



Supporting enterprise growth in deprived areas

A good practice guide for councils and local enterprise partnerships

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Introduction

Enterprise in deprived communities

Deprived neighbourhoods are generally characterised by low rates of business start-up and survival, low levels of self-employment and high rates of unemployment. Attracting inward investment can help to increase employment options for residents, but in times and places where the flow of investment is limited, stimulating business starts and supporting small business growth is an additional approach. This requires more people to understand enterprise and the self-employment option, and be supported in setting up businesses.

The 'enterprise gap' affects not only the poorly educated in our most deprived communities. A recent survey of students graduating this year found that one in three intends to start their own business. However it is still less likely for those living in deprived communities to feel that starting or owning their own business is an aspiration within their reach.

The Local Enterprise Growth Initiative (LEGI) was the first programme to focus specifically on stimulating enterprise growth in deprived areas. In the past these communities have often received less support from enterprise and business support programmes, and their activities have had little impact in these neighbourhoods.

By adopting a more flexible and tailored approach to supporting enterprise growth LEGI programmes have demonstrated that there is a significant pool of people living in deprived communities who have the aspiration and ability to run successful businesses, boosting local economies and increasing employment.

Why is this important now?

The lessons from the approaches trialled through the 20 LEGI programmes are perhaps even more important now than when they were conceived. The current economic climate and the impact of the reduction of the budget deficit on public agencies reduces employment options further for those living in deprived neighbourhoods.

Coalition government policy on enterprise support is still emerging. However, it is clear that many if not all councils and partners submitting expressions of interest in establishing local enterprise partnerships consider that enterprise growth will continue to be an important priority.

The government's approach to welfare reform is also in development and delivery mechanisms are undergoing rapid change. However, current Jobcentre Plus programmes explicitly recognise the self-employment option as a route out of worklessness. As incentives are increased for people to secure employment the links between employment and enterprise support will need to be clarified.

The approach to enterprise coaching as part of wider support programmes developed through LEGI has brought these agendas together in a way that is both exciting and challenging for business support and employability support practitioners. It has also worked to explore ways in which support programmes can reach into deprived communities and engage a new audience.

The funding LEGI partnerships have received is no longer available. As local government adjusts to the new age of austerity and reshapes interventions with local communities, new economic development partnerships, such as LEPs, will also be exploring ways to support enterprise growth. Councils and sub-regional partnerships will need to engage with new national business support programmes, but it is at local level where these will be translated into relevant interventions for local communities.

Purpose of the guide

This guide, informed by the wider LEGI community but based most specifically on detailed work of five partnerships, focuses on the activities and programmes that have been most successful (in terms of number of people supported into employment and business start up rates), and cost efficient.

Sponsored by Local Government Improvement and Development (LG Improvement and Development) this guide will be of particular interest to anyone exploring mechanisms to increase aspirations and understanding of enterprise in local communities. It is designed for use by a wide range of agencies and partnerships including councils, business support providers, emerging local enterprise partnerships, Jobcentre Plus and other employability support providers, along with schools and other agencies working with young people. We hope you find it useful.



Supporting the enterprise journey

The LEGI programme is unique among enterprise support initiatives in that it offers a ‘ladder’ of support which can be accessed by individuals at any stage of their enterprise journey. This is so a client can be effectively supported all the way from the point where they may have never even considered being self employed or starting a business, right through to them running and developing a successful company. It is important to note that self-employment is not the only outcome of the approach, and many people have re-engaged with work through finding employment as a consequence of being involved in LEGI activities.

A combination of three features set the approach apart from other programmes. These are:

- focusing on the person and their individual, and sometimes complex circumstances, not just the business – most programmes have developed a client journey placing the client at the heart of programme activity
- local delivery – taking business support to people in their communities and
- providing a comprehensive network of business support projects that cover the wide range of support clients need.

In this guide we look at the three stages in an individual’s enterprise journey and detail the range of support approaches they may access at each stage. As the table below shows, support offered at each stage of the journey differs somewhat in its focus.

	Stage of the enterprise journey	Support focused on
1	Enterprise awareness: <ul style="list-style-type: none">• outreach• work with schools/young people• marketing.	Communities
2	Enterprise coaching	Individuals
3	Starting up, surviving and thriving: <ul style="list-style-type: none">• business advice and mentoring• workshops and courses• premises for doing business• access to finance• plugging the benefits gap• test trading opportunities.	Individuals and business

Most mainstream business support is directed at the final stage of the enterprise journey, where the focus is naturally on the business itself. The experience of programmes working in deprived communities is that success can only be achieved in conjunction with a focus on the individual and local delivery.



Enterprise awareness

Raising the profile of enterprise and self-employment as a viable option for people living in deprived communities.

The image of the entrepreneur has in the past been somewhat tainted with the ‘wide-boy’ brush. However that is changing. The rise in popularity of television shows like *The Apprentice* and *The Dragon’s Den* has raised the profile and status of entrepreneurs and the enterprise route is viewed widely as a valid career option. A recent survey of students graduating this year found that one in three intends to start their own business¹. It is not by any means an easy option, and for many people, particularly those who are young or inexperienced, it will not be an appropriate route.

Increasing awareness of enterprise

The range of approaches to increasing awareness of enterprise in the target communities has included the following:

- outreach work at community events, with existing community groups and in locations where people gather, to talk to people face-to-face and disseminate information
- working in and with schools to raise the profile of enterprise as an option for school leavers
- using local media to promote the benefits of setting up a business
- having a visible presence within the target communities and
- working with other services such as children’s centres, Jobcentres, and health clinics.

Examples of these approaches are provided below and in the accompanying case study publication.

¹ The UK Graduate Careers Survey, High Fliers Research (2010)

Outreach

Helping people identify their own potential is the first step on the road to self-employment. This means bringing the idea to them – right into the social circles, groups and locations that they frequent on a daily or routine basis.

Many LEGI programmes, particularly at the beginning of their life, had a strong focus on outreach work. ‘Walker-talkers’ attended community events, visited existing community groups and frequented local high streets or shopping areas to promote the benefits of self employment. They also built awareness about the support that the LEGI programme could offer. Grounded in the principles of community development, this approach aims to encourage, enable and empower people to take control of their own destiny, and fits well with the notion of the “big society”. It can take the form of the below:

- **Attending existing community group meetings**, particularly those catering for those sections of the population who face the most significant barriers to self-employment, and are an important audience for the enterprise message. In these groups, people are in their comfort zone and tend to be more receptive to new ideas presented on their territory, on their terms. Women’s groups, neighbourhood groups, groups for ethnic minorities, youth clubs, mum and baby groups, faith groups, senior citizen clubs, even the local darts team are all valid targets.
- **Organised community events** that provide an ideal opportunity to reach a lot of people in a short space of time. It is best to go with an eye catching display, a competition based around enterprise or another reason for people to engage with you.
- **Working out of public places** which most people have to visit in the course of their daily lives, such as the supermarket or fruit and vegetable stall, the GP surgery, the job centre or the school gates. These are also ideal places to make contact with people who might otherwise not be reached. In Doncaster the ‘finance friends’ organise events for parents at the local primary school for an hour after school starts and an hour before it ends.



Good practice pointers

- The message will be stronger if it comes from someone people can identify strongly with.
- Visit existing groups with a **successful entrepreneur** from within the same community or demographic group to tell their story directly.
- Before committing resources to attending every community event, think about the sort of people likely to attend and whether they are in your target group.
- Where possible, **use existing organisations**, located in your target neighbourhood and whose networks or client base match your target group to deliver parts of your programme
- **Don't turn anyone away**. Most partnerships still support potential entrepreneurs even if they are not part of the original target group.

Rejecting people could impact on the level of trust you generate within the neighbourhood.

- Exploit local networks as much as possible. Get all staff, whether they are frontline or not, to agree to get the message out in their own personal networks.

Whether a partnership uses outreach workers or enterprise coaches **from within the community, or outside of it** varies. On the one hand workers from the community may know and already have trusting relationships with potential clients, and also reflect the target group in background, ethnicity or age. On the other hand people from outside the community have been employed as they are less likely to be influenced by local politics and can bring a fresh perspective to any issues. One thing that everyone would agree with though is that they must be appropriately skilled.

Working with schools and young people

Working with local schools can instil a spirit of entrepreneurialism among pupils. Research has found that one of the reasons people do not enter self-employment is because they are not encouraged to think about it as an option from a young age – setting up a business does not feature on most school curriculums. Traditionally, careers advice has not included self-employment or starting your own business as an alternative to employment, training or education. People who have met or know an entrepreneur are more likely to set up their own business, but young people in deprived communities often lack entrepreneurial role models.

Raising the profile of enterprise with school leavers is best achieved through a flexible approach that caters to individual circumstances. Some school leadership teams are keen to embrace the enterprise agenda. Some schools are flexible enough to incorporate enterprise education, and sometimes it is a question of engaging the right person and exploring the best way of incorporating enterprise education within the school.

Working with teachers, directly with students and also with local businesses to get enterprise on the agenda in a way that best suits their needs has been achieved using the following methods.

- **Developing enterprise teaching materials and resources for teachers to use within their lessons:** This ‘add on’ approach works well as busy teachers welcome ready-made resources that they can pick up and use with little preparation required. If you can show how these exercises can help teachers meet their targets rather than adding to their workload or eating into valuable class time which needs to be made up for later all the better.
- **Working with teachers to integrate enterprise education within existing core subjects like personal, health, social and economic (PHSE), maths, science or English:** This is a more intense approach which requires sitting down, ideally with heads of departments or, with individual teachers, to go through their lesson plans and work out which topics or methods lend themselves most appropriately to including an enterprise angle.
- **Training teachers and leadership teams in enterprise education:** Teachers are trained to understand how enterprise education can fit in with and contribute to the existing school curriculum and raise their awareness of self employment or enterprise as a future career option for their students.
- **Linking enterprise education to qualifications:** Amongst practitioners and academics there is a major debate about whether enterprise can be taught and therefore whether qualifications in enterprise are appropriate. However a number of programmes have used this to provide a tangible outcome for students. For example in Barking and Dagenham, students are able to do a professional qualification in leadership which is equivalent to half a GCSE. Sports enterprise bursary students have also been able to do a gym or fitness instructors course if they wish. In Liverpool students can earn a qualification from the Institute of Leadership and Management.
- **Working directly with students to support them in developing business ideas which culminate in ‘Dragons Den’ type events or awards:** Young people tend to respond well to competitive activities and enjoy the relative freedom that enterprise activities provide compared with the normal school curriculum. ‘Doing’ activities work well – getting students not just to plan a business idea but to actually try it out and give them a small budget to work with. Asking students to develop business ideas based around a particular theme worked well in Ashfield - for example in 2010 the theme was the environment and supporting local communities.
- **Using successful role models to inspire young people:** Successful entrepreneurs from within students’ own communities can offer inspiration and can be involved to various degrees, from just being invited into a classroom or to an event as a guest speaker to tell their story, to participating in awards events, or even taking up a more long term role such as mentoring. For example Liverpool and Sefton’s Striding Out project invites successful entrepreneurs as ‘Enterprise Ambassadors’ to talk to young people.
- **Building relationships between local businesses and schools:** This aspect of enterprise education can be developed to varying degrees. In Redcar and Cleveland the enterprise team works with schools and employers to broker mutually beneficial arrangements. For example, the employer can offer mentoring or work placement opportunities to young people in exchange for support from the school with ICT facilities, and access to conference facilities.

As well as helping students identify enterprise as a potential employment route for the future, enterprise education also provides a practical anchor around which to teach skills like budgeting, working in a team, presentation and time management. While it should not be expected that large numbers of students start successful businesses straight from school, these programmes have been an effective tool in helping young people become 'work ready', helping them to develop an understanding of workplace requirements and environments, thinking around personal finance, team working, and the relevance of gaining good qualifications.

A number of LEGI partnerships have engaged specialists in enterprise education to deliver this aspect of their programme. For example, in Ashfield, Mansfield and Bolsover, the Local Enterprise Organisation (LEO) partnership has contracted 'no limits' to deliver its 'Enterprise Academy' project in the majority of schools across the area. This project comprises a number of strands including training and support for teaching staff; tailored enterprise courses and activities; and establishing enterprise clubs in schools as part of extended services provision to engage pupils and local businesses in enterprise activity. Finally the Enterprise Challenge programme involves teams of year nine students being supported to develop business ideas which culminate in an award ceremony for the best ideas.

Judges for the events across all schools universally agreed that as well as helping students deliver their enterprise capability, the project also helped them build their teamwork and communication skills.

In Barking and Dagenham, the 'Excellence in Enterprise Bursary' project is now delivered in all schools across the borough. Initially it saw 10 students from a selection of schools being given a 'bursary' of £100 along with two weeks' work experience and support, mentoring, access to training and events. Formulated to develop students in science, business or sports subjects, the project intended to broaden their understanding of enterprise and its possibilities and affect their future decisions on education or career choices. The project also inspired young people by introducing them to high profile people such as sports stars. There have been a number of job offers for students on the bursary programme and pupils' aspirations were raised. As one said: "The Bursary Programme was great. I met James Caan and many other very successful people, and having spoken to them realised they were just like me."

The other main element of the enterprise education programme was its Enterprise Education Resource Centre which was established in one school for use by students from a range of schools. Students could access after school enterprise clubs, support from enterprise advisors based there, attend events with guest speakers and use computer and teleconferencing resources. However, logistically it proved difficult to get students to and from the centre and programme leaders now say that there is a case to be made for keeping projects independent of any one school to ensure all benefit equally.

Good practice pointers

- **Identify those who are supportive of your approach** – preferably within the leadership team but otherwise, individual teachers – and get them on board as champions to promote the enterprise message to their colleagues.
- Try not to place too much additional burden on teachers. Find out what targets and goals they are working to, or what they are already doing, and develop an approach that **helps them achieve their own aims**.
- Work with partner organisations that young people can be referred to for more or different support – including The Princes Trust, colleges, universities, Connexions.
- Engage students in the design of any **enterprise projects or competitions** and ensure that their feedback is acted on.

Marketing enterprise

Word of mouth and client referrals is very important, and this can become the main source of recruitment for start up initiatives following extensive outreach and once it has become embedded in the community.

However this is often complemented by a range of marketing techniques that can raise enterprise awareness more generally, and provide information about the support offered by the LEGI partnership in deprived communities. Marketing can be through leafleting, community events, promotion by local organisations, television, websites, local newspapers and adverts on buses.

- **Mainstream media**, such as television, has been used to market the services of the partnership and reach out to target communities. Whilst this has been effective in some areas where a city-wide approach to enterprise support is in operation, in areas with a more targeted geographical approach it can fail to reach the groups most hard to reach. In addition, feedback suggests that mainstream high tech advertising such as television adverts can be off-putting to some communities.
- Placing success stories or adverts in **local newspapers and magazines** have been used by many LEGI partnerships. They can be a powerful tool for raising awareness and can be used to advertise events and services.

In Doncaster the LEGI programme has utilised a wide range of approaches to reach out to target communities, including working through networks of community groups, developing relationships with and advertising in banks and accountancy firms, attending children's centres and Jobcentre Plus. In addition, an enterprise bus enables business coaches to market their services within communities.

Good practice pointers

Think about your target audience and **tailor your message** and the **method of delivery** to suit. When one area decided to build on its successful marketing campaign by advertising on television, the volume of enquiries actually went down because people didn't think that it related to them anymore.

Establishing a visible, physical presence in the target neighbourhood

Establishing a presence through a visible shop-front location in target neighbourhoods is another approach which has been successful for some partnerships aiming to raise the profile of enterprise and the support they offer.

It is important that the target **clients feel welcome and comfortable** walking through the door. Some programmes have found to their cost that expensive, shiny flagship buildings have been too intimidating for the people they are trying to reach to enter. Low key premises with friendly faces have been most successful. For example the Biz Centre in Leeds was previously a well used cyber café and many of the clients knew it well.

Location is also important. Those buildings which are more **prominently located** on high streets and main roads are more likely to become known than those which are tucked away on the back streets.



Enterprise coaching

Enterprise coaching is helping people explore whether enterprise is a suitable option for them. It comes before start-up support, and is therefore beyond the remit of most business support programmes.

Most people entering work see themselves as employees. Setting up a business, or becoming self-employed can be a harder option and is not suitable for everyone. However, those people living in deprived communities typically experience a range of additional obstacles to setting up on their own. Limited aspirations and low self-esteem are endemic in some communities and a major barrier to finding work or setting up a business.

Enterprise coaches work with individuals to explore options for employment or self-employment and can help people work up business ideas, look at issues around finance and developing basic business skills. However, they will also support individuals with personal challenges including health or housing problems. These more personal challenges are complex and interrelated and require intense support to address.

Working through their personal and practical challenges may result in an individual being in a position to tackle starting a business. Equally, it may result in the client coming to the conclusion that it was not the right time to start their own business and decide instead to look for employment. Either can

be seen as a successful result if it leads to engagement in the labour market for that individual.

Effective enterprise coaching

Forms of **one-to-one enterprise coaching** vary between areas. The role of enterprise coach is usually (but not always) distinct from that of a business adviser or mentor, who also provides one-to-one support but is more focused on the business rather than the person behind it. They are therefore more likely to input at the start up or business development phases of the enterprise journey.

The coach plays a key role in an individual's enterprise journey and is likely to refer the client on to a business adviser when the nature of the support required moves from the individual into the business realm. A defining feature of most coach roles is that it is **the client that drives the relationship**, not the coach. So the client decides when, where and for how long to access support.

Coaches provide a service akin to counselling that aims to develop **client confidence** and help them **address personal issues** which might prevent them from moving into employment – whether that is self employment or employment within an existing business.

Coaches will also help their clients **explore business ideas**, talk through what running a business will involve, consider what support is needed and signpost the right expertise. They also assist clients to make connections within their community, whether this is to other entrepreneurs, local businesses, or other organisations that can provide specialist advice.

A key feature of the enterprise coaching delivered through LEGI, is that it is **outreach in nature**. The emphasis is on taking the service into the heart of deprived communities. Some LEGI partnerships have facilitated this by delivering enterprise coaching from neighbourhood bases.

In Sheffield, coaches are based in four neighbourhood/community centres within deprived communities across the city. In addition, coaching is co-located with a range of other health and wellbeing and employment services, including NHS Stop Smoking, Debt Advisors, and Mental Health experts.

In Ashfield, Mansfield and Bolsover, mobile coaches are locally based but also travel to where clients feel the most comfortable, whether that be a pub, café or even their home.

In Doncaster, coaches are based in a local host organisation such as a registered provider/registered social landlord, with client meetings taking place in a range of local locations including cafes and shops.

Whilst all projects provide a face-to-face service where the emphasis is on **building trust and a strong relationship between client and coach**, there are variations in how coaches engage with clients through their journey towards self employment, business start up, or even employment. In Doncaster for example a panel of coaches/mentors is used to engage with clients. In Sheffield, a ‘dip in dip out’ approach is operated, whereby clients maintain a relationship with coaches as and when they need it.

In some areas group coaching has been trialled, but across the board the majority of meetings are one-to-one so that both personal and business issues can be discussed in confidence.

Enterprise coaching initiatives **integrate with and relate to other forms of start-up support**. A key part of the role is co-ordinating relationships with sources of other information, advice and support. This can include colleges and other training providers such as The Princes Trust. It should also include local start-up support services, and provision such as incubation space. It may also link to other marketing or supply chain programmes such as promoting local procurement.

Good practice pointers

- Local delivery – ensuring easy access to support is key to promoting enterprise in deprived areas. This may be through **physically locating within target communities** - such as local offices, shops or a community centre or through using mobile advisors.
- Local integration – **well developed local networks** are also important in supporting enterprise development. Coaches need to be embedded in local networks and have good knowledge of the support other organisations and bodies can provide, enabling them to signpost appropriately. Working through local networks can also help to build trust amongst communities and avoid enterprise support being seen as ‘parachuting’ into an area.
- **Referrals** from other organisations can also be effective in identifying people who are genuinely interested in exploring self employment or starting their own business. Integration with other local service providers, such as Jobcentre Plus, GPs, community centres and others is also important for making support accessible to a wide range of individuals that may be hard to reach.
- Personalised and sustained engagement – that puts the client at the heart of the process is important. A **‘whole person approach’** that addresses a range of issues and barriers to entering self employment is effective. Barriers such as financial survival, benefits dependency, skills, and housing issues need to be addressed before turning to consider an individual’s business idea. A personalised approach enables the coach and client to explore an individual’s motivations for wanting to start a business and consider whether this is the most appropriate option for them.
- This approach must include systems for **effective client management** – coaches and advisors need to be responsible for careful referral to other organisations to ensure that individuals do not slip through the net. Signposting alone is not enough - systematic follow up and monitoring processes with both partner organisations and the individual are needed.
- **Face-to-face support** – helps to build a trusting relationship between clients, coaches and advisors.

Start-ups and small businesses

Work to support business starts and survival in deprived areas under LEGI programmes has again been distinguished by the locally-based nature of the support on offer, the flexibility to meet individual circumstances, and the wider network of support available to be accessed by clients.

Businesses in deprived areas have relatively poor survival rates² so supporting existing businesses to survive and grow is a key issue for LEGI partnerships.

Turning an idea into a successful enterprise is a challenge for a number of reasons. These include the need for **knowledge and skills around business processes and financial planning**. Other challenges include a **lack of affordable business space** on flexible terms and **opportunities to test the market** for a new product or service.

The process is made even more complicated if the individual is in receipt of benefits and has to **manage the financial transition to self-employment**.

During the recession, business survival and growth has been even more difficult for small businesses and LEGI partnerships have seen an increase in requests for support since 2008.

² Survival Rates of VAT-Registered Enterprises 1995-2004, Department for Business (2007)

Supporting business starts

One-to-one business advisors and mentors

Business advisors or mentors provide advice and guidance on starting, developing and growing businesses. They can assist clients with business plans, financial forecasts, tax and book keeping, marketing and sales.

Crucially, business advisors are networked in to a wide range of support services. They **sit at the centre of a web of support** and are able to refer their clients within the programme or to other service providers when needed. This could include referrals to workshops and courses, organisations providing finance, opportunities for test trading, local landlords or council property departments.

Business advisors tend to have experience in setting up and running their own businesses, and therefore have credibility with clients. In some cases they continue to run their own businesses in tandem with their role as business advisor.

The difference between enterprise coaches and business advisors

The line of responsibility dividing enterprise coaches and business advisors and mentors is, in most programmes, somewhat fluid. The roles further differ between different LEGI partnerships.

In most instances the enterprise coach is the first point of contact for a new client. They help them decide whether self-employment is right for them, and then support them to develop the skills and confidence that they need to be successful. They don't give business advice.

Business advisors support clients once they have decided on a business and are about to or have already started trading. They do give advice and are directive. In most cases they do not provide clients with on-going, long-term support but tend to respond to needs or issues as and when they arise.

This does vary from partnership to partnership. In some areas advisors offer support both to start ups and existing businesses, whereas in others, they are focused only on existing businesses. For instance the growth potential of the start-up might dictate whether a client needed resources beyond what an enterprise coach could deliver.

In Sheffield business advisors and enterprise coaches work in separate teams but may be helping the same client in parallel. However in Doncaster there is a formal handover between the enterprise and business coach when a business goes live. In other areas the coaches are able to perform both roles, exercising their judgement on the type of support the person needs at that time.

As with the coaches **outreach is central to the advisors' approach**. Advisors tend to meet clients where they are most comfortable – in community centres, cafes, enterprise centres or even in their homes.

Business to business advice has also been a big part of the support available for small businesses under LEGI programmes. This might be through **formal mentoring programmes**, matching individuals to each other where their skills might be complementary, where they both share a common issue or where one needs specific help from someone with experience in that field. The help might be given around public speaking, accounting or stock management.

Networking sessions for new businesses are very popular. This is because they give new businesses the opportunity to develop supply chain networks, and share their experiences and concerns about running their own business in a safe environment.

In Doncaster the D100 programme puts clients in touch with mentors who have all developed and run their own successful businesses to help clients work through any business issues at a conveniently arranged times and dates.

Workshops and courses

Start-up support often includes workshops and courses designed to provide practical skills and training in business planning, set up and development. Coaches and advisors play a key role in encouraging clients to participate in courses and workshops, with some clients requiring a significant amount of support before they are ready to engage in training activities.

Group sessions are an efficient way of delivering core training, and provide an opportunity for individuals to meet others in their position, test out ideas and share experiences.

In Bradford for example, the Kickstart programme offers a range of training courses, including bookkeeping, customer care skills, successful tendering and visual retailing displays.

Premises for doing business

Business incubation

Providing business incubation units can be costly both in initial capital investment and in revenue funding to support their operation. The range of business premises on offer across the LEGI partnerships therefore varies widely. Some have a number of locations where flexible work space can be leased by the month, week, day or even by the hour. It may include specialist equipment such as sewing machines or printing equipment, or standard office apparatus including computers, photocopiers, phones and fax machines. Others offer free workspace for fledgling businesses for a set period.

Common to most is that users of the facilities are able to access free business advice

and support (as well as, in many cases, administrative support) from people located on site.

They also have the benefit of networks formed with other small businesses using the same space.

Leasing property

In some cases partnerships have worked with council property teams to identify empty properties which can be let on favourable terms until the business is more established.

In Croydon the property brokerage team worked with local landlords to encourage them to open up empty units in a prominent retail location and offer them to new entrepreneurs at competitive rents. Beyond Expectations, a one-stop wedding service which formerly operated from its creator's home is one of the businesses which moved in. Its owner had been looking for a commercial property in Croydon for some time but hadn't been able to find anything appropriate that was affordable. The new shopfront premises have meant plenty of passing trade and a significant increase in customer numbers and turnover as a result. And of course the landlord is pleased not to have a property standing vacant.

Good practice pointers

- Where incubator business space is provided this should include a range of services and be complemented by targeted business support for the occupants.
- Careful assessment of the costs and potential revenue streams of incubation units is vital. Experienced property managers may need to be involved to ensure that their use and effectiveness is maximised.

Test trading

Test trading is important for allowing would-be entrepreneurs to try out their ideas. Successful test trading can provide the impetus to begin trading and in some cases encourage people to move from the informal/grey economy. Several LEGI programmes have developed innovative test trading initiatives. In Sheffield, test trading events are run in the city centre, where enterprise coaching clients can run stalls to test sales or offer services.

In Leeds, 'How Bazaar' is a market stall that gives individuals the opportunity to sell their new products for 12 weeks, rent free. New and existing businesses can use the facility which encourages people to take the step towards starting their own business. In Ashfield, Mansfield and Bolsover, the 'Really Useful' Show was held in June 2010 and provided the opportunity for over 100 businesses supported through the enterprise coaching and business advice services to showcase their products and undertake market research.

Financial support

Good financial management is key to business success. In many cases personal finance and that of a business can be closely entwined. On top of this, individuals in receipt of benefits also often have difficulties **managing the financial transition to self employment**; particularly in the early days when income flows can be erratic. Entrepreneurs from deprived areas are unlikely to have a financial cushion to see them through these uncertain times, and are understandably reluctant to move from the security of benefits to the insecurity of early self employment even if they have a sound business plan.

Supporting clients through this is a crucial job for the enterprise coach and advisors, and through the wider support programme.

Finance as a barrier to enterprise

Starting a business often requires some up front costs and sufficient funds to get through the first few years when equipment or stock may need to be purchased and a customer base is yet to be established.

People that live in deprived communities are more likely to be financially excluded. They may be subsisting with no spare income to invest in starting a business. Many residents in deprived areas live in private or social rented accommodation and do not have the collateral to secure bank loans. Opportunities for informal borrowing, from friends or family, may also be limited as people in deprived communities generally have less personal wealth. A lack of existing relationships with banks and a limited history of banking can also adversely affect individual's credit ratings. If individuals are unable to meet the lending criteria for mainstream bank loans, this can be a significant barrier to business start up.

Whilst access to finance can be a significant barrier to enterprise, it is not always the key issue to be overcome. Some clients are averse to taking out loans. Credit unions and informal groups may be easier to access and provide lower cost finance in some cases.

It is not just start-ups that can be hindered by limited access to finance. In Barking and Dagenham for example, a 2009 business survey³ found that four in ten existing businesses surveyed were constrained in their development by lack of access to mainstream finance.

³ The London Borough of Barking and Dagenham, Borough Business Survey 2009, Step Ahead Research Ltd

In some areas, the recession has raised new challenges for existing businesses, with increased demands for finance to support cash flow problems. In Bradford for example, the access to finance project has expanded and shifted from supporting start-ups to existing businesses as bank lending became difficult to access.

New Enterprise Allowance

On 5 October 2010 the Secretary of State announced that the government will give extra help to unemployed people who want to start their own business through the New Enterprise Allowance. Initially the allowance will be available in those areas which face the greatest unemployment challenge.

The allowance will be available to Jobseeker Allowance (JSA) customers who have been claiming JSA for more than six months.

Customers will get access to a business mentor who will provide guidance and support as they develop their business idea and through the early stages of trading. Once a customer can demonstrate they have a viable business proposition they will be able to claim financial support which will consist of a weekly allowance payable at the same level as their JSA payments for three months, and then at half that rate for a further three months. And if they need start-up capital, they may also be able access to a loan up to £1,000 to help with their start-up costs.

The total package of support could be worth around £2,000 to each unemployed person who wants to start their own business.

The government intends to phase in elements of the allowance from January 2011, before rolling out the full offer from April 2011.

Different approaches to financial support

A number of approaches to financial support are taken across the LEGI programme. Most include projects that promote direct financial support for businesses and residents in their areas. Support includes grants and loans of ranging sizes to support start-ups and help develop or sustain existing businesses.

LEGI programmes have on the whole **sub-contracted access to finance projects to a range of partners** to deliver. Partners include credit unions, community development finance institutions (CDFIs), small business centres, and other projects such as the Business Enterprise Fund which operates across Bradford and Leeds.

Enshrined in the overall LEGI approach is the **delivery of services at a local level**, and this also applies to the delivery of access to finance projects. Services are often provided from neighbourhood or high street bases, and finance advisors can add value by being tapped into local networks with banks and other finance and business support providers/organisations.

The Rother and Hastings Community Banking Partnership is partly funded through LEGI and other public and private sources including Department for Work and Pensions and the Barclays Social Inclusion Unit. Through a one stop shop the project offers saving facilities, affordable loans, and finance and debt advice to those interested in starting a business.

Grants

Grants are less commonly provided as part of enterprise programmes. It is argued by some partnerships that awarding grants are more likely to lead to unsustainable business start-ups, whilst loans will only generate interest from those with a realistic business plan. However, grants can provide a cushion for those coming off benefits. For example, the Barking and Dagenham LEGI programme initially offered grants of between £1,000 and £3,000 to individuals in receipt of incapacity benefit.

Loans

In Leeds the access to finance project offers two loan products to help individuals unable to access mainstream bank loans to support business start up. Affordable loans up to £5,000 (with no minimum) and loans of more than £5,000 are provided. The project is run through the Leeds City Credit Union and the Business Enterprise Fund.

The Barking and Dagenham access to finance services are operated from one stop shops from which a number of other services are also on offer. It is delivered by the borough's Small Business Centre, part of the East London Small Business Centre. There are two strands to the Barking and Dagenham access to finance project. One provides support for start-ups and the other for existing businesses. A staged lending process is operated for businesses post start-up, with capital loans beginning in small amounts which, if repaid satisfactorily, can be increased to a maximum of £10,000. The average loan amount paid out through the project is £8,000.

The loan products provided through LEGI are not 'cheap loans', they offer the same interest rates as mainstream banks, with emphasis on ensuring that deprived communities can access these products through appropriate lending criteria and accompanying business support.

Support for beneficiaries

A key feature of the LEGI access to finance projects across the country is that **clients are required to take up coaching, business mentoring or other business advice as a condition of a loan or grant**. In Doncaster for example, the LEGI programme includes a 'finance friend' project which provides accessible finance to target beneficiaries receiving other forms of support from the initiative. The project is delivered by a partner agency (A4e) and support is aimed at clients without existing financial backing and/or access to finance. Finance friends act as advocates for clients but also play a 'critical friend' role asking challenging questions, addressing weaknesses and building on strengths. Other programmes insist that clients participate in enterprise coaching in order to access loans or grants. Support continues until loans are repaid, and in some areas free support continues beyond this.

One of two approaches is generally taken to supporting beneficiaries over the early start up phase when income can be erratic. Loans can be accessed to see them through this phase, or an arrangement can be struck through Jobcentre Plus whereby benefits continue in parallel with self-employment for a set period.

Good practice pointers

- Take a holistic approach that brings together a range of services to support business start-up (access to finance, premises, skills etc).
- The most successful business start-ups are those that have engaged with a wide range of services.
- Support that gives clients access to a range of skills and expertise – as businesses develop they will encounter a range of problems and issues that are broader in range than those thinking of starting a business.
- Personalised support where the client knows that after their intensive support comes to an end that they can still access a range of services that they might find useful.
- Effective referral – knowing who in the team and other organisations have the skills required to help others.



Appendix A

Background to the Local Enterprise Growth Initiative

Announced in 2005 the Local Enterprise Growth Initiative (LEGI) was developed as a joint programme between Communities and Local Government, HM Treasury and the Department for Business Information and Skills. It aimed to hand local institutions the freedom to decide on the best way to stimulate enterprise in their most deprived areas and invest in their chosen approach with a greater level of flexibility than under previous programmes.

The amount of funding allocated varied widely depending on the bid submitted, with some areas receiving as little as £3.8million while others were allocated more than £22million. A number of areas have supplemented the programme using other funds including European Regional Development and Working Neighbourhoods Fund.

All 20 programmes have now been underway for at least three years, and have used a variety of methods to:

- increase **total entrepreneurial activity** among the population in deprived local areas
- support **sustainable growth** and **reduce the failure rate** of locally owned business in deprived areas

- **attract appropriate investment** and franchising into deprived areas, making use of local labour resources.

LEGI partnerships have focused the majority of their resources on supporting residents into self employment and increasing successful business starts. While the franchising route appeared to be a promising area for exploration by partnerships, most found it to be an expensive option for most individuals wanting to pursue enterprise.

Most partnerships have used existing neighbourhood structures and networks to tap into deprived communities and support them from within. Programmes are characterised by their holistic approach, aiming to support individuals throughout their enterprise journey.

The range of interventions has included, but is not limited to the following:

- increasing enterprise awareness and outreach
- working with schools to increase aspirations among young people
- one-to-one coaching, business mentoring and advice
- courses and workshops for new and existing small businesses
- financial support
- incubators and affordable workspace
- test trading initiatives
- benefit advice and support.

Many of these interventions are common to business support programmes operating across the country. The essence of the LEGI approach is that they are tailored to the needs of the area, integrated with neighbourhood and community programmes, and personalised to support individuals throughout their enterprise journey, with an emphasis on coaching prior to business starts. Other elements of the programme tend to be provided with additional support to increase sustainability and reduce risk for the individuals concerned.



