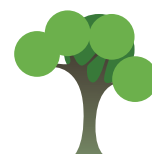


Stimulating and supporting enterprise in a recession

Introduction

Enterprise is one of the key drivers of productivity in the UK economy, and is viewed by the Government as being vital for closing the productivity gap between the UK and other countries. The latest figures from 2007 showed that Small- and Medium-sized Enterprises¹(SMEs) provided 59% of private sector employment and made up 99.8% of all UK businesses. ²In Yorkshire and the Humber, there were just under 350,000 enterprises in the region, with an £180 billion annual turnover. ³Nearly three quarters of these had no employees (they are run solely by owners/ proprietors or partnerships) and only 0.4% had over 100 employees – very similarly to national levels of employment in enterprises. ⁴Therefore maintaining and growing these small businesses offers an important opportunity to boost economic development and resilience. In addition, there is also a growing recognition by the Government of the wider benefits of enterprise, including social enterprises, and how these can be used as a tool for delivering significant social and economic benefits to deprived communities. This includes by offering employment, training and work experience; by developing the local business environment to attract other businesses and investment; and by increasing the availability of goods and services to local people.

Enterprise will also be important in the economic recovery from recession. Large scale capital regeneration programmes have been a common feature of the last 15 years of regeneration and are now a primary feature of the Government's recent 'Keynesian' response to economic downturn. 'Keynesian' refers to public sector led responses to economic challenges which help the economy to be reinvigorated. Keynesian approaches can include increasing money supply, bailing out financial institutions and investing in physical development. While these approaches have been successful in improving the physical amenity of deprived areas and providing or maintaining employment in the related industries, the impact on local



economies has been limited in many cases.⁵ In some instances, physical regeneration schemes have even been detrimental to local economies, as a focus on creating high value jobs has excluded many local residents and relied on people from beyond the deprived area to fill the jobs. Therefore an emphasis in national, regional and local strategies upon stimulating and supporting local enterprise will help to address these local economic and social issues. Using the skills, knowledge and interests of local people to grow enterprise, and therefore employment and prosperity, from the bottom-up is hence an opportunity to create sustainable and equitable economic recovery in a time of economic shrinkage and increasing worklessness.

This briefing discusses the main challenges for private and social enterprise in a recession and different approaches to stimulating new and existing enterprises. It also discusses the numerous ways that public partners might seek to stimulate new enterprise and support existing enterprises to survive and grow in the current policy and economic environment. This includes learning from the experience of successful enterprise schemes to date; different demographic and geographic focused enterprise interventions; and the role and opportunity of social enterprises.

2. The key challenges for enterprise in a recession

Recession has made it more difficult for people to start-up or expand their own enterprises, and also presents a greater challenge for public sector bodies to provide support for this, given their own reduced incomes and the greater demand for services such as business support. A number of persistent barriers to enterprise exist that are worsened by the recession, including:

- Lack of appropriate business support as some products and packages that were created before the recession will no longer be valid or viable. Local authorities are acting now to understand the impact of recession on enterprises and their local economies, but there will inevitably be a time delay between the changes occurring, gathering a sound understanding of these, and adapting the business support offered to enterprises at national, regional and local levels;
- Access to finance is a growing difficulty for people who wish to start a new business or expand their current business as the availability of credit has greatly diminished during the downturn and banks and other financial institutions are now much less likely to lend. Also, this reduction and the strain on public and private sources of investment means that competition for finance is greater and therefore certain groups such as those without strong enterprising backgrounds will find it even harder to gain finance;
- Caring and domestic responsibilities are a barrier to enterprise as they limit the amount of time people can devote to the enterprise (which is particularly intensive when a new business is establishing itself) and how flexible they can be with their



time if they have obligations elsewhere. They may also act as a deterrent because, as business start-ups are a risk, people with dependents may not wish to take this risk vis-à-vis a stable part time job. Domestic responsibilities are a particularly strong barrier to enterprise for many women, with men being twice as likely as women to start up an enterprise. This is particularly marked for ethnic minority women, who often have larger families with more children and extended family, and therefore see even lower levels of enterprise;

- The transition from unemployment to business ownership has traditionally been a barrier to enterprise as it is difficult for people, especially those who have been out of the labour market and dependent upon state benefits for a while, to make that considerable step into self-employment. This is worsened by the recession as the strains on public resources to provide personalised support to make this transition are greater, and the competition for investment and funding is greater and therefore less likely to go to someone without a track record of enterprise or employment;
- Low levels of confidence can be a barrier to enterprise, particularly for people who have not been self-employed (or in the case of young people or the long term workless, employed) before. This might be particularly marked in deprived communities, where confidence and aspiration levels are often very low and there may be a lack of inspirational role models from the local community or town as a whole. As local economies are negatively affected by recession and increasing numbers of businesses are collapsing, this confidence to start an enterprise is likely to remain low or decline for some groups in some areas;
- The perception that starting an enterprise 'is not for me' is a barrier to enterprise start-ups as people with no past experience of self-employment or preconceptions about the requirements discount this as a potential option for their employment future. This is also true of many older people who have already had their career and do not consider enterprise for their twilight years. For some people, the perception barrier is likely to worsen in the recession as the risk and apprehensiveness about competition seems greater. However, as more people lose their jobs, have reduced incomes and experience greater competition for jobs, these perceptions may begin to change as new avenues are explored;

Unfortunately, there is a time lag between the onset of economic downturn and the availability of reliable statistics at regional (or national) level that reveal how recession has impacted upon enterprise levels in Yorkshire and the Humber across all sectors. However, it is likely that the region will experience reduced start-up rates and existing enterprises in some sectors will stagnate or collapse in the current market conditions. For example, the restaurant and pub industries are seeing high levels of business liquidation, and car manufacturing and sales have had massive problems nationally. However, some types of enterprise may see greater demand and growth – the role of social enterprises is likely to increase as the recovery from recession begins as they provide valuable services to



local communities and people, at a time where public and private sector budgets are tight and conservatively used. A recent poll of London social enterprises by Business Link found that there has been little negative impact on social enterprises being able to access finance, as many look to develop new community projects; half of the 130 social enterprises polled believed that the recession had created new business opportunities; and 72% were planning for modest or substantial growth over the next three years.

3. The national policy context

Given the importance of enterprise for the future of the UK economy, the Government have taken a number of measures over recent years to support the growth of enterprise. For example, the Phoenix Fund was operational between 2000 and 2006, providing support for innovative demonstrator projects in deprived areas that worked with disadvantaged residents. This promoted business start-ups amongst people who had experienced social and economic exclusion, and also helped existing businesses to improve their services, diversify and increase their profit margins. Following this, the Local Economic Growth Initiative (LEGI) programme was launched in 2006 to enhance enterprise and small business start-ups in deprived areas. In Yorkshire and the Humber, this meant £21.4 million was allocated to Bradford in the first round of LEGI allocations, and in the second round, £66.7 million was distributed across four areas, namely, North East Lincolnshire (£18.7m), Sheffield (£17m), Doncaster (£16m) and Leeds (£15m). However, a third round of LEGI is highly likely to be suspended, leaving the future of national enterprise funding allocations somewhat uncertain.

Since the onset of economic downturn, the Government launched its new Enterprise Strategy in March 2008 with the vision of making the UK the most enterprising economy in the world and the best place to start and grow a business. It aims to unlock the nation's entrepreneurial talents; boost enterprise skills and knowledge; help new and existing business get funding to start up and grow; and ease the burden of regulation, particularly on small firms.

In addition, the Government is taking a number of measures to support businesses and jobs during the recession. These include obligations on the bailed out banks to maintain the availability and active marketing of competitively priced lending to SMEs at a level at least equivalent to that of 2007; a pledge by the Government to pay all bills within 10 days; provision of free health checks (through Business Link) for all businesses on demand, giving hands on advice from qualified experts to help identify problems early and survive these; and using Train to Gain to enable SMEs to access extra support to ensure employees have the skills and business knowledge they need.

These measures will go some way towards helping SMEs to weather the recession, but have also been complemented by a number of targeted interventions that focus upon growing enterprise amongst specific demographic groups that have traditionally seen low



levels of enterprise and self-employment in the past. For example, women are only half as likely as men to start their own enterprise and some ethnic minority groups also see low levels of start-ups. Young people are also being targeted by the Government as this is the best way to instil a national enterprising culture for the future, while the potential of older people to be entrepreneurs is also increasingly being realised.

Local authorities have also had a significant role in supporting private and social enterprises in their responses to recession. For example, a number of authorities have implemented initiatives around business rate relief, ensuring prompt payments of suppliers, creating local funding opportunities, engaging with local enterprises, undertaking capacity building work with local suppliers and increasing the uptake of public contracts by local suppliers. The extent, nature and innovation of local authority responses to supporting and stimulating existing and new enterprises in the recession has been highly variable however, as many authorities are still gathering the evidence base and political support to take assertive measures.

4. Approaches to stimulating enterprise

Top down approaches

Top down approaches to stimulating and supporting enterprise are those which are formulated at national government level and cascaded down to regions and localities. There are pros and cons to this, as in some ways it offers efficiency and clarity about what is available, but also runs the risk of failing to be locally specific and adopting the often ineffective one-size-fits-all approach.

Business Support is delivered through Business Link, a free business advice and support service. This is available through local advisors, although the products on offer are standardised. Business Link has recently been subject to the Government's Business Support Simplification Programme (BSSP). Following the publication of 'Simple support, better business: Business support in 2010' in March 2008, which set out the vision for business support reform and the future of these services,⁶ a new streamlined package of support called 'Solutions for Business – funded by government' was announced in October 2008. This introduced 30 new products and services to Business Link covering advice, loans and grants to small businesses.⁷

This reform of business support is based on a Government pledge to reduce over 3,000 products to less than 100, as businesses had reported they find the current system 'complex and confusing'. It is estimated that this rationalisation of business support products will collectively add up to £1.4 billion per year of value for businesses, whilst having clearly identifiable products will save them up to £1.4 million in saved search costs.

In addition to the BSSP, the Government has announced further measures to specifically alleviate the difficulties that recession is presenting to the thousands of private sector



businesses across the UK, particularly the more vulnerable smaller enterprises. The Government has pledged to:

- Pay invoices from private firms within 10 days, working with England's NHS trusts, local authorities and other public sector bodies to achieve this. Regional Development Agencies in England have already signed up to this 10 day target;
- Offer free 'health checks' to businesses, available through Business Link, to identify and tackle problems early on. This will provide personalised support and confidential advice on maximising cash flow, marketing and business planning;
- Prioritise training for SMEs under the Government's 'Train to Gain' scheme;
- Offer free guidance, produced by the Institute of Credit Management, to give Business Link users expert financial information on effective invoice chasing, debt management and credit insurance;
- Developing Real Help Now, a government service to provide information and news about the support available to businesses and households and how this can be accessed.

Other top down approaches to stimulating enterprise include the provisions made at regional level in the former Regional Economic Strategies to develop business infrastructure and as mentioned previously, the LEGI programme. While both of these are developed at higher spatial scales, they do rely on and support local levels initiatives. LEGI in particular is a top down source of funding that supports many bottom up approaches on the ground, e.g. BizFizz.

Bottom up approaches

Bottom up approaches have been some of the most effective at stimulating local enterprise by engaging with local people to generate sustainable culture change. For example, BizFizz is an approach to stimulating enterprise (and therefore local regeneration) through offering coaching and networking support to people in deprived communities, meeting their specific needs as potential entrepreneurs. Set up by the new economics foundation (nef) and the Civic Trust in 2002, BizFizz values are based on analysis of the critical success factors of previous programmes of intervention, namely that projects should be:

- Locally managed;
- Community centred;
- Entrepreneur focused;
- Led by the passion of potential entrepreneurs;



- Free and flexible;
- Supported by local networks;
- Designed to support, not initiate or motivate.

BizFizz recognises that enterprise is highly dependant on local conditions, for example, local cultures and the strength of local communication networks, and therefore efforts to boost enterprise need to be tailored to these contexts. To ensure this local relevance and ownership, BizFizz projects are run by local management teams of people from the community (community groups, businesses, residents, etc.), who define their goals alongside a designated coach. The coach is an entrepreneur who has themselves set up and grown their own business. The coach puts together a panel of local people who will be able to contribute experience, skills and contacts, and who will provide inspiration for potential entrepreneurs. This simple yet community specific and flexible approach to encouraging local entrepreneurship has yielded many examples of positive outcomes for local people that contribute to wider community and economic development of their area.

Bottom up approaches were also funded by the Government's Phoenix Fund, which was targeted at increasing business start-ups amongst people who had experienced social and economic exclusion. Since the Fund was disbanded, appraisal of the experiences of the 50+ projects that were given funding has yielded a number of useful insights into what makes enterprise schemes successful. The key conclusions were:⁸

- Lots of effort was put into targeting, marketing and outreach by the enterprise projects, particularly in making this targeting meaningful in the local context and taking into account local social factors;
- Models of delivery were highly variable but were all designed to meet prospective clients' needs;
- There was considerable innovation amongst the projects and new approaches to enterprise were successful. In these innovative projects, significant work was placed into project management and development, creating replicable materials and processes;
- Linkages to the mainstream economy had a mixed degree of success, but many projects formed proactive linkages with specialist sector or expert agencies in their communities, to offer the best possible services to users. Some formed regional forums to communicate with the RDAs;
- The projects offered inclusion through non-judgemental opportunities for self-determination, employment and enterprise, thereby regenerating communities by bringing the excluded into economic activity.

Another bottom up approach to stimulating enterprise might be through developing and providing support for enterprise networks and enterprise champions in areas that have



few existing networks and limited examples of successful enterprises or role models for potential entrepreneurs. These networks would enable people to disseminate information and learning, increase awareness of business opportunities and potentially lead to collaboration amongst enterprises. A scheme of employing local 'enterprise champions' could run alongside these networks to provide hands-on assistance to those most in need of support, perhaps with advice on starting up, business skills development, confidence and aspiration building, information about funding paths and so forth.

These different programmes all demonstrate the importance of local specificity and working with people on the ground to assess and meet their individual needs. This is likely to produce a more sustainable change in local enterprise cultures and growth as it is producing change from within rather than applying a predetermined method from a national level.

Social enterprises

Social enterprises are an important asset to local economies as they combine both the economic drive for profitability with delivering positive social and/or environmental outcomes to needy individuals and communities. More specifically, there is a strong role for social enterprises and the rest of the Community and Voluntary Sector (CVS) in contributing to local economic development, for example through provision of: training and employment to the low skilled and unemployed; services to the general public as well as the public and private sectors; valuable community assets and projects in deprived neighbourhoods; and environmental conservation and enhancement.

Social enterprises are a vital component of a resilient local economy.⁹ Operating in isolation, social enterprises often offer capacity and a wealth of knowledge at the local level and have successful track records of fruitful engagement and innovative action that makes a real difference to local communities. However, social enterprises and other CVS organisations can also provide vital support to the local public and private sector. This includes by acting as a supplier of goods or services to public and private procurers; by benefiting the private sector through contributing to an attractive businesses environment with more skilled workers and economic diversity; and by reducing the strain on public resources through reducing social and economic exclusion and environmental degradation.

There is also considerable potential for co-operatives to be developed as a more mainstream model for developing social enterprise. Co-operatives are enterprises that are jointly owned and democratically controlled by their members – and it is the members who are the beneficiaries of the activities of the business. There are many types of co-operative, each serving their members' economic, social and cultural needs and aspirations in different ways. Co-operative and mutual enterprises make a significant contribution to the economic and social wellbeing of the country and, until recently



no one has taken responsibility for mapping and analysing this sector of the economy. However, Co-operatives UK is a partnership and membership organisation that works towards developing a successful and sustainable co-operative economy by promoting and developing co-operative enterprise. By working with organisations like Co-operatives UK, practitioners in Yorkshire and the Humber might seek to develop a mutually beneficial approach towards supporting social enterprises in the recession.

There is a growing awareness by the Government and others of the massive potential of the third sector in delivering economic development, not only in areas of persistent deprivation as they are better placed to reach the traditional hard-to-reach groups, but also as a central element of aiding the recovery from recession. During the recession, while the private sector is shrinking and the public sector is facing increasing strain, social enterprises offer a valuable mine of local skills, knowledge and experience of working in local specific conditions. In view of this and the contribution of the sector to local economic resilience, social enterprises are set to increase in the breadth and depth of their delivery of positive economic, social and environmental outcomes, both directly and through supporting the public and private sectors.

Stimulating enterprise amongst traditionally un-enterprising groups

There are a number of national policies and programmes that aim to increase enterprises amongst the main demographic groups that have traditionally been less inclined or able to start up their own businesses. Many of these groups are significantly represented in Yorkshire and the Humber as it has many of the most deprived localities in the country and cohorts of people who have experienced high unemployment rates as traditional industries declined. It also has a relatively high BME population and an aging population in many rural areas, both groups that have seen low enterprise rates in the past.

Stimulating enterprise amongst Black and Minority Ethnic (BME) groups

Enterprise rates amongst BME groups show a mixed picture. Pakistani populations have seen business start-up rates at significantly higher than the white population (11%); Indian and Chinese groups have seen start-up rates on a par with the white population (8%); and Black African and Bangladeshi groups have seen lower rates of start-ups (5% and 6% respectively).¹⁰ To bring enterprise rates amongst these latter BME groups (and other, less common ethnicities that are likely to also have low start-up rates) up to the national average, the Government is taking a number of measures that can be replicated at regional and local levels. These include:

- the 'Make Your Mark' campaign, run by Enterprise Insight. This involves building a bank of accessible champions and ambassadors who will act as role models for young people in ethnic minority communities;
- pilots in Children's Centres to test the potential for Business Link to reach hard-to-reach groups e.g. reaching Pakistani and Bangladeshi women through Children's Centres in Rotherham;



- exploring the concept of Ethnic Minority Ambassadors based on the Women's Enterprise Ambassador Network, which has been successful in promoting enterprise amongst women.

Stimulating enterprise amongst young people

Rightly, the Government has placed a priority on targeting young people with enterprise focused projects and programmes, as this is the most effective and enduring way to foster an entrepreneurial culture within the UK. This will lay the foundations not only for a future direction within the national economy, but will also equip young people in deprived communities, many with limited education and employment options, to develop their entrepreneurial side for the benefit of themselves, their communities and the local economy. The measures being taken to boost enterprise amongst young people, which may be replicable and/or promoted in Yorkshire and the Humber, include:

- Global Entrepreneurship Week to celebrate and promote entrepreneurship across the globe. This event brings together university students, school pupils, teachers and lecturers, entrepreneurs, corporate leaders, employees and non-profit organisations aims to inspire young people;
- Premier League Enterprise builds on the successful enterprise promotion work started by Middlesbrough and Blackburn Rovers football clubs by using football as a key engagement tool to introduce young people to work and enterprise, gain greater self-confidence and raise aspirations. Manchester City and Aston Villa have launched their schemes, and many other clubs are expected to follow;
- Promoting Enterprise in Schools by improving the level of enterprise education, particularly at secondary level. Over 90% of secondary schools provide enterprise education for all their pupils at Key Stage 4, and the Government are also seeking to ensure that enterprise is an element of all new Diplomas (new qualifications that combine theoretical study with practical experience).
- Yorkshire Forward supports The Young Peoples Enterprise Forum (YPEF) through the Embedding Programme to stimulate and foster a culture of enterprise in region.

Stimulating enterprise amongst older people

Older people are increasingly being seen as potential entrepreneurs as they often have a wealth of knowledge and skills that can be exploited by starting new businesses. This is particularly important given that we now live in an aging society that will have increasing numbers, and proportions, of people over 50. A number of initiatives have therefore been set up to support 'olderpreneurs'.

One such initiative is PRIME (the Prince's Initiative for Mature Enterprise), set up by Prince Charles to assist older entrepreneurs across the whole of the UK. The charity's activities are needed because the over-50s face huge problems of unemployment and age discrimination



in the conventional job market. Also, almost one person in three aged between 50 and state pension age is workless in the UK. Of these, less than 10% are retired on adequate incomes. The remaining 90% are on Incapacity Benefit, registered unemployed, carers, were made redundant or retired with an inadequate pension. PRIME seeks to help this cohort to start their own businesses or set up a social enterprise with other people, giving people back their financial independence, self-reliance and dignity.

Stimulating enterprise amongst women

With the ratio of male and female enterprise standing at approximately 2:1, the Women's Enterprise Task Force was set up to improve women's access to enterprise activities. The Women's Enterprise Task Force is a national body championing women's enterprise, set up to increase the quantity, scalability and success of women-owned businesses in the UK. The Task Force focuses on five key areas which it deems vital to achieving more high growth, women-led businesses; namely, gender-disaggregated data, women-friendly business support, access to finance, supplier diversity and strategic influencing. The Task Force also lobbied for the creation of a women's investment fund in the UK's Enterprise Strategy 2008, now called the Aspire Fund and accessible via Business Link.

In Yorkshire and the Humber, Forward Ladies is a not-for-profit membership based business networking and support organisation for women entrepreneurs in the region. Supported by Yorkshire Forward, HSBC and O2 the aim of Forward Ladies is to stimulate an enterprising culture among women and to promote self-employment and business start-up by offering a networking platform for potential and current women entrepreneurs to share ideas and best practice. It also offers members coaching, training and business support, as well as the unique opportunity to participate in international trade missions. This type of scheme could also be replicated on a sub-regional or local basis, with initiatives set up to overcome locally specific barriers. This might be most effective if combined with interventions to target women who fall into several demographic categories that see low levels of enterprise, e.g. ethnic minority women, women over 50, young women, women with a disability.

From examination of these different measures to stimulate enterprise amongst traditionally un-enterprising groups, practitioners in Yorkshire and the Humber can consider how they might be applied in the region and how new schemes might be developed locally that seek to stimulate growth amongst these groups.

Support with related issues

As well as direct interventions to stimulate enterprise, there are a number of measures that local authorities and others can take to make it easier for people to start-up or expand their own business or social enterprise. For example, improving provision of childcare would remove a considerable barrier to enterprise, particularly for women, by providing them with more time and ability to be flexible while working on their enterprise.



Also, changes to the benefit system could support people in the early stages of starting their own enterprise; if people no longer lose their unemployment or incapacity benefits in the early stages of getting back to work, this would remove a deterrent in taking a risk on a new enterprise as opposed to sitting back on a guaranteed benefit cheque. This could also be applied to other benefits that people may receive whilst in work, such as working tax credits, removing the deterrent to start up enterprise to supplement and perhaps replace their income from a poorly paid job.

Another measure that might be taken could be around education, providing people with the necessary skills and confidence to start up their own enterprise prior to and during this challenging and risky time. This might be tailored to the specific needs of certain groups; for example, transport could be provided to increase the uptake of enterprise-focused learning opportunities by older people, or women-only learning sessions could be held to specifically empower women and prevent some BME women from being deterred, or enterprise learning activities could be incorporated into local curriculums at schools and similar activities held in youth clubs.

5. What Yorkshire and the Humber can do to support enterprise in a recession

Focus on the local – bottom up is best!

Enterprise rates are highly variable by demographic group and geographical area and therefore projects and programmes to stimulate and support enterprise are most effective when they are tailored to individuals' needs and specific local contexts. Bottom up approaches are generally the best way to grow enterprise as they lead to action that is locally appropriate and therefore more likely to bring about sustainable and equitable change within different demographics and geographies. Such approaches include engagement with local people and enterprises and ensuring the role of social enterprises is maximised for delivering social and economic benefits (both discussed later), as well as other approaches such as coaching and mentoring, strengthening local networks and operating from community-based locations.

As part of this bottom up approach, it will be important to engage with the groups of people who have traditionally seen low levels of enterprise, such as women, older people, young people and some ethnic minority groups. By overcoming some of the deep-rooted and persistent barriers that these groups face to enterprise, practitioners can unlock their latent potential for the benefit of both the regional economy and the individuals involved.

Inform and engage with local enterprises

It is important to ensure that information about the potential support and funding available to enterprises is accessible and disseminated to the appropriate persons and organisations. This includes both existing enterprises, equipping them with the knowledge and advice to expand their activities and geographical influence as necessary, and also the general public and groups who may wish to start up an enterprise, for example, local school leavers, the



unemployed, local community groups and others. The information disseminated should cover sources of advice and funding offered nationally, by regional agencies and also at local levels under specific initiatives.

Effective dissemination of information about support and funding will be greatly encouraged by robust engagement with potential entrepreneurs and existing enterprises in Yorkshire and the Humber. Engagement methods such as round table meetings, large networking events, a local conference for the sector, surveys and site visits for example, can be employed to find out what funding and operational issues are faced by enterprises regionally, and how the RDA and local authorities might remove these limitations on delivering positive local outcomes.

Review public sector procurement practices in the region

As public services at national, sub-regional and local level in Yorkshire and the Humber have a large spending budget and a potentially huge local economic footprint, public partners should review their procurement policies to ensure that enterprises, particularly SMEs and social enterprises, are able to access public sector contracts. This will involve ensuring that these enterprises:

- are included as a target for tender advertisement and invitations to tender;
- are aware of how to find out about tender opportunities themselves;
- have the knowledge and appropriate skills to fulfil the requirements of the tendering process;
- have the incentive to apply for public contracts by keeping the costs and complexity of the tender process to a minimum;
- have the capacity to deliver contracts to the standard required while also delivering benefits to the local community; and also
- ensuring that contracts are not too large to be delivered by smaller organisations, and unbundling them accordingly into more manageable lots.

Public procurement is a vital tool that the public sector can employ to improve the strength of the local social enterprise sector (as well as local small businesses), seeking to increase the amount of public expenditure that is retained within the locality to support local jobs, skills, incomes, amenities and communities.¹¹

Realise the massive potential of social enterprises

Social enterprises are an important asset of local economies as they combine both the economic drive for profitability with delivering positive social and/or environmental outcomes to needy individuals and communities. Social enterprises are a vital component of a resilient



local economy.¹² Operating in isolation, social enterprises often offer capacity and a wealth of knowledge at the local level and have successful track records of fruitful engagement and innovative action that makes a real difference to local communities. However, social enterprises and other CVS organisations can also provide vital support to the local public and private sector. This includes by acting as a supplier of goods or services to public and private procurers; by benefiting the private sector through contributing to an attractive businesses environment with more skilled workers and economic diversity; and by reducing the strain on public resources through reducing social and economic exclusion and environmental degradation.

Social enterprises have an important role not only in delivering economic development in areas of persistent deprivation but also as a central element of aiding the recovery from recession. In view of this and the contribution of the sector to local economic resilience, social enterprises are set to increase in the breadth and depth of their delivery of positive economic, social and environmental outcomes, both directly and through supporting the public and private sectors.

Yorkshire and the Humber, as a region and its component sub-regions and localities, seek to proactively encourage the growth of social enterprises through a number of measures. These include many of the recommendations made in this section and apply equally to social enterprises as businesses, such as engagement and reviewing procurement policy. However, it is important that support is tailored to social enterprises in order to maximise fully the contribution they will make to the future development of the region. There are a number of existing organisations within the region which provide social enterprise funding and support, which could be built upon. These include: Charity Bank (<http://www.charitybank.org/>), Key Fund Yorkshire (<http://www.keyfundyorks.org.uk/>), and Social Enterprise Yorkshire and Humber (<http://www.seyh.org.uk/>).

Review the region's community-based banking infrastructure

As the mainstream banking sector does not offer strong support to social enterprises and many small businesses,¹³ the community-based banking sector is a potential route for enterprises to take to gain funding. This is particularly relevant for supporting local social enterprises, and includes services of Community Development Finance Institutions (CDFIs), credit unions and microfinance/microcredit schemes.

As well as seeking to strengthen the existing community-based finance infrastructure within Yorkshire and the Humber, public partners might wish to consider forwarding this agenda themselves through measures such as establishment of local authority banks or banking services, perhaps offered through local Post Offices. While this has not been a common response of local authorities to overcoming the lack of funding available for local enterprises, there are several examples of where this has worked successfully while also delivering benefits to low income households and small businesses.¹⁴



Providing these services directly could be a potential consideration in Yorkshire and the Humber as part of a wider approach to providing finance and support services to local low incomes households and small businesses, as well as SMEs and social enterprises. However, such an undertaking would be radical and resource-intensive, so the region may wish to focus on assisting its enterprises and potential entrepreneurs to access finance from the existing community-based banking infrastructure.

Be aware of and promote funding opportunities for enterprise

Securing funding to start-up or expand an enterprise is a critical first step for the majority of people who do not have the initial capital outlay themselves. It is important for practitioners seeking to encourage enterprise to have a firm grasp of the different sources that entrepreneurs can apply to for funding. These sources might be targeted at private small businesses or social enterprises; generic or targeted at specific industries, demographic groups or geographic areas; they might be ongoing funding or available in rounds or on one-off occasions; and so forth.

The recession has stimulated an increase in the amount of funding available for growing enterprise as this is a key priority for recovery and reshaping of the UK's economy in the post-recession era. Therefore a number of new funds have recently been announced and are at variable stages of implementation.¹⁵ These will depend upon different conditions of eligibility, e.g. the enterprise's remit, focus areas, number of people employed, years of operation. Public partners at all spatial scales in Yorkshire and the Humber may wish to investigate these funds to see which are most appropriate in their areas and to their local enterprises, and assist the Government's own work to disseminate information about the opportunities available and provide support to accessing them.

Support knowledge intensive and innovative enterprise

One of the key ways of responding to recession and increasing regional productivity is through innovation. Investing in creative processes, innovative and novel products, research and development, technological advancement, and new and creative entrepreneurs can be a key method of stimulating enterprise and fostering growth in the economy. The Yorkshire and Humber region has invested significantly in creative and knowledge based industries in recent years and has an existing focused organisation and network supporting entrepreneurship and technological advancement in the region's businesses. CONNECT Yorkshire (<http://www.connectyorkshire.org/>) was set up to support early stage companies to realise the full potential of technology businesses in the region.

Supported by Yorkshire Forward, CONNECT acts as a networking vehicle between technology companies, entrepreneurs, universities and research institutes, finance providers and business support providers. Whilst each of the bottom-up focused approaches described in this section are crucial to stimulating Yorkshire and Humber's enterprise base, there is a need for continued focus upon support for knowledge based and creative sectors.



- ¹ Defined as private sector enterprises with less than 250 employees
- ² Small and Medium Sized Enterprises Public Consultation, BIS, 2009. See <http://stats.berr.gov.uk/ed/sme/>
- ³ Exact figures are 349,930 enterprises with £179,675,000,000 (£179.7 billion) turnover
- ⁴ Nationally, 72.8% of enterprises have no employees and 0.4% have over 100 employees
- ⁵ Who's the Entrepreneur? The BizFizz Story: unleashing the passion, transforming communities, Civic Trust and nef, 2001
- ⁶ Available at <http://www.berr.gov.uk/files/file44988.pdf>
- ⁷ Information on the products themselves can be found at <http://www.berr.gov.uk/files/file48471.pdf>
- ⁸ A number of critical success factors were also identified from the Phoenix Fund. These can be seen in the full and summary reports, available at <http://www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/building-enterprise/enterprising-people/Phoenix%20Fund/page37783.html>
- ⁹ See 'Toward a new wave of local economic activism: The future for economic strategies', CLES, 2009. Available at <http://www.cles.org.uk/files/104252/FileName/Newwave%28webversion%29.pdf>
- ¹⁰ BIS website, see <http://www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/building-enterprise/enterprising-people/Ethnic%20Minorities/page38527.html>
- ¹¹ Further guidance about the many ways that local authorities can support their local third sector and private businesses through smart use of public procurement, to both help these suppliers to thrive and deliver other community benefits at local level, is available in the forthcoming research report from CLES and the Association of Public Service Excellence (APSE). This is due out in Autumn 2009
- ¹² See 'Toward a new wave of local economic activism: The future for economic strategies', CLES, 2009. Available at <http://www.cles.org.uk/files/104252/FileName/Newwave%28webversion%29.pdf>
- ¹³ See the forthcoming CLES Rapid Research 16, 'Banking on change: Community reinvestment and re-thinking the UK financial system', due out in October 2009
- ¹⁴ For example, Essex County Council is in the process of setting up its own 'Bank of Essex', working in partnership with Santander and aiming to be operational from Spring 2010. This will use a budget of £50 million to offer loans of up to £100,000 to local small businesses – an approach which could easily be extended to include social enterprises, should the local authority have the will. Also, Birmingham City Council has actively sought to revive its own municipal bank, following collapse of the World War I-established Birmingham municipal bank in 1976. Municipal banks currently feature in a number of locations across Scotland, the largest being North Lanarkshire with over 11,000 active accounts and operating out of 11 offices. Other successful municipal banks in Scotland include in East Dunbartonshire, North Ayrshire, Clydebank and West Lothian, all with 1,000-2,500 accounts
- ¹⁵ For example, the main sources of funding for SMEs include the Aspire Fund, Capital for Enterprise Fund, Early Growth Funds, Enterprise Capital Funds, Enterprise Finance Guarantee, Framework 6, Grant for Research and Development, Regional Loan Transition Fund, Regional Venture Capital Funds, Small Firms Loan Guarantee Scheme extension and Working Capital Guarantee Scheme. The main sources of funding for social enterprises are the Adventure Capital Fund, Bridges Community Development Ventures Fund, Bridges Social Entrepreneurs Fund, Capacitybuilders, Community Development Finance Institutions, Futurebuilders England, Grassroots Grant, Risk Capital Fund for Social Enterprise and Social Enterprise Access to Investment Fund



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