



Interim Report – Part B.4

Study on promoting multi-level governance in support of Europe 2020
(contract number CCI 2013CE16BAT019)

Liverpool city-region case study:

Encouraging entrepreneurship to support social inclusion

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Disclaimer: The information and views set out in this study are those of the authors and do not necessarily reflect the opinion of the Commission.

List of abbreviations

BEiC	Big Enterprise in Communities
CIP	European Competitiveness and Innovation Framework Programme
DCLG	UK Department for Communities and Local Government
ERDF	European Regional Development Fund
ESF	European Social Fund
FP7	7th EU Framework Programme for Research and Technology
LA	Local Authority
LEP	Local Enterprise Partnerships
NWDA	Northwest RDA Regional Development Agency
OP	Operational Programme
RDA	Regional Development Agencies
SENW	Social Enterprise North West

1 Introduction

Many regions and cities in Europe contribute directly or indirectly to achieving the aims and objectives of the Europe 2020 Strategy. To gain more insights on the governance mechanisms at play when cities and regions deliver contributions to Europe 2020 objectives, DG Regio launched a study on “promoting multi-level governance in support of Europe 2020”. This study aims to document case studies, test the possibility to transfer learning on governance and to generate lessons from policy experiences.

The study focuses on two specific policy fields linked to the Europe 2020 Strategy, namely Energy Efficiency measures with a special focus on the existing building stock and Social Inclusion in urban areas.

The present case study is one of eight reports detailing examples of how policy actors pursue their objectives, explicitly or tacitly in support of Europe 2020, in the context of the different multi-level governance frameworks they find themselves. The reflections and lessons presented in this and the other reports form an important input to the conclusions of the overall study and for a series of networking and transfer meetings between local and regional representatives from various parts of Europe. The final results of the study, will highlight the processes and success factors leading to strong, high quality political and administrative partnerships across levels of governance and the lesson to be drawn on testing the transfer of experience in good governance.

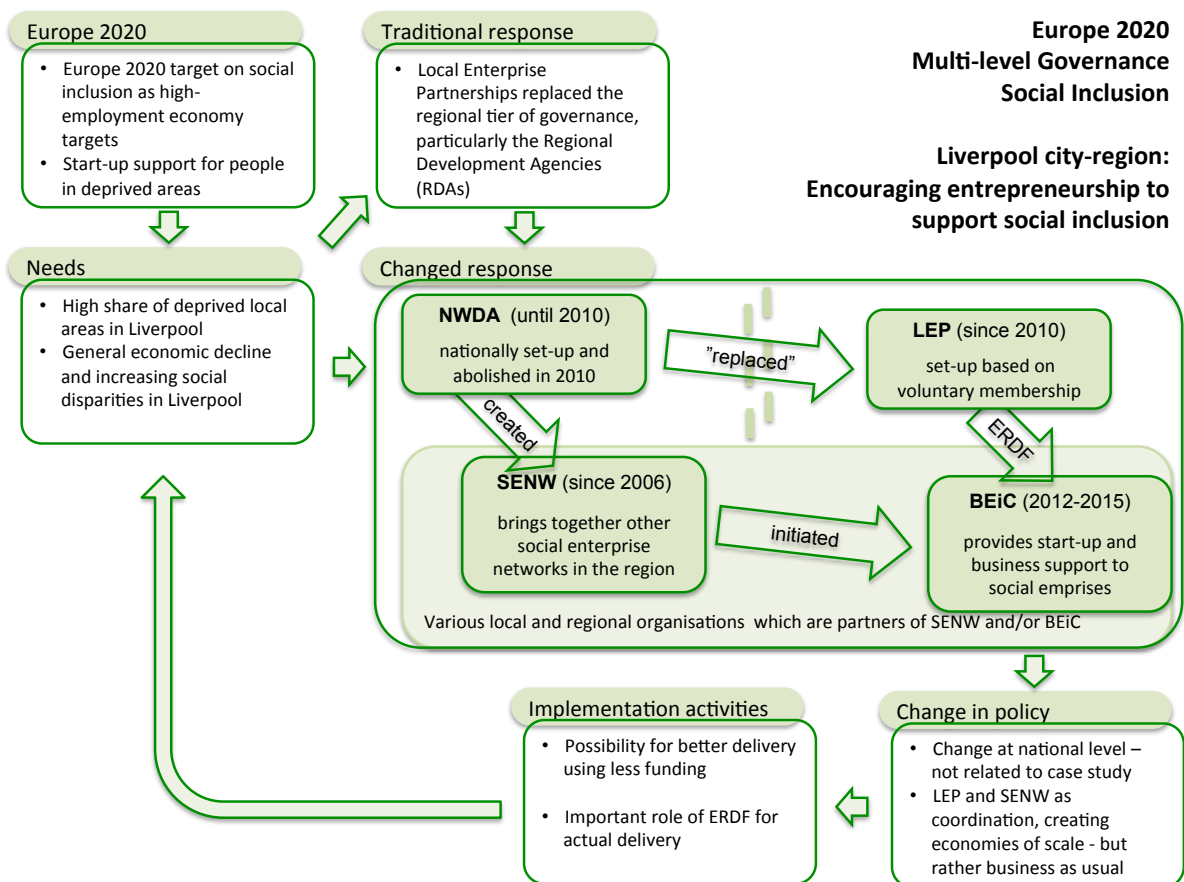
This study on promoting multi-level governance in support of Europe 2020 is led by Spatial Foresight GmbH and carried out in support of a wide range of collaboration partners.

Further details on the study and the progress made are available at <http://www.spatialforesight.eu/mlg.html>

2 Summary

Liverpool is a city-region in the UK with some of the “worst” pockets of deprivation and considerable social exclusion challenges. Locally an approach has been adopted, which focuses upon encouraging entrepreneurship using ERDF funding as a means of promoting social inclusion. This approach involves a range of private, public and third sector actors working together to engage citizens in the most deprived areas of the Liverpool city-region to help them develop their own businesses.

The key premise of the idea to encourage (social) entrepreneurship is that there are considerable economic benefits to promoting social inclusion at the local level. This approach differs somewhat from the more conventional approaches tackling social inclusion (see graphic – box on traditional response), which deal rather more with the effects of deprivation, unemployment etc. than encouraging entrepreneurship amongst the hardest to reach groups in society, in the poorest urban areas.



The approach to tackling social exclusion via encouraging entrepreneurship, including the creation of social enterprises, in the Liverpool city-region operates in a governance context which has changed substantially since 2008 and the beginning of the economic ‘crisis’ in the UK:

Firstly, as a consequence of the economic ‘crisis’ there has been a considerable reduction in public funding which has constrained considerably the provision of business support programmes to encourage entrepreneurship.

Secondly, at the same time, focusing upon the English context the abolishment of the regional tier, including Regional Development Agencies (RDAs) significantly changed sub-national governance structures. In the Northwest region, in which the Liverpool city-region is located, this involved the closure of the west RDA (NWDA) in 2010. The NWDA was responsible for a wide range of activities relating to business support and economic development, including managing European Regional Development Funds for the Liverpool city-region.

In the same year as the NWDA was disbanded, the Local Enterprise Partnership (LEP) for the Liverpool city-region was created. The LEP is a voluntary membership organisation, involving over 450 partners including both large and small firms based in the city-region. The LEP took over some of the tasks of the NWDA, however, with a lower budget and less staff (see figure – box changed response). The main tool the LEP has at its disposal is to encourage partnership and co-operation between all relevant stakeholders in the Liverpool city-region.

Organisations like Social Enterprise North West (SENW), which was created by the NWDA in 2006, had to adjust to these governance and socio-economic changes (see lower part of the box on changed response). SENW is a social enterprise whose role is to act as a regional “umbrella” network to bring together other social enterprise networks from within the Northwest region.

One response to the changed economic and governance context, was to achieve economies of scale in encouraging social entrepreneurship. Accordingly, the focus shifted towards the cooperation of various stakeholders on a large business support project, rather than a larger number of smaller projects. SENW together with a relatively large consortium of partners submitted an application for an ERDF funded project to provide business support to encourage (social) entrepreneurship. The application was submitted and approved by the NWDA although the project started in 2012 after its closure so it was the LEP that was in charge of overseeing delivery of the Liverpool city-region “phasing-in” element of the Northwest ERDF Programme.

The successful application resulted in the project - *Big Enterprise in Communities* (BEiC) - which focuses on supporting (social) entrepreneurship in the most deprived neighbourhoods of the Liverpool city-region. The aim of the project being to facilitate cooperation between various stakeholders on a large business support project, rather than funding a larger number of smaller projects. Each partner involved contributed some match funding in order to achieve half of the total project budget. In addition, each of the respective organisations, which are a mix of private, public, charities, social enterprises, has a track record in the provision of business support and advice in the Liverpool city-region.

This example underlines that in times of increasingly scarce public resources, cooperation between key players in different sectors and at different levels becomes even more important to ensure efficient and effective policy implementation. Furthermore, the example shows that people and close knit policy communities are capable to adjust to challenging changes in governance structures, and ensure a continuity of social inclusion actions.

Key aspects which can be of relevance strengthening multi-level governance approaches to Europe 2020:

Innovative approaches that could be of interest for others	Aspects that could be transferred (concrete methods or techniques)
Need to focus and cooperate in an environment of declining public resources.	Creation of networks of intermediary organisation (local enterprise partnerships), including charities and social enterprises and involve them in the delivery; business start-ups, advice and support.
Approach social inclusion through supporting entrepreneurship in disadvantaged areas and groups.	Encourage voluntary partnerships and cooperation between relevant stakeholders for coordinating strategic economic development.
Involvement of third sector parties.	

3 Methodology

The text on encouraging social entrepreneurship in the Liverpool city-region is primarily based on qualitative data from desk research and interviews. The Liverpool city-region case was based on several elements. These are outlined below:

- The case study description is primarily based on qualitative data gathered from a series of semi-structured, in-depth interviews with key stakeholders in the Liverpool city-region from a range of organisations (see the full list under the references). These interviews were carried out either face-to-face or by phone; a focus group was also carried out. The interviews were undertaken between November 2013 and January 2014, with a standard template;
- The stakeholders were chosen because of the knowledge and experience in the field of business support to encourage entrepreneurship, especially in deprived neighbourhoods, in the Liverpool city-region. Clearly, due to the limited time available, the numbers of stakeholders able to be interviewed was limited. The aim, however, was to gather relevant feedback on the key issues relating to multi-level governance in the city-region rather than carry out a representative scientific sample;
- To complement the interviews, a range of policy documents and academic publications relating to the Liverpool city-region and changes in governance therein were reviewed;

4 Situation prior to the governance change

It is important to understand the particular socio-economic situation, the link to or complementarities with the Europe 2020 objectives and the governance systems in place, addressing governance structures for encouraging entrepreneurship to support social inclusion in Liverpool.

The Liverpool city-region in a nutshell

Population	1.5M
Area	645 km ²
Financial volume of the relevant ERDF Programme	1 467 402 693 EUR (Northwest ERDF OP for 2007-2013)

Europe 2020 targets at national level

Employment	No target in National Reform Programme
R&D / innovation	No target in National Reform Programme
Climate change	-16% CO2 emission reduction targets; 15% Renewable Energy
Education	No target in National Reform Programme
Poverty/ Social exclusion	Existing numerical targets of the 2010 UK Child Poverty Act

Europe 2020 relevant targets in Liverpool city region (for 2014-2020)

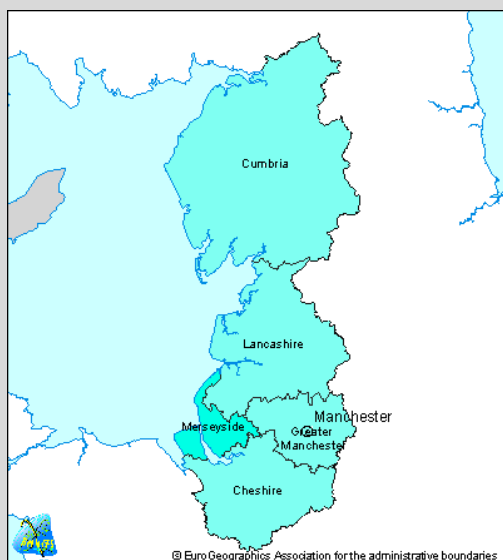
Employment	Create 90,000 new jobs Create an additional 18,500 businesses
Poverty/ Social exclusion	Get 49,000 residents into employment Close the £ 2,7000 per head "wealth gap"

Key governance stakeholders

National level	UK Central government
Regional level	Regional tier abolished in 2010
Local level	Local Enterprise Partnership (LEPs)

Figure 1: Location maps

Northwest Operational Programme area



Source : DG Regional Policy, European Commission

Liverpool city-region map



Source : www.visithalton.com

4.1 Socio-economic development context and challenges

The Liverpool city-region is an economic and political area of England centred around the city of Liverpool and also includes the local authorities of Halton, Knowsley, Sefton, St Helens, and Wirral. The Liverpool city-region is one of the areas of the UK (and England in particular) that has undergone significant socio-economic decline since the 1960s. The restructuring of the city's main industrial base, related mainly to the decline of its port function and related activities has created considerable socio-economic challenges ever

since. The depth of the decline is illustrated by the fact that between the 1970s and the mid-1990s, Liverpool lost almost 200,000 jobs, which was a 53 per cent decline in total employment (Giordano and Twomey, 1999). Clearly, such deep and rapid economic restructuring had a profound impact upon the city in a number of ways, including a rise in social deprivation, poverty, increased levels of crime, higher dependence of welfare benefits. In 2000, according to the UK government's Index of Multiple Deprivation, six of the 15 most deprived wards¹ in England were located in Liverpool (Jones and Wilks-Heeg, 2004). In 2010, all 6 Local Authorities (LAs) in the Liverpool city-region are ranked inside the top 90 most deprived LAs in the country.² In addition, the city suffered significant population loss due to economic out-migration, especially of younger people.

The city's economic fortunes rebounded somewhat in the late 1990s. This was due to a combination of factors including UK government policy which focused on improving the urban and socio-economic structure of the city using domestic as well as EU funds. Over the last decades, successive ERDF programmes have been significant in helping to shape the socio-economic development of the Liverpool city-region. ERDF programmes have been continuously used to support socio-economic development in the Liverpool city-region since the early 1990s. While the county of Merseyside, which includes most of the Liverpool city-region remained an Objective 1 region until the period 2000-06. The ERDF programme included the further development of Liverpool city centre and further regeneration of the waterfront to help promote 'city-centre living' and attract residents back into the heart of the city. In addition, the creation of business facilities in the Speke Garston area on the southern periphery of the city which helped to attract private sector investment as well the creation of small firms in the area, which was previously one of the most deprived in the UK. This also included the redevelopment of the former Speke airport (which is now known as Liverpool John Lennon Airport) which was also supported by ERDF funding.

For the Period 2007-2013, Merseyside was designated as a 'Phasing-in' region which gave it a special status and ring-fenced budget of 41 percent within the Northwest of England's³ Regional Operational Programme (ROP). The onset of the recession in 2008 has hit the city hard. Prior to 2007, the UK economy was growing at around 2.6 per cent per annum, but in 2008 it fell by -0.1 per cent and then by a further 5 per cent in 2009. Moreover, the impact of the recession has been highest in those regions that have the weakest economies, which have suffered the most and have experienced the largest job losses (Tyler, 2010). Liverpool city-region affected by the range of austerity measures being implemented by the UK government in an attempt to improve the country's level of public debt. In fact, already the austerity measures have had a significant and disproportionate impact in the Liverpool city-region given that it is relatively more dependent on public sector employment (39 per cent compared to just under 20 per cent in the UK⁴). Furthermore, in the next five years to 2017 estimates suggest that Liverpool could lose over 7,000 public sector jobs out of a total 89,000 employed. Furthermore, the proposed cuts in Liverpool equate to a cut of over €200 per resident putting it in the five most vulnerable cities in the UK (Chappe and Wray, 2012).

The Liverpool city-region has some of the worst "pockets" of deprivation in the UK but locally an innovative approach, which focuses upon encouraging entrepreneurship using ERDF funding as a means of promoting social inclusion, has been adopted. The

¹ Wards are the smallest administrative unit in English local government.

² The Mayors Commission on Europe, Report and Recommendations, March 2013, Liverpool City Council

³ The Northwest of England is a NUTS 1 region and contains 5 NUTS 2 areas one of which is Merseyside.

⁴ Source: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2013/sty-public-sector-employment.html>

implications, therefore, of the shift in governance, in the context of austerity, for the Liverpool city-region are discussed in subsequent sections.

4.2 Link to Europe 2020 Strategy

One of the three headline priorities of the Europe 2020 Strategy is to encourage ‘inclusive growth’ through a ‘high-employment economy delivering social and territorial cohesion’.

The Northwest region was eligible under the Regional Competitiveness and Employment Objective and had a total budget of about €1.5 billion of which the ERDF allocation was €756 million. This represented just over 7 per cent of the total EU investment earmarked for the United Kingdom under EU Cohesion Policy 2007-13⁵. As shown in Table 1 below, the ROP was based on four main priorities.

Table 1: Breakdown of finances by priority axis for the Northwest Operational Programme (Source: DG Regional Policy)

Priority Axis	EU Investment	National Public Contribution	Total Public Contribution
1) Stimulating enterprise and supporting growth in target sectors and markets	204 895 648	194 650 866	399 546 514
2) Exploiting innovation and knowledge	204 895 648	194 650 866	399 546 514
3) Creating conditions for sustainable growth	156 606 158	140 945 542	297 551 700
4) Growing and accessing employment	159 126 972	151 170 623	310 297 595
Technical assistance	30 230 185	30 230 185	60 460 370
Total (Euros)	755 754 611	711 648 082	1 467 402 693

With regard to inclusive growth, the overall objectives of Priority 4 were to address following main points in the field of social inclusion in the Liverpool city-region:

- To tackle the significant concentration of unemployment in a limited number of districts;
- To improve the associated deficit in entrepreneurship within these areas;
- To address the limited participation by residents of disadvantaged areas in employment opportunities being created elsewhere in the Northwest;
- To focus on deprived neighbourhoods which are generally characterised by low rates of business start-up and survival, low levels of self-employment and high rates of unemployment.

The overall rationale of this priority was to ensure that economic successes delivered by the Programme are shared and that economic exclusion is tackled. Therefore activities under this priority focused on creating employment which is accessible to disadvantaged areas, such as the Liverpool city-region, and to help residents in these areas access economic opportunities as employees or in self-employment. The emphasis was on building business competitiveness and providing support for high growth businesses that will broaden the

⁵ Source: ec.europa.eu/regional_policy/country/UK

economic base. This involved also stimulating entrepreneurship amongst people in the most deprived areas of the Liverpool city-region.

The Action Areas under Priority 4 were:

4-1. Stimulate enterprise in disadvantaged communities and under-represented groups.

4-2. Supporting linkages to key employment areas.

4-3. Supporting employment creation for areas of regeneration need.

These actions, together with those of the other programme priorities, aimed at achieving a total of 26,300 new jobs by 2015 in the whole area of the Northwest programme area. The priority was delivered in cooperation with sub-regional partnerships, as will be explained subsequently.

The 2014-2020 European Programme of the Liverpool city-region emphasises employment and social inclusion. In relation to an inclusive economy the programme wants to apply innovative approaches to entrepreneurship, skills, social innovation, and local employment to overcome exclusion and capitalise on the latent strength and capacity within the city-region's population and communities. The aim being to create 90,000 new jobs and an additional 18,500 businesses as well as get 49,000 residents into employment and close the "wealth gap" with the Southeast of England.

4.3 Governance context

In the UK (and England in particular), there has been a strong focus on promoting entrepreneurship and various business support schemes have been used to promote small firms. This continued despite political changes at the national level in the UK in 2010.

After 1997 with the election of Tony Blair's New Labour government, the focus was on encouraging the voluntary and community sector to become 'contract ready' and participate in the procurement and delivery of local services. The aim was to move social enterprises away from grant dependency and enable them to generate revenue from trading activities supported by public contracts for services and attract funding from sources such as loan finance or outside credit. Given the socio-economic context in the Liverpool city-region, with many regions with high unemployment and deprived neighbourhood the move away from grant dependency has been an additional challenge for the Liverpool city-region.

Since its election in 2010, the UK Coalition government has continued to encourage (social) entrepreneurship, including plans for developing social investment finance (i.e. Big Society Capital, which is basically a bank for social enterprise), further involving social enterprise in the delivery of public services through the Public Services (Social Value) Act 2012, and on-going inquiries into mutual and cooperative approaches to delivering local services. So the challenging processes set in motion by the previous government continued and accelerated. This is important in the context of austerity measures which cut back the provision of mainstream local services. Since 2010 there has been a drastic reduction in the level of public funding, with all government budgets cut between 20 per cent and 60 per cent and Local Authority budgets were also significantly reduced in order to tackle public deficit.

Social entrepreneurship describes entrepreneurial activities that aim to contribute to crucial and positive change of society by innovative, pragmatic and long-term actions. Thus, the performance is measured typically by a positive return to society rather than profits.

At the same time, governance structures at the regional level in England changed. In the case of the Northwest region in which the Liverpool city-region is located this meant that the Northwest RDA (NWDA) was disbanded and the Local Enterprise Partnership (LEP) for the Liverpool city-region was created. The LEP took over some of the tasks of NWDA though with a lower budget and less staff. The main tool that the LEP has at its disposal is to encourage partnership and co-operation between all relevant stakeholders in the city-region involved in economic development. It is a voluntary membership organisation whose role is to oversee and coordinate strategic economic development. There are over 450 members of the LEP including large multinationals, such as Unilever and Jaguar Land Rover, based in the city-region as well small firms.

Table 2: Key policy areas and governance levels in Liverpool city-region

Policy area		Strategic economic development (including spatial planning, housing, transport, infrastructure, education and training policies)	Business Growth (including assisting existing businesses to grow and increase productivity, promoting entrepreneurship and innovation, and advising and assisting businesses regarding available funds and additional indigenous investment)
Levels	European	EU funding (ERDF, ESF)	EU funding (FP7, Horizon 2020, CIP)
	National	UK Ministry for Communities and Local Government	UK Ministry for Business, Innovation and Skills
	City-regional	Liverpool city-region LEP	Liverpool city-region LEP
	Local	Six individual Local Authorities; Liverpool City Council Mayor; voluntary and community sector, Further Education and Universities; Trade Unions; Chambers of Commerce; Public Health	

The table provides a quick overview on the most important policy areas for encouraging entrepreneurship to support social inclusion. One additional aspect, which is not shown in the table, is the important role of the third sector for the delivery of services in the UK. The third sector consists mainly of non-governmental organisations, voluntary and community organisations, social enterprises as well as cooperatives and mutuals, which principally reinvest their surpluses to further social, environmental or cultural objectives. In particular, at the local level the relationship between local government and the third sector is important. However, since 2010, the cuts in public spending have hit the sector hard with many social enterprises relying on support from local or national government.

Encouraging entrepreneurship in support for social inclusion

In this context of reduced public funding and a considerable change of governance structure at regional level, the third sector in Liverpool continues to promote social entrepreneurship. It provides alternatives to combating poverty and social exclusion in the

most deprived neighbourhoods, and adjusts to changing structure of multi-level governance.

The key premise of the idea to encourage (social) entrepreneurship is that there are considerable economic benefits to promoting social inclusion at the local level. In contrast to the more conventional approaches tackling social inclusion – which deal rather more with the effects of deprivation, unemployment etc. – the new approach encourages entrepreneurship amongst the hardest to reach groups in society, in the poorest urban areas.

The implementation of business support policies and projects to encourage entrepreneurship in the most deprived areas of the Liverpool city-region is based upon partnership working and a set of governance arrangements at the local level. These are explored in more detail through an analysis of one specific project: Big Enterprise in Communities (BEiC) which is a £7.7M initiative funded through ERDF to stimulate enterprise in disadvantaged communities and under-represented groups.

Big Enterprise in Communities

Big Enterprise in Communities (BEiC) is an ERDF funded project running from January 2012 to June 2015. The aim of the project is to support social inclusion through providing (a) start up support and (b) business support to social enterprises. The project recognises that there are different stages in the entrepreneurial “start-up” process and support is provided to meet these:

- Stage One: (Pre) Pre-Start Up Awareness Raising Workshops (Community Engagement)
- Stage Two: Pre-Start Up Group-based Workshop Support & Action Planning
- Stage Three: Business Creation Start Up Assistance, including Business Planning
- Stage Four: Social Enterprise Intermediate Business Development Support
- Stage Five: Social Enterprise Intensive Support – Growth, Income & Diversification

Social Enterprise North West is the lead agency for the project. It works through a delivery panel of organisations to deliver business start up support to individuals, and business advice and support to Social Enterprises.

A response to the changed economic and governance context described above, was to achieve economies of scale in encouraging social entrepreneurship. Consequently, the focus has been put on a large business support project, funded by ERDF, rather than a suit of smaller projects. The funding application for this large scale project, called Big Enterprise in Communities (BEiC), involved a large consortium of partners each of whom contributed some match-funding.

In this project partnership – which is a mix of private, public bodies, charities, social enterprises – each organisation has a proven track record in the provision of business support and advice in the Liverpool city-region. It is precisely this track record which helped to form a solid consortium to carry out the project. Some of the organisations had already worked closely together and each of them is active in the field of business support and encouraging entrepreneurship.

The different organisations deal with a range of potential client groups in different neighbourhoods across the city-region. This is an asset in terms of reaching out to the groups in the city that are hardest to reach, such as ethnic minorities, disabled etc. Bringing together such expertise in providing business support was also an important aspect of the governance arrangements for the project. Cooperation in such a large partnership also encourages learning and sharing, horizontally, between the different stakeholders providing the business support. The large and close partnership of BEiC has a sound mix of relevant knowledge and skills. This allows amongst others to deal adequately with any kind of requests from eligible individuals and small firms. The possibility to pass on requests to relevant organisations within the project partnership allows for continuity in the business support provided and reduces the risk that individuals ‘fall through cracks’.

The specific focus on improving business start-up support in disadvantaged communities is funded via Priority 4 of the Northwest ERDF Programme 2007-2013.

4.4 Key stakeholders and their motivation

There are several key actors that are involved in the promotion of entrepreneurship and business support to deprived neighbourhoods:

- **Liverpool city-region LEP.** Established in 2010, the Liverpool city-region LEP is the responsible authority for managing the ERDF OP, including Priority 4 and related business support projects. The ERDF programme 2007-2013 was drafted whilst the RDA was still operational and the LEPs actually did not exist. The decision to abolish RDAs and establish LEPs caused a considerable amount of upheaval in the management of the programme and related governance structures in the mid-stages of the programme.
- **Network of intermediary organisations.** The LEP works with a network of intermediary organisations (including charities and social enterprises) that are involved in the delivery, across eligible wards in the Liverpool city-region to deliver business start up support to individuals, and business advice and support. For example, Social Enterprise North West (SEiC) is the lead agency for the Big Enterprise in Communities (BEiC).

Social Enterprise North West

Following the 2006 social enterprise action plan “scaling new heights” of the UK Government, SEiC was created by the NWDA. The aim was to provide a regional contact point and forum around which other sub-regional social enterprises networks could work together to raise the profile and successfully represent the sector with UK central government and the European institutions.

SEiC is a social enterprise whose role is to act as a regional network to bring together other social enterprise networks from across the region. SEiC is a regional network with directors drawn from nominated representatives of sub-regional social enterprise networks, plus Locality and Cooperatives North West. It also includes representation from social enterprises operating across more than one sub-region including the Big Life Company and The Social Enterprise Loan Fund.

- **Organisations that provided the actual support services.** SENW sub-contracts the delivery of the actual business support work to a panel of 14 other organisations that provide “on the ground” advice and support to individuals, businesses in the most deprived neighbourhoods of the Liverpool city-region.

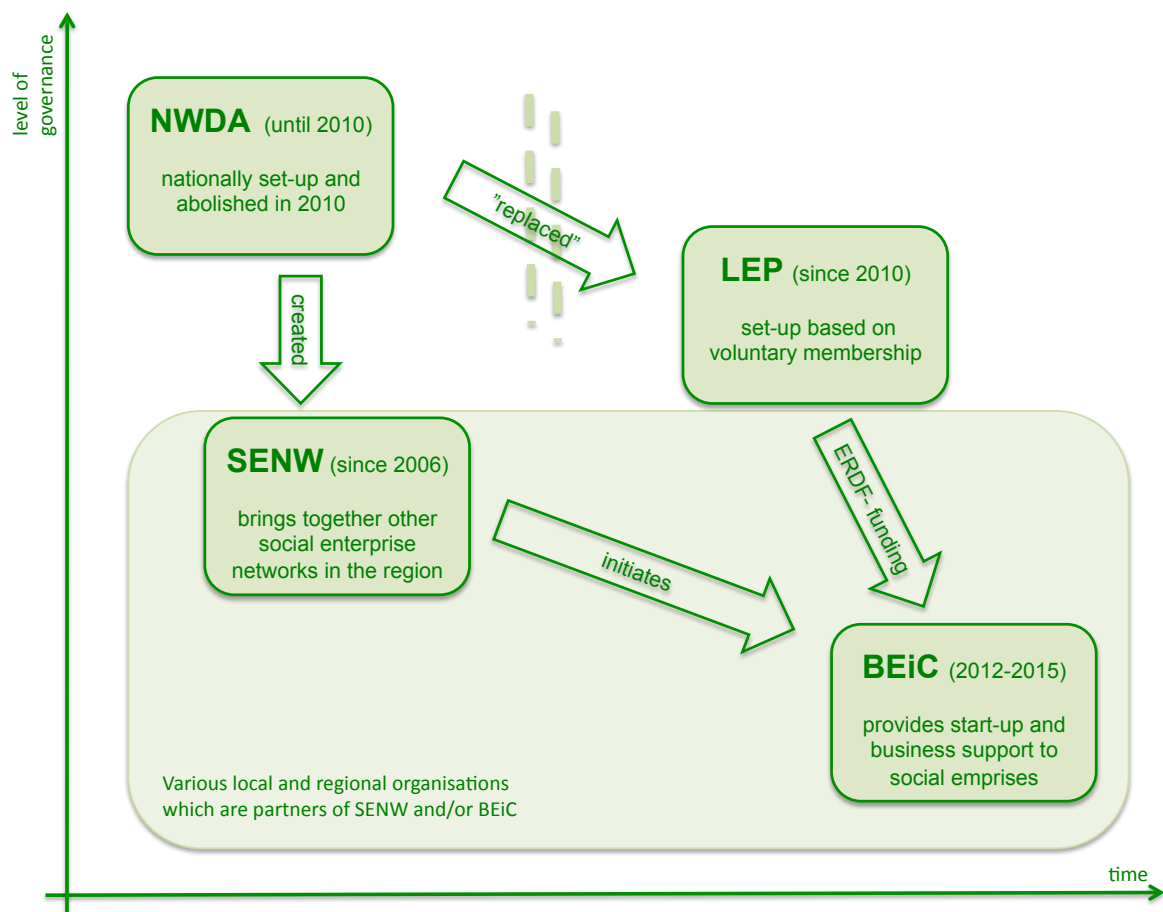
Big Enterprise in Communities

Big Enterprise in Communities (BEiC) is a project led by SENW. The key delivery partners in the project are: the CHARA Trust, Enterprise Solutions/ Wirralbiz, Granby Toxteth Development Trust, Greenbank, Halton & St Helens VCA, Knowsley CVS, Merseyside Expanding Horizons (MEH), Muslim Enterprise Development Service (MEDS), North Liverpool Regeneration Company, SAFE Productions, Sefton CVS, South Sefton Development Trust, The Prince’s Trust, and The Women’s Organisation.

These are all organisations based in the Liverpool city-region and each is responsible for producing a set of outputs to meet the overall targets for the BEiC project. Each delivery partner carries out their work on the project and then reports back to SENW for project monitoring purposes.

The below graphic provides a quick overview of the key stakeholders involved. It illustrates also the change of regional administration and the continuation of the work at the lower levels.

Graphic 2: Key stakeholders



There are several reasons why the key actors involved in business support provision in the Liverpool city-region got onboard:

- First, the Liverpool LEP oversees the ERDF programme, in partnership with the UK government (DCLG). Its motivation is partially the need to carry on the work started by the NWDA and partially the interest in improving social inclusion and entrepreneurship in Liverpool city-region – if not at least to achieve the objectives set for the ERDF programme.
- Second, there are a large number of intermediaries and providers of business support in the Liverpool city-region. These are public, private and third sector organisations some of whom have a long track record in providing advice to individuals in setting up businesses, especially in the most deprived areas of the city-region. Clearly, such expertise and experience means that these organisations are keen to exploit the available opportunities to continue their core business.
- Third, as discussed earlier, the cut backs in public funding have had a significant impact on the availability of funding, especially for social enterprises, so the opportunity to get involved in delivering EU funded projects such as BEiC is rather a necessity to ensure survival.
- Fourth, the governance of delivering large business support projects such as the BEiC is not straightforward. Thus, the choice of the SENW to lead and manage such a large project was also to do with its track record and capacity to deliver as well as engage with a range of appropriate stakeholders.

Modes of governance at play in the Liverpool city-region

The governance arrangements regarding the encouragement of social entrepreneurship in the Liverpool city-region can be described as a combination of governing by provision and enabling. This latter plays the most prominent place since funding decreased for addressing unemployment in Liverpool city-region's most deprived neighbourhoods.

Governing by enabling: The involvement of the delivery partners, including the SENW as the main contractor responsible for delivery of BEiC, is governing by enabling. The LEP and the SENW worked closely in partnership in shaping up the business support application and the respective delivery partners got involved in order to develop a decent programme of activities.

5 Governance reflections – general overview

The policy to support entrepreneurship to combat social exclusion in the Liverpool city-region has been affected by cuts in public funding and the decision at national government level to dismantle regional governance structures in England. The creation of the LEP is part of this governance reform.

The ERDF programme, the SENW and the BEiC project operate in this changing environment. Adjusting to the changes has been the way in which continuity in support to foster entrepreneurship has so far been maintained. Its impacts and improved effectiveness, however, cannot yet be fully established.

The following points summarise the most interesting specificities of this example of addressing social inclusion in the Liverpool city-region:

- **Entrepreneurship to combat poverty.** The focus of encouraging (social) entrepreneurship differs somewhat for the more conventional approaches to dealing with social inclusion and urban poverty;
- **Bottom-up & third sector.** Both the implementation of the Priority 4 of the Northwest ERDF Operational Programme for 2007 to 2013, and especially the Big Enterprise in Communities (BEiC) project rely on bottom-up processes and an active role taken by the third sector;
- **Changing regional governance context.** While the cooperation of different organisations to improve entrepreneurship may not be new, declining public funding and the changes at the regional governance tier posed additional challenges to the stakeholders involved. In this changing governance context, cooperation between organisations became even more important to ensure that activities could continue (beyond single projects).

5.1 Change of organisational capacity

Whilst abolishing the NWDA was not problem free, the outcome is that there is much more of a 'coming together' around the common issues and challenges that face the Liverpool city-region. Thus, the fact that the governance of the Liverpool city-region, which is part of the Northwest ERDF programme is now more focused at the local level is viewed as a positive development by various stakeholders.

The other point to emerge is the fact that the people involved in various different organisations involved in business support and supporting (social) entrepreneurship stayed in post. This ensured a certain degree of continuity despite the dismantling of the regional tier. Moreover, the fact that in the Liverpool city-region there is a close knit policy community was viewed as strength. The organisations involved in providing business support work closely together and there is a good working relationship between the LEP, Liverpool City Council and other organisations. Thus, even though governance structures changed, the learning and continuity was not completely diluted.

At the same time, the voluntary based organisation of the LEP offers an interesting example of partnership working for other localities across the EU.

5.2 Major obstacles

The main challenges for implementing structures for encouraging entrepreneurship to support social inclusion were:

1) *Providing continuity of support during the transition*

A key challenge that had to be overcome was the shift from the regional to the local (or city-regional) tier of governance, i.e. the shift from NWDA to LEP. This shift happened rather quickly and although transitional arrangements were made there were inevitable problems in handing over responsibility from one tier of governance to another, including managing different systems, setting up new systems within the LEP etc. This was not a trivial task.

However, this obstacle was overcome due, in large part, to the professionalism of the key people involved in order to make sure that continuity was maintained. As the feedback from the stakeholders highlights, governance structures and systems are important but what really matters is the people involved in carrying out the work.

2) Duplication of business support provision

As mentioned earlier, there are a number of ERDF business support projects ongoing in the Liverpool city-region. Currently, there are at least four which provide some form of business support, and whilst they do focus on slightly different elements, the problem of duplication is apparent. In part, this was due to a relative lack of coordination at the regional level in managing the business support provision at the sub-regional level. The poor coordination was highlighted by Liverpool City Council in its scrutiny panel entitled Benefits to Business, whose remit was to explore the quality of business support provision in the city.

Moving forward, under the governance arrangements with the LEP responsible for coordinating strategic economic development in the Liverpool city-region, there will be theoretically much better alignment of priorities in order to avoid the proliferation of business support programmes. In addition, the fact that there is much less public funding available will ensure that the implementation of business support will have to be streamlined and better targeted.

3) Volatile third sector

The important role the third sector plays in the Liverpool city-region is very clear. At the same time the third sector is in a rather volatile position, both as regards its involvement in relevant decision making processes and its access to funding. The changing involvement and role of the third sector, can be observed in the processes for preparing the ERDF programme for 2014-2020. In the case of the Northwest programme, third sector representatives are involved to a much lesser degree than before which raises questions about the continuing impact of the sector on shaping EU funding programmes.

5.3 Main results of the governance changes

The changes in governance outlined helped to focus the efforts at the local level in the Liverpool city-region. Effectively, the shift from the regional to the local ensured that tackling social inclusion was brought closer to the organisations in charge. This is viewed a positive outcome of the governance changes.

The concrete achievements at the local level are the people who could move out of social exclusion through the support encouraging entrepreneurship. For example, up until January 2014, the BEiC project had produced the following outputs:

- Assisted 2533 pre start up support of at least 12 hours.
- Assisted the start up of 850 new businesses.
- Assisted 76 social enterprise less than 36 months old.
- Assisted 102 social enterprises with growth potential.

5.4 Durability

Overall, there is a need to continue to tackle the challenges of social inclusion in the Liverpool city-region. Governance comes only into play in relation to the overarching decision making processes and funding opportunities. In this context, in light of the marked cuts in domestic funding, ERDF is viewed as the main source of public funding available, thus demand is high, especially from intermediaries keen to get involved in delivering the funds.

Although if single projects show durability and have chances to become independent from public funding, the durability of the overall structure is highly dependent on funding sources and policy priorities – mainly at European level.

6 Lessons learned - successes and pitfalls

In this section the lessons learned will be discussed for each stage of the policy cycle. This provides a structured overview of the governance arrangements' successes and pitfalls when (social) entrepreneurship is used as a way of trying to increase social inclusion. The stages of the policy cycle and governance processes and arrangements evolve over time and are interrelated. The lessons learned are thus discussed stepwise, starting with the **identification** of needs that feed into the policy **formulation** process and, in an ideal world, are followed by the policy **implementation** stage. The cycle concludes with the **accountability** of the described policy.

One of the main lessons learned from the adjustment to changing governance structures, is that people (and their knowledge and networks) are more important than formal structures and processes.

In terms of the **identification** of the policy needs, the premise of the policy to mobilise the economic potential of the city-region through improving social inclusion is crucial. The city-region has gone through decades of deindustrialisation and the levels of deprivation are some of the highest in the UK and also in Europe. Traditional approaches to tackling unemployment etc. focused on using ERDF to improve infrastructure and the public realm. This approach, whilst having some benefits, had a rather limited impact on tackling social exclusion. Thus, the political vision and leadership to engage with social inclusion through innovative approaches to encouraging entrepreneurship and social enterprise is one that other regions and localities could learn from.

Concerning the identification phase in the policy cycle, a key lesson learned is to move on from a traditional focus on using ERDF to tackle unemployment via infrastructure or urban realm improvement projects.

KEY SUCCESS FACTORS: 1) Understand the socio-economic needs and challenges facing the city-region; 2) Political vision and leadership to develop innovative policy responses to tackle these.

In terms of **formulation**, trying to encourage entrepreneurship in the most deprived neighbourhoods, there is a need to avoid duplication in the provision of projects and schemes to do this. This is an issue in the city-region with several concurrent projects in operation. The danger is that there are more intermediaries providing support than actual new businesses or individuals in search or need of advice. More streamlining of business support as well as marketing of the opportunities would improve the provision. The Liverpool City Council Benefits to Business panel highlighted this as a problem area to be improved.

The shift in governance from the regional to the local level also highlights the advantage of developing policy as close as possible to the citizens and firms most in need of the assistance. Whilst the regional level was not that far removed from the Liverpool city-region, the stakeholders interviewed were mostly in favour of the shift to the local level. At the

same time, stakeholders are swift to point out that the austerity measures have really had, and to continue to have, an impact upon social inclusion and the provision of services in the city-region.

Key lessons for the formulation of the policy are:

KEY SUCCESS FACTORS: 1) Develop policy as close as possible to the citizens and firms most in need of assistance.

POSSIBLE PITFALLS: 1) Duplication of ERDF business support projects in deprived neighbourhoods.

In terms of **implementation** and effectiveness of the policy, several points can be highlighted:

- **The importance of people over process:** This is a point that emerges very strongly from the feedback. In spite of the significant shifts in governance, the continuity and skill of the people involved was crucial in order to get things done effectively. Having said that, governance and related processes do matter and the fact that these have been brought 'closer' to the issues at the local level in the Liverpool city-region is viewed as a positive change. The LEP, however, does have a smaller budget compared to the NWDA so it is less able to provide financial support but rather to operate as an 'honest broker' to encourage and facilitate the key stakeholders to work together on economic development issues.
- **Expertise in EU policy and funding:** There is a strong track record in the city-region of using public money to provide business support. Thus, in spite of the complexities of managing any large integrated project of this sort a large European funding project, the experience of the staff involved was a massive asset. This was more important than any of the change in governance that took place. Perhaps in other territories such a massive 'earthquake' of governance shifts did not create the downtime that could have ensued. This is a credit to the city-region and the people in managing public funding.
- **A close-knit policy community is important:** The fact that the majority of the stakeholders have worked (and live) in the city-region is clearly an advantage to the delivery of business support. The exchange of knowledge, contacts, level of networking and ability to get in touch with other organisations is frequently cited as a real strength of the city-region. Of course, that is not always the case and the flip side of that is that there has been a tendency in the past for turf wars etc., but on the whole the situation has improved. Moreover, there is a strong sentiment amongst the main stakeholders that improving the city-region really matters; it is the most important motivator for them. This level of commitment to 'place' is also a strength that is mentioned.
- **Partnership of different types of stakeholders:** A clear lesson is that it is vital that organisations work together in order to deliver the targets at local, regional, national and then European. This means both horizontal i.e. between partner organisations involved in the delivery of business support, including charities, private sector, social enterprises and the public sector. This also means working across boundaries in different local authorities, neighbourhoods and localities.

Lessons learned with regard to policy implementation are:

KEY SUCCESS FACTORS: 1) Expertise in EU policy and funding; 2) A close knit policy community is an important asset; 3) Partnership working across multi-level governance.

POSSIBLE PITFALLS: 1) Too many intermediaries “competing” to provide business support; 2) Struggle to cope with rather radical national changes in governance and austerity policies.

When it comes to **accountability**, there is a tendency to focus on ‘ticking the boxes’ rather than on being able to assess the longer term benefits of the business support provided. Whilst the monitoring is crucial because it is taxpayers’ money, there is a need to focus more on assessing the longer term benefits of the business support provided. There have been benefits to particular people, areas and small firms but it is much less to capture such impacts. The current system, therefore, tends to promote a system of drawing down the funding, meeting targets and outputs, which is clearly very important. As a result it is difficult to judge the real effectiveness of the scheme at this interim stage. Consequently, some focus on the future impacts would also be welcomed.

Lessons learned regarding accountability of the policy involve:

KEY SUCCESS FACTORS: 1) Some benefits in terms of new firms creation and engagement with citizens in deprived neighbourhoods.

POSSIBLE PITFALLS: Too much focus on “ticking the boxes” rather than the longer term impacts.

Overall successes and pitfalls of the governance arrangements

Overall, the shift from NWDA to LEP has created positive benefits in the city-region. Whilst the regional focus was not detrimental to the economic development of Liverpool, the fact that decision-making has been brought closer to the areas that need most assistance has been a welcome development.

Clearly there have been challenges and some still remain. The lack of funding is an issue at the local level. The shift in governance coincided almost immediately with the introduction of austerity measures. Indeed, several stakeholders mentioned the fact that ‘less is more’ in terms of funding because partnership working in the city-region has improved it seems due to the reduction of resources.

In terms of unintended consequences, one notable point is that the EU funding is the main source of funding around in the city-region currently. Thus, there has been a big increase in the number of business support intermediaries trying to access such funding in order to survive in the current climate. This is an issue that needs to be addressed because there is almost an over-supply of such providers whilst the numbers of sustainable businesses remains rather low in comparison to other city-regions.

7 References

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Interviews

Name	Position	Organisation
Paul Dickson	European Programmes Manager, Liverpool City-Region	Liverpool City-Region, Local Enterprise Partnership (LEP)
Val Jones	Chief Officer	Social Enterprise North West (SENW)
Colin Murthwaite	Finance Claims Officer	SENW
Collette Morris	Project Monitoring Officer	SENW
Gill Ashall	Project Administrator Officer	SENW
Giovanna Jackson	Administration Officer	SENW
Councillor Rosie Jolly	Chief Executive	Social Enterprise Network (SEN), Merseyside
Debbie Felton	Financial Manager	Social Enterprise Network (SEN), Merseyside
Councillor Barry Kushner	Chair of Benefits to Business Scrutiny Panel	Liverpool City Council
Matthew Donnelly	Communications and Administration Officer	Heart of Mersey, Social Enterprise
Brittany Mason	Outreach Champion	Plus Dane Group, Registered Social Landlord
Max Zadow	Social entrepreneur	Digital Creativity in Disability