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Mapping the Social Economy in the Rural East Midlands

FINAL REPORT

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Executive summary

1. Introduction

As rural communities come to terms with recent dramatic changes to their local economies, there have been growing interest in new ways of providing services and meeting their economic and social needs. These include the changing roles of public sector, private companies and, of particular interest to this study, the social economy. This latter category includes the co-operative sector and community initiatives that are operating as enterprises. This study aims to examine the contribution and development needs of these organisations in the rural East Midlands.

The detailed aims of this study are:

- To identify the various types of social enterprises serving rural areas;
- To examine the operations, constraints and needs of social enterprises;
- To examine the roles of different support providers;
- To make recommendations concerning the support required.

Methodology and definitions

Data was collected through a review of the literature, a survey of 176 social enterprises serving rural areas, detailed case studies of 21 social enterprises and interviews with 30 support providers. Social enterprises are defined in this study as organisations that have the following elements:

- Not for personal profit
- Meet social aims by engaging in economic and trading activities
- Assets and wealth are not in the ownership of individuals but are held for the beneficiaries

Key Rural Issues in the East Midlands

The study aimed to investigate the activities of social enterprises and the extent to which they can help to address the economic, social and environmental issues and problems that are being faced by rural areas. The economic issues include the lack of employment opportunities, decline of traditional sectors (particularly agriculture and mining) and the seasonality of employment in certain sectors. There are also a lack of enterprise opportunities, shortages of skilled staff and poor access to transport for those without cars. These economic factors have resulted in declining incomes and deprivation which is often hidden because it is not concentrated in neighbourhoods but is dispersed within a community.

Social problems are often the result of the economic issues and include poor access to commercial, public and voluntary services, the result of inadequate transport and the closure of rural service outlets. Environmentally, rural areas are facing pressure on natural resources, the environment and heritage sites.

2 Mapping the social economy in the rural East Midlands

The types of social enterprise serving rural areas, identified by the study, are shown in the table below. The survey covered all social enterprises serving rural areas with half of the enterprises interviewed being based in urban areas but providing services for rural people.

Type of social enterprise	% of our sample	Description
Workers cooperatives	33%	Employee owned businesses with democratic member control
Community businesses	22%	Businesses that provide services and reinvest surplus in community projects. Examples include training and information centres, village shops, child and health care, village halls, community centres, sports clubs and cultural activities.
Financial organisations	10%	Credit unions that allow people to save and borrow at cheaper rates, building societies and friendly societies.
Support organisations	10%	Provide services to other social enterprises with income from grants and contracts from public sector bodies.
Community transport	9%	Bus services, car share schemes and other community managed solutions to increase access to transport
Agricultural coops	7%	Cooperative buying of inputs and selling of outputs/products, also shared use of machinery
Intermediate labour market	5%	Training and work experience to help the unemployed back to employment
Heritage /environment trust	3%	Provide services to conserve the natural environment or the built heritage.
Housing coops/ associations	2%	Provision of affordable housing

The percentages relate to a stratified sample, not the proportion of different types of social population found in the total population. Although organisations could be in more than one category, the percentages relate to their primary classification.

The social enterprises examined were found to be active in a number of sectors and activities and over two thirds of the sample worked in more than one sector. The most common sector was education, training and information, provided by 28% of the social enterprises. 16-17% of the organisations were working in retailing, manufacturing and farming, financial services and services for mainstream and social enterprises. Other sectors include health care, sports and leisure, cultural industries and accommodation.

There is very little evaluation data assessing the impact of social enterprises at present, nor is there any data on the additional benefit derived from public sector support of social enterprises. This is particularly surprising considering the large proportion of social enterprises that are dependent on government grants and contracts. Potential impacts of social enterprises on rural areas include:

- Creating jobs
- Providing training & improving skills
- Providing goods/services where state or market will not
- Providing finance and investment
- Generating surplus for community benefit
- Providing physical assets (i.e. land/ buildings)
- Involving the community and combating exclusion
- Conserving the environment and heritage

The survey compared urban and rural based social enterprises and found that rural based organisations serve a local market or are related to agriculture. Urban based enterprises on the other hand such as credit unions tend to serve a large geographic area and require economies of scale in order to make their service cost effective.

There are concentrations of particular types of social enterprise in each county. These local differences are often related to particular local needs, the type and extent of public sector support that has been offered in these areas in the past, and the presence of role models and previous experience with social enterprise. There appears to be a concentration of social enterprises in Leicestershire with 31% of the sampled social enterprises located there although the county only has 18% of the East Midlands' population.

3. Constraints and support needs of social enterprises

The survey investigated the needs of social enterprises and the constraints they face. Most social enterprises in the East Midlands appear to have considerable ambitions to grow, with 81% intending to grow in the future and 64% seeing their turnover rise in the past five years. Growth intentions were most frequently affirmed by community businesses, while co-operatives that have to compete with conventional businesses, were less optimistic. Growth sectors were found in areas where there is public sectors grants and outsourcing. The key constraints relating to social enterprises are given below:

Social entrepreneurship and start ups

Entrepreneurship requires individuals with vision, commitment, enthusiasm and ability to take risks, and needs the community to support such individuals. The patterns of entrepreneurship differ across the East Midlands, with low levels of formal enterprise in some rural coalfield areas, although entrepreneurship can be

found in informal activities. Polarisation and political divisions can block opportunities, particularly when the local authority and community leaders are not supportive. Further constraints include the rural isolation that restricts learning and encouragement from peers. Interestingly, the majority of social entrepreneurs in case studies were 'new comers' or 'returners' to the locality.

Finance

Finance was reported as a support need by 52% of survey, although more of the start up and older (more than 10 year old) enterprises reported it. Rural areas are perceived to have fewer grant funding opportunities than urban areas due to the nature of location specific regeneration programmes. Banks were perceived to lack sympathy and only 4% of survey reported taking out bank loans. Very few organisations had received other forms of loan finance. The lack of access to finance may also be due to a lack of awareness of funding sources and lack of quality proposals and grant applications.

Workforce and skills

Technical and managerial skills are required, particularly in larger organisations that require more managerial input. This was a constraint for a much higher proportion of rural based organisations compared to urban based one. There are also difficulties in recruiting skilled paid and voluntary staff.

Sales and marketing

Younger and rural based organisations are more likely to face constraints in sales and marketing. Social enterprises in rural areas face a greater struggle to attract and retain a critical mass of customers due to the small size and dispersed nature of settlements. Credit unions have to find ways of building a critical mass of members by enlarging their common bond and working in both urban and rural areas. Social enterprises lack appropriate tools to identify needs of the community. This form of market research is often delivered by external consultants who do not have the benefit of knowing the community. Many community businesses delivering services under service level agreements for the public sector are in the confusing position of having two sets of customers: funders are the upstream funders who control the future of the organisation, while the community members are the beneficiaries or 'downstream' customers. Social enterprises have to find ways of meeting the needs of both.

Management issues

Management issues are more likely to be perceived as a need by larger, urban based organisations. In particular skills are required for co-operative decision making, and for retaining volunteers. Rural social enterprises also stated that they had difficulties in recruiting board/committee members who were willing to devote time in the evening and travel to meetings.

Product and service delivery-

Social enterprises, such as cooperatives that were competing directly with the private sector identified the need to improve their products and services in order to increase competitiveness. This is becoming more important for those organisations with service level agreements with district and county councils for delivering services. There are also challenges in overcoming the image of volunteerism.

Networking

Rural social enterprises suffer due to limited networking and learning opportunities. In some areas there are clusters of organisations around support providers and sources of funding that helps inter organisation learning. Social enterprises stated the need to have both formal and informal relationships.

4. Support provision

The survey found many support organisations and a similarly diverse range of funding sources for them. The difficulties in coordinating support organisations results in a patchiness of delivery with gaps in some areas and overlaps in others.

Types of support providers

Type	Description	Coverage
Social enterprise support agencies	Provision of advice to co-operatives and voluntary organisations.	Patchy, dependent on public sector funding
Rural development support	Advice and grants from the rural community councils, Countryside Agency, EMDA, Leader programme and other local organisations	Concentrated in designated areas
Business support organisations	Business Links and Enterprise Agencies who provide advice to all small businesses	Universal although depth of rural penetration is not known
Parish Councils	Lowest tier of decision making with the potential to influence local social enterprise activity. Part time clerk and unpaid councillors.	All rural communities, although support dependent on the interest of councilors or Parish Clerks
Public Sector	District and county councils provide advice, grants, premises and training. They also give social enterprises contracts to deliver services.	Universal, although difference in emphasis depending on interest in the social economy
Private sector	Banks, solicitors, accountants and specialist consultants	Some isolated locations have difficulty in eliciting support and building the necessary relationships

5 Conclusions and policy implications

(To be added when recommendations completed)

1. Introduction

As rural communities come to terms with recent dramatic changes to their local economies, new ways of providing services and meeting their economic and social needs are emerging. These include involvement of public sector, private companies and, of particular interest to this study, the social economy. This latter category includes the co-operative sector and community initiatives that are operating as enterprises. This study aims to examine the contribution and development needs of these organisations in the rural East Midlands.

1.1 Aims and objectives of the study

This study has the following aims:

1. To identify the nature and extent of the existing rural social economy and to define social enterprise in a rural context
2. To characterise the operating conditions of social enterprises in rural areas and of other organisations that support or service the social economy
3. To highlight case studies that illustrate both good practice and the barriers to development of rural social enterprise
4. To make recommendations to the Countryside Agency and other bodies which will enable social enterprise to become an effective contributor to rural regeneration

The study is based on a review of the literature, a questionnaire to 176 social enterprises and detailed case studies of 20 social enterprises and 20 support providers. Section 2 of this report will present the mapping of the rural social economy with information on the types of social enterprise and the contribution they make. In section 3, the needs and constraints facing rural social enterprises are explored. These are compared to the existing support provision, documented in section 4, with conclusions and recommendations drawn in section 5.

1.2 Defining the social economy

There is no universal, commonly accepted definition of **social enterprise** (OECD, 1999). However, the **OECD** has defined social enterprise as:

“any private activity conducted in the public interest, organised with an entrepreneurial strategy but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has a capacity of bringing innovative solutions to the problems of social exclusion and unemployment” (OECD, 1999, p.10).

In other words, they are businesses based around values that explicitly emphasise the meeting of social needs rather than the building of share-holder value (SEL, 2000).

Current policy thinking is tending to view the social economy less as a sector in its own right and more as an approach to meeting social needs through economic activity which tends to be rooted in local, and often deprived communities (GLE, 1998a, p. 10). Viewed as a new dynamic force (NEF, 1999), the social economy becomes more than the sum of its parts as implied by the Treasury definition previously referred to (Smallbone et al, 2001).

Elsewhere, whilst elements of the above definition are shared, the emphasis is given to certain characteristics over others. For instance, a definition developed within the context of the wider European economy and adopted both by **EURONETZ** (The European Network for Economic Self-Help and Local Development - see Birkhoelzer, et. al. 1997) and used by the **CONSCISE Project** (Conscise, 2001) considers that social enterprises:

- are **not-for-profit** organisations
- seek to **meet social aims by engaging in economic and trading activities**
- have legal structures which ensure that all assets and accumulated wealth are **not in the ownership of individuals** but are held **in trust** and for the **benefit** of those persons who are or areas that are the intended beneficiaries of the enterprise's social aims
- have organisational structures such that support the full participation of members on a **co-operative basis** with equal rights accorded to all members.
- Often have another interesting, but contested characteristic, to encourage **mutual co-operation** with other organisations in the 'sector'.

Whilst the trading element may be shared with conventional private sector enterprises, the emphasis in this definition on 'not-for-profit', co-operative organisational and decision-making structures and co-operation with other similar organisations are distinctive.

The term 'social enterprise' is closely connected to the broader notion of a **social economy**, which the report from Policy Action Team 3 defines as composed of *"organisations that are independent from the state and provide services, goods, trade for a social purpose and are non-profit distributing."* (H.M. Treasury, 1999).

The voluntary sector refers to those organisations that are not in the public sector, are not profit making, have networks of members/supporters and work with volunteers. It overlaps with the social economy and the distinction between the two terms is becoming increasingly blurred as many voluntary organisations start to trade and deliver services under contract rather than using grants. This movement towards social enterprise allows them to raise their own income from more diverse sources and become less dependent on grants.

1.4 Key issues facing rural areas

The recent changes affecting rural areas can be seen from three perspectives: economic, social and environmental. The economic issues include the lack of employment opportunities in rural areas due to the decline of traditional sectors such as agriculture and mining. The pattern of decline varies across the East Midlands, with particular concentrations of unemployment to be found in the coal field areas of Leicestershire, Nottinghamshire and Derbyshire. The decline of agriculture has had an impact across the region. Tourism related employment has replaced some jobs in areas such as the Peak District although a large proportion of these jobs are seasonal.

A rural location limits enterprise opportunities as there may not be a critical mass of people in the locality to build up a customer base. Businesses are also limited by the lack of specific skills due to the smaller labour pool available. Poor transport restricts the ability of people to travel to work thereby restricting employment and business activities. These issues have resulted in declining incomes for some parts of the society and the emergence of hidden poverty as the socially excluded live among wealthier people who are often part of the urban economy.

Social exclusion is closely linked to the economic issues. The lack of transport limits opportunities and there is poor access to commercial, public and voluntary services. The decline of local shops and other services in recent years has had considerable impacts on rural communities and the lack of critical mass restricts the ability to start new services such as childcare. The lack of critical mass also restricts the ability to provide social spaces for activities that can foster community vibrancy. Homelessness is a growing hidden problem with many people being forced into urban areas by rising house prices and lack of suitable accommodation..

With respect to environmental issues, rural areas of the East Midlands include a diverse range of landscapes including the coasts of Lincolnshire, the Peak District, the agriculture of the fens and the coal-field communities. There is a range of unique natural habitats and heritage sites that have been preserved. Attempts to conserve the environment and heritage raise issues concerning who should fund and manage conservation efforts.

1.5 Rural policy in the East Midlands

Rural policy affecting the East Midlands derives from a number of government departments and within interventions from European, national, regional, county and district level. This diversity can lead to considerable confusion for those looking for support. An important change of policy came with the Rural White Paper and the establishment of Department for Environment, Food and Rural

Affairs (DEFRA). However, there is a wide range of other government departments relevant to rural development. These include the Department for Trade and Industry (providing business support through the Small Business Service and Business Links), Department for Work and Pension (supporting the unemployed and others on benefits), Department for Education and Skills, Department for Local Government Transport and the Regions, and Department of Culture, Media and Sport (with particular interest in heritage and tourism). There are a number of types of government intervention that are delivered by partnerships at a local or county level. Examples include Single Regeneration Budget and Rural Development programmes co-ordinated by the Regional Development Agencies and usually led by local authorities, and the Leader II and Leader + programmes that are looking for innovative ways to tackle rural problems in specific localities. The Countryside Agency is a statutory body that aims to promote the interests of rural areas through influencing government at local, regional and national levels, and demonstrating solutions.

1.6 Public policy interest in social enterprises

Nationally there has been growing interest in social enterprises among policy makers and politicians. Some of the policies relate directly to particular types of social enterprises such as credit unions or housing co-operatives. Support for social enterprises as a whole is consistent with the Labour government's concern to tackle social exclusion via a focus on neighbourhood renewal. The work of the Social Exclusion Unit has taken forward the development of the National Strategy for Neighbourhood Renewal and the reports of its 18 Policy Action Teams (PATs). In particular there are recommendations that emerged from the Policy Action Team 3 Report on Enterprise and Social Exclusion, which have now been adopted by the Government. In terms of social enterprise these include:

- To recognise social enterprises as a group of businesses deserving support. The DTI has established a Social Enterprise Unit and the SBS has a Social Exclusion Unit that is supporting and initiating a number of programmes to support social enterprises. The SBS and the DTLR are charged with taking forward a series of recommendations put forward by the Social Investment Task Force to enhance the potential of social enterprises (UKSIF, 2000).
- To recognise social enterprises in national funding criteria. The first step in this regard is the acknowledgement of social enterprise in SRB Round 6, which is overseen by Regional Development Agencies and the DTLR.
- To shift the culture of social enterprises and the voluntary sector away from grants and towards loans. A systematic review of Government grant programmes is envisaged in this regard, with the Treasury, DTLR and the DTI taking the main lead.

Within the East Midlands, EMDA, the regional development agency, has recognised the role of social enterprise in its Regional Economic Strategy and its Economic Inclusion Framework. This includes programmes for promoting Enterprising Communities, support for social and micro- enterprises, and Community Development Finance initiatives.

2. Social enterprises in rural East Midlands

2.1 Introduction

This chapter presents the results of the mapping exercise. Based on the survey results it examines the types of social enterprise that exist and their contribution to rural service provision. Case studies of particular social enterprises are provided to give a detailed picture of the nature of social enterprise activities. The chapter will contribute to three of the aims of the project: the nature and extent of the rural social economy, the operating conditions of social enterprises and identification of good practice through the case studies. The support needs and barriers faced by rural social enterprises will be discussed in the next chapter.

2.2 Methodology

2.2.1 Definitions used

For the mapping exercise social enterprises were defined according to three characteristics

- social aims
- community or membership ownership
- an element of trading activity

Defining social enterprises is a difficult exercise as the boundaries are vague. The importance of having an element of trading is a key issue. For instance, some social enterprises are trading by offering services that are paid for by public sector contracts; in some cases these are hard to distinguish from grants. This study has also included a number of organisations that are reliant on grants now but aim to increase or develop their trading income in the future. These are emerging social enterprises and were considered important parts of the survey sample. It is estimated that there are 1200 village halls in the East Midlands (ACRE, 1998) and also a number of social clubs that have some enterprise activities. These are considered an important potential resource for rural communities but only a small quota sample were included in our survey. This sample was selected to represent a range of different activities in addition to being a social club or renting out a hall.

The study is concerned with those social enterprises that benefit rural areas; the sample of interviewed social enterprises therefore includes both those based in rural locations and those in urban areas but serving rural areas. Market towns play a key role in rural economies and so the definition of 'rural' used in this report includes those market towns of less than 25,000 population. Other definitions were examined, including those districts with a predominantly rural

population and settlements of a particular size, although it was not possible to map the rural areas included in these definitions. The definition used here is based on the eligibility criteria for the Countryside Agency's existing programmes that include market towns as rural areas. For this study rural is therefore defined as those areas with settlements of less than 25,000. The list of areas defined as urban is provided in the appendix.

2.2.2 Sampling and Data Collection

A sample frame of approximately 400 social enterprises was developed following internet searches and discussions with support providers. Of the 400 listed, 50 were not working in rural areas and 175 were unable to be interviewed or could not be contacted. In total 176 social enterprises were interviewed in the telephone survey. The difficulty in developing a complete population list as a sampling frame results in potential sampling bias. As mentioned above, the sample includes a quota of village halls and social clubs. The size of this quota was kept low in order to meet the aims of the project, namely to investigate the potential of the social economy to contribute to local rural economies. These forms of community businesses play important social roles in communities but without the quota sampling, these social enterprises would have dominated the research findings.

Case studies of social enterprises and support organisations were also selected. Following the telephone survey the social enterprises were selected purposefully to represent a range of different characteristics. The support organisations were selected from those referred to by social enterprises in the telephone survey and from discussion with key informants in the region. Details of the case studies are provided in the appendix.

A questionnaire was developed for use in the telephone survey. This was pilot tested and adapted to ensure it was clear and easily understood by social enterprises. Researchers with previous experience of interviewing social enterprises administered the questionnaire. The case studies were carried out face to face at the social enterprises' and support organisation's offices.

2.3 Types of rural social enterprise and their contribution

The types of rural social enterprise are shown in the summary Table 2.1. Further details of each type are provided in section 2. 5 together with details of the case studies. The categories are based on how social enterprises define their own activities. In many cases, the organisations do not refer to themselves as a social enterprise but as a specific category (such as community transport, workers co-operative). The more innovative organisations attempt to break out of these categories by diversifying into other activities.

Table 2.1 Types of social enterprise working in rural East Midlands

	N	% of our sample	Description
Workers cooperatives	58	33%	Employee owned businesses with democratic member control
Community businesses	39	22%	Businesses that provide services and reinvest surplus in community projects. Examples include, training and information centres, village shops, child and health care, village halls, community centres, sports clubs and cultural activities.
Financial organisations	17	10%	Credit unions that allow people to save and borrow at cheaper rates, building societies and friendly societies.
Support organisations	17	10%	Provide services to other social enterprises with income from grants and contracts from public sector bodies.
Community transport	15	9%	Bus services, car share schemes and other community managed solutions to increase access transport
Agricultural coops	13	7%	Cooperative buying of inputs and selling of outputs/products, also shared use of machinery
Intermediate labour market	8	5%	Training and work experience to help the unemployed back to employment
Heritage /environment trust	6	3%	Provide services to conserve the natural environment or the built heritage.
Housing coops/ associations	3	2%	Provision of affordable housing
Total	176	100%	

The percentages relate to a stratified sample, not the proportion of different types of social population found in the total population. Although organisations could be in more than one category, the percentages relate to their primary classification.

Table 2.2 Primary and secondary sectors of rural social enterprises

	Percentage of social enterprises
Education, training and information	28%
Retailing	17%
Business services for mainstream and social enterprises	17%
Manufacturing and farming	17%
Financial services	16%
Health care	9%
Sport and leisure	7%
Cultural industries	6%
Accommodation	3%
Other (Including transport)	19%

Note. 68% of the sample of 176 indicated at least one other activity

The different sectors that organisations are working in is presented in Table 2.2. 68% of the sample said they were working in more than one sector with the most common sector being education, training and information provision. This is due to the large number of community businesses active in that area. Retailing is

carried out by 17% of social enterprises in the sample, most of which are co-operatives. Business services, to social enterprises and mainstream businesses, are provided by 17% of the social enterprises in the sample. Common businesses services provided include managerial and technical advice, and specialist support such as printing.

The contribution of social enterprises is summarised in Table 2.3. It is important to note that the benefits and contributions of these forms of organisation are frequently of a non-monetary nature and so it is not possible to quantify them. The survey found that 38% of the sample are aiming to provide services for the local population as a whole. These are primarily the community businesses that aim to work within a community or particular locality. Disadvantaged groups in rural areas are the target of most of the social enterprises and these may be classified as a general category of 'socially excluded' as well as specific target groups such as the disabled. Many of the enterprises targeted particular age groups such as the young (13%) and elderly (9%).

Table 2.3 Potential contributions of different types of social enterprises

	Creating Jobs	Providing training & improve skills	Providing goods/ services where state/market will not	Providing finance and investment	Generating surplus for community benefit	Providing physical assets (i.e. land/ buildings)	Conserving the environment and heritage	Involving the community /combating exclusion
Worker co-ops	✓	✓						
Community Business	✓	✓	✓		✓	✓	✓	✓
Credit Unions		✓	✓	✓				✓
Support organisations		✓		✓				✓
Community Transport	✓	✓	✓				✓	✓
Agricultural coops	✓	✓	✓					
Intermediate Lab. Markets	✓	✓						✓
Community/ sport centres			✓			✓		✓
Heritage/ env. trust			✓			✓	✓	
Housing co-ops			✓		✓	✓		✓

(Adapted from Smallbone et al, 2001)

2.4 The geographic spread of rural social enterprises

The range of social enterprises examined includes all social enterprises that provide services for rural areas. Of the sample, half were located in towns larger than 25,000 although they were used by people and businesses living in rural areas. Those types of social enterprises with a greater proportion based in urban areas include financial organisations including credit unions (80% in urban areas), workers co-operatives (59% urban) and social enterprise support organisations (59% urban). These organisations have all attempted to generate economies of scale by serving larger areas. For example credit unions have found that they need to increase their scale to offer better services to both rural and urban areas. The dispersed nature of the population in rural areas means that a combined urban and rural credit union has the greatest impact. The workers co-operatives are concentrated in retail and service sectors which are best located in a central place and serving a wide urban and rural population.

Table 2.4 : Types of social enterprises in urban and rural settings

	Urban		Rural		Total	
Workers cooperatives	34	39%	24	27%	58	33%
Community businesses	19	22%	20	23%	39	22%
Financial organisation	13	15%	4	5%	17	10%
Support organisations	10	11%	7	8%	17	10%
Community transport	5	6%	10	11%	15	9%
Agricultural coops	1	1%	12	14%	13	7%
Intermediate labour market	4	5%	4	5%	8	5%
Heritage /environment trust	1	1%	5	6%	6	3%
Housing coops/ associations	1	1%	2	2%	3	2%
Total	88	100%	88	100%	176	100%

The geographical spread across the East Midlands is not even. The study found that there are many more rural social enterprises in Leicestershire, with 31% of the sample compared to only 13% of the total found in Northamptonshire. Both counties have 18% of the East Midlands population. In Northamptonshire there are a greater proportion of workers co-operatives which make up almost half of all social enterprises interviewed there. Leicestershire also has a large proportion of its social enterprises in Workers' co-ops (51%) and also has a large proportion in community businesses (22%). A considerable proportion (38%) of Lincolnshire's social enterprises are agricultural co-operatives. Derbyshire's social economy is also dominated by one type of social enterprise, namely community transport. Figure 1 illustrates the balance of rural social enterprises in each county.

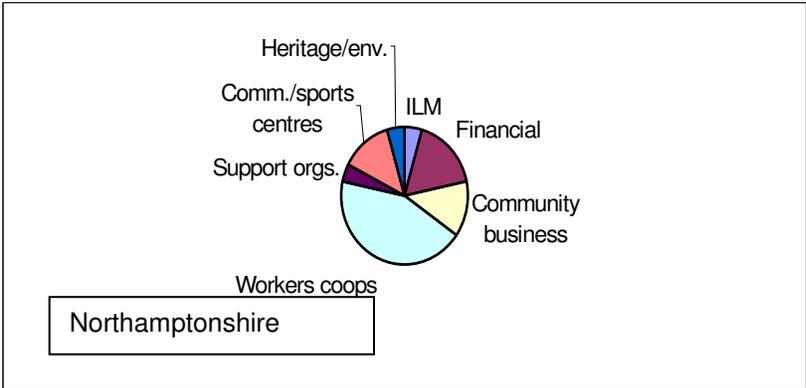
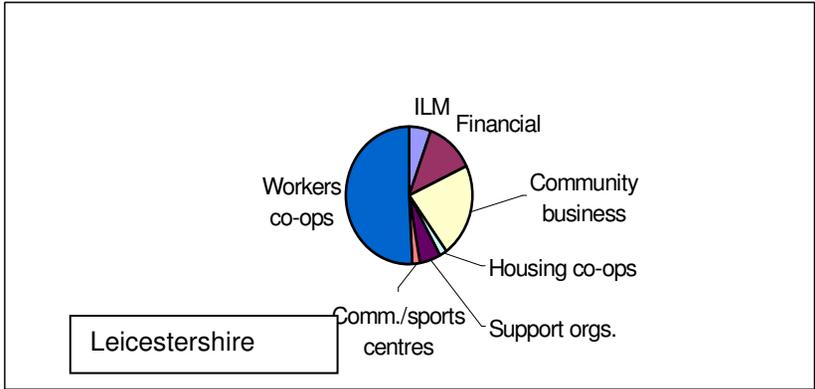
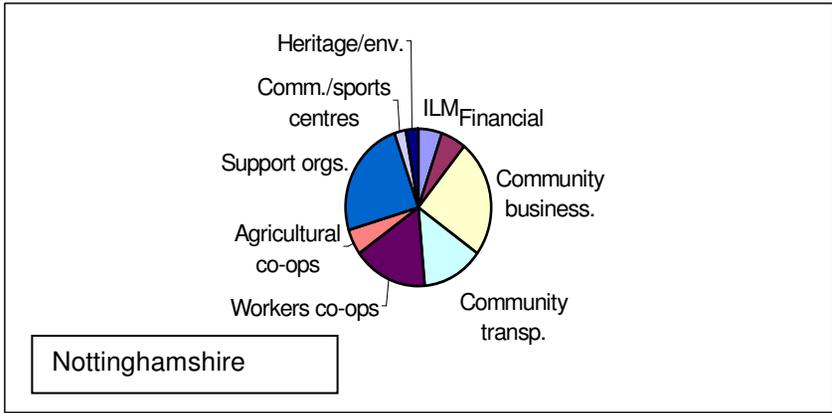
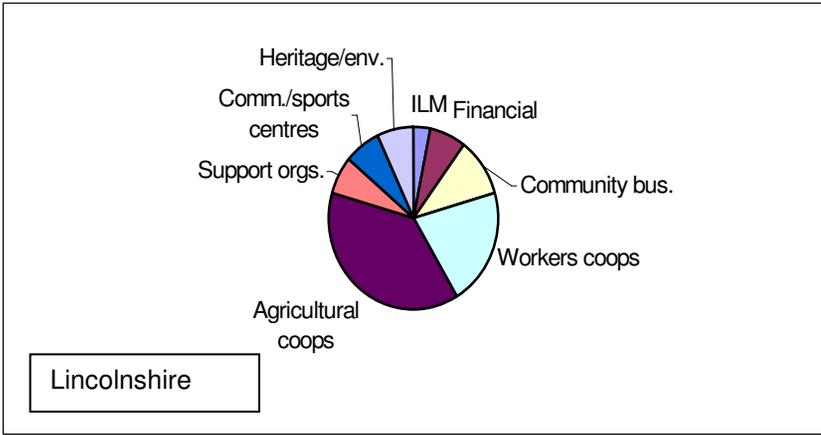
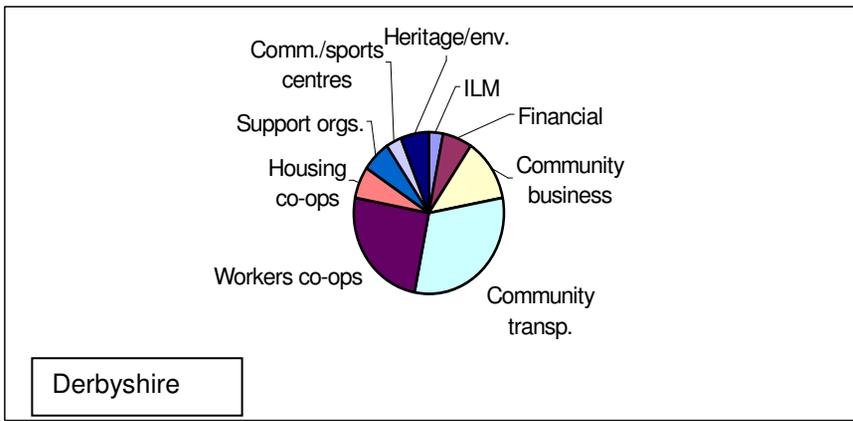


Figure 1 The balance of rural social enterprise in each county

The clustering of particular types of social enterprises in particular areas is largely due to government initiatives to promote certain activities (such as Derbyshire's community transport) and to encouragement provided by existing social enterprises to potential start ups in their locality. This supports the finding of Amin et al (2001) that social enterprise development is dependent on the role of the public sector in supporting development of the sector. Another important factor shaping the distribution is the extent of need identified by potential beneficiaries. However, the ability to turn need into a social enterprise is dependent on the presence of key individuals or 'social entrepreneurs' who can mobilise finance and people. The ability to source funds requires skills that may not be present in all areas, with more deprived areas having less people willing or able to prepare the applications and business plans. As one funder mentioned: "the ability to source funds is inversely proportional to need"

2.5 Types of social enterprise operating in rural areas

2.5.1 Worker and Consumer co-operatives

Workers co-operatives are a form of employee-owned business, dating back to the Rochdale Pioneers in the nineteenth century. In fact the original principles of the Rochdale Pioneers are identifiable in the seven principles which largely distinguish worker co-operatives from other forms of employee ownership in the UK. These are:

- voluntary and open membership
- democratic member control
- economic participation of members
- autonomy and independence
- education, training and information
- co-operation among co-operatives
- concern for community

In the UK, workers co-operatives are usually registered as Industrial & Provident Societies. There are some 1,500 worker co-operatives in the UK with around 15,000 worker members, which means that it constitutes a much smaller movement than in Spain or Italy (Leadbetter and Christie, 1999). There are some very long established worker co-operatives (e.g. Scott Bader Commonwealth), but also some very good examples of recent successes (most often what are known as 'conversions'), for instance Tower Colliery, Tayside Buses, BUZZ, Greenwich Leisure and Poptel (Smallbone et al, 2001).

In this survey, the co-operative businesses were in a range of sectors but with retailing being predominant (34%) followed by business services (22%). Other sectors include manufacturing, cultural industries, health care and training. 59% of the co-operatives in the sample are based in urban areas and serve the rural

community through employing people and offering services. This may be due to the large number of retail co-operatives in the sample that need to ensure they can capture a wider market and have economies of scale. Many of these social enterprises have specific policies that state their intention to provide safe and secure local employment. The co-operatives in the sample earn 82.3% of their income from sales. This shows that they are competing with the private sector more than the other types of social enterprise. With limited access to grant support, co-operatives are often found to be raising finance from members or from conventional finance sources (Smallbone et al, 2001).

Case Study: Notts Home Care Limited

The organisation was set up in 1995 with the aim of providing both employment and care facilities for disadvantaged communities in the rural coalfield areas. Initially it was targeted at people who had never done this type of work before. Today it gets 99% of its work from social services contracts. At the beginning it was run by staff seconded from social services but now has 25 full time and 3 part time employees. Employees can become members after 12 months and the co-operative prides itself on its close working relationship. Team work is important and members benefit from better working conditions than similar jobs in the public sector, and the ability to work the hours that suit them. There is an elected management panel and, until recently, care co-ordinators (originally secondees from social services). Since the last post-holder left earlier this year the co-operative has decided that they no longer need that role within the organisation: "we have reverted back to a more co-operative style of working, with which we are more comfortable."

Case study: NPS Shoes

Set up in 1880, NPS now employs 42 people, 85% of whom live in the village of Wollaston. They manufacture shoes and leather boots. It is operating in a highly competitive industry and has had to make considerable redundancies in the past year. Despite several attempts to buy out the co-operative, the employees and other members (retired workers and those who have inherited shares) have decided not to sell. They have built up reserves rather than distributing it to members and they have drawn on these during difficult periods instead of cutting down to a three day week or making redundancies. They are now increasing their exports and are sourcing advice from Business Link and other mainstream business support organisations to help them do so.

Within this category we also include the Lincoln Cooperative Society with 1200 full time and 1300 part time employees, and 120,000 members. This is owned by its workers and its customers. On a larger scale is The Co-operative Group (previously CWS/CRS), a national programme and the leading force in this type of business, with its considerable grocery, holiday and funeral business interests.

2.5.2 Community businesses

Community businesses are those organisations that are community led, owned and controlled, and which do not distribute a surplus to members or directors. They aim to use surplus for reinvestment and to become financially self-sustaining (Pearce, 1993). This is a broad category that in practice includes a wide range of activities. Defining what is meant by a 'community' can be difficult and many community businesses work in several settlements and over a wide geographic area.

The survey found that 39% of the social enterprises interviewed were community enterprises of different kinds. In this study some of these activities are treated separately such as community transport and community sport and leisure centres because of their particular importance in the rural context.

Community businesses are often established in order to meet local needs when pre-existing services/facilities have been closed. For example, there are village shops that are owned by the community although only two were found in rural areas of the East Midlands with five groups thinking of starting one. Such village shops are viable if there is a figure head person who wants to run a business. Such individuals need business skills and the ability to mobilise volunteers, as well as be motivated by providing a community service. Community shops also suffer from the same problems as other small shops in urban areas in that there is a limited market and it is under threat from supermarkets. There are other economic pressures such as the cost of premises in some communities and the temptation for shop owners to sell the property for housing.

Case study: Litton Village Shop, Derbyshire

When the village shop closed in Litton, a group of villagers decided to start a community owned shop which would provide the village with a post office and meeting place as well as a retail outlet. There are now 90 members out of 100 households, three part time staff and 20 volunteers without whom it would not be viable. They have links to the local supermarket and shops in neighbouring villages to supply them with groceries at wholesale prices.

Of the other types of community businesses in the sample, 35% provide education, training and information and 29% healthcare services. Other activities include providing workspace or accommodation, retailing and cultural services. Community businesses tend to focus on gaps in local markets where the state cannot, and the private sector will not, provide (Smallbone et al, 2001). There are a large number of potential or emerging community businesses in the form of village halls and churches. Those that are going beyond the renting of hall premises were included in this survey.

Case study: Moira Replan, Leicestershire

Moira Replan aims to provide training in vocational skills with an emphasis on IT training. It serves the rural community of Moira, a village of 4500 people. Emerging out of a national organisation, Moira Replan became independent in 1990. Other activities include providing services for the New Deal Environment Taskforce, being an outreach centre for a local college and running a 'One Stop Shop' providing training, advice and information. They have 60% of income from sales, fees and service level agreements and 40% from grants, although they aim to become more self-financing in future in response to an expected reduction of grant funding.

Community businesses often work closely with the public sector. Many have taken on responsibility for services that were previously the remit of the public sector, with much of their funding coming in the form of service level agreements from local authorities. Their boards typically include representatives of key stakeholders, e.g. local community representatives, local business people, and representatives of community organisations (SEL, 2001). In other words, they recognise the importance of partnership (with local authorities, businesses, central government, local regeneration agencies and the wider voluntary sector) as being an essential part of the development process. These boards can be involved in day to day management although as organisations grow there is more delegation of management decisions to management teams.

Some community businesses refer to themselves as Development Trusts. In the East Midlands there are nine although only three are in rural areas. Examples in the East Midlands include Ibstock Community Enterprise in Leicestershire. Development trusts are defined by the Development Trusts Association as community-based organisations working for the 'sustainable regeneration' of their area through a mixture of economic, environmental, cultural and social initiatives. They are independent, not-for-profit bodies (often registered charities) which are committed to the involvement of local people in the process of regeneration and are locally accountable. Development trusts seek to build an asset base and generate income, which will enable them to become financially independent in order to help them to sustain their activities in the long term.

Many community enterprises provide sport and leisure activities for their communities. In many cases these are centred around village halls, sports clubs and welfare clubs. The respondents to this survey are predominantly village halls which tend to be registered by guarantee and/or charities, with a majority having turnovers of less than £20,000.

Large scale surveys of village halls in England have found that they are particularly important to rural life in settlements where there are few other services. It is estimated that there are 8,900 village halls in communities of less than 10,000, and that one fifth of these plan to develop their services (ACRE,

1999). Surveys in 2000 found that 85% of parishes have village halls, up from 70% in 1991. However, a majority of smaller settlements of under 200 people do not have a meeting place or hall (Countryside Agency, 2001).

Case study: Claypole Village Hall

The village hall was bequeathed to the community in 1924 and relies on donations and rental income to finance its upkeep. It hosts a wide range of groups and activities including brownies, bingo, self defence classes and a play group five times a week. The hall is managed by a four person committee and is held in a charitable trust. They have recently set up a development committee that aims to raise funds for improving the facilities: "We want to get the hall to be a "prime place" that people will want to hire and therefore get a better income from it and make sure that the longevity of the hall is protected. We are also looking at opening a village shop ... the post office and shop both closed in the last year". They have looked for feedback from the community using questionnaires administered by local students and a recent public meeting was attended by 70 people.

We have also included Local Exchange Trading Schemes (LETS) as community businesses although very few rural ones were identified. LETS create units of exchange that allow people to barter services. As well as providing services to people who may not otherwise afford them, LETS have a number of wider benefits in terms of boosting the confidence of socially excluded, building skills and being the seed bed for members to become self employed or start another social enterprise.

2.5.3 Financial social enterprises including Credit Unions

Credit unions are financial co-operatives based on principles of open membership, democratic control, limited interest on capital, equal distribution of any surplus, education and federalisation (Joseph Rowntree Foundation, 1993). Credit unions are established to encourage 'thrift'; to help members develop the habit of saving and enabling them to borrow on the basis of a good savings track record at very low repayment rates (Smallbone et al , 2001). Credit unions are centred around their potential users, referred as their 'common bond'. These may be employees of an organisation or people living in a certain geographical area. Rural credit unions suffer from having fewer large employers from whom payroll deductions can be made and from the problem of the distance from collection points for payments and withdrawals.

Credit Unions have grown rapidly during the 1990's and have gained considerable support from policy makers. By January 2000, there were 468 credit unions in the UK with membership of 228,312 people holding shares of £130 million and with outstanding loans of almost £131 million. The Government (HM Treasury Task Force 1999) wants to see an enhanced role for credit unions in the UK, whilst envisaging a need for enlargement and a more 'business-like' approach among credit unions. The HM Treasury (1999) report suggests that to be successful, a credit union must:

- have an active force of volunteers;
- be able to renew itself with new recruits when needed;
- have premises appropriate to their growth prospects;
- have a common bond that enables further sustainable growth;
- have paid staff;
- be able to guarantee sensible opening hours;
- develop business management skills, including IT capability;
- have a demand for loans right from the outset.

These proposed changes are seen as a threat by some credit unions that have their background in voluntary movements and community development. There is pressure on rural credit unions to combine to share costs although many of the founders of small ones are unwilling to let go.

Case study: Money Tree Credit Union, Coalville, Leicestershire

Started in 1992, this credit union has recently entered a phase of rapid growth. It has 750 members served by two paid part time staff and 30 volunteers. They have recently moved into the High Street of Coalville and are developing new services for their customers as well as having a greater presence, and building their profile. Their common bond covers much of the rural areas around the town but the lack of collection points has been a restricting factor on the services they have been able to deliver to rural people. They are collaborating with Ibstock Community Enterprise to have a collection point at their One Stop Shop.

Rural credit unions face particular problems in finding committee members and directors with the necessary experience and the time to attend meetings. Many also face staffing problems as they rely on volunteers who are hard to retain, especially once they have built up skills through training and work experience. As they grow, more employed staff can be used.

Other financial social enterprises include Community Loan Funds (lending to social enterprises and other projects), Friendly Societies, Mutual insurers and Building Societies.

2.5.4 Social enterprise support organisations

There are 15 social enterprise support organisations in the sample which themselves take the form of social enterprises. They earn income by providing services to the social enterprises under contracts from public sector bodies. There are also many social enterprises that have a growing interest in support. For example the HURT Trust is building incubator space, and LHA has initiated the Village Companies Project. Their role will be discussed in more detail in later sections.

2.5.5 Community transport

Community transport enterprises include bus services, car share schemes and other community managed solutions to transport problems. The 15 cases found in this study include bus schemes where the ownership is held by particular communities. Most of the social enterprise operated buses are in Derbyshire reflecting the County Council's commitment to the social enterprise model in delivering transport services over the last 20 years. These services aim to provide transport to those without access to cars and who do not have the benefit of public transport. In this context it is important to note that only 16% of parishes in the UK have a daily service 6 days a week that operates from travel-to-work time until the evenings (CTA, 2001). As a result community transport initiatives can play a key role in increasing access of people without cars to services in rural areas.

Fifteen community transport enterprises were interviewed, of which 12 were growing with a majority of them having turnovers of more than £250,000. All were serving both urban and rural areas to varying degrees although 10 of the 15 were based in rural areas. The average number of employees was 8 full time, 6 part-time and complemented by an average of 30 volunteers. Twenty six percent were membership organisations with an average of 1400 members, over half of which lived in rural areas.

Case Study: Clowne and District Community Transport

For the past 12 years Clowne and District Community Transport has offered Dial-a-Bus services, aimed particularly at the elderly and disabled, and renting to community groups. It now owns seven vehicles and leases four others from Derbyshire County Council. It employs 10 full time and 15 part time staff although much of the driving and escorting is carried out 70 volunteers.

The organisation was originally the initiative of a local councillor who encouraged several local parish councils to work together. The quality of the management and volunteer team is noted by many who work with them and support their activities. It raises 50% of its income from its own sales and from providing

services for the County Council, with the other 50% coming from grants. The organisation works very closely with Derbyshire County Council in terms of delivering services and having support to maintain vehicles.

Community transport programmes outside Derbyshire have not had such success and have felt constrained by the unwillingness of the County Council to fund the service. The type of funding also affects the types of services offered. Community transport businesses prefer to be paid a subsidy according to each mile driven rather than per head as this allows them to provide services to smaller settlements. Without a subsidy or with only payment per head, it is not cost effective to provide a service to remoter settlements and less densely populated areas, despite their greater potential need. The role of volunteers is also crucial both in driving the buses and in assisting passengers. There is potential of competition with other private sector transport providers and taxis, although this was not reported by the two case studies as they provide a different service to the private operators. There is an element of competition between different community transport schemes as they compete for contracts.

2.5.6 Agricultural co-operatives

Although declining in numbers, agricultural co-operatives still play an important role in the agricultural sector and are generally involved in input supply, shared use of machinery and output marketing. In 1997 it was estimated that there were over 500 such co-operatives in the UK with 243,000 members (Leadbetter and Christie, 1999). In the telephone survey 13 co-operatives were interviewed, 11 of which were based in Lincolnshire. Seven are over ten years and five are over 30 years old. Most of them have a turn-over greater than £250,000 and have been growing over the past five years, indicating a growing share of the agricultural input and output market. Eleven are specialist marketing bodies and two of them are machinery rings that allow farmers to source machinery from nearby farms and also bring farmers together to buy inputs at discounts.

Case study: EMTAK Ltd, Nottinghamshire

“We are a machinery ring, which is really more like a dating agency for farmers with equipment. There are 350 members who can ring up and we have a database here, and also in my head, so we know what people want and what people can provide. It is all billed through here by invoices. We also do telephone bills, electricity, oil, two million litres of fuel a year and some feeds. We also buy straw, bale and then spread it on members’ vegetables. There is a big cluster of farmers around and a balance of large and small farms, different crops and soil types. This spreads out the tasks so we can share machinery. There is also lots of good will and the farmers are progressive – they want high turnover crops but do not want to buy all their machinery. We are heavily in with NFU (National

Farmers Union) for lobbying. We have a Managing Director who reports to an eight member board - they are not all farmers.”

Emerging forms of agricultural social enterprise are ‘farmers markets’; at present they act as associations of separate businesses that allow members to sell in local authority market spaces. They also promote markets for local produce although, in the East Midlands, much of the promotional activity is carried out by local authorities and other organisations.

2.5.7 Intermediate Labour Market Projects

Intermediate Labour Market (ILM) companies provide training and work experience for the long-term unemployed, acting as a bridge to permanent employment. Many social enterprises examined have an element of ILM in their activities insofar as they often employ people with a view to developing their skills. For instance, Clowne and District Community Transport employ unemployed people as bus drivers, and The Glossopdale Furniture Project employ unemployed people as furniture restorers. The success of these projects depends on their ability to attract and involve the long term unemployed. Those that are successful tend to be those that are in jobs that are seen as suitable for men such as drivers, carpenters or printers.

2.5.8 Heritage/environmental organisations

Some community enterprises concentrate on conserving the natural environment and particular historic sites/buildings. In many cases these develop out of local campaigning groups who are able to buy land or a building and then use this to generate income.

Case study: Horncastle War Memorial Centre

A community organisation was set up to raise funds to buy the War Memorial Hospital building and ensure it was utilised and kept as living memorial. They aim to make it self sustaining by renting out space to small businesses and other service providers. The organisation was established as a charity following a public meeting and has raised the necessary funding from community donations, and grants from regional and national bodies. Now the building is being completed and tenants are moving in.

Case Study: Sherwood Energy Village

Following the closure of the colliery in New Ollerton in 1994, a community group came together to buy 91 acres and redevelop it following the highest energy efficient and environmental standards. The aim is to reclaim and landscape the land and then build housing, industry, an exhibition centre, and recreation attractions. It is managed as an Industrial and Provident Society with members

drawn from the local community and from individuals across the country who support the aims of the programme. The idea for the village arose from the discussions within the Ollerton District Economic Forum, established to look at ways of diversifying the local economy.

2.5.9 Housing co-operatives

The co-operative sector has been involved in providing affordable housing both through new building, and through the purchase of district council stocks or coalfield related housing stock. Such co-operatives have come to play an important role in local and regional regeneration strategies. They are considered an important part of regeneration strategies. Housing associations such as LHA (see below) are also involved in encouraging the social economy in areas where they hold housing stock.

Case Study: LHA – The *New* Housing and Regeneration Agency
LHA provides 7000 housing units in the East Midlands as well supported housing, property services, and community regeneration support. It has a turnover of £21 million and a staff of 350. They have 10% of their stock in rural coalfields areas and were keen to regenerate the surrounding areas. With this in mind they initiated the ‘Village Companies Project’ which acts as a development trust and aims to encourage social enterprises to start up. LHA has a central policy making board comprising of eleven members, five of whom are tenants and three of which are directors. A few years ago they did away with sub-committees and now have three regional Quality Circles in which tenant representatives are the majority. These groups act as information-sharing forums and everything LHA does is reported through them. There are also consumer advisory panels with 60 tenants as representatives which meet monthly to discuss problems, complaints etc.

2.6 Summary and key issues

The term social enterprise encompasses a wide range of organisations, many of which do not consider themselves under the banner of social enterprises. While 68% work in more than one sector, the existing categories appear to restrict learning between organisations and limit the knowledge of diversification opportunities.

Rural areas face social, environmental and economic problems and the case studies described here demonstrate that that social enterprises can meet some these needs. In particular, social enterprises can act where both market and state will not, can be a way of involving the community to create cohesion and can combat social exclusion. Examples include community owned shops, childcare, information/advice centres, leisure/sports centres, community

transport, Intermediate Labour Markets, heritage and environmental organisations and housing associations. However, details of the impact of social enterprises in terms of number of jobs, quality of jobs and staff development, services provided and building community cohesion are not available. In part this is due to the lack of tools and difficulty in measuring qualitative aspects.

The distribution of social enterprises within the East Midlands reflects the the existence of entrepreneurial individuals who can learn from other 'role model' social enterprises and different levels of public sector interest. A large proportion of organisations are dependent on public sector grants and service level agreements with local authorities.

Rural based social enterprises concentrate on serving a particular locality while those organisations serving rural areas but requiring economies of scale to survive, may find it beneficial to be located in urban areas. For example, credit unions need to work in urban areas as well as rural in order to build up the critical mass required to offer a good service. The location of the organisation's office should not be confused with the location of the beneficiaries.

3. Support needs of rural social enterprises

This section draws on the telephone survey, case studies and other literature to examine the constraints faced by social enterprises serving rural areas and their support needs. Most social enterprises in the East Midlands appear to have considerable ambitions to grow with 81% intending to grow in the future and 64% seeing their turnover rise in the past five years. Growth intentions were most frequently affirmed by community businesses, and more mixed for co-operatives that have to compete with conventional businesses. This section starts by examining the issues relating to start up before examining the support needs as stated by existing social enterprises.

3.1 Social entrepreneurship and start ups

Behind almost all of the case studies are key individuals who are the prime movers in starting up a social enterprise. There are different influences on these social entrepreneurs which reflect the differing patterns of social enterprise, the number of people with the ambition to set up organisations, the type of organisations they want to set up and their success in achieving growth and sustainability. Social entrepreneurs, like all 'mainstream' entrepreneurs, require vision, enthusiasm, commitment and the ability to take risks. It is frequently argued that such qualities cannot be taught. As well as setting up social enterprises, individuals with the characteristics of social entrepreneurs can also be found in the public and private sectors developing new partnerships or new methods of achieving different outcomes (Westall et al, 2001).

The initial success of social enterprises often depends on the presence and inputs of social entrepreneurs. However, they often become strongly attached to their projects creating an element of dependence (Waite, 2000) and risk long term sustainability. While the entrepreneurial attributes to start a social enterprise may be vision and charisma, different qualities such as professional management skills are required to allow the organisation to grow and succeed.

The rural context shapes the patterns of social entrepreneurship and the constraints they face. Within the rural areas of the East Midlands there is considerable diversity with some areas reported to have low levels of entrepreneurship. In particular, former coal mining areas, with their history of single employers dominating the community and the idea of 'a job for life', are reported by many of the support organisations to be concentrations of low levels of entrepreneurship. However, there are forms of entrepreneurship within these communities in terms of 'getting by'. One social entrepreneur noted the lessons learnt during the miners' strike:

"The miners on strike had to get food and provisions, and also to go round the country for conferences and to give talks. So they always found ways to get through the barricade. I think this way people became politicised, and after the strike they went on to do other

things, using the skills such as public presentations and talking, so now they might be volunteers, councillors, politicians. So through all this experience there was a learning thing about their own ability. For the women who were involved in soup kitchens, they learnt things as well."

Many of the social entrepreneurs interviewed referred to themselves as 'outsiders' or 'newcomers' even though they had lived in the communities for many years. One community business entrepreneur stated

"The activists are always people who come in from outside, they are not always from the village. We found that the farming community here –and there are loads around here, all very important for the economy- were suspicious of what we were doing. It is not strong antagonism, but there is a feeling that it was not for us. It was very apparent to us in the early stages, for example one pensioner was heard to say hostile things, saying that we were making a mess etc, but now she is voting with her feet. So you can see we must be doing something right"

The important role of 'new comers' may be a due to the different skills that people bring when they move in, or the greater likelihood that they have had experience of social enterprise, community development or mainstream enterprise elsewhere. This demonstrates the importance of encouraging diversity in rural areas. The lack of interest among long term residents may also be a contributory factor in the 'conservatism' reported in rural areas. However, this has to be balanced with the lack of continuity and cohesive communities when housing is transferred from local people to commuters and for use as holiday properties.

Entrepreneurship can also be shaped by 'push factors' such as the closure of a mainstream business which feeds into a self help response. This can result in those becoming unemployed starting up their own organisation. Alternatively people may be reacting to the closure of a local service such as a village shop or a bus service. Other pushes include demand for the service from the public (as found in Glossopdale Furniture Project).

Allowing people to have contact with existing social enterprises and demonstrating their impact is one way of encouraging entrepreneurship. These may be simply one-off meetings that give people the idea that they can tackle problems or can be long term mentoring relationships. The ability of rural based potential entrepreneurs to see examples of successful social enterprises is limited in isolated rural areas. Where there are examples in neighbouring communities, then start-ups may be more likely. This can lead to clustering of particular types of social enterprises as can be seen in coalfield areas. One support provider noted:

"It is all about encouraging business. We find that businesses come about because people have known people who have had support, and so now we have successful ones like Measham Community Enterprise and Ibstock, they refer people to us, and I suppose they also deliver for us."

The isolation of some rural communities and the lack of networks linking them to communities with social enterprises can put rural areas at a disadvantage

compared to urban counterparts. Support organisations have an important role in encouraging these networks and reducing isolation.

Support organisations have a key role to play in making people aware of the alternative forms of business in addition to mainstream or conventional forms. Presenting information on social enterprise approaches can be directed both at potential social entrepreneurs thinking of starting, and at existing voluntary organisations looking for ways of creating sustainable long term funding streams. Support organisations can also play a role in meeting the financing, training and information needs of start-ups. The demand for different types of support and the constraints of delivery in rural areas are discussed in the next sections.

The case studies show the diverse range of sources of encouragement. These include the support organisations, Government organisations, councillors (county, district and parish), clergy, and other co-operatives. In many cases those starting social enterprises have worked in similar organisations in the past. However, the lack of a critical mass of experience in rural areas is an important constraint on the rate of social enterprise start up and the growth of the social economy.

While almost all the case studies (except the agricultural co-operative) were reliant on public sector funded support to start up, there is very little known of the cost effectiveness of this form of support. There are also debates about whether support should be targeted at a few that are perceived by support providers to be likely to succeed, or at those organisations that have already become established, or whether a wide range of organisations should be supported and encouraged with the knowledge that only a few of them would survive. The latter strategy requires considerable resources and has the risk of raising people's expectations. As one Co-operative Development Agency worker noted:

"I am a funnelist. I know many will fail in the first three years, may be seventy percent. And the bankers know this as well. But still it is worth while increasing the number going in. There is a problem with social exclusion, because you can raise expectations, so you need to have an ongoing support structure that can help them survive. If people have expectations raised and it does not work, then they may feel that they have had things done to them, and they feel a failure, and do not want to join in the future. Therefore we need to check that ideas have a viable business behind them. You could say we need a strategy for start-up support that could put people off"

However, the experience of failure is a worthy skill and can be the driver for better management in future projects.

3.2 Constraints and needs of existing businesses

Table 3.1 shows the needs and constraints as perceived by the social enterprises interviewed. The different types of needs are discussed in the

following sections. The case study interviews were able to probe the constraints in more detail.

Table 3.1 Constraints and support needs for different types of social enterprise

	Workers coops	Community business	Financial orgs	Support orgs	Comm. transport	Agric co-ops	Intermediate labour market	Heritage /environment trust	Housing coops/ associations	Total
Finance	50%	54%	29%	77%	67%	39%	50%	17%	100%	52%
Workforce	24%	13%	18%	41%	27%	31%	13%	0%	33%	22%
Sales /marketing	22%	15%	29%	12%	7%	15%	13%	17%	0%	18%
Management	5%	8%	12%	24%	7%	8%	13%	17%	0%	10%
Product/service quality	14%	5%	6%	12%	0%	8%	0%	0%	0%	8%
Regulatory issues	2%	0%	12%	18%	7%	8%	0%	0%	33%	5%
IT	3%	0%	0%	6%	0%	0%	0%	0%	0%	2%
Other	19%	34%	47%	24%	33%	46%	38%	17%	33%	30%
None	14%	13%	6%	6%	0%	8%	13%	33%	0%	11%
No. of respondents	58	39	17	17	15	13	8	6	3	176

Table 3.2 : Support needs of social enterprises of different turnovers

	<£50,000	£50,001-£250,000	>£250,000	Don't know	Total
Finance	57%	50%	42%	58%	52%
Workforce	20%	28%	21%	19%	22%
Sales /marketing	22%	11%	21%	17%	18%
Management	8%	20%	9%	0%	10%
Product/ service delivery	10%	4%	14%	3%	8%
Regulatory issues	2%	11%	5%	3%	5%
IT	0%	7%	0%	0%	2%
Other	27%	30%	40%	19%	30%
None	12%	11%	5%	17%	11%
No. of respondents	51	46	43	36	176

Table 3.3 Support needs according to age of social enterprise

	0-2years	3-5years	6-10years	11-30years	31+years	Total
Finance	46%	66%	38%	65%	39%	52%
Workforce	9%	35%	11%	29%	22%	22%
Sales /marketing	36%	17%	22%	10%	14%	18%
Management	9%	7%	14%	10%	8%	10%
Product/service quality	14%	3%	5%	2%	19%	8%
Regulatory issues	0%	10%	3%	4%	8%	5%
IT	0%	3%	0%	4%	0%	2%
Other	32%	38%	27%	27%	28%	30%
None	9%	3%	16%	14%	8%	11%
No of respondents	22	29	37	52	36	176

3.2.1 Finance

Finance is the most frequently reported support need, being identified as a problem by 52% of the interviewees. These constraints relate to both the actual need for grant or loan finance, and the need to know how to access it. It is a constraint for more of the community transport organisations and support organisations as they have less ability to earn income. This raises questions of their viability without public sector intervention. It is less frequently cited as a problem by social enterprises with a turnover of £50-100,000 and by enterprises that are 6-10 years old. This suggests it is more of a support need at start up and when fully established.

Social enterprises rely to differing degrees on grant finance although at times it is difficult to distinguish between grants and contracts from the public sector to provide a service. Figure 3.1 below shows the different emphasis of grant income and sales.

Other studies have found that start up social enterprises are more reliant on grant income, while older social enterprises can use their own reserves or loan finance to embark on a growth programme or diversification. Table 3.5 shows that start ups are more reliant on grant income (39% of their income) than other enterprises although those enterprises aged between three and thirty years old have a similar percentage of grant income of between 31-33%. The low level of grant funding received by older social enterprises may be shaped by the large number of workers' co-operatives in this category which rely on their own reserves or conventional loans.

Figure 3.1 Average percentage of income from different sources

Table 3.5 Percentage of income from grants according to age

	N	Average % of income from grants
0-2 years	22	39%
3-5 years	29	32%
6-10 years	37	33%
11-30 years	52	31%
31+ years	36	11%
Total	176	29%

Social enterprises with knowledge of the grant funding available for all East Midlands felt that rural areas had poorer access to funding unless they were entitled to SRB funding or located in a coal-fields area. Within the social enterprise sector there is a common concern about the reliance on grants and the need to raise income from other sources. The short term nature of grants can limit long term planning and the sudden removal of support seriously affects the sustainability of organisations (Smallbone et al, 2001). There is a need for levels of grant funding to taper off over an agreed time period rather than ending suddenly. Other ways of ensuring sustainability is through having assets that provide an income stream. This form of financing was also considered a constraint by two organisations who had been given assets that had become liabilities (for example vehicles, machinery or buildings).

Interviewees also reported using loans, either loans from community development finance providers such as ICOF, or from conventional banks. The latter is sometimes limited as social enterprises are not considered by banks to be 'proper businesses' and as one case study found "banks lack understanding of how a co-operative business operates". A similar lack of sympathy has been found in other studies (SEL, 2001; Smallbone et al, 2001). The ability to source loan finance is also restricted by the fear of personal liability amongst the trustees and boards of directors.

While there are perceptions of considerable supply side constraints on the availability of finance, support providers acknowledged that there is also a demand side failure in that quality proposals and loan applications were not forthcoming. There is a wide range of sources of finance and many social enterprises stated that they found it hard to get information on alternatives. Many social enterprises felt that parish councils should be involved in facilitating community development activities. Those case study enterprises that have been able to obtain the most grant income all had people with proposal writing skills employed. In most of these cases these individuals had previously been employed by the public sector or were secondees. Those without that experience identified bid writing skills and lack of time as a constraint. Three organisations had been able to form collaborative links with individuals who had these skills, either in delivering a joint project or through inviting the person to be on their board.

Grant applications can demand considerable resources and in the start up phase it is usually volunteers who carry this out. The Countryside Agency's Vital Villages Programme recognises the contribution of volunteers by counting their time as part of the match-funding requirements. One support provider suggested they should be paid for grant applications:

"There is lots of funding; funding is not a problem. The problem is picking up on good ideas, and getting people to pick up and run with it. So that is why I think we need to pay people, not just for setting it up. For example, when you are setting it up, there is lots of work involved such as business planning, we ask people to put in their own time, without knowing what would happen at the outcome. We are asking them a lot."

3.2.2 Workforce and skills

Workforce related issues, including a lack of skilled labour and the need to build skills, were the second most commonly cited support need in the survey, reported by 22% of social enterprises. The proportion of community transport and workers co-operatives reporting it was higher than other social enterprises. It is also more likely to be reported by middle sized organisations as those with smaller turnover employ fewer people. Concern about workforce related issues in larger organisations is reported in surveys of conventional businesses as well. However, it might be expected that skills issues were under-reported in the survey as those interviewed may not have been aware of skill needs.

The lack of skilled people available was reported by many of the social enterprises. This is an issue that is reported by many businesses and is particularly acute in rural areas as there is a smaller labour pool. The survey found that 27% of rural social enterprises identified workforce issues as a support need compared to only 17% of the urban based ones. The labour pool is constrained further in those areas where there is poor public or community transport as access for those without cars is denied.

The skills shortage relates to the need for technical skills such as a health care provider which could not expand its service despite demand. There is also a need for business skills such as record keeping and management skills, similar to those required for conventional businesses. However, they cannot be too generic and should be delivered in a way that is 'hands on' (SEL, 2000; Smallbone et al, 2001). Training requirements and styles for social enterprises differ from conventional businesses as they often involve volunteers. The survey found that on average 46% of staff were full time, 34% part time and 20% were unpaid part time volunteers (see Table 3.6). There is a risk in training volunteers as they are more likely to leave than other members of staff. The survey also examined the extent of seasonal employment although this was only found in the agricultural co-operatives which had on average 28 full time staff, 21 part time and 20 seasonal. There are some training needs that are specific to social enterprises such as managing and participating in co-operatives.

IT skills and access to equipment was not mentioned as an issue as most rural social enterprises appeared to have access to equipment as public sector grants make allowances for purchasing computers and bid writing requires organisations to use word processors. However, the challenge for the future is to widen the use of IT beyond email and word processing.

3.2.3 Sales and Marketing

Sales and marketing were cited as areas of support needs by 18% of the sample although this was more of a constraint among the smaller sized social enterprises and the younger ones. It appears to be a particular issue for those in the start-up stage of 0-2 years as 36% cited it as a need. It also appears to be more of an issue for worker and agricultural co-operatives and financial social enterprises such as credit unions. In many ways small social enterprises have similar marketing problems compared to conventional businesses, although they have the added benefit of being able to build up loyalty and trust (Smallbone et al, 2001). This loyalty may be amongst customers and service users, or through repeated referrals of clients from GPs for example (WM Enterprise, 1998). However, one agricultural co-operative noticed an erosion of loyalty attributed to the pressures on farming.

Rural social enterprises face particular constraints because the local market size is limited compared to urban areas, offices and shops may be isolated and difficult for customers to access because of transport limitations or simply the distance. These constraints make it difficult to achieve the economies of scale needed to provide a service or product, and to compete with urban providers.

Credit unions (providing saving and loan facilities) face particular problems in retaining and attracting customers in rural areas. Credit unions can be based around an employer such as a large firm or public sector organisation which allow savings to be deducted directly from payrolls. However the absence of large employers in rural areas means there is virtually no access to employer credit unions. Other forms of credit union can be organised amongst the wider community with the 'common bond', or eligible potential members, defined by geographic areas. These organisations face constraints in rural areas as population levels may not meet the threshold or critical mass for a viable community credit unions. Furthermore there are fewer large employers who can provide pay roll deduction systems for community credit unions and the dispersed nature of the population means that people have to travel considerable distances to collection points. Ways round this are being suggested with new forms of community banking, with outlets in a range of places (e.g. shops, surgeries / health centres, libraries) being mooted. Some credit unions are attempting to offer more to rural areas by attempting to increase their economies

of scale. This requires them to increase the number of members in places where they are easier to attract, namely urban areas.

Community businesses are in a particularly interesting position as they have to identify and satisfy the needs of both 'upstream' customers' (i.e. those providing contracts) and 'downstream' customers (i.e. their community). Identifying the needs of the former requires experience of interpreting tender documents, networking and collecting information from a wide range of contacts. This takes time to build up and requires networking skills. The ability to win contracts and get grants also depends on their ability to sell their product to funders and write good bids or applications.

Researching the needs of the community also raises specific challenges. In many cases this is carried out through community consultations and forums, at other times it is the initiative of elected parish councillors. However, there is anecdotal evidence suggesting that the socially excluded are not well represented in consultations or on some parish councils. Other types of specific surveys may fail to identify where the need is. For example community transport enterprises cannot rely on feedback from existing passengers or those using existing buses as these people are already being served. The socially excluded are often hidden, especially in those rural areas that appear on average to be relatively wealthy.

SEL (2000) suggest that there is a need for systematic mapping of demand side needs. However, three of the case studies reported reservations about this. One group decided against using questionnaires as they felt they were too formal, while another felt that there had been too many consultations resulting in community apathy:

"You should only have big meetings when big issues hit you in the face; for example here it was the pits closing. But now we have all this visioning and consultation, all these things that these organisations do, and they have been given lots of money. Sometimes it is too much."

There were also criticisms of the use of external consultants:

"They came and did their visionary thing in communities.... They came out with the conclusion that this community was apathetic and that a development trust would not be appropriate (smiles).... They parachuted in consultants, and the community never trusted them or warmed to them. They had their public meeting, but they did not find out about here. But here anyway there are sixty-five voluntary sector organisations. Everything from the cubs to what we are doing here, and I suppose they are all too busy to turn up to the three public meetings that these consultants arranged."

There is therefore a need to develop and disseminate appropriate methodologies for market research for rural social enterprises. These should involve the community with the level of participation encouraged beyond the simple consultation by external people.

3.2.4 Management

Management issues were only stated as an identified area of need by 17 organisations (9.7%) although it was an issue that came out during the detailed discussions for the case studies. It was more frequently cited as an area of need by enterprises aged 6-10 years and larger ones with a turn over of more than £100,000. It is also more likely to be perceived as a need by urban based organisations, a fact that is only partly due to the larger average size of urban based social enterprises.

The interviewees were managers themselves or responsible for the daily operations of the social enterprises. While many of the management problems voiced by conventional small businesses are also reported by social enterprises, social enterprises have additional layers of complexity in the form of volunteers and dealing with a volunteer management board.

All social enterprises reported to a board of directors or a management committee. A repeated constraint is the difficulty in having a broad base of skilled people on the management committees or boards who have the time to volunteer. While this affects urban social enterprises, this is considered to be greater constraint in rural areas. As one social entrepreneur stated:

“Not every small rural community has the option of a wealth of experience and/or knowledge amongst its residents. The pool of people is much smaller than in an urban area. And because we are a small village community most people commute to work which takes up a lot of time. Consequently many people are not in the position to or do not want to attend evening meetings after a long day.”

Another interviewee noted the problem of people working outside the community:

“A difficulty for any voluntary/community sector organisation is keeping the management committee and /or trustees together. People working long hours don't have the time. Also, a lot of new housing in rural areas goes to people who are commuting quite long distances. Because they are out of the village for so long they don't really feel part of it, or the community.”

However, as noted in earlier sections, many of the key individuals managing or supporting social enterprises were ‘outsiders’.

Board members require particular skills such as the ability to read a profit and loss account. Three social enterprises reported that they had made a decision to look for board members with private sector experience and were headhunting individuals who they felt would be useful. The availability of such skilled people may differ from area to area with one social enterprise suggesting that there were fewer difficulties finding board members in more affluent communities where people may retire earlier and there are more people with management skills. However, there was concern among several of the case studies that the members of the community without specific skills are not excluded from boards and committees. This reflects the importance of including both users of services (especially the socially excluded /disadvantaged) as well as those with professional skills.

The managers of social enterprises who were interviewed stated that the roles of board members shaped the activities and growth of the organisation. Managers looked to directors to provide leadership and good understanding of the problems faced by staff. Problems were reported to arise when decision making could not be delegated or members came with their own agenda. There are different viewpoints on the subject of who should be on boards. On the one hand local and parish councillors are selected to be board members because they represent the wider community. However, other social enterprises have decided that all members must come from the community and not represent other organisations. There are cases where some individuals have tried to promote their personal agendas resulting in conflict:

“we had two of the management team who were being very destructive. They were going out and doing their own thing, it was very destructive. So the committee had to come together to tell them they were not welcome. It was difficult, but we had to do it.”

Social enterprises, especially co-operatives, frequently use consultative decision making. In small co-operatives this may be by all the members but in larger organisations the members select a management committee made up of members. Such systems of delegation are required but can lead to conflict if other members feel information is being hidden. One case study had a longstanding dispute about whether wage levels should be made public. Management is further complicated by the conflicting goals, social and enterprise related, held by many social enterprises. This can be partly addressed by better business planning although it requires support from advisors who understand the specific needs of social enterprises (Smallbone et al, 2000).

Managers also have to be skilled in the management of volunteers. The proportion of volunteers depends on the type of organisation as shown in Table 3.6. It was suggested that rural areas have even greater constraints because of the smaller populations in the locality. Good practice in volunteer management, as perceived by the social enterprise managers, includes treating the volunteers and paid staff similarly with regard to training, creating a work environment that suits them, a participatory culture and having a charismatic figurehead.

Table 3.6 Average (mean) number of staff

	No. Paid FT	No. Paid PT	No. Voluntary PT	Total No. Employed
Workers co-ops	37	27	6	70
Community businesses	6	5	8	19
Financial organisations	58	40	9	107
Support organisations	4	5	12	21
Community transport	8	6	30	44
Agricultural /wholesales co-ops	28	22	10	60
Intermediate labour market	6	5	0	11
Heritage /environment trust	4	1	24	29
Housing co-ops/ associations	2	3	2	7
Average of all social enterprises	23	17	10	50

Rural social enterprises in the sample have an average of 13 volunteers compared to 7 in urban areas. This may be due to the importance of volunteering in community based social enterprises and the nature of the sampling for this study that only selected urban social enterprises if they were providing services to rural areas.

3.2.5 Product and service delivery

The difficulties in producing products and services of the required quality was identified as a support need by 8% of the sample. A majority of those reporting this as a need were workers' co-operatives, which are having to compete with conventional businesses as well as other social enterprises. For rural areas, delivering products is constrained by distance and poor transport infrastructure. Rural based organisations were also delivering over large areas, often crossing administrative boundaries. This was a particular constraint for those organisations such as care providers and community transport operators who had numerous different service level agreements with different district and county councils. The social enterprises in the study area were also facing delivery problems common to all social enterprises. These include overcoming the image of voluntarism, offering professional services and meeting both the social and enterprise goals.

3.2.6 Regulatory and legal issues

These were only identified by 5% of the sample and are considered to be more of a support need at the pre-start up stage. Start ups require advice on different legal forms and help in finding lawyers experienced in these structures (Smallbone et al, 2001). These different legal forms result in regulations in addition to those experienced by conventional businesses (SEL, 2001b).

3.2.7 Networking and learning

Details on networking were gathered from the case studies and interviews with support organisations. Support organisations stressed the importance of networking for improving learning, the sharing of best practice and avoiding duplication. Rural social enterprises may suffer because of isolation and without other social enterprises in the vicinity may not even contemplate a social enterprise model when considering starting a community group. The impact of isolation is due to both the physical distance and the mind-set of being out of contact and unable to make contacts. This is less of a problem in those areas where there is a cluster of social enterprises such as in the coal-fields areas.

Social enterprises and support organisations in these localities give a number of explanations for these clusters. The support of local authorities and support organisations in terms of advice and grants appears to be much stronger in these cluster areas and this produces a critical mass of social enterprises that can encourage other forms of community groups to become social enterprises.

Networks were considered important for getting information on public sector support, enterprises offering business services, information on innovations in their particular sector and help with doing business plans. Four of the case studies were doing joint bids with other complementary organisations offering different services or working in a different geographical area. In such cases of collaboration interviewees stated that they would only work with those they trust having worked together for some time. One social enterprise involved in a number of joint bids referred to the importance of their common bond of Christian faith. Networks are based on co-operation both vertically, with customers and suppliers, and horizontally with similar organisations or complementary ones. The latter can often create minor tensions as social enterprises might be bidding against each other for a particular contract or source of funding.

Networks are both formal groups and the informal relationships that people can draw on. Many of the networks are based around co-operative development agencies and local councillors. People may make a link at a formal event and then know they 'can pick up the phone any time in the future'. Many of the social entrepreneurs stressed the importance of networking with public sector organisations and participating in partnerships. As one interviewee said, "we are all networking animals here". These individuals are able to combine their entrepreneurial flair with working closely with public sector bureaucracies.

3.2.7 Other constraints

The wide range of other constraints included specific issues such as public transport access for staff, the lack of childcare facilities and the inadequacy of telecommunication infrastructure. One reason for lower levels of internet use in rural areas is the quality of the transmission with much of the investment in telecommunications concentrated in urban areas (Warren, 2000; Rowley, 1999). Support providers stressed the lack of premises for social enterprises although this was not a priority of the case studies. Those that complained about their premises were in rent free sites given to them by the District Councils.

3.3 Summary

The survey investigated the needs of social enterprises and the constraints they face. Most social enterprises in the East Midlands appear to have considerable ambitions to grow, with 81% intending to grow in the future and 64% seeing their turnover rise in the past five years. Growth intentions were most frequently affirmed by community businesses, while co-operatives that have to compete with conventional businesses, were less optimistic. Growth sectors were found in areas where there are public sectors grants and outsourcing. The key constraints relating to social enterprises are given below:

Social entrepreneurship and start ups

Entrepreneurship requires individuals with vision, commitment, enthusiasm and ability to take risks, and needs the community to support such individuals. The patterns of entrepreneurship differ across the East Midlands, with low levels of formal enterprise in some rural coalfield areas, although entrepreneurship can be found in informal activities. Polarisation and political divisions can block opportunities, particularly when the local authority and community leaders are not supportive. Further constraints include the rural isolation that restricts learning and encouragement from peers. Interestingly, the majority of social entrepreneurs in case studies were 'new comers' or 'returners' to the locality.

Finance

Finance was reported as a support need by 52% of survey, although more of the start up and older (more than 10 year old) enterprises reported it. Rural areas are perceived to have fewer grant funding opportunities than urban areas due to the nature of location specific regeneration programmes. Banks were perceived to lack sympathy and only 4% of survey reported taking out bank loans. Very few organisations had received other forms of loan finance. The lack of access to finance may also be due to a lack of awareness of funding sources and lack of quality proposals and grant applications. There is therefore a need for building skills and improved sign-posting people to potential sources.

Workforce and skills

Technical and managerial skills are required, particularly in larger organisations that require more managerial input. This was a constraint for a much higher proportion of rural based organisations compared to urban based one. There are also difficulties in recruiting skilled paid and voluntary staff. Social enterprises differ from conventional enterprises in that they involve volunteers and therefore have specific training needs.

Sales and marketing

Younger and rural based organisations are more likely to face constraints in sales and marketing. Social enterprises in rural areas face a greater struggle to attract and retain a critical mass of customers due to the small size and

dispersed nature of settlements. Credit unions have to find ways of building a critical mass of members by enlarging their common bond and working in both urban and rural areas. Social enterprises lack appropriate tools to identify needs of the community. This form of market research is often delivered by external consultants who do not have the benefit of knowing the community. Many community businesses delivering services under service level agreements for the public sector are in the confusing position of having two sets of customers: funders are the upstream funders who control the future of the organisation, while the community members are the beneficiaries or 'downstream' customers. Social enterprises have to find ways of meeting the needs of both.

Management issues

Management issues are more likely to be perceived as a need by larger, urban based organisations. In particular skills are required for co-operative decision making, and for retaining volunteers. Rural social enterprises also stated that they had difficulties in recruiting board/committee members who were willing to devote time in the evening and travel to meetings.

Product and service delivery-

Social enterprises, such as cooperatives that were competing directly with the private sector identified the need to improve their products and services in order to increase competitiveness. This is becoming more important for those organisations with service level agreements with district and county councils for delivering services. There are also challenges in overcoming the image of volunteerism.

Networking

Rural social enterprises suffer due to limited networking and learning opportunities. In some areas there are clusters of organisations around support providers and sources of funding that helps inter organisation learning. Social enterprises stated the need to have both formal and informal relationships.

4. Support for social enterprises in rural East Midlands

4.1 Introduction

There has been a long history of support for social enterprises in the East Midlands although the extent and funding has fluctuated according to changes in the political agenda. In the past five years there has been an increase in support with a number of different types of organisations involved. These include social enterprises providing support to other social enterprises, mainstream private sector business services (such as accountants, solicitors, consultants and banks) and the public sector (district and county councils, as well as regional development agencies and Business Links). The roles and of these different organisations in supporting rural social enterprises will be discussed in this section, as will the perceptions of social enterprises of these support providers. This information will be related to the support needs in the concluding section.

4.2 Support providers

The survey found that there are a large number of support organisations and a similarly diverse range of funding sources for them. The difficulties in coordinating these forms of support result in a patchiness of delivery with gaps in some areas and overlap in others. As social enterprise funding increases, the risk of increasing the lack of complementarity increases. This report has not been able to measure the impact of all organisations but can identify some of the potential gaps and overlaps. These should be considered in more detail at a local level.

Table 4.1 Percentage of social enterprises receiving support from different types of support providers

Source of support provided	No. of SE reported to receive support	%
Social enterprise support / coop development agency	77	44%
Government	66	38%
Accountant	49	28%
Private consultant	42	24%
Membership association	37	21%
Solicitor	21	12%
Business link	14	8%
Other social enterprise	13	7%
Other sources	11	6%
Bank manager	7	4%
Health and safety advisors	4	2%
Family, friends or volunteer	1	1%

(Note: 176 social enterprise were interviewed, many of which had received support from more than one source)

While the diversity of sources of support is confusing for potential clients, it is also beneficial in that there are a wide range of services available. The different types of social enterprises are likely to demand different services and will only approach those support organisations that they identify themselves with. The types of organisation include the specialist social enterprise organisations (many of which have their origins in the voluntary sector), mainstream business support organisations, local/county councils and the private sector.

4.2.1 Social enterprise support agencies

Within the East Midlands there are a number of specialist social enterprise support organisations. The main suppliers of such support are the cooperative development agencies such as Leicester and County Cooperative Development Agency (LCCDA) and Northamptonshire Cooperative Development Agency. There are geographic gaps in their provision and now LCCDA is looking at extending its services to Lincolnshire as well. However, the small size of these organisations and the large geographical areas they have to cover to serve rural social enterprises restricts their ability to respond unless they can use local advisors. In other parts of the region local and county council departments provide the support themselves.

The CDAs are social enterprises themselves and rely on a range of public sector funding streams. They specialise in providing specialist advice on legal and constitutional issues for social enterprises especially at the start up stage as well as providing general advice on running a business and sign-posting social enterprises to other support providers. The Leicester and County CDA has some core funding from the County Council as well as SRB funding for particular projects such as support for credit unions. There are no full evaluations of the activities of the CDAs although they collect information on delivery and impact as required by various funders. They assess their impact by collecting anecdotal evidence and LCCDA carries out a consultation every three years although they have to ensure that these exercises are not too formal or time consuming as this would damage the relationship with client social enterprises.

There are other forms of support organisations that specialise in particular areas. Examples include Business in the Community who use staff and resources of conventional businesses to advise and encourage community projects, many of which are social enterprises. They obtain 30% of their funding from members with the rest coming from local authorities and European funding. The Council for Voluntary Service (CVS) is frequently used as a source of support for those organisations who perceive themselves to be in the voluntary sector. They deliver services and are in many partnerships with other social enterprises and support organisations.

While most funding for social enterprises comes from the public sector there are two frequently reported sources in the East Midlands that are delivered through other social enterprises. The Coalfields Regeneration Trust provides funding and advice, especially for innovative projects that are aiming to start up or expand. They also provide grants for social enterprises to buy premises and gain some security. The nature of the funding concentrates social enterprises into particular clusters in the coal-fields areas and those supported stressed that their organisation would not have started without the support provided. A recent source of funding is from Waste Recycling Environmental Ltd (WREN) an environmental funding organisation that is funded itself from the landfill tax.

Some national membership organisations are used for specialist technical advice. Examples include the Village Retail Shop Association who provide potential community shops with a model business plan, constitution and questionnaire for market research. They also have advisors who help those setting up organisations, or help larger organisations deliver the package of support. Community transport can benefit from the Community Transport Association support packages and advice, and credit unions can get support from the Association of British Credit Unions (ABCUL). The Development Trust Association provides general advice and networking for a wider range of social enterprises. There are regional networks such as the Credit Union Network of the East Midlands (CUNEM). This along with other networking regional programmes such as Social Enterprise East Midlands (SEEM) are supported by the regional development agency (EMDA).

4.2.2 Rural development support

In each county there is a 'rural community council' that have particular interest in social enterprises as a form of rural community development. There are differences in the objectives and operations of these organisations although they are all non-profit making social enterprises themselves. They have a wide range of project activities, some of which involve supporting rural social enterprises. Common projects found in each community council include development of affordable housing, facilitating the development of rural transport, and village shop development schemes. They also aim to encourage communities to identify opportunities through carrying out village appraisals or parish plans. In this way they can encourage people to start social enterprises, sign-post people to relevant advice, and encourage other support organisations to back social enterprise development. Community councils support networking especially among specific types of social enterprises such as village halls and community transport.

The councils have a wide range of funding sources including the Countryside Agency, local authorities and county councils. There is also funding from other public sector bodies such as Peak District National Park and private sector

company donations. However, the support provided is similar to that offered by other organisations resulting in competition for funds and the potential for overlapping provision.

As well as funding the Rural Community Councils, the Countryside Agency is involved in promoting innovative projects in the East Midlands through its core funding of programmes such as the Market Towns and Vital Villages Initiative which identify and tackle local issues. Funding for community projects, such as village shops, can come from the 'Community Service Grants'. The Countryside Agency's key role is to advise national, regional and local government of rural service issues, and under that remit they have commissioned the current study. Those who had received support from the Countryside Agency were generally very satisfied, as one social entrepreneur stated: *"you only have to pick up the phone to get their advice and when you put in a grant application, their consultant will come around and advise us on how we can improve it. I found them more than helpful"*.

However, the different roles of the Countryside Agency and its relatively new status has given rise to some confusion. Many organisations had never heard of it, while others who had did not know what it did or thought it only addressed environmental issues.

Other rural support programmes in the region are the Leader II programmes funded from Europe. These aim to promote innovative community development projects and enterprise development in rural areas. The programme covered three limited geographical areas and came to an end in 2001. Now the Leader+ programme has started in three other geographic areas, the Peak District, Lincolnshire Fenlands and Rockingham Forest, Northamptonshire. These projects will aim to add value to local products, improve the quality of life and making best use of natural and cultural resources.

4.2.3 District, County, Regional and National tiers of public sector

The public sector support for social enterprises includes that provided by the district council/local authority, county council, regional development agency and national government. District councils support social enterprises directly through training, advice and provision of contract/service level agreements, and indirectly through funding some social enterprise support agencies and the rural community councils. In many of the case studies there has been considerable public sector support in terms of seconding staff, provision of premises and grants. This is considered important in terms of helping social enterprises to become established. Furthermore, the nature of the support shapes the types of social enterprises that are started, and their impact on the local community and customers.

The support to social enterprises is channeled through the economic development departments although some councils have moved this department

into council managed development agencies. There is also considerable support for particular types of social enterprises through specific departments such as transport, health and social services and education. For example some district councils have staff responsible for community transport, child care, elderly care, environmental issues, or village halls. It was found that one part of a local authority may not have information about support for, or contracts with, social enterprises provided by other departments. Funding for the local authority support comes from local taxes raised and funding from central government such as SRB. The latter are geographically bound and so can result in patchiness of delivery.

The degree to which councils are interested in supporting social enterprises through grants or awarding contracts varies depending on the interest in finding new ways of delivering services and the politics of the controlling groups. As Amin et al (2001) have found, the success and density of social enterprises can be linked to the extent to which the local authority supports a "New Labour" agenda. For instance there may be considerable resistance in those areas where councillors do not want services taken out of the public sector. The extent of support may also be shaped by the ability of local authority

The support provided by county councils varies throughout the East Midlands. Nottinghamshire County Council brought the cooperative development agency 'in house' where it operates as part of the economic development department. Similarly, Lincolnshire County Council has established 'Lincolnshire Development' as a semi autonomous organisation and has people responsible for supporting social enterprise development employed as council staff, although some are seconded to other projects. Other county councils support the social enterprise sector through funding the support agencies to deliver services. As with the district councils, considerable support is provided through giving contracts to social enterprises, although it was found that there was a lack of information sharing between departments about the support provided to social enterprises. This lack of coordination can result in social enterprises only knowing about one part of the council's support. This restricts the social enterprises' knowledge of possible additional services and restricts their ability to diversify their activities in addition to their traditional roles.

The Regional Development Agency (EMDA) has developed a sizable programme to support the social economy and is considered by other RDAs to be at the forefront of support for the social economy. The Economic Inclusion team have established the Social Economy East Midlands (SEEM) network. This will act as a regional portal, influencing policy within and outside the region, aiding coordination and brokerage of support provision (working with SBS), and be a forum for practitioners and support organisations to learn from each other. EMDA has also supported many existing social enterprise through providing grants under its Rural Development Programme, although this is due to end in 2003/4.

EMDA is also planning to develop community development finance initiatives in the future.

4.2.4 Parish Councils

Parish councils are the most local tier of decision making in rural areas. They are responsible for maintenance of some public spaces and facilities, and feeding the views of the community to the district/principal council. The council is made up of unpaid elected councillors and a part time parish clerk. Many social enterprises and support organisations wanted parish councils to play a pivotal role in encouraging social enterprises to start up as they have the potential to act as community initiators, providing political backing to projects and helping them to get funding. They can also guide potential social entrepreneurs to support required. However, very few of the social enterprises interviewed had been linked to parish councils.

There are questions over the representativeness of councillors as those who stand may not be from the parts of the community that are in need of services delivered by social enterprises. Past research suggests that it is the wealthier members of the community who stand for election (Tricker et al, 1993).

While there are attempts to improve the representativeness of parish councils many find it difficult to find people to stand and rely on co-option which is cheaper than holding elections. Woods et al (2001) found that only 28% of elections were contested, a decline from the previous 10 years. Parish clerks have limitations on their time and they may not have the full support of the councillors, so are not able to improve this record. District councils are keen to change things but may not want to be seen to be interfering in parish council affairs. Where there is a cross section of the community, divisions still arise. As one social entrepreneur stated

“it is always a bit ‘them and us’. It will always be that way I suppose. There are seven members on the council, four are posh and three are normal. When we go to meetings, we all sit here and they all sit on the other side.”

There is considerable funding (such as for transport programmes) available to parish councils that has not been allocated because of a lack of projects. Parish councils have been successful where four of them have come together to start a combined service. Many social enterprise support workers and social entrepreneurs themselves criticise the lack of interest in social enterprises among parish councillors:

“Traditionally the people involved in parish councils are not really that progressive, they are more interested in grass verges, and so they do not see social enterprises within their remit”.

Furthermore, interviewees stated that in many cases parish councillors are long standing residents of the community while the dynamic individuals who start social enterprises are not standing. More research is needed to confirm this.

Few of the 'village appraisals' being undertaken by many Parish Councils have a social enterprise element and this is attributed to the lack of knowledge about social enterprise opportunities by those involved. It may also be due to the limited time councillors and parish clerks have to write proposals, and the lack of willingness to work with other successful groups in the community.. One case study social enterprise stated: "They tackle what comes to them but not new initiatives".

Parish clerks play a key role but are often under resourced. As one funding organisation said:

"The parish councils are supposed to come out with ideas but then they do not,... we cannot give them the ideas. I suppose if you look at the parish officials, the clerks, they are not that well trained ... they do a good job but if they had training they would be able to identify what is needed, and they can sign-post themselves to that information or sign-post others.... I think there is a lot of lethargy but this probably because of the pittance given to support their activities".

Such training is underway as part of the Parish Council Training Strategy, coordinated by the National Association of Local Councils (NALC) and the Countryside Agency. The huge workload for parish clerks and their small salary/allowance may result in them not encouraging councillors to consider social enterprise projects. Applying for projects can be costly and the councils have other pressures on their resources. They have the ability to raise their funds through the precept (included in the council tax charge) but councillors may feel that this will make them unpopular and the district council may want them to keep the precept low to avoid the council tax being capped. Furthermore, supporting local enterprise and voluntary activity is not part of the Quality Parish Framework although there is encouragement to communicate more with the community.

4.2.5 Private sector

Social enterprises get support from their banks, solicitors, accountants and specialist consultants. Accountants were the most common form of private sector support, advising on financial management as well as sources of funding. Some social enterprises had built up very close links to their accountants who helped them write tenders. Others had accountants on their boards but liked to pay them for accounting services. Solicitors are involved in advising on regulatory issues and constitutions. The nature of social enterprises means that they are more reliant on solicitors than conventional businesses at the start up stage. For developing constitutions, social enterprises have to decide whether to take one 'off the shelf' or to go to a solicitor who specialise in charity or cooperative law. Approximately a quarter of all social enterprises had used private consultants, ranging from property advisors to specialists in their field providing training for managers and other staff. While many were unwilling to pay for services there was recognition of getting value for money from those who had decided to pay for external support.

Only 4% of the sample of 176 recorded having financial support from banks. The survey found a diversity of views on the service provided by banks, with good or bad service being attributed to the nature of the relationship with individuals in a branch rather than the general policy of bank. There is a desire on the part of some social enterprise to use a bank with an 'ethical policy' although they felt it more important to have branch nearby. Access to finance also depends on contact and relationships between borrower and the bank staff. The decline of banking services in rural areas has limited the extent to which social enterprises can build these relationships and there may be a need for more rural outreach from the banks.

The UK Social Investment Forum (2000) report recommended that banks need to play a strong role in under-invested communities, where they are a major potential source of private investment. However, the report also indicated that there is a serious shortage of information about the level of activity of individual banks, at a time when there is a general perception that banks are withdrawing from poor communities through branch closures. The report suggests that together with evidence of general physical neglect, this contributes to a pervasive impression that such communities are, in effect, enterprise "no-go" areas. The provision of more detailed information about the lending pattern of individual banks by area (as is available in the USA), will make it possible to compare good and bad practice and encourage a cumulative "improvement in performance".

4.2.6 Business support organisations

The creation of the Small Business Service and the reorganisation of the Business Link network in 2000-2001 changed their remit to include measures that would tackle social exclusion. All Business Links in the East Midlands stated that they aim to provide specific services to social enterprises but do not have the capacity to do so at this stage. Business Links aim to provide an individualised advisory service to all businesses and this includes meeting the demands of social enterprises. Where they cannot do so they sign-post organisations to specialists and develop a brokerage system. They are also building relationships with other providers of social enterprise support through networks, partnerships for SRB and other funds, and collaborative projects.

Fourteen respondents to the questionnaire survey (8%) had received support from Business Links. One Business Link representative commented that :

"we find that some organisations associate themselves with particular support agencies only and would not come to Business Link."

A major constraint for the Business Link is their inherited image of an organisation supporting high growth businesses and without an understanding of social enterprises (Smallbone et al, 2001). Furthermore, social enterprises are more likely to use the language of the voluntary sector than that of business and enterprise development. However, there are cases where a particular advisor

has gone out of their way to support a social enterprise, a fact that is put down to their personal interest:

"if someone asked for advice on this I would tell them we got lots of help from Business Link. It was someone who loved the idea of doing a business plan for a community enterprise like this ... we could not have done it on our own, we are all amateurs."

Training for enterprises has also been reorganised in the past year with the emergence of the Learning and Skills Council. They have found that uptake of training by all enterprises is lower in rural areas and have found it difficult to attract people. Leicestershire LSC also has a small fund called the Better Community Fund that can support community initiatives. However, they have found it hard to attract adequate entries that are providing suitable complementary services. They attribute this to the lack of promotion by the parish clerks and councils.

4.3 Support used by social enterprises

The tables below show the types of support used in the past by social enterprises. It is based on self reporting information from one individual in each social enterprise and so may under-represent the amount of support actually provided.

Table 4.2: Support assistance received by different types of social enterprise

Type of support assistance	Types of social enterprise									
	Worker coops	Comm business	Financial orgs	Support orgs	Comm transport	Agric coops	ILM	Heritage env trust	Housing coops	Total
N	58	39	17	17	15	13	8	6	3	176
Finance	64%	74%	71%	100%	67%	54%	75%	67%	33%	69%
Sales / marketing	19%	6%	12%	0%	7%	23%	0%	0%	0%	13%
IT	26%	3%	6%	24%	0%	23%	13%	0%	0%	7%
Work-force	24%	44%	41%	53%	33%	0%	0%	33%	67%	35%
Management	10%	8%	6%	0%	0%	8%	0%	17%	33%	5%
Product/ service delivery	35%	15%	12%	12%	20%	0%	25%	50%	33%	18%
Regulatory issues	29%	31%	65%	6%	27%	31%	50%	33%	0%	34%
Other	5%	2%	6%	6%	0%	15%	0%	0%	0%	5%

(Note: Many social enterprise received more than one type of support)

Table 4.3: Form of delivery for each type of support

	Finance	Sales /marketing	IT	Workforce	Management	Product/service delivery	Regulatory issues	Other
Information	0	8	1	0	1	1	9	1
Advice/consultancy	52	13	4	6	9	27	48	6
Training	0	1	7	53	6	3	2	1
Finance	68	0	0	0	0	0	0	1
Other	2	0	0	3	1	0	1	0
Total	122	22	12	62	17	31	60	9

4.3.1 Finance

Financial support in the forms of grants and advice on financing were reported by 69% of all respondents although it was more frequently cited by Intermediate Labour Market Projects, community businesses and support organizations. While 38% of the financial support was in the form of advice from accountants, 29% were getting support from government direct, usually through their local authority. Social enterprise agencies were important sources of both advice and finance, being used by 17% of these looking for support. An important source in the East Midlands is the Coalfields Regeneration Trust. The ability to gain finance depends on the location of the social enterprise with rural areas included in SRB programmes and in the coal-fields areas having better opportunities.

Social enterprises should be able to source bank loans but only seven cases of this were reported (4% of the total sample). Smallbone et al (2001) also found that some social enterprises often experience difficulties in accessing bank loans. One issue is that some types of social enterprise may not have assets such as property to use as security; another is that they strive to limit personal liability, which contributes to banks viewing such loans as higher risk. Cooperatives and other membership based social enterprises can draw on equity such as member shares, member investment (SEL, 2001) and there are tax credits to promote these forms of employee ownership. However, none of the interviewees mentioned this.

Table 4.4: Support providers for different types of support

	Finance	Sales /marketing	IT	Workforce	Management	Product /service delivery	Regulatory issues	Other	total
Family, friends or volunteer	0	0	0	1	0	0	0	0	1
Membership association	4	5	2	7	3	5	10	1	37
Other social enterprise	2	0	1	6	1	1	1	1	13
SE agency	20	9	1	15	2	12	16	2	77
Business link	1	2	1	1	3	4	1	1	14
Bank manager	7	0	0	0	0	0	0	0	7
Accountant	46	0	0	0	2	0	0	1	49
Solicitor	0	0	1	0	0	1	19	0	21
Private consultant	3	1	7	16	7	4	1	3	42
Health and safety advisors	0	0	0	1	0	0	3	0	4
Government	35	5	3	11	1	3	8	0	66
Other source	3	0	1	3	1	1	2	0	11
total	121	22	17	61	20	31	61	9	342

4.3.2 Workforce and skills

The support related to workforce issues refers to the need to develop the skills of staff in both sector specific subjects and general business operations. It is used by 35% of the sample and appears to be more popular among community businesses and credit unions as well as support organisations. The minimal interest amongst cooperatives may relate to the lack of time they have for training and the lack of recognition of training needs. This is common amongst mainstream small businesses as well. The most common sources of training are from private consultants and social enterprise support agencies. Other sources include public sector bodies, membership associations and other social enterprises. Co-operative development agencies were reported to play an important role in advising on training courses to be attended. Other forms of advice relating to workforce issues can come from private consultants. One of the case study social enterprises was paying an annual subscription to a business advisory service who would provide information on employment issues.

4.3.3 Regulatory issues

As mentioned before, social enterprises face more regulation than other types of business (although the level of regulation varies according to the type of enterprise) and also require advice on the most appropriate legal form when starting. The extent of the regulatory burden on social enterprises, and in particular those serving in rural areas is not known. Of the sample of 176, 34% had received some support in the form of advice, consultancy and information. One third of this support comes from solicitors who may offer their services at a reduced rate. In many cases social enterprises have got solicitors on their boards where their role is to identify when a legal opinion is needed. Social enterprise agencies provide a further quarter of support in this area with the rest provided by membership associations, Governmental bodies, and health and safety advisors.

4.3.4 Product/ service delivery

Support for developing and delivering new services or products was reported by 18% of the sample, most of which are workers cooperatives. It is almost all in the form of advice particularly from social enterprise agencies and membership organisations that specialize in a particular sector. There are also four cases of people getting advice from Business Links and four from private consultants. This form of advice is particularly important when organizations are starting up or diversifying into new activities.

4.3.5 Sales / marketing

Support on sales and marketing in the form of information and advice was used by 13% of the sample. The most important source of this is from social enterprise agencies such as the co-operative development agencies, although other sources include membership organisations, and local authorities. This type of support was more popular among the workers co-operatives and the agricultural cooperatives which are trying to diversify into new markets.

4.3.6 Management

Only 10% of the sample reported having support in relation to management and decision making. However, interviews with the case studies showed that in many cases social enterprises have had management support but had forgotten about it until asked specifically. In many cases this form of support came through informal discussions and advisors were considered to be very approachable and

'at the end of the phone'. It is also part of the start up support provided by specialist social enterprise support organisations. There were 7 cases of social enterprise using private consultants, 2 of using accountants and 3 of using Business Links providing management support and advice. There were 6 cases of people having training on management issues either at local colleges or by specialist sector associations.

4.3.7 IT

Only 7% claimed to have had support on IT issues, most of these were workers cooperatives getting advice and training most commonly from private consultants. The larger social enterprises all had their own IT facilities and those without relied on the use of volunteers' own personal computers. The extent to which individuals were using IT for communication depended on the previous experience of the staff member or volunteer. Support providers were keen to build these skills in rural social enterprise as they felt that this has a high potential to have an impact on rural areas.

4.3.8 Other support

Other forms of support include provision of premises and other donations in kind such as equipment, printing and transport. Many social enterprises benefit from rent free or reduced rent accommodation, subsidised by local authorities.

5 Conclusions

This study had the following objectives:

- To identify the types of social enterprises serving rural areas
- To examine the operations, constraints and needs of social enterprises
- To examine the roles of different support providers
- To make recommendations concerning the support required.

This conclusion summarises the main findings and presents recommendations.

5.1 Summary of mapping and prospects for the sector

Although there is no universally accepted definition of a social enterprise, the key common elements include social ownership, socially oriented objectives and operating as a business. Defining the social economy and what is meant by social enterprises is mainly an issue for funders and support organisations rather than social enterprises themselves. However, there is a need to demonstrate the commonalities between different categories of social enterprise, so that similar organisations can learn from each other and the contribution of the sector as a whole can be maximised. At present the labels of different types of social enterprise restrict learning and diversification.

The most common sector was Education, training and information, provided by 28% of the social enterprises. 16-17% of the organisations were working in retailing, manufacturing and farming, financial services and services for mainstream and social enterprises. Other sectors include health care, sports and leisure, cultural industries and accommodation. Over two thirds of the sample worked in more than one sector.

The impact of social enterprises on rural areas include:

- Creating jobs
- Providing training & improve skills
- Providing goods/services where state or market will not
- Providing finance and investment
- Generating surplus for community benefit
- Providing physical assets (i.e. land/ buildings)
- Involving the community and combating exclusion

Some of these impacts are easily measurable while others cannot be quantified and may be difficult to observe. There is very little evaluation data assessing the impact of social enterprises at present, nor is there any data on the additional benefits derived from public sector support. This is particularly surprising considering the large proportion of social enterprises that are dependent on government grants and contracts. Measuring the impact presents challenges for

social enterprises but they need to prove to their customers (both the funders and the beneficiaries) that they are providing a good service and are willing to learn. Therefore social audit and impact assessment techniques need to be developed and promoted to meet this need.

One of the main aims of the study was to identify the nature and extent of the existing rural social economy and to define social enterprises in a rural context. In this regard, the survey demonstrated the interrelationships between urban and rural areas, since some of the social enterprises servicing rural communities are urban-based. This particularly applied to credit unions, specialist social enterprise support organisation and worker co-operatives. These organisations have all attempted to generate economies of scale by serving larger areas. The geographical distribution of social enterprises is also uneven between the counties, with Leicestershire sharing the highest concentration and Northamptonshire the lowest. Whilst this may reflect differences in the underlying needs of rural communities within different parts of the region, it also reflects differences in the availability of public sector support and access to support agencies.

5.2 The rural dimensions of constraints facing social enterprises

The survey found that the impact of social enterprises across the East Midlands is patchy. This extent of social entrepreneurship is dependent on a number of factors including the perception of general entrepreneurship in communities, and the ability to learn from neighbouring examples and see new opportunities. This is limited in rural areas because of isolation limiting some types of networks and the extent to which information is shared on what is possible and good practice.

Identifying the needs of the socially excluded can be difficult in rural areas especially when deprivation is hidden amongst more affluent groups. Parish Councils may not fully represent the socially excluded and poorer groups in communities may not participate fully in community fora and planning. This study has identified the important role that 'newcomers' play in starting social enterprises and building the links to support and funding organisations. However, polarisation of communities and political divisions can block opportunities.

Delivering services in rural areas can be constrained by the lack of economies of scale and critical masses in a locality. Many social enterprises have increased their viability by working with urban areas as well to build up a large enough client base, and by winning public sector contracts to build up capacity and get economies of scale. Rural areas are also restricted in the ability to find skilled paid staff and volunteers because of the small labour pool. The difficulty in recruiting experienced board members who are willing to travel was also cited as a problem.

5.3 Support for social enterprises [draft section, being developed]

This section identifies the key issues arising out of the research in regard to the existing gaps in support for social enterprises. It will consider the support for start ups, access to finance and access to other types of support, before examining the implication on the means of delivering support.

Individuals and groups starting up social enterprises require information on the opportunities available and peer support from others who have relevant experience. Networking is less of a problem in coal-field areas as there is clustering around funding sources and other support. Community level workers have a potential role to play in encouraging people to start social enterprises. Parish clerks are key players although they are over stretched at present and there is no recognition of supporting social enterprise in the Quality Parish Framework. At a regional and national level there is a need for information on what types of social enterprise have the greatest impact and a comparison of their ability (to deliver services) with the public and private sectors. This information can allow funding organisations and politicians to make informed decisions.

Social enterprises require different types of finance at each stage of development. The demand and need for grants is greater among start ups. However, the sudden ending of grant finance can have severe consequences on the sustainability of social enterprises. Such negative impacts can be reduced by tapering off support. The survey found that social enterprises are unwilling to apply for loan finance due, to a some extent by Trustees' and board members' concern about their liability. Other factor include the lack of sensitivity of banks to the needs of social enterprises and the low quality of business plans behind loan applications.

Many social enterprises complained of a lack of knowledge of where to look for sources of funding. There is a role for community level workers and Parish clerks to provide information and parish councils can add political support and weight to bids. A common factor behind the growth of many social enterprises is presence of individuals with bid writing skills. In cases where social enterprises need to build up their capability, there is an opportunity for training, mentoring and even financial support for experienced fund raisers or community development workers to write bids for inexperienced social enterprises. Relying on volunteers to devote their time to write bids can have negative consequences in terms of raising expectations and disempowering people if there is failure.

Increasingly social enterprises are looking for more sustainable financing streams through contracts or service level agreements from the public sector. In this way the public sector is encouraging voluntary organisations to become social enterprises. While these contracts can seem similar to grants, the service

level agreements can result in a clearer objectives for delivery as long as the Parish, district and county councils have the capacity to establish the contracts clearly and monitor their delivery. However, dictating the service to be provided by social enterprises can restrict innovation.

In terms of sales and marketing, rural social enterprises face similar problems as conventional rural businesses because of a lack of critical mass of potential customers. Social enterprises need to find innovative ways of overcoming the lack of economies of scale and poor accessibility. Several of the social enterprises interviewed aimed to provide an improved service to rural areas by providing services to urban areas as well as a means of increasing their economies of scale.

Social enterprises providing rural community services have to understand the needs of the potential beneficiaries, although they are limited in the tools they have to find out local needs. There is potential to adapt local socio-economic profiling and social audit tools to particular localities (CONSCISE Project, 2000), and make more use of neighbourhood statistics (H.M. Treasury, 1999). In particular the needs of the rural socially excluded are harder to identify because some parts of rural communities are hidden. Overcoming this involves working with a diverse range of existing groups, encouraging people to participate in local initiatives and decision making

There are skill gaps , both sector specific and relating to business skills although in many cases social enterprises may not be able to identify their own skill gaps. Provision of IT equipment was not considered to be an issue by social enterprises interviewed although this may be due to the access to equipment through grants. Attention should be directed to enhanced utilisation of IT in providing information, delivering services and making links. However, networking still requires personal contact to initiate relationships and the presence of IT should not replace face to face informal meetings. The skill and development needs of volunteer workers and board members present particular challenges to social enterprises and with greater responsibilities placed on volunteers, new ways of recruiting and rewarding volunteers needs to be addressed. Furthermore, social enterprises in rural areas have less access to specialist volunteers such as solicitors, and to people with enterprise skills and other experience to sit on management boards. There are opportunities to work with local business organisations such as Chambers of Commerce and business clubs to identify individuals.

With regard to management issues in social enterprises, the survey found that social enterprises have similar constraints as conventional businesses although they require particular skills relating to co-operative decision making, retaining volunteers and working with volunteer board members.

Delivery of support

- Many SE are not getting this form of support despite this expressed need. This may be due their unwillingness to approach support organisations or pay for services.
- The preferred form of provision is informal mentoring and the ability to have someone on the end of the phone.
-
- Difficulty delivering support over a wide geographical area- the 'rural premium'. There should be 'rural proofing' of all support to ensure it reaches rural organisations
- Need for brokerage by SBS/BL. Risk of overlap between the Rural Community Councils, Council for Voluntary Service and Co-operative Development Agencies. SEEM can also play a coordinating role with SBS
- Brokerage should be able to cross administrative boundaries that divide rural areas. There should be more sharing of information of organisations in rural areas particularly across district, county and regional boundaries
- Support has to be available through the channel of the organisations that the social enterprise feels most comfortable with. Many consider themselves part of the voluntary sector and would not be willing to source help from an enterprise agency or Business Link. There is considerable variation in the competence of support organisations to deliver quality support. ASBS and NCVO should consider ways of ensuring quality and training advisors.
- There is considerable confusion of what support is available so there is a need for improved sign-posting and information on where to go
- Social Enterprise Zones can encourage collaboration of social enterprises and co-ordinate local delivery of support. But difficulty of geographic distance.
- There is considerable interest in social enterprise incubator units. The survey found that premises were not a major constraint for social enterprises,. However, incubator units can have the benefit of provision of mentoring support and networking. The extent to building incubator units for social enterprises needs to be considered.
- Support needs to be segmented according to a range of criteria. Possible approaches include, stage of development, location, size, structure or by service provided. There is a danger of reducing diversification by concentrating on segmenting according to type of service provided.

Policy Recommendations

1. If the needs of social enterprises serving rural areas are to be adequately met, it is important that '**rural proofing**' is built into the mechanisms for **policy formulation** and delivery within the region and taken into account in any funding allocations. Rural policy should also recognise that some rural

services (such as credit unions) may be more viable if located in urban areas with appropriate means of rural service delivery.

2. Since the social and economic needs of rural communities are not the same as those of urban counterparts, social enterprises have a distinctive potential role in economic development. Characteristics of the rural environment, particularly those associated with the barrier effect of distance, can mean that socially and economically excluded groups find it particularly difficult to access jobs and services. In this sense it can be argued that **social enterprises have a particular contribution to make for rural development, by offering a mechanism to reduce exclusion. However, only limited information on the impact of different types of social enterprise on exclusion is available.**
3. Rural dimension affects the delivery of business support, which is an issue shared with other types of businesses. Business densities combined with distance from major centres, lead to the so-called '**rural premium**' in **meeting the training and business support needs of rural firms** including social enterprises. Innovative ways need to be investigated to overcome this problem. But in the short term, **it must be recognised that delivering support effectively to rural firms is more expensive than in an urban context.**
4. **Take steps to improve the level of social auditing among social enterprises within the region.** This can be achieved by making social auditing a requirement to any funding offered. There is a need to provide training workshops at a regional level to assist social enterprises in undertaking audits in the most cost effective manner. Social auditing tools should not be burdensome for enterprises to complete and include qualitative as well as quantitative indicators. Social auditing with the participation of local staff and beneficiaries can help organisations improve their service and attract more public funding.
5. **While some of the support needs of social enterprise are shared with privately owned firms of a similar size there are many that are specific to social enterprises.** The former include marketing, financial management skills and the effective use of ICT; the latter include human resource management, specialised legal issues and organisational structure. Many of these differences are based on the differing ownership structures and the use of volunteers. In principle, meeting these needs in the most cost effective manner can be best achieved through **co-operation between specialist and mainstream agencies**, provided that effective partnerships can be brokered. The existing role of banks on patterns of rural social enterprise is not known. Information is needed on the lending patterns of banks by area to compare good and bad practice and stimulate greater activity in disadvantaged areas.

6. The provision of services by social enterprises is patchy. This presents an **opportunity for encouraging existing organisations to offer a wider range of services and cover a wider area, and to support new social enterprises to start up**. This requires targeted support, experience sharing and putting potential social entrepreneurs in touch with role models. There are specific roles for community development workers and parish councils to educate people on the potential of social enterprises in rural areas. This could be included as part of the Quality Parish and Parish Plan programmes.
7. The creation of the SBS, together with the commitment of EMDA, to supporting social enterprises provides a window of opportunity to improve the support offered to social enterprises, particularly those serving the rural areas. The research shows that there is a need for **greater co-ordination of the support offered by providers in order to avoid duplication, to fill gaps and improve delivery**. While Business Link has a remit to address these needs it needs to work closely with those organisations that are approached for support by different types of social enterprises. Since effective business depends on a trust and empathy between client and advisor, it will not be an easy task. To achieve this will depend on specialist agencies and BL, demonstrating an effective working partnership in order to encourage social enterprise to use this facility.

Annexes:

Tables presenting information on social enterprises in rural East Midlands

Table1: Each county by type

	Notts	Derb	Linc	Leics	Northants	Total
Intermediate labour market	2	1	1	3	1	8
Financial organisation	2	2	2	7	4	17
Community business	9	4	3	12	3	31
Community transport	5	10				15
Workers' coops	6	8	6	28	10	58
Housing coops/ associations		2		1		3
Agricultural /wholesales coops	2		11			13
Support organisation	9	2	2	3	1	17
Community / sport centres	1	1	2	1	3	8
Heritage /environment trust	1	2	2		1	6
total	37	32	29	55	23	176

Table2: Rural / urban location by type

	Rural	Urban	Total
Intermediate labour market	4	4	8
Financial organisation	13	4	17
Community business	17	14	31
Community transport	5	10	15
coops	34	24	58
Housing coops/ associations	1	2	3
Agricultural /wholesales coops	1	12	13
Support organisation	10	7	17
Community / sport centres	2	6	8
Heritage /environment trust	1	5	8
total	88	88	176

Table3 : Legal forms of enterprise by type

	IP Society	Ltd without shares	Ltd by guarantee	Friendly society	Unincorporated body	Private limited	registered	cooperative	other
Intermediate labour market		4			3		1		8
Financial organisation	3	2	4	2				6	17
Community business	1	16			2	5	7		31
Community transport	4	7			1	6		1	15
coops	2	11		2	3	6	26	1	56
Housing coops/ associations	3	2					1		3
Agricultural /wholesales coops		1	1		1	1	4	2	13
Support organisation	1	11	1	2		2		1	17
Community / sport centres		3		1		3			8
Heritage /environment trust		2			1	2		1	6
total	14	60	6	7	11	25	39	12	174

Table4: Sector by type

	Manufacturing and farming	Culture industry / heritage	Financial services	Education training, information	Sport and leisure	Retailing	Health care	accommodation	Services for mainstream and social enterprise	other	total
Intermediate labour market	2			6							8
Financial organisation			14		1					2	17
Community business	2	2	1	11		2	9	2		2	31
Community transport										15	15
coops	7	4		3		20	6		13	5	58
Housing coops/ associations								3			3
Agricultural /wholesales coops	11					2					13
Support organisation	1		2	7					7		17
Community / sport centres			1		7						8
Heritage /environment trust	1	2		1					1	1	6
total	24	8	18	28	8	24	15	5	21	25	176

Table Intent to growth group by type

	No	Yes	Total
Intermediate labour market	2	6	8
Financial organisation	1	16	17
Community business	3	26	29
Community transport	2	13	15
Workers' coops	11	24	35
Consumer coops	3	18	21
Housing coops/ associations	1	2	3
Agricultural /wholesales coops	4	9	13
Support organisation	3	14	17
Community / sport centres	1	7	8
Heritage /environment trust	2	3	5
total	33	138	171

Table15: Turnover by type

	<£20,000	£20,001-£50,000	£50,001-£100,000	£100,001-£250,000	>£250,000	Don't know	Total
Intermediate labour market	0	1	0	4	1	2	8
Financial organisation	1	4	0	3	6	3	17
Community business	5	4	3	6	5	8	31
Community transport	2	1	1	1	5	5	15
coops	14	11	5	7	10	11	58
Housing coops/ associations	0	0	0	2	1	0	3
Agricultural /wholesales coops	1	0	0	1	8	3	13
Support organisation	0	2	2	7	5	1	17
Community / sport centres	4	0	1	1	1	1	8
Heritage /environment trust	0	1	2	0	1	2	6
total	27	24	14	32	43	36	176

Table6: turnover in last 5 years by types

	Remained the same	Present %	Increase	Present %	Decrease	Present %	Don't know	total
Intermediate labour market	2	25	5	62.5	1	12.5	0	8
Financial organisation	4	23.5	12	70.5	1	6.0	0	17
Community business	9	29.3	18	58.6	0	.0	4	31
Community transport	1	6.1	12	73.2	1	6.1	1	15
coops	17	50.2	35	127.4	4	12.4	2	58
Housing coops/ associations	0	.0	2	66.7	1	33.3	0	3
Agricultural /wholesales coops	2	15.4	7	53.8	3	20.5	1	13
Support organisation	3	17.6	11	64.7	1	5.8	2	17
Community / sport centres	1	12.5	6	75.0	0	12.5	1	8
Heritage /environment trust	1	16.7	4	66.6	1	16.7	0	6
total	40	22.7	112	63.6	13	7.37	11	176

Table 7: age by type

	0-2years	3-5years	6-10years	11-30years	31+years	total
Intermediate labour market	1	2	3	1	1	8
Financial organisation	1	4	3	3	6	17
Community business	4	7	8	11	1	31
Community transport	1	1	2	10	1	15
coops	7	11	11	15	14	58
Housing coops/ associations	0	1	1	1	0	3
Agricultural /wholesales coops	0	0	1	7	5	13
Support organisation	4	2	4	3	4	17
Community / sport centres	2	1	2	0	3	8
Heritage /environment trust	2	0	2	1	1	6
total	22	29	37	52	36	176

Table 3.4: Average percentage of income from different sources

	N	Av.% grant	Av. % sales	Av. % donation	Av.% other
Workers' co-ops	58	15.5	82.3	1.7	0.5
Community business	31	42.3	46.3	7.6	3.8
Financial organisation	17	15.9	65.0	0.0	19.1
Support organisation	17	64.3	22.9	10.3	2.5
Community transport	15	55.9	26.0	18.1	0.0
Agricultural /wholesales coops	13	6.7	83.8	0.0	9.5
Intermediate labour market	8	35.0	64.4	0.6	0.0
Community / sport centres	8	27.7	58.5	8.2	5.7
Heritage /environment trust	6	17.5	33.8	25.0	23.8
Housing coops/ associations	3	10.0	85.0	5.0	0.0
Total	176	28.8	61.4	5.2	4.7

Table 9: Turnover by type

	0-2years	3-5years	6-10years	11-30years	31+years	total
<£20,000	7	8	6	4	2	27
£20,001-£50,000	2	8	7	4	3	24
£50,001-£100,000	3	0	4	4	3	14
£100,001-£250,000	5	3	9	12	3	32
>£250,000	1	5	4	16	17	43
Don't know	4	5	7	12	8	36
Total	22	29	37	52	36	176

Table10: Support needs by type

	finance	Sales /marketing	IT	workforce	management	Product/service quality	Decision making issues	Regulatory issue	other
Intermediate labour market	4	1	0	1	1	0	0	0	3
Financial organisation	5	5	0	3	2	1	2	0	8
Community business	18	5	0	5	3	1	0	0	11
Community transport	10	1	0	4	1	0	1	0	5
Workers' coops	19	7	2	10	2	3	1	0	6
Consumer coops	10	6	0	4	1	5	0	0	5
Housing coops/ associations	3	0	0	1	0	0	1	0	1
Agricultural /wholesales coops	5	2	0	4	1	1	1	0	6
Support organisation	13	2	1	7	4	2	3	0	4
Community / sport centres	3	1	0	0	0	1	0	0	2
Heritage /environment trust	1	1	0	0	1	0	0	0	1
total	91	31	3	39	17	14	9	0	52

Table 11: Support assistance by type

	finance	Sales /marketing	IT	workforce	management	Product/service quality	Decision making issues	Regulatory issue	other
Intermediate labour market	6	0	1	0	0	2	0	4	0
Financial organisation	12	2	1	7	1	2	0	11	1
Community business	23	2	0	17	2	4	1	8	1
Community transport	10	1	0	5	0	3	0	4	0
Workers' coops	27	10	1	14	0	6	0	14	3
Consumer coops	11	3	1	2	1	6	0	8	1
Housing coops/ associations	1	0	0	2	1	1	0	0	0
Agricultural /wholesales coops	7	3	3	0	1	0	0	4	2
Support organisation	17	0	4	9	0	2	0	1	1
Community / sport centres	4	1	1	4	1	2	0	4	0
Heritage /environment trust	4	0	0	2	0	3	1	2	0
total	122	22	12	62	7	31	2	60	9

Table3: turnover in last 5 years by sector

	Remained the same	Increased	Decreased	Don't know	total
Manufacturing and farming	6	12	4	2	24
Cultural industries	1	7	0	0	8
Financial services	5	12	1	0	18
Education, training and information	8	15	2	3	28
Sport and leisure	1	6	0	1	8
Retailing	5	17	1	1	24
Health care	4	10	0	1	15
Accommodation	1	2	1	1	5
Services for mainstream and social enterprises	5	14	1	1	21
Other	4	17	3	1	25
total	40	112	13	11	176

Table 3.4 Rural and urban support needs

	Urban	Rural	Total
Finance	43	48	91
Sales / marketing	17	14	31
IT	1	2	3
Workforce	15	24	39
Management	10	7	17
Product/service delivery	7	7	14
Regulatory issues	6	3	9
other	24	28	52

Potential funds for rural social enterprise development

SCHEME	PURPOSE	COVERAGE	RESOURCES
SRB Rounds 1-6	To improve local areas & enhance the quality of life	Over 600 schemes in rounds 1-4. 150+ in Round 5 and 180+ in Round 6	£564m. estimated for 98/9 ££486m. estimated for 99/00 £1.2 billion in Round 6 2001- 8
Coalfields Initiative	Regeneration of coalfields	Former coalfields	£354m. over 3 years
New Deal for 18-24 year olds	inc. supported work and self employment in social enterprises	National	Windfall tax
New Deal for the L/T unemployed	Welfare to work for over 25's	28 pilots for (1) the 12-18 months unemployed and (2) for 2 years unemployed	£129m for (1) and £350m. for (2)
New Deal for Lone Parents	Providing support to enable lone parents to enter work	8 pilots	£200m. in this parliament
New Deal for Disabled people	Allows incapacity benefit claimants to work for trial period without benefit loss.	13 in 2 tranches	£12m. for 1999/2000
ESF Objective 1		Lagging regions (Mersey, Highlands/Islands, N.I)	£1,825m. total for 1994-9 £1,200m. total for 2000-07
ESF Objective 2		Declining industrial areas (13 in UK)	£3,722m. total for 1994-9 £2,100m. total for 2000-07
Community Fund (National Lotteries Charities Board)	To meet the needs of those at greatest disadvantage and to improve the quality of life in the community	National - Main programmes 1. Poverty and disadvantage 2. Community involvement 3. Small grants (to £5,000)	Over £1 billion awarded in more than 20,000 grants 1995-99
Phoenix Fund (DTI)	To encourage entrepreneurship in disadvantaged areas	National coverage - main targets 88 most deprived LA's. Main elements: 1. Development Fund 2. Volunteer mentoring Challenge Fund for CFI's	£30m
Social Investment Funds, Community Development Venture Funds			
Princes Trust	Grants (to £10,000) for groups setting projects of community benefit	National coverage - 18-30 years old	M-Power Millennium Award of £2.7m to support grants for groups.
District and County Council funds	Local development		
Various charity / trust funds	See www.access-funds.co.uk For sources and range of funds	Non-profit sector UK	

(Source: Evans 2001; adapted and updated from Audit Commission, 1999)

Support organisation case studies

- Rural Community Councils in each of the 5 counties
- BL Lincoln and Rutland
- LSC Leicestershire
- EM Development Trusts Association
- Midlands Community Enterprise Partnership
- HURT Trust
- Northants CDA
- Leicester and County CDA
- Coalfields Regeneration Trust
- Countryside Agency
- Village Retail Shop Association
- EMDA, Rural
- Notts County Council

Plus other on going with BL and local authorities

Details of case studies

Leicester Housing Association	Leics	housing association
Door of Hope	Derb	Sheltered housing, training
EMTAK	Notts	Agricultural Coop
Notts Home Care Ltd	Notts	Care
Chesterfield Credit Union	Notts	Credit union
Glossopdale Furniture Project	Derb	Recycling, training
Coalville Community Credit Union Ltd	Leics	Credit Union
Louth Wholefoods Co-operative Ltd	Lincs	retail
NPS (Shoes) Ltd	Northants	Worker's manuf coop
Wheels to Work	Derb	Training
Outreach Community Transport	Northants	Transport
Litton Village Shop	Derb	Retail
Sherwood Energy Village	Notts	Community land trust
Moira Replan	Derby	Community Training
SEAGULL	Lincs	Recycling, environmental
Horncastle War Memorial building	Lincs	Community centre
Witham St Hughs Community centre	Lincs	Community centre
Clowne and District Community Transport	Derby/ Notts	Community Transport
Claypole Village Hall	Lincs	Community centre

**Non rural areas of East Midlands
(Estimated to be over 25,000)**

Derbyshire	Derby Bolsover Chesterfield Glossop
Nottinghamshire	Nottingham Arnold Beeston Carlton Eastwood Hucknall Kimberley Kirkby-in-Ashfield Mansfield Newark Retford Stapleford Sutton-in-Ashfield West Bridgford Worksop
Lincolnshire	Lincoln Boston Grantham Louth
Leicestershire	Leicester Loughborough Melton Mowbray Oakham
Northamptonshire	Northampton Daventry Corby Kettering Wellingborough

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