

## **2021 Spending Review representation from the Plunkett Foundation**

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Submitted by Chris Cowcher, Head of Policy ([chris.cowcher@plunkett.co.uk](mailto:chris.cowcher@plunkett.co.uk))

### **Introduction:**

1. Plunkett Foundation is a national charity, working across the UK to provide access to advice and expertise for the benefit of community businesses. We have been helping communities, predominantly in rural areas, for over 100 years to create innovative, impactful and inclusive places, through promoting and supporting community ownership of assets and services.
2. The businesses we work with are owned and run democratically by members of the community on behalf of the community. They include shops, pubs, farms, woodlands, food and drink producers and other multi-service hubs. Plunkett Foundation currently represents over 1,300 community businesses – 800 that are trading, and a further 500 that are in the process of setting up. Of the 800 trading community business with whom Plunkett has worked around 700 are in rural areas.
3. Plunkett Foundation advocates community ownership as a solution to multiple rural issues; from ongoing closures of local services such as the shop and the pub; the withdrawal of public services including transport and healthcare; through to declining employment and social opportunities for local people.

### **Spending Review Priorities:**

4. Plunkett Foundation's response to the 2021 Spending Review will focus on the following priorities:
  - Levelling up across the UK to increase and spread opportunity; unleash the potential of places by improving outcomes UK-wide where they lag and working closely with local leaders; and strengthen the private sector where it is weak;
  - Leading the transition to Net Zero across the country and more globally;
5. This representation has also been shared with the following Government departments that Plunkett Foundation most closely work with.
  - Department for Environment, Food and Rural Affairs
  - Department for Levelling Up, Housing and Communities
  - Department for Business, Energy and Industrial Strategy
  - Department for Culture, Media and Sport

### **Summary of our Submission:**

6. Plunkett Foundation is committed to growing the community business sector UK-wide, on the basis that community-owned, democratically run enterprises can play an important role in supporting the Government's stated ambition to "Level Up" the country. Our submission to this Spending Review contributes to our aim of enabling rural areas to benefit from the Levelling Up agenda and we are keen to support Government in

identifying, assessing and evidencing those areas most in need of funding, investment and receiving support to achieve this.

7. Our submission to this year's Spending Review primarily focuses on recommendations to improve existing legislation and existing funding commitments supported by the Government. We ask for only one further dedicated programme of work, either as a separate activity or through ring-fencing existing resource to support rural areas that are at risk of being left behind in the Levelling Up agenda.
8. Our submission focusses on the following 3 aims and supporting policy recommendations:
  - 1) Increasing the number of community-owned businesses UK-wide
    - 1.1 *Infrastructure support for the Community Ownership Fund*
    - 1.2 *Create a Community Right to Buy in all four UK nations, to afford equal protection of community assets in England, Scotland, Wales and Northern Ireland*
    - 1.3 *Enable Parish and Town Councils to on-lend Public Works Loans Board finance*
    - 1.4 *Continue to incentivise and support the use of Community Shares in relation to community-ownership projects*
    - 1.5 *Support Local Authorities to utilise Compulsory Purchase powers*
  - 2) Enabling Community Power in the delivery of Government funding programmes
    - 2.1 *Support for the Communities in Charge campaign*
    - 2.2 *Rural proofing the delivery of all Government administered funds*
  - 3) Ring-fencing funding for rural communities
    - 3.1 *Create a dedicated Rural Renaissance Programme*

### **Plunkett Foundation Spending Review submission:**

#### **1) Increasing the number of community-owned businesses UK-wide**

9. The launch of the Community Ownership Fund in the spring budget statement was a welcome investment in the sector, and something which Plunkett Foundation and partners had called for over many years. Although we have made direct representations to the Department for Levelling Up, Housing and Communities (Ministry of Housing, Communities and Local Government as was) we wanted to use our Spending Review submission to make a number of policy recommendations to improve the design of the fund and the role of supporting infrastructure. These recommendations would create a varied and sustainable pipeline of applicants with a credible business case for investment and also ensure ongoing support for those businesses. Our aim is to assist the Government in growing the sector and ensure that the funding you have made available reaches the communities that require the most support to achieve their ambition of community-ownership of a business, service or local asset.

## **Policy recommendations:**

### **1.1) *Infrastructure support for the Community Ownership Fund***

10. As demonstrated during the first round of the Community Ownership Fund, Plunkett Foundation supported the promotion of the fund and offered access to our support and advisory services to groups that were creating a bid for funding. Our ability to do this long-term is limited by resource and capacity. Plunkett calls on Government to rethink the decision to not appoint an infrastructure body, or partnership to nurture applicants for the fund and offer support to those groups that are progressing a community-ownership project but are not yet ready to bid for funding. Having a fully resourced level of infrastructure in place for the complete duration of the Community Ownership Fund delivery will enable a wider range of groups to be proactively engaged, as well as ensure that those with longer-term support needs are able to access the development help they require to create a credible bid.
11. We note that in the Community Ownership Fund prospectus that COF will offer development grants of up to £50,000, from rounds 2 onwards. Whilst the ability to purchase business support seems to be in scope for applications, how this will work in practice is not clear. The guidance states that groups must include all costs in one application – but how can a group apply for £250k towards purchase cost of an asset, and at the same time state that they need pre-acquisition development support to complete their business plan? There needs to be clarity in the process. Plunkett Foundation believes that applications for infrastructure support should be considered within an ongoing, open application window for groups.
12. Whilst we welcome the investment in pre-acquisition support, the stated level of funding (£50k) is excessive in our view and not a good use of public resource in our view. A typical community business requires 5-15 days of business support over a 12 month period in the start-up phase. Even allowing for communities in more deprived areas, or in communities lacking the resource and capacity to lead projects themselves, pre-acquisition support provided by a range of experts, mentors, and similar community businesses should cost no more than £15,000 - £20,000. Offering up to £50,000 means over-investing in opportunists repurposing their organisations to support community businesses, stifling the potential for partnership work in the delivery of support, and limiting the total number of communities who could benefit from this resource.
13. Plunkett Foundation has spent decades creating a culture of collaboration and partnership amongst national and regional bodies which support community owned businesses. Our aim is to create cross referrals of support between providers to enable communities to efficiently access the best quality support and to make the best use of existing resources. The establishment of the COF and giving development grants for communities to purchase support from 'expert providers' will displace many existing organisations, such as Plunkett which has spent over 100 years creating a unique, bespoke expert business support service with a high long-term success rate. It also places providers in competition with each other which will result in communities missing out on key support, and result in organisations not working together for a common purpose.

**1.2) Create a Community Right to Buy in all four UK nations, to afford equal protection of community assets in England, Scotland, Wales and Northern Ireland**

14. The current planning systems provide insufficient protection to small rural businesses and other assets that have a value to the community - their closures will have a disproportionate impact on people living and working in rural communities and a detrimental ripple effect throughout the local rural economy. There needs to be greater focus on protecting the voice of rural residents and businesses in planning processes, in order to support a diverse rural economy - which includes smaller independent and community-owned businesses.
15. Plunkett Foundation is calling on the Government to offer greater protection to community assets across the UK, and to ensure that there are consistent protections in place in all four nations. At present only Scotland offers a Community Right to Buy, Plunkett wants to see a Community Right to Buy offered to communities in England (replacing the current Right to Bid), and also in Wales and Northern Ireland (where no Community Rights exist). This ask supports the recently published “No Place Left Behind” report,<sup>1</sup> from the Commission into Prosperity and Community Placemaking convened by the Create Streets Foundation, which states “*We call for the government to complete the task begun with the Localism Act of 2011 and create a Community Right to Buy, matched with real resources*”.
16. Whilst we understand that it is the responsibility of the devolved administrations to enact community rights legislation, we ask that in relation to levelling up the Government considers how different levels of protection can affect the ability of communities to bring local assets in community-ownership. As UK-wide funds, such as the Community Ownership Fund are being delivered by central government, the lack of or insufficient community rights could be to the detriment of communities in different nations looking to purchase assets for local benefit. Only a Community Right to Buy in all four nations would provide equal opportunities.
17. The process of identifying those assets of greatest value to communities, and registering the community interest in purchasing them (when they come on to the market) also needs to be made simpler. There needs to be universal guidance provided to registering bodies (currently councils in England and Scottish Government in Scotland) to ensure there is consistency in respect of which assets are deemed eligible and ineligible for registering. The registrations process should be the same, no matter which part of the UK you live in and there should be a requirement for all registering bodies to publish regular updated copies of their asset registers. The process of re-registering or de-listing assets also needs to be clearer, to ensure that community assets are not delisted by default (after a definitive time period) without consulting the community.
18. According to research completed by Power to Change<sup>[1]</sup> only 1.5% of those assets that have been registered as an Asset of Community Value in England have become community-owned. Furthermore the types of assets that have been listed vary greatly

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<sup>1</sup> The Commission into Prosperity and Community Placemaking: No Place Left Behind (September 2021) [https://www.createstreetsfoundation.org.uk/wp-content/uploads/2021/09/8560\\_PS\\_Create\\_No\\_Place\\_Left\\_Behind\\_FINAL.pdf](https://www.createstreetsfoundation.org.uk/wp-content/uploads/2021/09/8560_PS_Create_No_Place_Left_Behind_FINAL.pdf)

<sup>[1]</sup> Archer, T., Batty, E., Harris, C., Parks, S., Wilson, I., Aiken, M., Buckley, E., Moran, R. and Vita, T “Our assets, our future: the economics, outcomes and sustainability of assets in community ownership” (July 2019) [Assets-Report-DIGITAL-1.pdf \(powertochange.org.uk\)](https://www.powertochange.org.uk/Assets-Report-DIGITAL-1.pdf)

across the different council areas. The level of inconsistency in relation to community assets clearly needs to be addressed as part of the levelling up agenda to enable more community-owned assets to be created.

19. When registered Assets of Community Value are put on the market Plunkett is calling on Government to make sure that communities are able to buy them at a fair price. The current Right to Bid process in England leaves community groups beholden to a seller, who may only be willing to sell their asset at a vastly inflated price which in many cases results in the project not being viable and able to proceed. Additionally, the limitations of a 6 month moratorium period place unnecessary pressures on the community, particularly given that their bid may not be accepted after significant work. In relation to improving the Community Rights legislation, Plunkett believes that groups should be afforded longer to raise the funds required to facilitate the purchase where there is demonstrable community support and sufficient progress being made. Plunkett is asking for an extension to a moratorium period which is triggered when the group have raised 75% of the required funds at the current 6 month deadline.
20. In Scotland, as part of their Community Right to Buy legislation, the Scottish Government underwrites the cost of the valuation process and sets the price for the purchase. As the UK Government has included pre-acquisition costs, such as valuations, in the design of the Community Ownership Fund Plunkett asks that any independent valuation of an asset that has been completed using this funding should also set the purchase price. The reality is that without a Community Right to Buy in place, however, groups in England, Wales and Northern Ireland still remain beholden to a seller who can set the price regardless of whether it is fair or not.
21. If the Community Ownership Fund is to genuinely lead to more community-owned businesses, in all four nations then these changes need to be made now.

### **1.3) *Enable Parish and Town Councils to on-lend Public Works Loans Board finance***

22. Plunkett Foundation fully supports the recommendation in the “No Place Left Behind” report which calls for the reallocation of £86bn of Public Works Loan Board debt from local to central government. This is essentially an accounting change as the debt is already recognised by Government. The report states that this move should actually “save the nation money thanks to the lower rates of interest paid by national government”.
23. Also included in the same report it is observed that local authorities can borrow from the Public Works Loan Board, however there seems to be some confusion on this point among local authorities themselves, with concerns that councils will breach the State Aid rules (which is now being replaced with Subsidy Control rules). Plunkett asks that Government supports the calls made in the “No Place Left Behind” report and clarify the role of local authorities and the ability to on-lend Public Works Loans in the upcoming Subsidy Control Bill.
24. Recognising that community businesses projects are grassroots led, Plunkett would like to see a further clarification provided in respect of the role of parish and town councils and their apparent inability to on-lend Public Works Loans. Our understanding is that this

relates to Regulations 25 and 26 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and the fact that Public Works Loans at this level can only be used for capital expenditure. Our previous experience is that on-lending this money from a parish or town council to a Community Benefit Society, or other legal form that is operating a community business is not considered to be capital expenditure and therefore not eligible.

25. There are some great examples of community business projects collaborating with parish councils, however the risk of putting a loan on their accounts is too much for some parish councils.<sup>2</sup> Having the ability to take on a Public Works Loan, which can then be on-lent with the community business assuming the debt liability could lead to more projects benefitting from this form of finance.
26. Given that the Community Ownership Fund requires a significant proportion of match funding, creating easier access to long-term, low-interest loan finance such as that offered by the Public Works Loans Board will directly support more community businesses to be developed.

#### **1.4) *Continue to incentivise and support the use of Community Shares in relation to community-ownership projects***

27. In the context of this Spending Review, given it will set resource and capital budgets for 2022-23 and 2024-25 Plunkett Foundation wants to see longer term tax incentives for community share investment included as part of the plan to continue delivering the Community Ownership Fund, because this source of finance is vital to create more community businesses UK-wide.
28. The community businesses that Plunkett supports commonly use community shares as a form of investment to raise the required start-up capital to get their community business project off the ground. Community shares are generally part of a blended finance package; which also includes mortgages, loans, grants and other forms of fundraised finance and is used most commonly to buy premises or assets from which to trade from. The money raised can also be used to invest in new products or services, or directly contribute to employment and training costs.
29. Community shares are an ideal way for communities to invest in enterprises serving a community purpose. For the businesses, having equity instead of, or alongside, grants and loans reduces debt liabilities and grant restrictions, which creates a sound basis for commercial independence, self-sufficiency and resilience. Community shares introduce an important degree of commercial rigor to community ownership, which contributes significantly to self-sufficiency and resilience.
30. Latest detailed research shows for the period 2012-19, over 100,000 people have invested over £130 million (£158m targeted) through community shares to support 519 community share offers throughout the UK, leveraging a total of £288m of total investment already deployed as social investment in community businesses. In 2020

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<sup>2</sup> For case studies of community businesses that have benefitted from a fruitful collaboration with their Parish or Town Council, see the [Good Councillor's Guide to Community Business](#), produced by Plunkett Foundation and commissioned by the National Association of Local Councils.

alone, community businesses working with Plunkett raised a collective £4.5m in community shares.<sup>3</sup>

31. According to research completed by Cooperatives UK, the long-term survival rate of community benefit societies that have issued shares is strong. 92% of societies that have launched share offers are still trading according to the FCA Mutual's Register.<sup>4</sup> Community shares are very effective at leveraging other private and charitable funding for community ownership, with research finding that every £1 of Community Shares invested leverages an average of £1.75 in debt and grant funding for community organisations.
32. Within the social economy, the pool of businesses for whom it is necessary and appropriate to issue debt or equity to investors is largely limited to community benefit societies, which uses a model based on revenue-generating assets and enterprise, using Community Shares and associated debt finance. This is why, according to Big Society Capital's SISR open data, community benefit societies account for by far the largest portion of the take up of the Government's Social Investment Tax Relief use to date, both in terms of volume and value.
33. Community Benefit Societies and Community Shares account for all of the £4.8 million of equity raised through SISR. And while we really must stress the unmatched success of community shares in raising full risk equity finance for socially trading organisations, Community Benefit Societies also account for 45% of debt raised through SISR and on average have raised debt investment through SISR in larger amounts.
34. SISR was granted a 2 year extension in the Spring Budget 2021, which aligns with this Spending Review period and Plunkett Foundation supports the campaigns being led by Big Society Capital and Social Enterprise UK to extend the, or create a new system of tax incentives for community shares beyond 2023.

### **1.5) Support Local Authorities to utilise Compulsory Purchase powers**

35. In the context of this Spending Review, Plunkett calls on the Government to introduce an insurance policy that is accessible to Local Authorities undertaking a CPO on behalf of community business projects. The scale of the insurance scheme should be limited to assets that are listed as having community value. This would mitigate fears about incurring legal expenses and ensure that the insurance scheme was not misused by larger scale development and infrastructure projects.
36. Compulsory Purchase Orders can be a last resort if a community is confronted by an unwilling seller, as the Right to Buy (in Scotland) and the Right to Bid (in England) cannot be exercised in this circumstance. However, there is little evidence of CPOs being used to help community businesses to overcome such obstacles. A CPO is more commonly used to acquire land to build roads, for example, and its usefulness for community groups is overlooked. The number of community assets purchased by a CPO

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<sup>3</sup> 2020 impact report – Plunkett Foundation <https://plunkett.co.uk/wp-content/uploads/2020-Impact-Report-Plunkett-Foundation.pdf>

<sup>4</sup> The Coop Economy 2021 – Cooperatives UK [https://www.uk.coop/sites/default/files/2021-06/Economy%202021\\_1.pdf](https://www.uk.coop/sites/default/files/2021-06/Economy%202021_1.pdf)

is extremely low (although not unheard of, as in the case of “The Rising Sun” in the Forest of Dean) with little chance of success, for the following reasons:

- The CPO process is time-consuming and expensive – there appears little motivation for local councils to pursue this route on behalf of community business projects.
- A CPO process can only be undertaken if the seller is “unwilling”. However, the definition of a “willing seller” is not fit for purpose. For example, is a “willing seller” someone who wants to sell at an extortionate price?
- LAs are reluctant to undertake CPOs, due to financial risk of incurring legal fees if the CPO is appealed.
- LAs do not always have a good understanding of the community business model and its benefits – hence they will be reluctant to undertake a CPO.

37. Plunkett Foundation wants to see these issues improved on. Firstly, there is a need for more education and empowerment within local authorities, to support community business projects where there is demonstrable evidence that a sustainable business would be created through community-ownership. Secondly, there needs to be clarification of the CPO process and support for LAs to undertake it, if there is a clear mandate from the community in support of the CPO.

## 2) **Enabling community power in the delivery of Government funding**

38. There has never been a better time to empower grassroots organisations and local networks to deliver and be accountable for funding programmes.

39. ‘Community Power: The Evidence’,<sup>5</sup> a report shared by New Local in February 2021, states, *“The cost, both social and financial, of communities having low levels of cohesion has been recognised at a national level. The Government’s 2016 Casey Review found a lack of cohesion and integration in Britain was costing the country £6 billion a year, through knock-on effects on outcomes in areas such as health and employment. While this figure demonstrates the scale and recognition of the problem nationally, the solutions to addressing it – actively building community cohesion – are inherently local and community power endeavours.”* It goes on to illustrate the benefits of local accountability in relation to the distribution of funds. The report considers the role of local councils being responsible for the funding, but goes on to evidence the additionality that is delivered through applying local knowledge to decisions made. This approach was also how Government was able to disseminate rate relief and business support funding during the pandemic.

40. The Community-Led Local Development<sup>6</sup> approach widely utilised in Scotland, offers another successful example of how local action plans that are created to address social, environmental and economic issues can deliver wide local benefit. These plans are backed by funding, previously from the EU via LEADER.

41. In relation to funds such as the Community Ownership Fund, Levelling Up funds and the Shared Prosperity Fund it is crucial that local areas are given a say on how this funding

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<sup>5</sup> Pollard, G., Studdert, J., and Tiratelli, L., “Community Power: The Evidence” (February 2021) <https://www.newlocal.org.uk/wp-content/uploads/2021/02/Community-Power-The-Evidence.pdf>

<sup>6</sup> Community Led Local Development – Scottish Rural Network <https://www.ruralnetwork.scot/community-led-local-development>

is invested, and what it is invested in. They should be able to influence what will be the longer term social, economic and environmental benefits of these funds.

## **Policy recommendations:**

### **2.1) Support for the Communities in Charge campaign**

42. Plunkett Foundation endorses the Communities in Charge campaign, convened and led by Locality<sup>7</sup> which is calling for 25% of the Shared Prosperity Fund to be administered by community-led partnerships and to be used for a community innovation fund.
43. This proposal builds on two key previous initiatives: the Community Economic Development Programme, which was a two-year programme (2015-2017) funded by MHCLG to support communities to develop and implement their own local economy plans; and the Community-Led Local Development (CLLD) strand of the existing European Structural and Investment Fund (ESIF), which takes a “bottom-up” approach to economic development by seeking to create genuine partnerships between council and community.
44. Plunkett Foundation has seen how previous European Funds have benefitted community businesses such as The Old Cattle Market, Helston, Cornwall<sup>8</sup>, The Arkell Centre, Nailsworth, Gloucestershire<sup>9</sup> or The Burrow Community Shop and Café, Exbourne, Devon<sup>10</sup>. Investments in new premises, environmental measures and job creation improved the future sustainability of their activities. Local accountability and knowledge has been a critical part of the process, helping communities to define what is needed most rather than only utilising centrally held data to inform funding decisions.
45. Given the ambition set out by the SPF and the increased need for local investment in the wake of Covid-19, we believe the fund should at least match the levels of resource assumed for the next round of EU structural funding. The SPF should also maintain EU structural funds’ seven-year timeframe to ensure local initiatives can be strategic and survive beyond local and national political cycles.

### **2.2) Rural proofing the delivery of all Government administered funds**

46. Rural areas are often overlooked as a result of place-based investment strategies that favour areas scoring as most deprived, under the commonly used Indices of Multiple Deprivation measures. It is understandable that the Indices of Multiple Deprivation are being used as the primary source of evidence to define those areas that have been left behind, but we ask that Government also takes note of other available evidence when considering where funding and investment should be deployed to achieve the Levelling Up ambition.

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<sup>7</sup> Communities in Charge Campaign Report – Locality [Communities-in-Charge-Campaign-Report\\_FINAL\\_20190607.pdf \(locality.org.uk\)](https://locality.org.uk/Communities-in-Charge-Campaign-Report_FINAL_20190607.pdf)

<sup>8</sup> The Old Cattle Market, Helston, Cornwall <http://www.theoldcattlemarket.co.uk/>

<sup>9</sup> The Arkell Centre, Nailsworth, Gloucestershire <http://www.arkellcommunitycentre.org.uk/>

<sup>10</sup> The Burrow Community Shop and Café, Exbourne, Devon <https://theundergroundshop.weebly.com/>

47. Reports such as the recently published Towards a UK Shared Prosperity Fund, written by Pragmatix on behalf of the Rural Services Network<sup>11</sup> emphasises the caution required when solely using IMD data to assess need. It states “...the official Index of Multiple Deprivation are commonly used as an indicator of poverty. They are, however, based on benefit claimant counts and do not directly consider employment incomes. This gives a falsely positive view of rural locations, where poverty is more likely to be the result of low-income employment in insecure, part-time or season occupations – and is less likely to be visible in benefits claims.”
48. Furthermore the ‘Understanding People, Understanding Places’ report on the Levelling Up Agenda produced by the Salvation Army and The Institute for Employment Studies<sup>12</sup> states “it is critical that we can map and determine areas that need investment. This should be determined by a robust source of economic, labour and social measures, as well as by the input of the people in these respective communities. Otherwise, this important policy work will miss out on key areas that have been left behind. As we have seen in our analysis, Government’s current determination fails to recognise the importance of coastal and rural areas, particularly in the North, that have for too long been left behind from the opportunities enjoyed in other parts of the country”.
49. As presented by the Rural Services Network back in 2019,<sup>13</sup> and supported by Plunkett Foundation and other rural partners, there is a clear need for a Rural Strategy in Government. There has been no Rural White Paper since 2000 and the Rural Proofing commitment is not universally applied across all government departments. Plunkett fully supported the Rural Coalition response to the 2020 Rural Proofing report<sup>14</sup> which sets out a number of expectations that the report should cover in future, not least how large scale government funding programmes such as the UK Shared Prosperity Fund, Levelling Up Funds and the Community Ownership Fund must truly recognise the challenges faced and opportunities that exist in the countryside. The reality is that Government does not appear to have a joined up rural approach at present and this means that the countryside is increasingly becoming “left behind”.
50. Plunkett believes that community businesses are a key resource available to residents in tackling inequality in rural areas. Supportive local and central government empowers the community business sector, therefore greater awareness of this form of business is needed at the heart of government. The announcement of a Community Ownership Fund in the 2021 Spring Budget was welcome and it is essential that the ongoing delivery is fully rural proofed to enable the rural economy to benefit from increased levels of community-ownership of business.

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<sup>11</sup> Towards a UK Shared Prosperity Fund, commissioned from Pragmatix Advisory Limited and funded by Rural Services Network (June 2021) <https://rsnonline.org.uk/images/publications/towards-the-uk-shared-prosperity-fund.pdf>

<sup>12</sup> Understanding People, Understanding Places report on the Levelling Up Agenda produced by the Salvation Army and The Institute for Employment Studies [Levelling Up Report - Understanding People - Understanding Places.pdf \(salvationarmy.org.uk\)](https://salvationarmy.org.uk/levelling-up-report-understanding-people-understanding-places.pdf)

<sup>13</sup> ‘It’s Time for a Rural Strategy’ - Rural Services Network <https://www.rsnonline.org.uk/time-for-a-rural-strategy>

<sup>14</sup> Rural Coalition response to the 2020 Rural Proofing report <https://acre.org.uk/cms/resources/rural-coalition-comments-on-rural-proofing-report-2020.pdf>

### **3) Ring-fencing funding for rural communities:**

51. There has been no dedicated programme of support for rural communities since the National Lottery Community Fund's Village SOS<sup>15</sup> programme ended in 2017. Also since this time, the number of dedicated rural grant programmes, such as those offered by the Prince's Countryside Fund have had less resource to invest directly in to grassroots projects and no resource to invest in the supporting infrastructure.
52. It is not just about the provision of direct funding and investment to groups that is needed – and to a large extent funds such as the Community Ownership Fund now offers this (for the next 4 years) – it is about protecting an element of such large scale programmes for rural areas, and appropriately resourcing the rural infrastructure to lead on the development and support work required to create flourishing and sustainable community businesses.
53. The most effective way to accelerate the growth of community businesses is through effectively facilitated peer-to-peer / business-to-business learning. This is already achieved in part by Plunkett and the partners we work with such as Cooperatives UK, Locality, Power to Change and the ACRE Network who also have a national reach, but to achieve full nationwide and consistent communication and learning there needs to be a large scale, rurally-focussed funded programme which encompasses support capacity and covers the whole of the UK.

#### **Policy recommendations:**

##### **3.1) *Create a dedicated Rural Renaissance Programme***

54. Plunkett Foundation calls for a £10m programme with an overarching aim to radically grow the size, performance and impact of the rural community business sector. This means:
- Inspiring more communities in the UK's market towns, villages and countryside to establish a community business
  - Supporting an even broader range of business models across sectors including retail, hospitality, agriculture, and transport
  - Working with existing voluntary and community initiatives that have potential to become a more formal community business through increased trading activity
  - Supporting existing community businesses to diversify and grow the services and activities they provide
  - Targeting communities that demonstrate increased levels of disadvantage including lack of services, low employment opportunity, and limited levels of social interaction
  - Prioritising support for businesses which can evidence the creation of services, jobs, training and volunteer opportunities; as well as deliver strong social and environmental impact
  - Stimulating local supply arrangements between community and independent businesses which will boost the local economy and retain local employment

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<sup>15</sup> Village SOS, funded by the National Lottery Community Fund until 2017  
<https://www.tnlcommunityfund.org.uk/funding/programmes/village-sos>

55. A programme of this size and ambition would require a cross sector partnership involving multiple infrastructure organisations who have a role in supporting rural social and economic life, as well as community business. We would expect it to:
- Include an awareness raising campaign promoting the potential for communities to self-mobilise and establish community owned and led businesses
  - Deliver business support to help a diverse range of community owned and led businesses to establish, grow and diversify
  - Facilitate mentoring and networking between community and independent local businesses enabling new connections and supply arrangements to be made
  - Provide packages of finance for community businesses from seed-corn grants and feasibility bursaries, through to blended finance packages including grant and loan. In our experience, blended finance has worked best when eligibility has been dependent on communities raising an element of match finance from community shares
56. The benefits that a Three-Year Programme such as this would seek to deliver, include:
- Create 500 new community businesses to open across a broad range of business models such as shops and pubs, through to woodlands, farms, fisheries, energy and manufacturing
  - Support the expansion and diversification of a further 500 existing community businesses seeking to provide an increased range and volume of services and sales
  - Create 3000 new full- and part-time jobs and apprenticeship opportunities, 25% of which will benefit those aged 16-24
  - Create 20,000 new volunteering opportunities, 25% of which will benefit those aged 16-24
  - Increase turnover of over 10,000 small scale independent businesses based in rural areas who supply into community businesses by over 15%
57. There is potential for this proposal to be funded out of existing and proposed initiatives such as the Community Ownership Fund, or UKSPF etc. However, the track record for large scale government initiatives has favoured a place-based approach led by Indices of Multiple Deprivation. Whilst intended to 'level up' the country, it has the unintended consequence of leaving rural communities even further behind. We are therefore making the case for a Rural Renaissance Programme to be funded with new funding allocations or by ring-fencing a fair proportion from national funding schemes for the benefit of rural communities.

## **Policy rationale for Plunkett Foundation's Spending Review submission**

### **1. Community businesses will support the economic recovery of rural communities**

58. Plunkett Foundation regards a multi-industry rural economy as a key component to sustaining the countryside through retention of services, job creation, and enriching people's lives through social interaction. In the last 20 years, Plunkett has supported over 700 rural community businesses to establish and a further 500 in the process of setting up. According to Plunkett's Better Business reports,<sup>16</sup> those already trading are estimated to:
- Employ 3,500 people and 14,000 volunteers across sectors including retail, hospitality, agriculture and forestry
  - Provide services to over 2,800 communities

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<sup>16</sup> Plunkett Foundation, (2019). "Better Business" reports, "[Community Pubs](#)" and "[Community Shops](#)".

- Benefit over 5000 local businesses through supply relationships
- Generate a combined turnover of £140m annually
- Donate £300K to local community initiatives annually

59. Plunkett is concerned, however, about the number of rural businesses that remain at threat of closure as a result of market forces and lack of government intervention. Banks, post offices, shops, pubs, in addition to public sector services such as schools, health care and transport services – are all in retreat. There is a clear opportunity to build on the success Plunkett has had in supporting mainstream models such as community shops and pubs, to replicate this model with other sectors.

60. A related concern is the over-dependence of many rural areas on certain sectors such as agriculture and the visitor economy with their patterns of low paid, seasonal employment. By assisting an even broader range of community businesses going forward, there is the potential to focus on sectors which attract higher wages and career opportunities – not least for younger people.

61. Rural areas are already associated with limited employment opportunities with higher income households travelling to urban centres for work and lower income households dependent on lower earning options in the local area. Where employment does exist the jobs are often lower paid, and are compounded by a higher cost of living – as evidenced in the ‘Towards the UK Shared Prosperity Fund’ report from Pragmatix Limited, referenced earlier in this report.

62. Community businesses are very often the only form of employment opportunity where they operate, and therefore play a vital role in safeguarding local livelihoods. They also have a tradition of supporting flexible employment with an average of 3.5 FTE equivalent positions being spread across a workforce of 12 people,<sup>17</sup> who may be carers, single parents, or suffer health problems.

63. Community businesses take particular concern to source and supply locally. According to a recent report, 56% of a community business expenditure stays local. A growth of the rural community business sector will ultimately lead to a re-localised supply chain which in turn will be vital in creating new employment, apprenticeships and training opportunities in a broader range of industries including food, agriculture, manufacturing, hospitality and tourism.

## **2. Community Businesses survive in areas of market failure and sustain long term survival rates**

64. A key characteristic of rural community business is that they are driven by a community desire to retain and reintroduce a commercial service which without community action would otherwise close permanently. Effectively, they are operating in areas of market failure. 100% of community businesses supported by Plunkett generate the largest proportion of their income through trading. This is substantially higher than the percentage estimated for all community businesses - which Power to Change suggest is

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<sup>17</sup> Plunkett Foundation, (2019). [“Community Shops: A better form of business”](#).

62%.<sup>18</sup> This is a remarkable achievement given they are operating in areas of market failure.

65. It is also tribute to the model that rural community businesses are celebrated for their long term survival rate. Community shops, for example, have a long term survival rate of 92.5%, and community pubs a 99% survival rate.<sup>19</sup> In comparison, the 5-year survival rate for an average SME is 44%.<sup>20</sup>

### **3. Rural communities have been under-supported by government and there is a need to level up access to good quality jobs, homes, education, training and services**

66. With only 30% of all community business based in rural areas,<sup>21</sup> there is a strong case for more support for rural community business. The last national initiative support rural community action was the Village SOS project which closed in 2017. Community businesses contribute to local and inclusive economies and therefore will contribute the devolution agenda in England.

67. There is a need to level up opportunities across the whole of the UK. As a UK-wide organisation, we see the imbalance of government initiatives, for example, with higher levels of business support being provided in the devolved nations, higher levels of financial support offered in England, and stronger community rights in Scotland. Additionally, and primarily in England, there is a gap in support for rural Market Towns, of which are experiencing significant losses in both private and public services, but fall outside the interests of government initiatives and support organisations with the resources to enable community action.

### **4. Community businesses go beyond their primary trading purpose to support the social wellbeing of those most vulnerable in society**

68. The Prince's Countryside Fund "Recharging Rural" report highlighted that collective action such as setting up a community business, empowers local residents to strengthen a sense of place and local belonging.<sup>22</sup> The value of local shops, amenities and everyday services in rural settlements has been underlined throughout Covid-19 and there remains a renewed interest in being part of a local community and supporting local businesses.

69. Community businesses are generally adaptable to meet local need, meaning that they often provide more than just the core function they were originally set up for. For example, shops commonly offer additional services, such as prescription collection,

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<sup>18</sup> Diamond, A., Vorley, T., Mallett, O., Higton, J., Spong, S., Corley, A. and Mulla, I. (2017) *The Community Business Market in 2017*. Available at:

<sup>19</sup> Plunkett Foundation, (2020). "Better Business" reports, "[Community Pubs](#)" and "[Community Shops](#)".

<sup>20</sup> Figure based on data between 2011 and 2016 from Office for National Statistics [www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2016](http://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2016)

<sup>21</sup> Diamond, A., Vorley, T., Mallett, O., Higton, J., Spong, S., Corley, A. and Mulla, I. (2017) *The Community Business Market in 2017*. Available at: <https://www.powertochange.org.uk/wp-content/uploads/2017/12/Report-11-Community-Business-Market-2017-DIGITAL-revised-191217.pdf>. Accessed 21.08.2018.

<sup>22</sup> Skerratt, S. (2018). "Recharging Rural", Report to The Prince's Countryside Fund, London: The Prince's Countryside Fund. <https://www.princescountrysidefund.org.uk/our-impact/our-research/recharging-rural/>

cafes and parcel drop off points and pubs are hosting rural cinemas, luncheon clubs and local meetings. The trend for businesses to be multi-service centres, be they community or privately owned is likely to be the future model adopted by many more communities. Plunkett's 'State of the Rural Community Business Sector' report published in June 2020 found that during the national lockdown period, 67% of community pubs changed or diversified their services in some way, demonstrating their adaptability and resilience. This is in contrast to 28% of the wider pub industry.<sup>23</sup>

70. Volunteers are often the life blood of rural community businesses, and rural communities often have a particularly rich potential supply of volunteers that, harnessed properly, can make an enormous difference to the lives of our rural communities. We have seen, in the response to Covid-19, the willingness of a new generation of residents of rural communities ready and able to step up to the mark and help their communities. With this wave of new volunteers comes renewed energy, ideas and expertise that promises to stay around long after the crisis subsides.

## **5. Community business has the potential to support the governments net zero emissions target**

71. Globally we are midst a climate crisis which has created a growing awareness of our individual, as well as collective, environmental responsibilities. On a more local level, communities are increasingly looking to support schemes and businesses that endorse responsible environmental behaviours and encourage good practice. Community businesses offer people an opportunity to access services and amenities without the need to travel. They are at the forefront of demonstrating environmental good practice, for example, Plunkett's Better Business reports shows how community shops have pioneered simple initiatives such as refill stations in shops, installing electric vehicle charging points, setting up recycling points, and reducing end of life food waste through community kitchens. Furthermore, community businesses source products locally (reducing their overall carbon footprint while boosting the local economy), and decrease emissions by reducing the need for local people to travel for essential services. Land-based community businesses, such as woodlands, renewable energy initiatives and farms, combine sustainable timber, energy and food production with environmentally sustainable practices, while also delivering economic and social benefits, such as skills training for young people, job creation, access to green space, and education programmes for schools.

72. Plunkett sees a clear role for community businesses to go further in setting the example in environmentally responsible behaviours. We would like to see more communities utilising the community business model to adopt environmentally friendly schemes such as community composting, community energy and growing projects. Community businesses have led the way, and should continue to be at the heart of launching new green initiatives, owning open spaces such as woodlands with community value, as well as incorporating more environmentally beneficial activities into existing community businesses. Investing in community ownership as a means of tackling climate change also has huge knock-on benefits for local people and the local economy.

Ends.

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<sup>23</sup> State of Rural Community Business, Plunkett Foundation (June 2020) "[State of Rural Community Business: A Snapshot in June 2020](#)".