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Supporting analysis of the Community Business Market in 2017

December 2017

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LOTTERY FUNDED

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Introduction

This technical appendix supports Power to Change's 2017 report on the community business market. It provides more detail on the technical details of estimating market size for individual sub-sectors, and for the market overall.

There are three appendices in this document.

- Appendix A covers the survey and qualitative methods adopted on the primary research.
- Appendix B details the secondary analysis method and findings resulting from the exploration of the Financial Analysis Made Easy (FAME) sample frame developed by Roper and Bonner (2017). This data was used to supplement survey findings for market estimation, especially data on income, as well as staff and volunteer numbers.
- Finally, Appendix C details the secondary analysis and results from Power to Change's grantee database. This is the main source of estimates of asset size in the sector in the main report.

Supporting data and tables from the community business survey is also provided in Excel format. The data tables provide a breakdown of all single code, multi-code and numeric survey questions from the survey. Base sizes and proportional responses by item are shown. For numeric questions, mean and median scores are presented in addition to estimates for standard deviation. The survey data is provided in .csv format for import into analytical software. For the main report, SPSS was used for data analysis.

Appendix A: Primary research methods

This report is the third study for Power to Change that seeks to describe the community business market. We depart from previous studies in the approach to defining and then estimating market size and place greater emphasis on the market perceptions and opinions of community businesses.

The research activities used to build the evidence base were:

- Scoping interviews to refine and finalise the study approach;
- A rapid evidence assessment of existing literature about the community business market as a whole and the more well-established sub-sectors;
- A review of existing secondary data sources and subsequent analysis;
- A mix-mode quantitative survey of community businesses identified through a screener. The survey was delivered using online methods and Computer Assisted Telephone Interviewing (CATI);
- The CATI fieldwork also fulfilled the purpose of testing a potential community business sample frame suggested in prior research through the administration of a screener questionnaire.
- Qualitative in-depth telephone interviews with community businesses and sub-sector representatives.

The approach was taken to provide the best quality evidence possible to describe the community business market and draw conclusions about its structure. The study was designed to answer a series of research questions:

- What is the composition and size of the community business market?
- What is the outlook for the community business market in the immediate future?
- How is the community business market performing against comparable businesses or organisations?
- What are the threats to market growth?
- Where are the opportunities for market growth?

Scoping interviews

Five interviews were completed with community businesses and support organisations to inform the design of research tools and dissemination of the community business survey. The interviews were drawn from a small preferred sample provided by Power to Change. Interviewees were recruited through an email invitation followed, if required, by a telephone call to agree a convenient time. Interviews were completed over the telephone using a discussion guide agreed between CFE Research and Power to Change. Interviews were recorded and transcribed for analysis. Data was also used to help inform and contextualise the subsequent market assessment.

Rapid evidence assessment and review of datasets

Relevant literature was reviewed, including published research, grey literature, and policy documentation. Relevant datasets were identified and reviewed to inform the development of research tools and assess existing intelligence of relevance to the key research questions.

Search tools

Literature was sourced in the following ways:

- A library database for research studies published in academic journals.
- Online search for publicly available material using Google search, including Google Scholar. This is to cover non-peer reviewed content, including governmental reports, policy documents, and grey literature.
- Through recommendation by Power to Change and other key stakeholders during scoping interviews.
- Hand searching the bibliographies of relevant publications identified through other methods.

Search terms

The search criteria were as follows:

- A time limit of material published since 2010.
- Research and analysis of the community business sector, defined as Power to Change has demarcated the footprint to date.

Suggested initial search terms to use in combination were:

Community plus	Performance	Opportunity
Business/businesses	Turnover	Enablers
Sector	Comparison	Change
Number	Growth	Policy
Legal structure	Decline	Economy
Location	Threat	Funding
	Barriers	Grant

These initial search terms were then modified and expanded on an *ad hoc* basis in order to narrow or broaden searches as required. An internal tabulated summary of the key findings pertaining to the research objectives was submitted to Power to Change. In addition, data from some of the sources identified were used to inform the design of research materials and market size estimates, especially in the case where the data on sub-sectors could be shown as robust.

Computer Assisted Telephone Interview (CATI) FAME dataset testing

Stephen Roper and Karen Bonner's (2017) analysis of Companies House data, available commercially through a database called Financial Analysis Made Easy (FAME), identified a pool of 22,855 business in the UK (19,993 in England) which had the potential to be community businesses. A random, representative sample of 1,993 businesses from this dataset was selected. The coverage of telephone numbers was assessed and, in the case of missing numbers, data-matching was performed to increase the available sample. This process led to a sample of 718 potential community businesses that could be contacted. Telephone calls to these businesses utilised a series of screener questions (see Appendix B) to ascertain if they were community businesses. This provided us with an estimate of business incidence from in Roper and Bonner's potential community business market, and a measure of the number of businesses likely to be missing from the sample frame, to calibrate market estimates.

Community business market 2017 survey

This study adapted the community business survey used in 2016. Adjustments to the survey design were made to improve uptake by survey respondents. This included the addition of further survey routing, question ordering, layout and design. The resulting community business market 2017 survey was disseminated throughout July 2017 to October 2017 via two modes:

- CATI: Those businesses who satisfied the screening questions from the FAME database testing stage were asked if they would be happy to complete the survey by telephone.
- Online: The survey was programmed into our survey software Confirmit and disseminated directly to Power to Change's grant applicants, in addition to being shared by support organisations via newsletters and social media pages.

Overall, 259 full survey responses were collected as part of the study; 73 via CATI and 186 online. The survey was distributed via organisation contacts and no population data exists that describes the businesses approached. This means it is not possible to calculate an overall response rate for the survey. Note, none of the 83 partial responses to the survey are analysed in the main report. The survey data underwent thorough cleaning and checking prior to analysis.

A breakdown of the type of organisations that took part in the survey is provided below in the following tables.

Table 1: Descriptive data on community businesses

Community plus	Performance	Opportunity
Current operational status	259	
Organisation currently operating	245	95%
Organisation not yet operating	14	5%
When operating businesses started trading	245	
Pre-recession (2007 or before)	101	41%
Recession (2007 to 2013)	80	33%
From 2014 onwards	64	26%
Size of business (staff numbers)	258	
No paid employees (includes not yet operating)	55	21%
Micro (1 to 9 paid employees)	135	52%
Small to medium (10+ paid employees)	68	26%

Table 2: Sectors of community businesses taking part in the survey

Community plus	Performance	Opportunity
A cafe	5	2%
A community hub/facility	75	29%
Craft, industry and production	7	3%
Digital services, consultancy or products	1	*%
Energy services, consultancy or generation	4	2%
Environmental/nature conservation services, consultancy or products	1	*%
Finance services, consultancy or products	1	*%
Food catering and production/farming	8	3%
Health and social care services, consultancy or management	29	11%
Housing services, consultancy or management	10	4%
A library	1	*%
A pub	14	5%
A shop	22	9%
Sports and leisure services, consultancy or management	15	6%
Transport services, consultancy or management	3	1%
A village hall	8	3%
Other (please specify)	20	8%
Arts Centre/Facility	7	3%
IAG/ Employability support	6	2%
Training/Education	17	7%
Business centre/business support	5	2%
Total	259	

Table 3: Region of community businesses taking part in the survey

Region	Response (n)	Proportion (%)
Yorkshire and The Humber	30	12%
West Midlands	27	10%
South West	47	18%
South East	27	10%
North West	43	17%
North East	18	7%
London	24	9%
East of England	18	7%
East Midlands	23	9%
Unknown	2	1%
Total	259	

Table 4: ONS rural/urban classification of community businesses taking part in the survey

ONS Rural/Urban Classification	Response (n)	Proportion (%)
Urban Sparse	1	*%
Town and Fringe Sparse	3	1%
Village Sparse	4	2%
Urban Less Sparse	185	72%
Town and Fringe Less Sparse	24	9%
Village Less Sparse	28	11%
Hamlet Less Sparse	12	5%
Unknown	2	1%
Total	259	

Depth interviews with community businesses and sector body representatives

Follow-up depth interviews were undertaken with 26 community businesses. Interviewees were recruited through a re-call question within the survey and were selected to ensure that there was representation from each of the 15 sectors defined in prior Power to Change studies.

Interviews focussed on opportunities and challenges that community businesses had experienced over the previous 12 months in addition to those they were likely to face in the future, what changes they would need to make to respond to such opportunities and challenges, and any support they required.

To help gauge the size of the market in sectors, an additional 12 interviews were undertaken with sector body representatives and support organisations. These interviews covered similar topics to those raised with individual community businesses, but also included questions regarding market size. Some sectors do not have representative bodies and hence an interview could not be conducted.

With interviewees' permission, depth interviews were recorded to allow for full transcription. Transcripts were then analysed and coded thematically.

Approach to analysis of depth interviews

With interviewees' permission, depth interviewees were recorded to allow for full transcription. Transcripts were then analysed and coded thematically to assist in writing up research findings.

Sector body/support organisation interviewee list

- | | |
|--|-------------------------------|
| – Association of British Credit Unions | – Locality |
| – Action with Communities in Rural England | – Open Cinema |
| – Community Catalysts | – Plunkett Foundation |
| – Community Energy England | – Pub is the Hub |
| – Community Transport Association | – Shared Assets |
| – Co-op Culture | – Sport England |
| – Libraries Taskforce | – Upper Norwood Library Trust |

Appendix B: Testing the size of the market using FAME data

Power to Change commissioned Stephen Roper and Karen Bonner (2017)¹ to conduct an initial assessment on whether existing sources of company data could be used to identify community businesses. This study comprised an analysis of Companies House data available commercially through a database called Financial Analysis Made Easy (FAME) and identified 22,855 businesses (19,993 in England) that potentially operated a community business model. Of this analysis they said:

'... it is likely to contain a significant number of 'false positives'. Any survey work using this list might therefore want to include some form of early filter question to establish clearly whether individual businesses do consider themselves to be community companies.'

We devised a test for this filtering exercise. In summary, 1,993 businesses in England were randomly sampled from the dataset. Computer Assisted Telephone Interviews (CATI) calls were attempted for all those with a valid telephone number and a screener issued to measure which businesses self-identified as a community business using a question agreed with Power to Change. The results of this exercise, and through matching back responses from the online survey to the FAME data, informed the approach for measuring the market size for sub-sectors.

This section outlines the methods used and overall findings from the testing of the potential community business sample identified from FAME data.

FAME testing exercise

Sampling data

An initial test sample was drawn by first randomly selecting 10% of the full English sample identified by Roper & Bonner. After randomising the full dataset, it was stratified by the following variables:

- Standard Industrial Classification;
- Legal form (Charitable Organisations; By Guarantee; Private Limited);
- Number of employees; and
- Postcode.

This resulted in a representative sample of 1,993 businesses in England based on the data provided. However, as shown in Table 5, there was a difference in coverage by variable in the population data.

¹ We extend our thanks to Dr Karen Bonner of Aston University for discussing their approach and advising on our method during the study.

Table 5: Quality of item coverage within the FAME dataset

Descriptor		Population		
	Sector (SIC)	Size (employees)	Phone number	Legal form & Location
Listed	85%	15%	31%	100%

In particular, the poor coverage by telephone number resulted in an initial sample of 623 businesses. Telephone tracing² was conducted for all businesses with a missing telephone number. However, this only resulted in matches for a further 14 businesses providing a CATI test sample of 637 businesses. Manual tracing was then conducted for businesses with a missing telephone number but significant coverage of other data fields such as industrial classification, business size, etc. This yielded a further 81 records (718 in total) for testing. All of these records were called which resulted in four broad outcomes:

- A screener was issued;
- The contact refused to answer questions;
- Someone was initially contacted and an appointment made, but then could not be contacted, or the phone rang but was never answered; or
- The listed telephone number was not operational.

The headline results of the screening exercise are shown in Table 6.

Table 6: CATI call outcomes

Call outcome	Frequency (n) %	
Eligible Community Business	73	10%
Screened as ineligible	121	17%
<i>(Known eligibility)</i>	194	27%
Refused to take part	278	39%
Inoperative number	23	3%
Unknown – lead exhausted	223	31%

These outcomes are used at the end of this section to draw conclusions about the potential market size.

² A process whereby a sample listed is matched to a commercial supplier's company database to provide a match based on company ID, location, etc.).

Exploring the FAME dataset

Further exploration of the FAME population sample derived from the Roper and Bonner study highlighted a series of useful findings related to non-coverage of records.

Duplicate records and locations

Analysis of the individual postcodes listed in the population sample showed that 27% were the home of two or more businesses. However, these are not all duplicate *businesses* as many smaller concerns could operate out of business parks, incubator sites or rented office buildings. Instead, a fuzzy identifier was created by concatenating three variables to form a single text string: postcode; the first five characters of the company name; and listed SIC code. The first five characters is a useful estimator as the names of many business operating from the same site varied in their suffixes rather than prefixes. The addition of the 5 digit SIC code removed many false duplicates for businesses operating under an umbrella name but with different target products or services. As a hypothetical example, this separates out Phalanx Entertainment, SIC 59111 from Phalanx Recordings, SIC 59200.

The fuzzy identifier suggests that 199 businesses listed are duplicates, a couple of which had a large number of variants; for example, one finance company was listed 37 times with a subtle variation in name each time.

The more interesting finding is the large number of separate businesses operating from the same premises, especially given that Power to Change's current sector includes venue classifications (community hubs and village halls). This suggests a classification based on location may miss important detail about the businesses operating therein.

Account filing

The FAME dataset lists a date when accounts were last filed to Companies House by the listed business. Whilst micro companies can provide a reduced return, filed accounts are still required (HMRC, 2017³). As such, the last filing date is a useful albeit fallible indication of whether a business is currently operational.

An analysis of the last filing date shows that:

- Over a third (35%) of all business listed on the Roper & Bonner dataset have no last filing date record i.e. they are dissolved companies. Nearly 19 in every 20 of these businesses did not have a listed telephone number and nearly all were classed under the “guarantee” (75%) or “private” (25%) legal form.

³ <https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts>

- One in ten businesses last filed in 2013 or before. Similarly, most of these businesses (83%) did not have a phone number listed and nearly all were classed under the “guarantee” (75%) or “private” (23%) legal form. Many of these businesses are also likely to be dissolved although we could not fully assess business dissolution without appending the existing FAME dataset with more Companies House data.

Matching surveyed community businesses back into the FAME dataset yielded 123 matches. Nine in ten (89%) of these matched, surveyed businesses filed accounts in 2014 or later and 12 of the remaining 14 community businesses had no record of any accounts filed. Seven of those twelve businesses self-classified their main activity as a community hub.

Urban/rural classification

A central element of Power to Change’s ethos is the concept of place and rooted community business. This means a community that is bounded and fixed. Such places could be rural or urban, although there is an argument that access to services and support can be harder in some rural locations. For example, Pateman (2011) discusses the concept of “two countrysides” separated by the quality of access to services and overall levels of income; funding businesses in less affluent rural locations can help address areas of market failure.

To explore the geographic location of community businesses in 2017, postcodes for potential community businesses in the FAME data were matched to the ONS’s 2001 Urban/Rural classification⁴ to identify where listed firms were based. The analysis found that the distribution of businesses within the FAME dataset is broadly as per England as a whole. Almost seventeen in twenty (84%) of postcodes are classed within the “Urban Less Sparse” category, with the remainder in ‘Less sparse towns, villages and hamlets’.

The ONS Urban/Rural classification was also appended onto survey responses from community businesses. Once the classification was applied, it showed that fewer (72%) surveyed community businesses are located in “Urban Less Sparse” areas and a quarter (25%) are based in ‘Less sparse towns, villages and hamlets’. If a representative sample is assumed, such a difference between community businesses locations and businesses locations more generally is significant.

⁴ The older classification was used as it forms part of the current postcode address file. The ONS classification has eight codes of which the most populous by the count of postcodes is the “Urban Less Sparse” category, accounting for 77% of postcodes in the country. More recent ONS data using tweaked classifications shows over four in five (83%) of the population live in Urban postcodes. Most of the remaining postcodes are fall into the remaining three “less sparse” categories i.e. towns, villages and hamlets with more dense populations.

Industrial sector

Roper and Bonner’s study purposefully selected potential community businesses through the use of keyword searches of a business’s “trade description” field in FAME. These were specifically searches for words that mostly matched PtC’s own sector categories plus some exclusions (such as the word “school”). The ONS Standard Industrial Classification (SIC) of selected businesses were then listed at the five digit-level.

Because of the relatively small survey sample sizes, the five-digit codes have been collapsed into the two-digit equivalents (“Divisions”) for analysis. As shown in Table 7 (overleaf), nearly four in five (78%) of FAME records with a Standard Industrial Classification⁵ were members of 10 two-digit Divisions. However, analysing eligibility by classification does suggest that some codes identified through Roper and Bonner’s method are more likely to contain community businesses than others.

⁵ 16,943 of the 19,993 English records, or 84.8%

Table 7: Distribution of sample and survey data by Standard Industrial Classification Division

Standard Industrial Classification		Interview data			FAME data		Eligibility	
SIC Division description	SIC Division	Interview (n=122)	Screened out (n=126)	Unknown contact (n=499)	Not tested (n=16,196)	Total (n=16,943)	Diff-eligible	Diff-ineligible
Education	85	18.0%	19.0%	18.4%	18.9%	18.8%	-0.8%	0.2%
Social work activities without accommodation	88	14.8%	15.9%	13.4%	11.5%	11.6%	3.2%	4.3%
Creative, arts and entertainment activities	90	9.0%	6.3%	7.0%	8.8%	8.7%	0.3%	-2.4%
Activities of membership organisations	94	9.0%	11.9%	5.2%	5.0%	5.1%	3.9%	6.8%
Other personal service activities	96	7.4%	4.0%	7.0%	6.1%	6.1%	1.2%	-2.2%
Retail trade, except of motor vehicles and motorcycles	47	7.4%	1.6%	1.2%	1.8%	1.8%	5.6%	-0.2%
Sports activities and amusement and recreation	93	6.6%	7.9%	7.8%	7.4%	7.4%	-0.9%	0.5%
Office administrative, office support and other business support activities	82	5.7%	6.3%	6.8%	7.3%	7.2%	-1.5%	-0.9%
Residential care activities	87	4.1%	2.4%	2.2%	1.6%	1.7%	2.4%	0.7%
Motion picture, video and television programme production, sound recording and music publishing	59	2.5%	0.0%	1.2%	1.2%	1.2%	1.2%	-1.2%
Employment activities	78	2.5%	0.8%	0.4%	1.0%	1.0%	1.5%	-0.2%
Human health activities	86	1.6%	8.7%	8.6%	8.5%	8.4%	-6.8%	0.3%
Food and beverage service activities	56	1.6%	1.6%	3.0%	2.1%	2.2%	-0.5%	-0.6%
Information service activities	63	1.6%	1.6%	1.0%	1.7%	1.7%	0.0%	-0.1%
Real estate activities	68	1.6%	0.0%	1.6%	1.0%	1.0%	0.6%	-1.0%
Land transport and transport via pipelines	49	1.6%	0.8%	1.4%	0.8%	0.8%	0.8%	0.0%
Crop and animal production, hunting and related service activities	01	1.6%	0.0%	0.8%	0.7%	0.7%	0.9%	-0.7%
Other professional, scientific and technical activities	74	0.8%	2.4%	1.8%	2.1%	2.1%	-1.3%	0.3%
Others	Varies	2.5%	8.7%	10.8%	12.4%	12.3%	-9.8%	-3.6%

- 7% of eligible community businesses were in Division 47: Retail trade, except motor vehicles and motorcycles. In comparison, just 2% of the FAME sample was categorised as such.
- 2% of eligible businesses were in Division 86: Human health activities. In comparison 8% of the FAME sample were classified in this way. A relatively large proportion of businesses were screened out in this category.

The ordering of the top three Divisions for eligible businesses and the selected FAME data is the same: *Education* (85), followed by *Social work activities without accommodation* (88) then *Creative, Arts and entertainment* activities (90). These three Divisions account for around two in five (42%) of the eligible survey population that could be matched to the FAME data, and for the all selected FAME data (39%).

There are two main conclusion to draw. First, 119 self-identified community businesses could be matched back into the FAME dataset. All but 4 of these (3%) fell into one of 18 SIC Divisions. In comparison, 14% of all businesses identified by Roper and Bonner fell outside of the list of 18 SIC Divisions. This difference is significant when the eligible sub-group is compared to the selected FAME sample. This supports Roper and Bonner’s claim that the sample they drew over-reported the community business market.

Secondly, the total achieved sample of community businesses with a listed postcode was 259 businesses meaning over half of interviewees (54%) could not be matched at all to the Roper and Bonner FAME sample. This suggests that the search method adopted did not identify a number of community businesses present within the convenience samples used for the survey, or that some newer businesses have yet to be recognised with official business records such as Companies House data.

This does not mean the Roper & Bonner data is not useful. Firstly, the matching exercise does help identify the SIC codes in which community businesses are more likely to be found. The proportion of missing businesses is also useful in helping derive estimates. Specifically, with some large assumptions, this can be used in an estimating model to calibrate market sizes.

Industrial sector and surveyed community businesses

Table 8 overleaf compares the SIC where matched to the primary PtC sector as self-classified during the interview. The first analysis looks at the match rate (penultimate row). This figure represents the proportion of community businesses within each PtC sector class were matched to an SIC sector in the FAME dataset.

- The Retail and Manufacturing/Production PtC categories had the lowest match rate to SIC; (around a quarter) of interviews within those categories. However, as these are long-standing sectors of the economy, classifying businesses such as pubs, shops, food production, farming, etc. into the existing SIC framework is straightforward.

- The best match rates were for the two service classes – Public-Facing Support and Economic/Business. Around two-thirds of interviewed community businesses could be matched to the FAME dataset.
- The match rates for the remainder were between 43% to 45%

Table 8: Matching SIC to Power to Change sector classifications

Primary UK SIC (2007) Division code	Broad PTC Sector Category							Total	
	Retail	Venue	Arts/Culture	Manufacturing/Production	Public-facing Services	Econ./Business Services	Other		
Education	85	4	5	1	0	8	2	2	22
Social work activities without accommodation	88	0	7	0	1	10	0	0	18
Creative, arts and entertainment activities	90	0	5	3	1	1	0	1	11
Activities of membership organisations	94	1	4	0	1	2	1	1	10
Retail trade, except of motor vehicles and motorcycles	47	5	1	1	0	0	0	2	9
Other personal service activities	96	0	3	0	0	3	2	1	9
Office administrative, office support and other business support	82	0	3	0	1	3	0	0	7
Sports activities and amusement and recreation activities	93	0	3	4	0	0	0	0	7
Residential care activities	87	0	1	1	0	3	0	0	5
Motion picture, video and television programme production, sound recording and music publishing activities	59	0	1	0	0	2	0	0	3
Crop and animal production, hunting and related services	01	0	1	0	0	0	0	1	2
Land transport and transport via pipelines	49	0	0	0	0	2	0	0	2
Food and beverage service activities	56	1	1	0	0	0	0	0	2
Information service activities	63	0	0	0	0	2	0	0	2
Real estate activities	68	0	0	0	0	1	0	1	2

Primary UK SIC (2007) Division code	Broad PTC Sector Category								Total
	Retail	Venue	Arts/ Culture	Manufacturing/ Production	Public- facing Services	Econ./ Business Services	Other		
Employment activities	78	0	1	0	0	1	0	0	2
Human health activities	86	0	0	0	0	2	0	0	2
Accommodation	55	0	0	0	0	1	0	0	1
Scientific research and development	72	0	0	0	1	0	0	0	1
Other professional, scientific and technical activities	74	0	0	0	0	1	0	0	1
Public administration and defence; compulsory social security	84	0	0	0	0	1	0	0	1
No match		30	47	13	14	22	3	11	140
Match rate		27%	43%	43%	26%	66%	63%	45%	46%
Total		41	83	23	19	65	8	20	259

Secondly, the quality of a match can be roughly assessed. The two largest PtC classes based on survey responses are *Venues* and *Public-Facing Support Services*. As identified in Table 8, a range of activities are delivered from venues with respondents self-reporting a wide variety of services operating from that location. The *Venue* column shows lots of community businesses that could be reclassified into other classes, especially *Public-Facing Support* and *Economic/Business Services*. In some cases, there is no obvious connection between a community business's self-classification and that assigned through matching to FAME and hence recorded SIC. The four community businesses that say their main activity is *Retail* compared to their equivalent *Education* SIC Division is a good case in point.

This is not to say that one method of classification is right and the other wrong. The factors used to define a community business are subjective. The main report illustrates that the community aims of a business are paramount compared to the commercial vehicle by which such community benefit is realised. One conclusion is that community businesses can be classified in different ways depending on how their purpose is perceived. If the purpose is to define the size and economic structure of community businesses in a consistent and reproducible manner, this is best achieved by defining what services or products best represent the primary output of the business.

Table 9 assigns priority to the SIC classification where known and uses this to make a decision as to where a community business is classed economically. The *Venue* class is removed and, based on the SIC data, a new class of *Personal Services* is added. Reclassifying in this way makes the *Public Facing Support Services* the largest economic class accounting for more than two in five community businesses. This proportion would reduce if the easy-to-classify *Retail* and *Production* community businesses were assigned an economic class.

Table 9: Distribution of sample and survey data by Standard Industrial Classification Division

Primary UK SIC (2007) code		Retail	Arts/ Culture	Manufacturing /Production	Public Facing Support Services	Economic/ Business Services	Personal services
Education	85				22		
Social work activities without accommodation	88				18		
Creative, arts and entertainment activities	90		11				
Activities of membership organisations	94						10
Retail trade, except of motor vehicles and motorcycles	47	9					
Other personal service activities	96						9
Office administrative, office support & other business support	82					7	
Sports activities and amusement and recreation activities	93		7				
Residential care activities	87				5		
Motion picture, video and television programme production, sound recording and music publishing activities	59					3	
Crop and animal production, hunting and related service activities	1			2			
Land transport and transport via pipelines	49					2	
Food and beverage service activities	56					2	

Primary UK SIC (2007) code		Retail	Arts/ Culture	Manufacturing /Production	Public Facing Support Services	Economic/ Business Services	Personal services
Information service activities	63					2	
Real estate activities	68					2	
Employment activities	78				2		
Human health activities	86				2		
Accommodation	55				1		
Scientific research and development	72					1	
Other professional, scientific and technical activities	74					1	
Public administration and defence; compulsory social security	84				1		
Total		9	18	2	51	20	19
PtC Sector Distribution		8%	15%	2%	43%	17%	16%

Using the FAME analysis in the estimation of market size by sector

Estimating eligibility in the whole sample

The FAME data can be used to stress test and triangulate market size estimates from other data sources. The following data and conclusions are used in the estimating method.

- The CATI exercise resulted in 718 contacts. Via a screener, 72 of these (10%) were classed as eligible and 194 (27%) ineligible. Accounting for inoperable numbers, the eligibility for 429 (60%) records was unknown i.e. refused or no answer to calls.
- Assuming the same distribution of eligible to ineligible (10:27) for all 695 operable sampled records, the total number of community business present in the contact sample can be estimated as 188, or 26% (Table 22).

Table 10: Estimating the eligible Community Business population in the CATI sample

Estimators	%	n
CATI test size		718
Known eligibility	27%	194
Eligible (a)	10%	72
Dead telephone line	3%	23
Unknown	60%	429
Inferred known		313
Inferred eligible (b)		116
Estimated eligible (a+b)	26%	188
High estimate ($\pm 3.2\%$)		211
Low estimate ($\pm 3.2\%$)		165

Accounting for the last filing date

This initial estimate of 26% eligibility does not account for differences by the last year that accounts were filed. The data matching of survey responses to FAME showed nine in ten matched interviewees filed accounts from 2014 onwards (Table 7). If an assumption is made that operational businesses are more likely to have a recent filing records, then the eligibility rate should be weighted to reflect this. The 26% eligibility is therefore distributed in line with the spread of matched community businesses from the survey. This means assigning 23 percentage points of the total 26 to businesses who have filed since 2014.

Table 11: Distribution of matched records by last date accounts were filed

Interviews			Estimated eligibility of FAME records
Total	100%	259	
Interviews matched to FAME	48%	123	(26%)
No filing date	10%	12	2.6%
Last accounts 2013 or earlier	1.6%	2	0.4%
Last accounts 2014 or later	89%	109	23%
Unmatched to FAME	53%	136	

Applying these weights returns estimates of the number of community businesses in the Bonner & Roper FAME dataset of potential community businesses of between around 2,400 to 3,100 (with rounding, Table 12).

Table 12: Estimating total community businesses in the Roper & Bonner FAME dataset

FAME records		Weighted estimates				
	% in dataset	Number of records	Eligibility (Table 10)			
Mid-point	Upper	Lower				
No filing date	35%	7,012	2.6%	179	201	157
Last accounts 2013 or earlier	10%	1,961	0.4%	8	9	7
Last accounts 2014 or later	55%	11,020	23%	2,561	2,873	2,248
Total		19,993		2,748	3,084	2,413

However, Table 11 also showed that over half (53%) of surveyed community businesses could not be matched to FAME. Further assumptions are required to assume that unmatched rate is evenly distributed across the community business sector. If that assumption holds, we can estimate (with further error resulting from low matched sample size of 123 businesses), that the total number of community business is approximately 5,800. However, such an estimate derived solely from this exercise should realistically be given as a range to account for the major assumptions made. The range of estimated community businesses following this method is 4,300 to 8,000 community businesses.

Deficiencies in this method

The estimate provided above is imperfect. It relies on significant, unverified assumptions. It also takes into account a single estimate of filing date to calibrate estimates in the absence of any other data and it relies on relatively low number of matched survey responses. However, in the absence of better data, the estimate is useful to triangulate with the other secondary data sources used in the main report and act as a sense check with other data.

Other estimation methods could be considered in the future. There is significant value in creating a database of known community businesses from the different data sources owned by Power to Change and other organisations operating in the sector. It may also be beneficial to conduct the reverse exercise to address the issue of 53% of businesses “missing” in the FAME dataset identified by Roper and Bonner. For example, if a database of known community businesses could be built, a matching exercise into the full FAME database could be attempted. This should result in a much larger matched sample from which better market size and sector estimates could be drawn.

Appendix C: Grantee database analysis

Power to Change is open about the grants it makes and publishes a grantee database.⁶ Access to all application data regardless of whether that successfully led to a grant was provided as part of the market sizing exercise. This was also supplemented from other data sources. The analysis of this dataset was useful for two reasons.

- Firstly, it provided a separate data source from which some of the market size estimates could be triangulated noting that the whole application dataset includes businesses rejected, including those failing eligibility criteria.
- Secondly, this data set is the only independent source of data on assets outside of other secondary data collected by community business sector bodies. In the absence of any other data, this imperfect data has been used to derive asset estimates for the sector.

This appendix describes the approach taken to analysing this data.

Data cleaning approach taken in the grantee database analysis

The first stage was to identify and remove duplicates (i.e. businesses that have made more than one application). This was done by sorting by the Companies House Registration Number when provided and then multiple entries, of which a total of 48 were found. Duplicates are retained for any analysis of individual applications rather than applicant businesses.

Based on its structure, the database includes records from four sources. The majority of records are Power to Change's own and number 701 records in total (including duplicates). The data quality of these records (coverage, consistency) is good. Forty-two records fall under the heading "Bright Ideas" and 66 under "MTAP". For both of these, there are a significant number of unrecorded assessment decisions. This is why blanks are retained if other valuable data is present for a given application record. Finally, 32 records are listed under a "core data" heading. There is no record of any assessment decision for these.

Some very large outliers were also found and removed for the purpose of analysis and because businesses with very large assets and/or income are very unlikely to meet PtC's eligibility criteria. Identifying outliers was subjective. The maximum value for assets and income of business passing sift criteria were measured. Businesses reporting assets greater than £12m and income greater than £10m these values were removed. These outlier values were set by looking at the maximum size of business listed as "Progressed to Stage 2" in the dataset i.e. those that passed some initial sifting criteria.

⁶ Power to Change's 2015-16 Grantee database can be found at the following location: <http://www.powertochange.org.uk/research/power-change-grants-2015-2016/> Accessed 21/11/2017

Reviewing the grantee database

This analysis covers the full database provided (all “applicants”) and a subset of those that at least passed some sift criteria, referred to as “successful” applicants. This categorisation is based on the *Assessment Decision* variable listed in the dataset which lists an outcome decision (Table 13). As the “successful” group meet certain funding criteria an assumption is made that they are more likely to be community businesses.

Table 13: Categorising items in the Assessment Decision variable of the grantee database

“Unsuccessful” applicants	“Successful” applicants
Declined, Deferred, Not Yet Decided, Rejected, Undecided, Unknown, Unsuccessful, Withdrawn	Approved, Progress to Stage 2, Successful

Who applies for grants and why

In order to understand more about applicants, some contextual analysis was undertaken for the whole dataset where data was recorded. When recorded, most applications were made by individual businesses (93%) rather than consortia (7%, n=658). Over half (54%, n=764) of applications were made for the purpose of purchasing or renovating a building or buildings. Over seven in ten (72%, n=773) organisations were already trading and Table 14 shows the legal status of most applicant businesses were a Company Limited by Guarantee (34%), a Charitable Incorporated Organisation or a Community Interest Company Limited by Guarantee (both 20%).

Table 14: Legal Status of applicant businesses

Legal Status	Frequency	%
Charitable Incorporated Organisation	155	20%
Community Benefit Society	70	9%
Community Interest Company Limited by Guarantee	155	20%
Community Interest Company Limited by Shares	35	4%
Company Limited by Guarantee	262	34%
Company Limited by Shares	15	2%
Co-operative Society	12	2%
Other	77	10%
Known base	781	

This data is useful as it provides a sense of the types of organisations currently aware of Power to Change and why they might apply. For example, the strong emphasis on applications for building work relates to general importance of infrastructure in the community business offering. Community hubs are important for housing the range of individual community businesses; a place from which to run a business is therefore important. The range of legal status in applicant businesses is also important for any future work refining the use of secondary data methods in defining the market.

Describing applicant businesses

Overleaf, Table 11 provides some aggregated data by sector from the grantee database. The left-hand side of the table presents data for all individual businesses where known; the right-hand side only data for the “successful” group. The main use of this data was to provide some estimate for community business assets using median figures (to better account for stronger bias in the average figures). In addition, data on staffing and volunteer numbers was also used to triangulate data collected in the survey by sector.

The sample sizes are small in many cases, so when used to generalise about the market as a whole, the data should be treated as an approximation at best. In addition, it was only possible to use sector-level data from all applicants in some cases as opposed to those passing sift criteria for funding.

Distribution

Looking at all data records, a third (32%) of all applicants are classed as a Community Hub, Facility or Space; one in five (21%) as a Community Pub, Shop or Café and one in six (16%) as an Employment, Training, Business Support or Education business. When discussing assets and income, Table 15 shows data for only those businesses providing a figure. The distribution of sectors remains broadly the same after removing businesses supplying no data, although the relative proportions change a little. When businesses with missing income data are excluded, businesses within these four sectors comprise three in five of all applicants (Table 15) and seven in ten “successful” applicants (Table 16).

The types of community businesses with the best conversion rate (see Table 16 – Column 4)⁷ were Community Pubs, Shops or Cafés – nearly half (45%) of all those applying (regardless of whether they supplied income/asset data) were classed as “successful”. Given the relative size of this sector in the market, this suggests the application process may favour this group. The two other highest conversion rates were for Environmental or Nature Conservation (38%) and Food Catering or Production (Inc. Farming) (32%). Arts Centres or Facilities had a particularly poor conversion rate – two of 43 were classed in the “successful” group.

Financials

Assets

The median total assets of all applicants was £64,000 compared to £139,000 for “successful” category. This suggests that businesses with smaller assets are less likely to succeed in their application although there is a large amount of variance⁸ in the figures for the “successful group”. The data is also skewed by the large asset values of the small number of successful Sports and Leisure, Health, Care or Wellbeing and Other applicants.

Analysis by sector should take the number of observations into account. Applicants from the Income & Financial Inclusions, Energy and Visitor Facilities or Tourism⁹ classes had the largest assets; The Environmental/Nature Conservation, Employment/Training/Business Support/Education, Health, Care or Wellbeing, and Other had the least.¹⁰

⁷ Conversion rate was calculated by: “successful”/total applications

⁸ Noting that the largest outliers were removed prior to analysis

⁹ n=5, 6 and 5 respectively

¹⁰ n=8, 113, 60 and 22 respectively

Table 15: Sector, financial and staffing profile of all applicants providing data

Sector	All (excluding outliers)		Assets				Income				Staffing		
	(n)	(%)	(n)	(%)	Average Assets	Median assets	(n)	(%)	Average income	Median income	Median (FTE staff)	Median (Volunteers)	Vol: FTE
Arts Centre or Facility	43	5%	36	6%	£231,041	£64,147	40	6%	£473,735	£131,606	3	20	8.0
Community Hub/ Facility/Space	227	27%	170	29%	£391,103	£66,604	189	29%	£1,588,513	£116,598	4	15	4.3
Community Pub, Shop or Café	175	21%	61	10%	£247,031	£91,685	83	13%	£4,437,103	£175,067	3	12	4.0
Employment, Training, Business Support, Education	136	16%	113	19%	£430,654	£44,730	128	19%	£575,073	£112,388	4	9.5	2.4
Energy	8	1%	6	1%	£1,668,328	£198,094	8	1%	£99,435	£43,155	0	11	55.0
Environment/Nature Conservation	13	2%	8	1%	£355,436	£26,982	8	1%	£316,056	£87,424	3	10	3.3
Catering/Production/ Farming	34	4%	25	4%	£161,428	£118,290	28	4%	£731,151	£200,884	5	11.5	2.3
Health, Care or Wellbeing	74	9%	60	10%	£366,489	£42,842	65	10%	£765,308	£137,253	4	10	2.5
Housing	18	2%	15	3%	£674,975	£415,911	17	3%	£227,648	£205,769	4	13	3.3
Income or Financial Inclusion	5	1%	5	1%	£606,210	£335,379	4	1%	£183,202	£192,709	2	15	7.5
Other	26	3%	22	4%	£736,842	£44,205	25	4%	£484,741	£94,827	3	10	3.3
Sports And Leisure	46	6%	43	7%	£531,231	£77,022	45	7%	£372,105	£148,591	5	16.5	3.7
Transport	17	2%	16	3%	£416,712	£193,684	17	3%	£537,576	£429,650	8	8	1.0
Visitor Facilities or Tourism	5	1%	5	1%	£954,748	£277,601	5	1%	£134,367	£4,150	2	50	25.0
Arts	88	11%	80	14%	£394,436	£64,147	84	13%	£372,228	£94,513	3	18	5.8
Econ bus services	23	3%	18	3%	£591,571	£151,638	17	3%	£231,358	£86,592	2	10	5.0
Manufacturing prod	41	5%	32	5%	£453,086	£124,868	35	5%	£285,877	£164,484	4	11.5	3.3
Other	26	3%	22	4%	£736,842	£44,205	25	4%	£484,741	£94,827	3	10	3.3
Public facing	243	29%	206	35%	£428,653	£58,024	225	35%	£531,424	£141,395	4	10	2.3
Retail	173	21%	63	11%	£247,031	£91,685	81	12%	£358,257	£175,067	3	12	4.0
Venue	222	27%	175	30%	£391,103	£66,604	184	28%	£360,078	£116,598	4	15	4.3
Total	827	100%	596		£372,016	£410,510	651		£418,077	£131,606	4	12	3.4

Table 16: Sector, financial and staffing profile of “successful” applicants providing data

Sector	All (excluding outliers)			Assets				Income				Staffing		
	(n)	(%)	Conversion (%)	(n)	(%)	Average Assets	Median assets	(n)	(%)	Average income	Median income	Median (FTE staff)	Median (Volunteers)	Vol : FTE
Arts Centre or Facility	2	1%	5%	1	1%	£440,798	£440,798	1	1%	£921,457	£921,457	20	82	4.1
Community Hub/ Facility/Space	56	29%	25%	32	37%	£437,836	£123,738	37	34%	£394,388	£171,402	5	15	2.9
Community Pub, Shop or Café	79	41%	45%	14	16%	£218,343	£38,122	28	26%	£230,060	£161,159	2	15	6.7
Employment, Training, Business Support, Education	14	7%	10%	11	13%	£838,024	£280,702	12	11%	£630,491	£485,004	10	11.5	1.2
Energy	2	1%	25%	1	1%	£222,131	£222,131	2	2%	£168,439	£168,439	3	9	3.0
Environment/ Nature Conservation	5	3%	38%	3	3%	£620,053	£10,000	3	3%	£102,049	£88,256	3	5	1.7
Catering/ Production/ Farming	11	6%	32%	5	6%	£246,798	£139,334	6	6%	£483,576	£365,952	10	12	1.2
Health, Care or Wellbeing	7	4%	9%	4	5%	£1,058,535	£496,536	4	4%	£1,945,198	£212,935	5	3	0.7
Housing	5	3%	28%	4	5%	£168,082	£92,254	4	4%	£114,297	£93,195	1	15	20.0
Income or Financial Inclusion	1	1%	20%	1	1%	£834,096	£834,096	1	1%	£321,936	£321,936	5	42	8.4
Other	3	2%	12%	3	3%	£3,995,917	£60,586	3	3%	£2,855,483	£213,605	4	20	5.0
Sports And Leisure	4	2%	9%	3	3%	£2,237,614	£107,822	3	3%	£281,705	£74,182	7	19	2.9
Transport	4	2%	24%	4	5%	£821,726	£266,389	4	4%	£519,138	£571,729	9	10.5	1.2
Arts	6	3%	7%	4	5%	£1,788,410	£274,310	4	4%	£441,643	£403,239	10	19	1.9
Econ bus services	6	3%	26%	4	5%	£673,564	£422,048	4	4%	£157,021	£135,313	3	12.5	3.8
Manufacturing prod	13	7%	32%	6	7%	£242,687	£180,733	8	7%	£404,792	£289,170	7	10	1.4
Other	3	2%	12%	3	3%	£3,995,917	£60,586	3	3%	£2,855,483	£213,605	4	20	5.0
Public facing	30	16%	12%	23	27%	£757,028	£179,320	24	22%	£745,017	£311,949	8	10	1.3
Retail	79	41%	46%	14	16%	£218,343	£38,122	28	26%	£230,060	£161,159	2	15	6.7
Venue	56	29%	25%	32	37%	£437,836	£123,738	37	34%	£394,388	£171,402	5	15	2.9
Total	193			86		£671,755	£138,510	108		£491,795	£221,564	5	14	2.7

Income

The relationship for income is opposite compared to assets; the median for all applicants is £132,000 which is markedly less than the £221,000 median for the “successful” group. In the main, sector observations for “successful” applicants are too small for comment.

Staffing

The median number of Full Time Equivalent (FTE) staff employed by applicants was 4, with 12 regular volunteers engaged on average (a 3.4 to 1 ratio of volunteers to staff). The median figures for “Successful” applicants is similar (5 staff; 14 volunteers).

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