

Appendix D: Enterprise and Entrepreneurship Research to Support the Sunderland CLLD Strategy

New Skills Consulting - July 2016

Executive summary

Introduction

New Skills Consulting was appointed by Sunderland City Council to undertake an independent research study into enterprise and entrepreneurship within Sunderland's 'economic corridor' to inform the Community-Led Local Development (CLLD) Strategy. The study was commissioned to help understand what provision is currently available to support people into enterprise in the economic corridor, what barriers to enterprise exist, and what support could be delivered to boost enterprise activity within the area.

The research included a detailed mapping exercise to establish what enterprise services are currently available for residents in Sunderland, a review of existing studies to understand the barriers to enterprise faced by disadvantaged groups, and research into what works in supporting people into enterprise. It also involved consultations with 25 local residents, seven local business owners, and 26 stakeholder organisations, consisting of CLLD Steering Group members, VCS organisations, and enterprise support providers.

Context

Sunderland's CLLD area has some of the highest concentrations of deprivation in the NELEP area and low levels of enterprise activity. Self-employment rates are particularly low in the most deprived wards of Sunderland. There is, however, a complex pattern of enterprise activity among different population groups. For example, self-employment rates among women have been increasing but remain well below the average rates for males at both a local and national level. Self-employment rates for young people are also low compared to the overall population and are particularly low within the CLLD area. By contrast, self-employment rates among people from BME backgrounds are higher than the CLLD average.

The last six years has seen significant cuts to publicly-funded enterprise and start-up support services, largely as a result of Government austerity measures and substantial reductions in the funding available to deliver these business support initiatives. Changes in the landscape that are of particular relevance to the more disadvantaged communities include the shift from grants to loan funding, and a significant reduction in face-to-face, locally based business advice.

Within Sunderland the impact of these wider changes is that, although the two main enterprise agencies (the BIC and SES) have continued to operate, their start-up activity has been scaled back

significantly, reducing from approximately 600 starts (and 30 social enterprise starts) per annum in 2010, to around 250 starts per annum currently.

Current enterprise services

A review of services to support people to become self-employed / start a business identified 43 services available currently (or due to be available in the near future) to local residents of Sunderland and the CLLD area. However, the majority are region-wide or national programmes, rather than support targeted specifically at residents of Sunderland or the CLLD area. There are currently no services targeted specifically at, or exclusively for, residents of the CLLD area, although almost all of the 43 services are open to CLLD residents.

The BIC and SES are the main organisations delivering enterprise support within Sunderland. Awareness of these organisations is high among stakeholders and VCS organisations but lower among residents not currently engaged in enterprise activity. The BIC, SES and some other providers do offer face-to-face support. However, generally the breadth and intensity of enterprise support available is much less when compared to the Working Neighbourhoods Fund (WNF) era, when enterprise support in the City was much more comprehensive.

Barriers to enterprise

The findings from the literature review and consultations with local residents and stakeholder organisations highlight a range of factors, which together contribute to low levels of enterprise activity within the CLLD area. The research suggests there is a group of residents who are not interested in enterprise, have never considered it as a career option and would be unlikely ever to do so. However, there are others who are more neutral about enterprise and could potentially be encouraged to consider self-employment, and others who have considered self-employment but have not converted this interest into starting a business. This suggests there is likely to be some 'untapped' enterprise potential in the CLLD area.

Concerns about income and the transition from benefits appears to be a big challenge for people in disadvantaged communities considering self-employment. However, other factors are also important, including local people feeling disconnected from wider investment plans and economic opportunities in the City and not feeling they will benefit from the investment. Other issues include a lack of outreach support, a lack of trust in 'establishment organisations', and a lack of flexibility in the current enterprise support system. There is some evidence to suggest there are higher levels of enterprise activity in the CLLD area than published data suggests, but some of this takes place in the 'informal economy'. There may be potential to provide tailored support to help these residents to formalise existing informal business activities.

What works in supporting enterprise?

A review of enterprise evaluations and research studies, together with feedback from local stakeholders and community groups, has identified a number of useful lessons and good practice in supporting enterprise in disadvantaged communities. Lessons learned include:

- ⇒ **Local delivery in communities with trusted advisers / coaches.** A review of the literature and feedback from some consultees suggests that outreach work is required to effectively engage and support people in target communities. Staff need to be based locally, be visible, and have face-to-face relationships with residents to develop trust. This was possible under previous programmes during the WNF era, but as funding for enterprise programmes has reduced, so too has this type of community-based activity.
- ⇒ **A focus on the person not just the business.** Many LEGI¹ programmes developed an enterprise journey placing the **client** at the heart of programme activity, providing extensive support for the individual to address personal barriers, alongside developing a business idea.
- ⇒ **Effective client account management.** Evidence of what works in supporting enterprise suggests that clients need to be referred and passed on effectively between partner organisations - coaches and advisers can't just signpost clients to other providers².
- ⇒ **Role models and mentors.** A number of stakeholders suggested that the best people to encourage and support individuals into self-employment are people who are doing it themselves. This could be coaching and mentoring support from a local resident who is self-employed, getting work experience with a local business, or talking to role models within local communities.
- ⇒ **Supported enterprise.** A number of examples were given of enterprises that have been developed with the support of a VCS organisation and / or local entrepreneur. The benefits of this approach are that people are given the time to develop their confidence and business skills, and have the opportunity to learn on-the-job from trusted people who have already 'been there and done it'.
- ⇒ **Formalising informal activities.** Providing specific, tailored support to people to formalise informal business activities could generate positive economic and social benefits. A research study by The Joseph Rowntree Foundation suggested, however, that services need the flexibility to provide formalisation support without being bound by the obligation to disclose informal business activity to Government departments and others in authority.

Conclusions

The key conclusions from the research are:

¹ Local Enterprise Growth Initiative (LEGI) ran from 2006 to 2011. Funding was awarded to 20 areas based on a competitive bidding process. Local programmes delivered comprehensive packages of support to boost enterprise and support economic growth.

² Local Government Improvement and Development Supporting Enterprise Growth in Deprived Areas 2010
http://www.local.gov.uk/c/document_library/get_file?uuid=a978f6c2-36c2-47a7-abe8-3eeb80c4636c&groupId=10180

- ⇒ Enterprise support services in Sunderland have been scaled back in recent years. Whilst there are a range of enterprise services available, much of the information and advice available is online. While some face-to-face support is available, it is generally scarce and less intensive, particularly when compared to the WNF era, when enterprise support was much more comprehensive.
- ⇒ The main service providers in Sunderland are the BIC and SES. They tend to be the 'go to' providers for local partners signposting clients requiring specialist enterprise advice. However, the research suggests that awareness of the BIC and SES among the general population of the CLLD area may be relatively low.
- ⇒ There are no enterprise support services targeted specifically at, or exclusively for, the whole CLLD area. Residents of the CLLD area can access the city-wide, NELEP-wide and national enterprise services. There is also one small scale enterprise service for residents in the West of the city, and an employment service planned for people with disabilities in the East of the city. However, there are no other services targeted specifically at, or exclusively for, the whole CLLD area. There are a number of active community groups providing employment and skills support and they do provide some advice on self-employment if clients ask about it, but it is not a formal offer and the groups do not have the resources to actively promote enterprise.
- ⇒ There is limited support aimed at promoting enterprise and raising awareness. There are some activities to promote enterprise among young people but less activity to help raise awareness about enterprise opportunities across the wider, adult population.
- ⇒ There appears to be less support for people post start-up. Stakeholders feel it can be difficult to provide ongoing support to clients once they have started a business due to funding restrictions, and some feel it would be helpful to have the flexibility to provide some additional support to clients once they have become self-employed, to help their businesses become sustainable.
- ⇒ Although there does not appear to be specific support targeted at women or BME communities, this is not necessarily a significant issue. The mapping exercise has not identified any current enterprise services targeted specifically at women or BME groups. However, BME groups in the CLLD area typically have higher than average self-employment rates, and research suggests there is limited evidence as to the effectiveness of services aimed specifically at women or BME communities³. There may, however, be an argument for making existing services more inclusive and accessible to these groups.
- ⇒ There is some support targeted at people with disabilities but this tends to be small scale. There are a small number of programmes targeted at people with a disability, two of which are national programmes. Local enterprise provision for people with disabilities is small scale.

³ Business Start-Ups and Youth Self-Employment in the UK: A policy and Literature Review, IES 2015

- ⇒ **There is less intensive and flexible support for people in employment.** Much of the more intensive support for people to become self-employed is provided by services with defined eligibility criteria, with much of the support focused on unemployed people. Those in employment seeking help to become self-employed / start a business may find it more difficult to access one-to-one or intensive support, although providers such as the BIC and SES will, where possible, aim to help any potential entrepreneur. There does not appear to be a proactive approach to supporting employed people into enterprise.
- ⇒ **There is a core group of residents who are not interested in enterprise and who are unlikely to change their views.** Although it is difficult to quantify how many residents feel this way, a notable minority of the residents consulted during this research have never seriously considered self-employment primarily because they are simply not interested. As enterprise is not suitable for everyone and as resources are constrained, it is arguably not worth trying to engage these residents in enterprise activities.
- ⇒ **There is a group of residents who have an interest in enterprise but need support to make this a reality.** Again, this is difficult to quantify but there is a gap between those who have an interest in self-employment and those who have gone on to start a business and this group would benefit from some support to overcome barriers to starting a business.
- ⇒ **There is a group of residents who are more neutral about enterprise but could perhaps be encouraged to consider self-employment.** A range of factors mean that some residents have never seriously considered working for themselves. Whilst income security is a big concern, as is not having a business idea, feedback suggests awareness is low and many people have not thought about becoming self-employed as a potential career option.
- ⇒ **Income insecurity is a key issue.** For many residents the worries about losing a regular income (either from benefits or a wage) is a significant factor which is stopping them from seriously considering self-employment.
- ⇒ **There is evidence of a disconnect between local disadvantaged communities & developments elsewhere in the city.** There appears to be a feeling among some residents that the wider regeneration activity and investment in the City has not, and will not, benefit them.
- ⇒ **Suggestions that there is a culture of low aspirations and ambitions.** Linked to the above point about residents feeling disconnected from regeneration opportunities is the concern among some stakeholders that there is a culture of low ambition and aspiration among some residents, and a sense of parochialism which perhaps holds some people back.
- ⇒ **Embedding enterprise in schools.** A common message from the literature as well as from consultations with stakeholders and VCS organisations is that there is a need to develop understanding and awareness of enterprise from a young age in schools, and that enterprise should become embedded within the curriculum. Whilst this is perhaps beyond the scope of the CLLD strategy, it is something which the Council and partners

should be aware of and may wish to consider in the future as it updates its enterprise strategy.

- ⇒ **Consider taking a strategic decision to focus on quality rather than quantity.** Although there is an argument to encourage a high volume of people to consider self-employment / starting a business, in order to raise enterprise levels across the City, given the limited resources available for enterprise services there is a strong counter argument for focusing support on those people with the greatest interest in, and ability to, successfully start a business. Therefore the Council and partners should take a strategic decision as to whether enterprise support should aim to encourage a high volume of residents to actively consider self-employment, or whether greater impact may be achieved by focusing resources primarily on those with stronger business ideas and with the skills and desire to succeed.
- ⇒ **Match funding.** Whilst the organisations consulted are generally keen to be involved in the co-ordination and delivery of enterprise activities, they are not in a position to provide match funding to invest in CLLD projects. Given that the CLLD strategy is targeted at developing very local solutions, it may be that the Local Area Committees could be asked to make a match funding contribution.

Recommendations

There are a number of recommendations which the Council and partners may wish to consider which may help increase the level of enterprise activity within Sunderland and the CLLD area. Some activities may be appropriate for inclusion within the CLLD Strategy whereas others may need to be addressed at a more strategic, City-wide level.

- ⇒ **Re-engaging disadvantaged communities and connecting them with economic opportunities.** There is a need to improve awareness among residents about the wider investment in the City and to explain more effectively how these developments could lead to tangible opportunities for residents either in terms of employment or self-employment.
- ⇒ **Expanding horizons.** As part of the process to help residents understand what is happening in the City and how it could benefit them, there is perhaps an argument for physically taking residents out of their local neighbourhood to see the wider economic opportunities in the local authority area and to explain how they could benefit from them.
- ⇒ **Role models and mentors.** Research points to the need for role models who people can relate to, helping residents see that enterprise is a realistic option. It is likely that some form of support or specific initiatives would be needed, to find and encourage these potential role models to come forward and participate in the process of supporting others into enterprise. For example, they could be linked with trusted community-based organisations to provide advice, support, encouragement, and mentoring to people in the local community.

- ⇒ **A change in the 'enterprise language'**. Adapt marketing and promotional materials to use different and more simplified language. For example, focussing on whether people have a skill or interest that they could use to make money, rather than asking if they are interested in 'enterprise' or 'starting a business'.
- ⇒ **Showcase examples of real local businesses**. A number of consultees suggested it could be useful to compile a selection of examples of self-employed activities / businesses created by CLLD residents. This would help local people to understand the different types of businesses that can be created in practice, and help challenge perceptions which some people hold that starting a business involves a 'big idea' or is only for people with high academic achievement.
- ⇒ **Raising awareness of social enterprise opportunities, building on Sunderland's 'Social Enterprise City' status**. Partners could encourage more people to get involved in social enterprise activity by raising awareness that this is a key sector in the City and that Sunderland is a 'hotspot' of social enterprise activity.
- ⇒ **Capacity building to enable existing community workers (and youth workers) to be 'enterprise ambassadors'**. There may be an opportunity to work with community workers, youth workers and those providing employment support in the local communities to improve their understanding of self-employment opportunities so that they can begin to introduce (to some local residents) the idea that they can create a job for themselves or use a skill / hobby to generate an income.
- ⇒ **Enterprise coach activity**. This would help to raise awareness and encourage more people to consider self-employment. The coaching activity would also provide more in-depth and flexible support tailored to individuals' needs and helping to address personal barriers rather than just focussing on a business idea. As clients progress through the enterprise journey they would be referred on to specialist services to address other barriers such as debt advice, benefits advice / better off in work calculations, or for support with health issues. Rather than creating new roles or an additional 'layer' of support, this work could potentially be undertaken by existing staff of local VCS organisations (supported with appropriate training), who have an established presence and trusted relationships in local communities. When clients are ready to begin the process of starting a business, they would then be referred on to local enterprise agencies who would provide support from specialist Business Start-Up Advisers.
- ⇒ **Support those in employment who may wish to become self-employed**. Currently employed residents of the CLLD area who may be interested in self-employment could be an important source of new business starts in the CLLD area. However, support for this group is currently quite limited and is not targeted specifically at the CLLD area, largely consisting of online information or some 'lighter touch' support from organisations such as the BIC and SES. There will be some support for this group from September 2016 to March 2018 funded by ESF/SFA, however, the nature of the support is unknown as the ITT has only recently been issued. It is unlikely that any new support

will be targeted at the CLLD area. Therefore, partners should consider developing an enterprise support offer targeted specifically at employed residents of the CLLD area.

- ⇒ **Support to formalise informal activities.** A number of consultees feel that some potential entrepreneurs in the disadvantaged communities are already running businesses / working for themselves, but are doing this 'under the radar' or informally to maintain benefits or avoid tax. It is recommended that partners should consider developing a support offer targeted specifically at helping local residents to formalise informal business activities.
- ⇒ **Consider creating a small fund to support people in making the transition from benefits (or employment) to generating an income from self-employment.** It may be beneficial to offer a loan (or even a grant) for local people starting a business to support living costs (or business costs) during the initial start-up period (of say up to three to six months) while they begin to generate turnover. This could help to alleviate concerns about income security.
- ⇒ **A supported enterprise model or new social enterprise providing 'back office' support.** One potential approach to encouraging and enabling enterprise within disadvantaged communities could be to provide opportunities for individuals or groups of people to participate in supported enterprise initiatives. For example, support by a VCS organisation to develop confidence and skills to run a business, with the supporting organisation taking a back seat once the business is established. There may be an opportunity to create a new social enterprise to provide 'back office' functions such as tax returns and book keeping for local self-employed people in the CLLD area.