g. in partnership with schools and other community organisations) across England and internationally. Despite this transformation, they have retained their important link to their place of origin and have maintained relationships with many of the organisations (particularly schools) they served there before becoming virtual. Also, some of the practitioners they trained have subsequently established new community businesses with a similar social mission and approach across England:

> *[I]t's that kind of thing of moving out of [being] London-centric. So, for example, one of our practitioners, with some support from me, has set up two yoga classes for autism, ADHD in Brighton. There are classes being run in Liverpool, so it's through training the practitioners that the practitioners work within their own communities, their own schools, etc. Also, we get quite a few parents on our training courses and the parents will tend to gather together other parents and children and run classes that way.* Project Manager, Case 8

Case 8 thus went from primarily catering for its local community of origin to serving people in various locations in the country and abroad. As they now train increased numbers of practitioners, they also manage to reach larger numbers of children. Their new approach to providing services has thus not only helped them to survive but also to expand the reach of their services in line with their mission to improve the lives of as many special needs children as possible.

> *We need to have a certain number of sessions running to generate enough income to fund the project management time simply to run the project and we're not really at that critical mass yet because we're subsidising low-support need service users who don't qualify for high enough personalised budgets to afford the full price of our sessions, but who arguably benefit from them the most. But in order to get to a critical mass we need to recruit new service users and recruit and train new staff to put on new sessions but we don't yet have the income to provide the necessary project management time to do this – Catch 22*

The growth imperative was found to be greater in cases dependent on public sector funding, since this often requires a 'critical mass' in terms of capability to deliver and financial reserves. As previously noted, for the smallest community businesses, becoming more professional in how they deliver their services may involve reducing their reliance on volunteers.

Smaller organisations often lack the size and capacity to lead large bids (e.g. as in the case of Cases 1 and 5), and the tendency of public sector commissioning to favour contracting with large businesses has contributed to the closure of many smaller organisations:

> *There's not enough funding to go around. You're competing with other organisations the whole time, it's very, very tight budgets, most organisations are closing and shutting down, we've survived because we're quite big, but you can't just find funds elsewhere, funds are very, very tight.[...] It's the end of small organisations, they cannot compete, because to compete you have to have a whole massive team and by massive I don't mean hundreds but, you know, you need let's say six full-time staff for just doing the monitoring. Everything is results based now. [...] We are okay because we definitely have capacity, that's why we're growing. So if anything, we've benefited from all the ones that are smaller closing because I have less competition when I put up my bid, because I know I can deliver. [...] So that's just what happens in the country. The small, little, interesting ones have gone.* Deputy Director, Case 2

Although growing, one organisation had chosen a cautious strategy of building up its financial reserves in response to a precarious financial situation and the demanding public sector procurement rules:

> *We want to be a sustainable organisation and that means we have to be very business savvy as well. Now we're cautious about using our reserves for the benefit of our beneficiary, we're far more likely to hoard those reserves to protect us against challenging financial times ahead of us... the driver is shifting more towards financial necessity and protecting ourselves... what is best for the service user is that we are actually still here.* CEO, Case 5

There can also be a tension between community focus and business growth objectives. Community businesses often prioritise understanding of how best to serve their communities, which can be jeopardised by rapid growth. Case 2 had been established over 25 years ago to promote the artistic and creative abilities of people who experience severe and enduring mental health issues and, in response to demand from its service users, had diversified into a series of ventures including sports and leisure, landscaping and horticulture, design and publishing services. At the same time, they had always followed a 'slow growth' approach:

> *It's been running 25 years, so obviously it's had some changes, 25 years of a growing organisation that started with two, you know, we were young artists starting it to what it is now, which is an educational college with 900 students, so there has been a slow change throughout the years, as we grew to our capacity. Okay, one of the things we've always thought, even from the very beginning, is that we never stepped bigger than our foot would take us. [...] we've never looked at it as a kind of, make it really big, network, you know, get it across the country, move on, we've always seen it a bit like an organic growing experience according to what the need is in the society at the time and so the growth has happened because of the need.* Deputy Director, Case 2

As noted in Section 5, some community businesses contribute ways of increasing their social impact that do not involve organisational growth, such as by sharing their models and know-how with like-minded organisations, both nationally and internationally. Such sharing can therefore be a way of maximising social missions, although there can be a tension where openly sharing knowledge and ideas may put the organisations' competitive advantage at risk when bidding for contracts against other businesses (whether private or social enterprise). For instance, one interviewee reported that, although they did openly share information, they also had concerns:

> *You could say that is not very savvy; we're not protecting our Intellectual Property. But it's not something that can be exploited anyway, as it is so unique to your circumstances that it needs a lot of adapting and changing before you can use it. [...] Being proprietary about stuff and trying to guard it all isn't really going to help that; it's counter to what we're here for. [...] The more you share, the more you get back!* CEO, Case 3

6.4 Managing declining income and closing contracts

Just as community businesses need to develop the capability to generate income, they also have to find ways of coping when a funding stream ends. The management challenges raised include a need to ensure, as far as possible, that vulnerable clients are not left without a service which they have come to rely on and still need. There may also be a need for difficult commercial decisions to cut staff and other costs to ensure financial sustainability. When this is done badly, it can result in the closure of a community business and potentially open a service gap in the community. Two of the case study organisations had taken on responsibility for services previously delivered by other community businesses which had closed.

Community businesses therefore need to find ways of coping when funding for critical services is terminated but where vulnerable clients that are dependent on those services need more time for their recovery (e.g. Case 1). In Case 5, managers reported that their approach to the development and co-production of services in collaboration with users had been lost when severe financial cuts resulted in senior managers having to push through changes.

In Case 3, funding for some service users was limited to a four-week period of support during which local councils appeared to expect individuals with mental health issues to be 'cured'. However, interviewees pointed out that such conditions are often suffered over much longer periods of time and the organisation therefore had to find ways of continuing to help clients by drawing on resources from other areas to cover the costs involved.

In two other cases, interviewees explained how the uncertainty of fixed-length treatments can create instability and stress for vulnerable people, as well as the stress of job insecurity for staff. A volunteer of one community business gave the following example of the impact this can have on service users:

> *Last week [...] he was sitting there, turned to me and said 'I'm worried that I won't be able to keep attending', he said, 'my funding ends in February', he must have six months, July, August, or something like that. He said 'will I be able to keep attending because I love the place?' So that's an example and it gets people quite ill, I've found. [...] The last two or three years, I've seen other people who get so worried that they have become quite unwell and they've been back in hospital with the worry and that's happened to quite a few people. I think the worst thing in mental health is uncertainty, you know, that's the worst thing.* Service User, Volunteer and Trustee, Case 2

7. Conclusions

The contribution of community business to health and wellbeing

This report shows how community businesses are able to deliver effective ways of tackling some of the more complex health and wellbeing issues facing society. Through their ability to link a range of different approaches, they provide 'spaces of wellbeing' and the concepts of 'community' and 'cooperation' are often intrinsic to how they design their services. The diverse services and activities, which were often combined and delivered in innovative ways, included specific therapies, treatments and rehabilitative activities for those suffering from mental or physical health conditions.

The study shows the varied ways of supporting mental health in the community, including the provision of supportive spaces, building self-esteem and vocational skills, and tackling social isolation and loneliness. Other specific services relate to substance misuse, sexual health, obesity and general fitness. Community businesses offer innovative ways of tackling health issues that promote healthier living and support the economic and social inclusion of those who are at risk of being left behind. These impacts may differ from the conventional 'biomedical' approaches to health and there is a need for greater investment in building the evidence base so that their potential benefits and complementarity with mainstream services can be better assessed.

Social entrepreneurship and diversity of income

Many of the community businesses examined demonstrate the entrepreneurial capability needed to identify and take advantage of opportunities and to diversify income streams. Some opportunities and funding sources are directly linked to social missions to promote wellbeing (such as paid for health and fitness services or a nursery), while others involve commercial services (such as room hire or cafés) which generate a surplus used to cross-subsidise activities which contribute social value. Community businesses face the challenge of finding ways of making the most of their physical assets (such as buildings) and of their skills and experience.

Over the past 30 years there has been a dramatic increase in the outsourcing of public services, with public sector contracts now constituting a large proportion of the income of many community businesses in the health and wellbeing sector. The commissioners of public services are therefore key players in supporting community business models in health and wellbeing. Public sector sources of funding include competitively won contracts and personal budgets held by individual clients. Accessing these sources requires community businesses to develop particular capabilities and to be entrepreneurial in how they interact with the public sector. The use of personal budgets requires managers to understand both the public sector context but also the marketing and publicity required to attract users. The commissioning process for public services has shifted to increasingly large contracts over large geographic areas. Smaller organisations often lack the size and capacity to lead large bids and thus need to develop their collaborative links with organisations that have a complementary focus on the (often complex) needs of target groups and communities.

Partnerships

Successful community businesses often have a range of formal and informal partnerships that allow them to understand needs and opportunities, deliver services and strengthen their organisations. Relationships with the public sector are particularly important but often under pressure in a time of austerity. There is also a wider 'community business ecosystem' involving relationships with other providers, advisory services, sources of funding and other support that is vital for the survival and growth of the sector. Effective ecosystems are dynamic and work best where there is flexibility, mutual learning and co-ordination amongst the interacting parts. Allowing community businesses to develop their own networks and partnerships is also vital for this, rather than an overly top down conception of what a business support system should be.

Entrepreneurial and management capabilities

Managing a community business is not easy. The combination of commercial with social objectives can give rise to tensions and a need to find ways of navigating through them. There are risks of being overly commercial and of being too narrowly focused on the social mission. Minimising such risks requires careful strategies that allow staff, trustees and volunteers to understand and navigate the tensions between social and business/commercial objectives.

Community businesses also have to balance the social and commercial when managing people including salaried staff and volunteers. The ability to attract volunteers could be seen as the 'community business dividend' for the public sector, but commercial pressures on organisations can create further tensions in the relationships with volunteers and how they are supported.

Finally, although community businesses are, by definition, rooted in their place of origin, they are also confronted with the dilemma of whether (and how) to grow their impact. The different forms and ways of enabling business growth and social impact include:

– **Growing the organisation** – in order to be competitive and to deliver services on a wider scale by:

- Recruitment of specialist staff with key skills, such as bid writing;
- Use of volunteers to expand capacity and co-produce services – although note that business development and becoming more professional in some contexts may necessitate replacing volunteers with professional/qualified staff;
- Collaborative partnerships with other providers to enhance organisational and financial capacity to tender for large public sector contracts;
- New business models for innovative service delivery.

– **Open sharing of knowledge and replication of business models** – to reach a wider 'community of interest', contribute to the development of the community business sector and grow social impacts by:

  - Supporting new community business start-ups in other communities, such as through training and mentoring for social entrepreneurial individuals;
  - Knowledge exchange with similarly-motivated (often civil society or public sector) organisations which can be at local, national and international levels.

Although the organisations examined in this report have varied experiences of growth, most have also experienced contraction. A common response is to remain small and lean for survival at a steady or low-growth state in a challenging environment.

Recommendations for policy in England

The findings of this study can inform the development of a more supportive ecosystem for community businesses across the country, and feed into Power to Change's programmes which are aimed at helping community businesses across England to thrive. They can also inform policy development at a national level through the Civil Society Strategy of the Department of Digital, Culture, Media and Sport. The following recommendations involve strategies and actions by other policy actors and support providers at national, regional and local levels:

1. **Raising awareness and building and communicating the evidence base** – NHS England, the Department of Health and Social Care, Public Health England and commissioners across the country should devote much greater attention to the potential offered by community businesses delivering health services. This can include:

– building the evidence base around community business-related health innovations and recognising success;

– better understanding their financial performance vis-à-vis public bodies (NHS or local authority);

– analysing their care quality and assessing their ability to address inequalities in health care provision and access;

– developing a programme with general practitioners and other health professionals to better understand how community businesses can take pressure away from the NHS more widely (such as through social prescribing);

– identifying good practice in communication between commissioners and providers;

– ensuring smaller community businesses are not disadvantaged by the accreditation processes needed to ensure quality.

2. **Public service commissioning** – The Office of Civil Society at the Department for Digital, Culture, Media and Sport should work with other departments and local authorities to recognise and collectively raise awareness of how the additional value created by community businesses can feature in the commissioning process. There is scope for all commissioners, in central government, local government and health services, to make greater use of the Public Services (Social Value) Act 2012 to deliver greater value to taxpayers and communities.

3. **Support and infrastructure** – The Department for Business, Energy and Industrial Strategy should systematically review their full range of support programmes, the activities of Local Enterprise Partnerships and government's finance interventions to ensure they better respond to diverse business forms, including community businesses, which seek to balance social and commercial imperatives. For instance, Growth Hubs should be directed to specifically aim their efforts at supporting community businesses, allowing them to tailor business support to their needs, such as through a voucher system. Local authorities and other funders can also target their business support through using vouchers and other programmes.

4. **Reducing regulatory barriers and unfair competition** – The Department of Health and Social Security and NHS England, working with NHS Improvement and the Competitions and Markets Authority should identify where community businesses and other social enterprises are disadvantaged compared to other private and public sector providers, such as in terms of costs related to accreditation, staff salaries, pensions or VAT. This must assess progress since the Fair Playing Field Review (2013), urgently address unfair practices and put mechanisms in place to ensure future policies are proofed against unfair competition.

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Appendix – Interview topic guide

CEEDR Middlesex University in collaboration with SEUK
The Role of Community Businesses in Providing Health & Wellbeing Services – challenges, opportunities and support needs

Interview Topic Guide – CEOs and Staff

Name of interviewee:
Role/position:
Name of organisation:
Type of organisation:
Mode of interview (telephone or face-to-face):
Date:
Notes:

Introduction:

We are conducting a study on wellbeing community businesses, with a particular focus on how they help their beneficiaries/services, the challenges they face and their support needs.

The study is conducted by the Centre for Enterprise and Economic Development Research at Middlesex University and Social Enterprise UK, and is funded by the Power to Change Trust, a charity focused on supporting community businesses across England.

The main topic areas that we would like to discuss with you are:

– The nature of your activity

– How you deliver your services/activities

– Partnerships and collaboration

– Challenges and support needs

Note:

Stress absolute confidentiality of the interview – that interviewee/organisation will not be identified in any report or details forwarded to any other party without permission. The data will be stored safely and will not be attributable to you without your prior permission. You are able to end the interview at any time.

1. Background of the Organisation/Project

First, I would like to ask you some questions about your organisation and how it operates:

1.1 What is your role within the organisation?

1.2 Please could you briefly summarise the aims of your organisation

– establish if health & wellbeing key focus of activities, or just one element of activities

– What type of care– health/public health/preventative/ social care/ complementary health

1.3 Who is your main target group?

1.4 Could you tell me about the journey of the organisation/project and for how long it has been operating?

– Was the venture set up to address health & wellbeing needs or has it evolved from a change in focus in response to changing community needs?

– What funding helped you start up? What external funding or loans have accessed since?

1.5 What is the widest geographic area your organisation operates across? (i.e. neighbourhood, village, borough etc.?)

2. Trading Activity

2.1 We are particularly interested in the use of trading activity to support wellbeing – please could you tell us more about your trading activities (probe for details in relation to sales, public sector contracts, rent received, membership fees etc.)

– What activities – if more than one, probe for relative importance and how balanced

2.2 For each activity: Who involved and how delivered – including contribution of staff/volunteers and any involvement of beneficiaries in 'co-production'

2.3 If relevant – We'd like to know more about your use of the building and its role within the community where you are located…

Probe for type/nature of building, owned by organisation, how used/managed, how they create 'the right feel' to appeal to a wide range of people/service users, marketing/design/presentational strategy

2.4 What is your approach to scaling-up your services/activities?

Ask for details (have they grown in past years, how developed and managed, has their model been replicated elsewhere, plans for future)

2.5 What is your policy about having reserves for the business? Are you able to make a surplus for your reserves?

3. Innovation

3.1 Would you describe any of your activities as particularly novel, or different compared to what other organisations with similar aims do?

If yes, in what way? Probe for origin of concept/idea – new to organisation, service area/market?

3.2 Do you approach health & wellbeing in a different way to others? If yes, can you please explain?

How does this affect the way you run your venture?

4. The Role of Partnerships and Collaboration

4.1 What is your relationship with other community businesses/health & wellbeing service providers?

(Establish if mutual support, co-opetition or both)

Establish eco-system of support (e.g. proximity to other related community business sub-sectors, clients/service-users and suppliers for: mutual support; learning; trust and ecologies of firm inter-relationships

– Can you give an example of a partnership/collaboration that has worked well? If yes, what makes this work? (probe on mutual learning and role of trust)

– What knowledge do you not want to share openly? Why?

– Who would you share with? How do you know who to share with?

– Can you give an example of a partnership/collaboration that has been difficult? If yes, please explain.

4.2 If relevant, how do you as a centre act as hub for other community businesses?

5. Challenges/Barriers and Support Needs

5.1 What main challenges/barriers have you been facing in relation to the activities you have described?

Get interviewee to list them and probe for:

– difficulties at different stages (e.g. pre start-up, start-up, post start-up)

– nature of barriers (e.g. financial; regulations; discrimination; lack of support/advice from official or other sources etc.)

– lack of skills/qualified staff?

– lack of time an issue?

– raising funds / winning contracts

Taking each issue:

– how have they been dealt with?

– how is this difficult for you as a social enterprise/charity/CB?

Where are current sector specific support gaps, as well as gaps in support at different stages of the community business life cycle? How can these be overcome?

5.2 If not covered before, do you see it as challenging to combine your social objectives with the need to generate an income through trading? If yes, how do you address this challenge?

5.3 Have you made use of any sources of external support/advice?

Establish detailed eco-system of support – probe for

– who from; when?

– nature of support

6. Sources of Income

6.1 I'd like to clarify the different sources of income generated by your organisation (Read the list and tick all that apply and then return to the ticks and ask for proportions if known)

Source	%
a. GRANTS	
Grants or core funding from public sector bodies	
Other grant or core funding (e.g. foundations, trusts, Big Lottery)	
b. EARNED INCOME	
Earned income from trading with the public sector (e.g. contracts to deliver public services, CCG, LA, other)	
Earned income from trading with the private sector	
Earned income from trading with the third sector orgs (e.g. charities, VCOs, social enterprises)	
Earned income from trading with the general public	
c. PERSONAL BUDGETS	
d. DONATIONS	
Donations from private sector	
Donations from general public	
e. Other (e.g. own funds)	
f. Not applicable	
g. Don't know	

6.2 If not covered before, which sources of income provide the greatest challenges and opportunities?

6.3 If not covered before, What funds or contracts do you get from the public sector? (Probe: CCGs, LAs, social prescribing, personal budgets)

– What are your relationships with commissioners?

– Is public sector funding combined for separate services, or are you able to integrate funding from different sources for a single service?

– What challenges do you face with public sector contracts and how do you overcome them?

7. Fit for the Future?

7.1 How resilient and financially sustainable do you feel right now? Explain…

7.2 What do you expect to be the main challenges and opportunities facing community businesses over the next year?

7.3 Are any of these specific to those community businesses that focus on delivering health & wellbeing related services/activities?

8. In Conclusion…

Are there other issues which you think are important in the context of this study which we haven't discussed?

Follow up Interview? – Finally, as part of this project, if there is anything else that I would like to ask you or that I would like to get clarification on, would it be OK to contact you again?

Thank you very much for your help

Background Information

9. Venture Income

9.1 What has been the operating budget of your organisation for 2016-2017?

9.2 Compared to the previous financial year (2015-2016), would you say that your budget has a) Remained the same; b) Increased; c) Decreased; d) DK/REF?

9.3 Has your organisation applied for new sources of finance in the past 12 months? If yes, what form of finance did you apply for (grant, loan etc.)

9.4 What was your surplus/profit last year?

9.5 What assets and liabilities?

10. Staffing

10.1 Including yourself if applicable, how many full-time and part-time paid staff are currently employed in your organisation (across all sites if not just operating in one location)?

10.2 Do you also draw on the help of volunteers? If yes, how many volunteers are currently working for you?

10.3 Approximately what proportion of your workforce (including volunteers) is drawn from the local area in which the majority of your organisations' activity takes place?

10.4 Approximately what proportion of your workforce (including volunteers) is made up of people who are disadvantaged in the labour market?

10.5 How is working here different to public and private sector? (e.g. what support for pregnancy and maternity)

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