

SOCIAL ENTERPRISE AND URBAN REGENERATION: A MODEL FOR THE FUTURE?

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The UK is currently experiencing the longest and deepest recession since the 1920s. Against this backdrop, social enterprise is increasingly being seen by policy makers as playing an important role in boosting the local economy, as an alternative way of promoting economic development and contributing to regeneration. This paper examines the links between social enterprise and regeneration, and then explores these issues through a case study where social enterprise has been embedded within a regeneration strategy. The paper shows that there is real potential for social enterprise to play a role in future regeneration schemes, developing from the bottom up, in community-led initiatives. However, social enterprise is only one potential solution to the deep-seated challenges that underpin deprived neighbourhoods. These should be addressed through a wider holistic strategy to create more sustainable and socially just communities.

Keywords: social enterprise, regeneration, urban, UK.

INTRODUCTION

The past decade has seen a boom in regeneration in the UK, with significant investment in many of Britain's towns and cities (Imrie and Raco, 2003). Following a period of decline in the 1980s, many cities have seen considerable regeneration and renaissance of their centres, with economic growth driven by the finance and service industries, and investment in new retail developments, city centre housing and the public realm (Jones and Evans, 2008).

However, this revival has been built on a neo-liberal model that relies heavily on rising land values and easily available finance, both of which have been called into question by the current financial crisis and deepest global recession since the 1920s. The economic and social impact of the economic downturn has affected many areas (Vaitilingam, 2009). In particular, with the economy in the UK retracting during 2008–2009, and again in 2012, this double-dip recession has impacted on both the public and private sectors' ability and willingness to finance regeneration projects, either already in progress or in the pipeline (Parkinson et al.,

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2009). Many regeneration schemes underway nationally have been put on hold, or abandoned altogether, due to the lack of available finance and uncertainties about the future. Nevertheless, there are still many towns and cities in need of regeneration, and in the future, there will certainly be places that require investment, in the wake of the current downturn and its impact on investment levels in towns and cities, nationally (Centre for Cities, 2012; Glossop, 2009).

In the light of this crisis in regeneration, some researchers have been exploring the possibility that the current economic climate provides opportunities for an alternative model, based on more sustainable and socially-just principles, and ultimately, moving towards a more 'progressive' approach to regeneration. In this context, the concept of 'social enterprise' is increasingly being recognised by policy makers as having the potential to play an important role in the local economy (Office of the Third Sector, 2006). Notwithstanding the definitional debates surrounding the term which will be explored later, social enterprise can be seen, in the context of the recession, as providing opportunities for a 'better balance between economic efficiency, ecological sustainability and social equity' (Amin, 2009: 30).

This paper argues that the recession offers a real opportunity to review the ways in which regeneration is framed and delivered, offering possibilities for local level benefits to contribute to a virtuous circle addressing economic and social exclusion, through the mechanism of social enterprise. However, there are a number of barriers to achieving this goal, not least the neo-liberal policy focus, which has permeated urban policy rhetoric and practice over the last decade, coupled with the severe austerity measures that are being implemented throughout the public sector as a result of the banking crisis and subsequent economic recession. This paper argues that a progressive vision is possible for a more locally-focused and sustainable regeneration strategy involving social enterprise, but only given a refocusing of priorities down to a neighbourhood scale, together with appropriate support for social enterprise initiatives.

The paper is organised as follows. It will start by setting out the pre-recession regeneration model that has been in operation in the UK over the last decade or so, but which has now been thrown into question by the current economic crisis. The paper will, then, set out the definitional issues, followed by the policy context for the emergence of social enterprise in the UK, as well as internationally, and review the literature related to the links between social enterprise and regeneration. The paper will then turn to the case study, drawing on primary in-depth interviews and secondary evidence, taking an example where social enterprise has been embedded into the local regeneration strategy. The case reveals that there is real possibility for social enterprise to play a role in a progressive regeneration strategy, although only as one potential solution to the deep-seated challenges that underpin deprived neighbourhoods.

REGENERATION MODEL IN THE UK PRE-RECESSION

The model of regeneration in Britain has evolved considerably over the last 30 years. Traditionally, there has been a strong central state in Britain, particularly under the Thatcher Government in the 1980s, which sought to undermine the influence of local authorities through the imposition of Urban Development Corporations to deliver regeneration (Florio and Brownill, 2000). The Thatcherite model of regeneration was predicated on market-led processes which, while concentrating on physical regeneration, did little to address underlying issues of social inequalities that are prevalent in many deprived areas. This criticism was increasingly recognised, and over the 1990s, the involvement of non-state actors, such as voluntary organisations and local communities themselves, became a familiar feature of the regeneration landscape, in order to attempt to address the social aspects of regeneration.

However, when Labour took power in 1997, and coinciding with the promotion of 'rolled-out' neo-liberal values within urban policy (Brenner and Theodore, 2002; Peck and Tickell, 2002), this model of regeneration evolved further (CLG, 2009). Building on the inheritance from the Thatcher years, regeneration began to integrate the private sector development industry far more closely than before, bringing with it the principles of market-led high-density development and rapid capital growth and returns (Imrie and Raco, 2003). There are also issues over the actual definition of the term 'regeneration', as it has been applied recently, and whether, in fact, much of what was being labelled as 'regeneration' should more rightly be termed 'development', due to the minimal attention paid to 'social regeneration'. There have, therefore, been two strands to the approach to regeneration, one integrating local communities more closely into the process, the other increasingly relying on the private sector to finance and deliver regeneration schemes, models that have co-existed and brought underlying tensions.

What is interesting to explore in these times of recession, is how the model of regeneration might now evolve in the future (Carpenter, 2011). Considering different scenarios on a continuum, these could range from 'Business as Usual', to 'Business as Usual' with some recession-induced modifications, such as new financing tools and a greater focus on skills and partnerships, to a wholesale break with the past, abandoning the market-led model, in favour of a more progressive alternative, incorporating a stronger role for neighbourhood-based and community-led schemes. This could include a strong role for social enterprise in the regeneration of neighbourhoods, supporting local initiatives to build neighbourhood economies and provide services to local people.

This chimes with the rhetoric of the Coalition Government that took power in the UK in May 2010, fanfaring their 'Big Society' and 'localism' agendas, which aim to empower local people and organisations to strengthen society by encouraging more people to work together to run and manage services at a local

level (Cabinet Office, 2010: 8). The Coalition Government has specifically identified a role for social enterprise in providing health and social care tailored to local and individual needs, within the context of regeneration areas, as well as more broadly.

What this paper argues is that the economic recession could contribute to re-defining current conceptions of regeneration, with a stronger focus on locally-based initiatives that address economic, social and environmental issues. Within this, social enterprise can provide a key opportunity to help regenerate deprived neighbourhoods, but this opportunity is dependent on a number of factors, both internal and external, which could prevent social enterprises reaching their full potential in the future.

DEFINITION OF SOCIAL ENTERPRISE

The definition of social enterprise is contested territory. As the OECD noted in 1999, '*there is no universal, commonly-accepted definition of social enterprise*' (OECD, 1999: 9), particularly when taking an international perspective. A social enterprise can take a range of forms, including cooperatives, non-profit organisations and investor-owned firms subject to non-profit constraint. An international review of social enterprise for the UK government's Social Enterprise Unit explores the different definitions applied in a range of national contexts (GHK, 2006). It highlights the overlaps between the definitions of terms such as social enterprise, third sector, non profit sector and social economy, some of which are themselves ill defined and not necessarily transferable between contexts, given the variety of institutional and legal frameworks that exist in different countries (Kerlin, 2006; Defourny and Nyssens, 2008).

The OECD (2010) offers the following definition in its recent publication:

Any private activity conducted in the public interest that is organised with an entrepreneurial strategy and whose main purpose is not the maximisation of profits, but the attainment of certain economic and social goals. For example, a social enterprise can bring innovative solutions to problems such as social exclusion and unemployment through the production of goods and services. They come in a variety of legal forms. They often provide personal and welfare services, and training and integration into employment of persons excluded from the labour market (OECD, 2010: 223).

The European research network, EMES, which is concerned with the Third Sector in Europe, has set out four economic criteria and five social criteria against which to define an entity as a 'social enterprise', and which can provide a useful framework against which to differentiate definitions of social enterprise in various

contexts (*Figure 1*). Clearly, the relative importance of these different criteria will depend on the history of a country's political economy, and the respective roles of the public, private and third sector in the national context.

Figure 1

Economic and social criteria to define a "Social Enterprise", as set out by EMES

<p>Economic:</p> <ol style="list-style-type: none"> 1. A continuous activity producing goods and/or selling services 2. A high degree of autonomy (versus dependency) 3. A significant level of economic risk 4. A minimum number of paid workers. <p>Social:</p> <ol style="list-style-type: none"> 5. An initiative launched by a group of citizens 6. A decision-making power not based on capital ownership 7. A participatory nature, which involves the people affected by the activity 8. Limited profit distribution 9. An explicit aim to benefit the community.
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Source: Defourny, 2001.

The most common definition applied in the UK context comes from the Government's Office of the Third Sector in 2006 (now the Office for Civil Society), which defines social enterprise as:

A business with primarily social objectives whose surpluses are primarily reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners (Office of the Third Sector, 2006: 10).

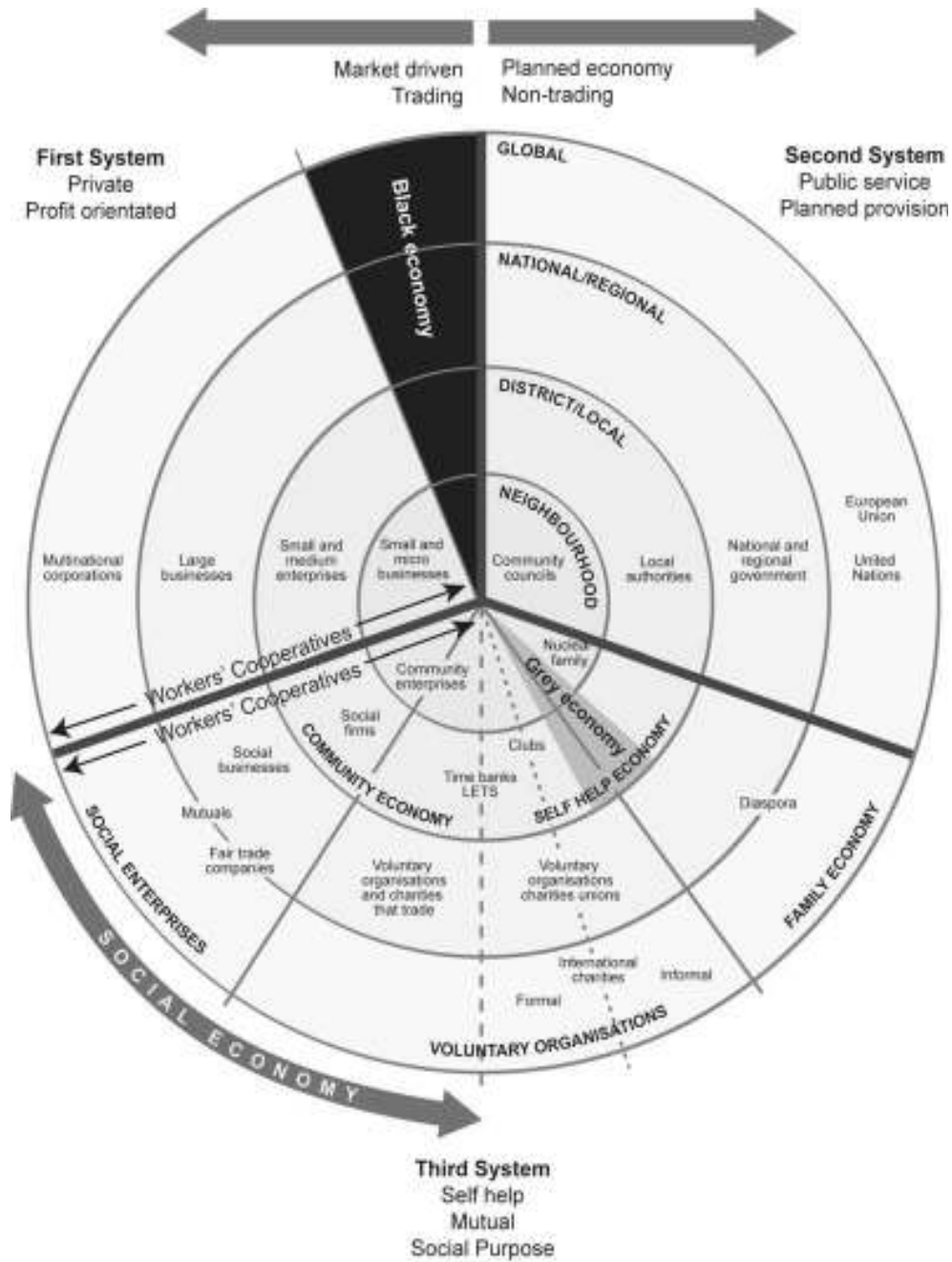
Applying the EMES framework to the UK, the common definition of social enterprise places limited emphasis on democratic control through decision-making power (criteria 6), and underplays both the participatory character (criteria 7) and the extent of citizen initiative (criteria 5) (GHK, 2006).

The complexity of applying the concept of social enterprise to different international contexts should not be underestimated. Social enterprises occupy an interesting space within the 'three systems of the economy' (Pearce, 2003), in between the state, citizens and the private sector, as illustrated in *Figure 2*. It is the potential that this space opens up for social enterprise that is interesting to explore and will be examined in greater detail in this paper, with the role that social enterprise can play in addressing issues of disadvantage and exclusion, in a neighbourhood context.

The paper now turns to the policy context for social enterprise in the UK and the potential links between social enterprise and regeneration, before looking in more detail at the selected case study.

Figure 2

Three Systems of the Economy (Source: Pearce 2003)



POLICY CONTEXT IN THE UK

Within the UK, the concept of *social enterprise* has attracted growing interest in policy circles, over the last decade. It has been increasingly claimed that social enterprise has an important role to play in the local economy and in economic development more generally. Following the election of the Labour government in 1997, the first policy document to focus on social enterprise appeared in 1999, which explored ways of generating enterprise in deprived communities (HM Treasury, 1999). The Social Enterprise Unit (SEnU) was subsequently established in 2001 in the Department for Trade and Industry, later moving to the Office of the Third Sector, and now in the Office for Civil Society in the Cabinet Office.

The SEnU produced the strategy document ‘Social Enterprise: A Strategy for Success’ in 2002 (Department for Trade and Industry, 2002), which sets out the three main drivers for social enterprise policy development in the UK (GHK, 2005):

1. *Economic development*, with social enterprise seen as one way of improving economic performance, by creating more enterprising communities and attracting people into business. There is also the potential to provide job opportunities either directly, or indirectly through training and work experience.

2. *Social cohesion*, with social enterprise having the potential to contribute to social cohesion through increased local participation and building social capital.

3. *Public service delivery*, with social enterprise seen as one response to improving the quality and efficiency of service delivery. It is claimed that services can be delivered by social enterprise in deprived areas that have been abandoned by the private sector, as they do not need to create a surplus for shareholders (HM Treasury, 1999).

However, it could be argued that it is the first of these three points which was the key driving force for Labour’s interest in social enterprise. In line with the neo-liberal focus of the government on a market-led economic agenda and the role of competitiveness, the core policy emphasis in the ‘Strategy for Success’ was the promotion of enterprise and entrepreneurship, with the concomitant economic benefits that this would achieve. This has led to the promotion of financial self sufficiency of the social enterprise sector, including encouragement to increase income through trading. This economic focus lies in contrast to the emphasis within other countries on the importance of social criteria, as defined within the EMES framework (*Figure 1*). Policy related to social enterprise in other countries, such as France, is framed around the benefits of “*a plurality of approach to services and of organisational structure, and the benefits to members of participation, as well as the services and outcomes provided*” (GHK, 2006). This inevitably results in a different policy emphasis, with the UK stressing the importance of economic sustainability, while other countries have focused more sharply on the social dimension.

The issue of the role of social enterprise in public service delivery, the third policy driver outlined above, has also received increasing attention, seen by some as a vehicle for the ‘privatisation’ of public services (Haugh and Kitson, 2007). It has been argued, in terms of service provision, that the neo-liberal approach that has

permeated policy discourse and practice over the last decade is encouraging new approaches to address social issues:

especially in the presence of the systematic retreat of governments from the provision of public goods in the face of new political ideologies that stress citizens' self-sufficiency and give primacy to market-driven models of welfare (Nicholls, 2006: 1).

Following publication of the strategy document in 2002, further initiatives were launched to encourage demand for, and supply of, social enterprises. The "Social Enterprise Action Plan: Scaling New Heights" (Office of the Third Sector, 2006) put forward a range of proposals to achieve this, such as funding for the Social Enterprise Coalition, which aims to raise the profile of social enterprise in the public, private and voluntary sectors.

In addition, in 2005 a new legal structure was created aimed at social enterprises, the 'Community Interest Company' (CIC):

a new type of company, designed for social enterprises, that want to use their profits and assets for the public good. CICs will be easy to set up, with all the flexibility and certainty of the company form, but with some special features to ensure they are working for the benefit of the community (CIC Regulator, 2005).

Six years after the CIC legislation came into force, over 4,500 companies had been created (HM Government, 2011a), and CICs clearly represent a useful legal framework within which to set up a social enterprise. However, CICs represent only a small fraction of the total estimated 61,800 social enterprises in England (an estimated average for 2005–2007). Together in 2005 (the most recent figures available), these social enterprises had a turnover of GBP 27 billion (33.4 billion euros), and contributed GBP 8.4 billion (10.4 billion euros) to the UK economy (Cabinet Office, 2009a). However, the scale of operation varies widely, from a handful of social enterprises that have an annual turnover of more than GBP 100 million (124 million euros), to a majority with an average turnover of around GBP 2 million (2.5 million euros) (Social Enterprise Coalition, 2010a).

Social enterprises also represent an increasing proportion of the workforce. In 2009, the then Minister responsible for social enterprise declared that 25,000 jobs would be created through social enterprise delivering public services (Cabinet Office, 2009b). However, achieving this figure depends on these being net additional jobs, rather than simply replacing employment in the public sector. Furthermore, there are high hopes for job creation in the social enterprise sector under the Coalition Government's 'Big Society' agenda, by diversifying the delivery of public services to social enterprises, charities, cooperatives and private companies (The Young Foundation, 2011). This is driven, on the one hand, by the Government's decentralization agenda, but also, by the need to find alternative means of delivering essential public services with reduced public sector funding, as

expressed in the Government's 'Open Public Services' White Paper (HM Government, 2011b). What is of interest here, is how and whether the 'value' of social enterprise, both economic and social, can be harnessed for the benefit of disadvantaged groups in regeneration areas.

LINKS BETWEEN SOCIAL ENTERPRISE AND REGENERATION

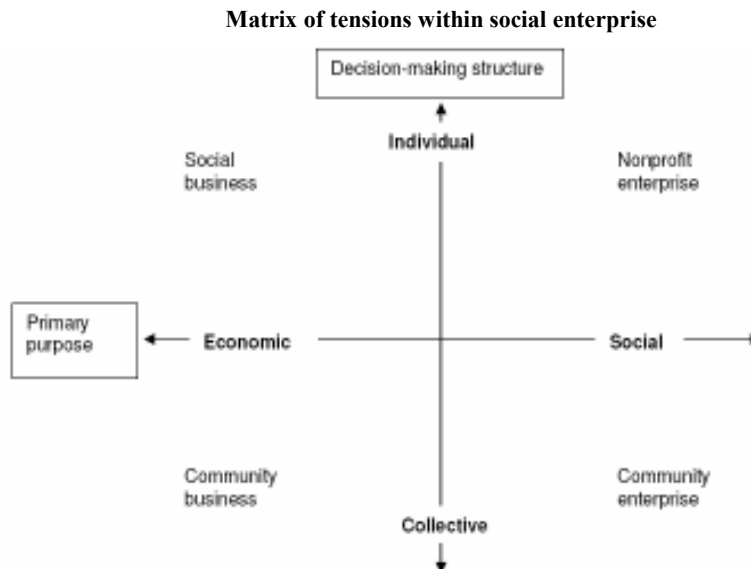
As outlined above, there is a strong voice in policy claiming that social enterprise has a significant role to play in regeneration neighbourhoods. This includes providing employment opportunities, delivering public services in sectors such as social care, childcare and recycling, developing un-used buildings and land to benefit the community, for example through managed workspace and business incubator units, and encouraging economic development through supporting innovation and an entrepreneurial culture (HM Treasury, 1999; DTI, 2002; Office of the Third Sector, 2006). Arguments of a 'win-win' situation are based on the potential for social enterprise to build social cohesion and social capital (Bertotti et al, 2011), to offer competitive advantage over other businesses, due to their degree of embeddedness in the community (Allen, 2005), and to contribute to the empowerment agenda, through local capacity building and the use of 'stakeholder' styles of governance, such as CICs.

One of the key institutional features of social enterprises is participation by different actors in ownership, coupled with multi-stakeholder governance (Borgaza and Tortia, 2009). As stakeholders are embedded at the local level in communities, networks and institutions, this often means social enterprises are well placed to meet local needs. Others argue that social enterprise with strong community involvement is key to addressing the problems of deprived neighbourhoods, with the potential to create routes out of poverty for those excluded from the labour market. Social enterprise is seen as offering a sustainable solution for local businesses in regeneration areas. For example, it has been suggested that the most effective projects under the Labour Government's New Deal for Communities regeneration programme subsequently turned to community enterprise as a model for their successor bodies (New Start, 2010).

While these policy claims appear robust, Blackburn and Ram (2006) suggest that policy makers have been over-optimistic about the ability of social enterprise to address the deep-seated challenges of urban deprivation. Given the multi-dimensional nature of social exclusion, they suggest that it is unrealistic to expect social enterprise to have significant impacts in addressing social and economic exclusion in regeneration areas. They also highlight the potential tensions between the competitiveness agenda versus the social exclusion agenda, suggesting that the goal of stimulating enterprise and competitiveness is at odds with the aim of building social cohesion and encouraging participation. Social enterprises often offer lower wages than alternative employment, sometimes involving underpaid and voluntary work (Borgaza and Tortia, 2009), which, while helping to make people without paid employment 'work-ready', will not necessarily address deep-

seated issues of disadvantage. The challenge for social enterprise is to bring these two aspects, the social and the economic, together.

Figure 3



Source: Adapted from Teasdale, 2009.

Teasdale (2009) identifies two primary tensions within social enterprise: firstly, the social versus the economic (or, as Arthur et al. (2005) put it, ‘people versus pounds’); and secondly, the individual versus the collective (as illustrated in *Figure 3*). In terms of the economic versus social, this debate is characterised, on the one hand, by arguments that social enterprise represents an extension of neo-liberal values into civil society, the permeation of a neo-liberal ethos into the local economy (Dart, 2004). On the other hand, it is characterised by those that see social enterprise as a means of searching for a more equitable way of organising society, offering possibilities for a more radical restructuring of the local economy along principles of social justice (Amin et al., 2002). In terms of the individual versus the collective, debates around this dichotomy focus on the replacement of democratic processes of management and collective action, with individual entrepreneurship and more hierarchical organisational structures more associated with the private sector (Smallbone and Lyon, 2005). In this paper, we are more concerned with the tensions between the competing objectives of economic viability and social cohesion, although issues of democratic processes and governance within social enterprise are also of interest.

It is worth noting that the local delivery of services has the potential to appeal to both the political left and right. On the one hand, it chimes with discourses related to cooperation, collaboration and Labour’s concept of “double devolution” that was promoted during the 2000s (Mulgan and Bury, 2006). On the other hand, it also fits well with the Coalition Government’s ‘Big Society’, decentralization and localism

agendas, which aims to make society stronger by bringing people together to make decisions, run local services, and build a resilient civil society (Cabinet Office, 2010). For example, one illustration of the potential for social enterprise to influence service delivery comes from the London Borough of Lambeth, where it has been suggested that services are reorganised as a cooperative, with a discount on local taxes ('Council Tax') offered in exchange for taking part in a local anti-graffiti patrol (Lainton, 2010). A further example relates to crime and anti-social behaviour in a deprived neighbourhood. A group of local residents set up a social enterprise, employing young people to work as community wardens who were regulated and managed by the police. While in the case of community support officers, the police act as fundholders, in this case of a social enterprise, it was local people who controlled the budget and made decisions about spending (Lainton, 2010). The inherent closeness to the community that comes with a social enterprise fits well with the concept of 'co-production', where services are designed and delivered with the active involvement of the local people who use them.

However, one of the key issues that has yet to be addressed fully in the literature is whether social enterprises significantly address exclusion by bringing together aspects of the economic and social agendas. Teasdale (2009) found that different forms of social enterprise impacted on exclusion in different ways. While his research showed there was potential for social enterprise to impact on levels of exclusion within the actual framework of the enterprise, more deep-seated societal exclusion was not addressed. Similarly, Blackburn and Ram (2006) suggest that social enterprise can have positive impacts on individuals on the edge of exclusion, but that it does not address the deep-rooted challenges of the most disadvantaged.

METHODOLOGY

The rest of the paper explores these issues in more depth through the case study approach, to examine whether the framework of social enterprise is an effective mechanism to address issues of exclusion within regeneration areas. The research questions focused on how social enterprises can contribute to regeneration objectives, what factors influence the success of social enterprises in a regeneration context, and what barriers social enterprises face. The research was based on the example of one particular social enterprise in Nottinghamshire, UK, selected as it was located within a wider Single Regeneration Budget (SRB) regeneration programme that ran over seven years (1999–2005), and combined social, economic and environmental objectives. The overall SRB programme involved GBP 33 million (40 million euros), and supported some 300 projects, including the case study presented here. While there are limitations to taking just one case study, rather than a range of different cases, the case study selected was quite typical of social enterprises in the UK, growing out of a charity, having CIC status and generating the majority of its income from training activities (Social Enterprise Coalition, 2010a). The case study, therefore, allowed for an initial exploration of the issues of a 'typical' social

enterprise, and can be seen as a pilot study for a wider project that could take in a broad range of social enterprises in different contexts.

The research was based around in-depth interviews with those associated with the social enterprise (e.g., a founder, a board member, an employee...), as well as wider commentary at the local government level. These interviews were complemented by information from secondary sources. The aim of the interviews was to explore the history and experience of embedding a social enterprise within a wider regeneration strategy, what the benefits and challenges of the social enterprise model were, and how this model could be developed in the future, to address challenges of urban regeneration, both during and post-recession. While there are clearly methodological challenges in assessing the contribution of social enterprise to tackling area deprivation, the case study aimed to highlight some of the key issues and lessons that can be learnt from the experience of developing social enterprise in the regeneration context, and to consider how these lessons could be applied in the future.

‘ESSENTIAL SOCIAL ENTERPRISE’

The case study was set in a market town in the county of Nottinghamshire, UK, and concerned a social enterprise that was set up, initially, to meet the needs of local young people. In 1995, a Youth Forum was established in the town, to bring the views of young people to the attention of the local authorities in the area. In 1997, the Youth Forum identified through local survey work that young people needed a place to gather in the early evening and at weekends, to obtain advice and support and to buy low priced food and drinks. Funding was secured in 2000 to open the ‘Essential Coffee Bar’¹, which was run as a registered charity, and which, subsequently, set up a trading subsidiary, Essential Social Enterprise, a CIC, aiming to provide support for excluded and marginalised young people. The *café* was based in an old railway gatekeeper’s cottage that was converted and extended to provide a meeting place and social space for young people. Initially, the project was 100% grant funded for two years through the Single Regeneration Budget, the National Lottery and English Partnerships, using a grant-funded charity model.

However, in 2002, with the prospect of funding running out, the project adopted a social enterprise model, diversifying to include an ‘alternative education’ programme for young offenders. This involved delivering a programme of training and work experience initially for eight young people, funded by the Youth Justice Board. As one interviewee reported: *it worked really well, it wasn’t rocket science, it was just treating them [the young offenders] with respect*. Due to its success, the programme expanded, with over 70 young people attending the programme a week, income which paid for the coffee bar, drop-in facilities, free internet access and a full time chef. The Coffee Bar itself had over 14,000 visits a year from around 800 young people from the local area.

¹ The name has been changed.

Although there was reported skepticism, initially, about the whole project from the local authority, one respondent reported *we went from being, "well this Coffee Bar isn't really going to work", to having a page on the Council's website saying "isn't this a brilliant project"*.

In 2005, the Essential brand expanded further, leasing the warehouse next to the *Coffee Bar* to form the Essential Scrap Store, with initial funding from the Single Regeneration Budget of GBP 70,000 (85,000 euros), matched with GBP 157,000 (190,000 euros) from other sources (SQW, 2007). This funded the refurbishment of the warehouse space into a social enterprise shop selling recycled materials, as well as the establishment of the 1st eCommerce Scrap Store in the UK. The shop provided an income stream for further education and training programmes for young offenders and NEETS (those Not in Education, Employment or Training). Moreover, through its focus on recycling, the social enterprise aimed to serve the triple bottom line, addressing environmental, social and economic issues.

In relation to governance, the *Essential Coffee Bar* was governed by a voluntary Board of Directors, with the day to day running delegated to the General Manager. Members of the board were drawn from the local community, mainly from the public and charitable sectors, and included three young people. These young people were elected from the *Coffee Bar* Council which was open to all young people attending the *Coffee Bar*. The Council met monthly and was responsible for decisions about the services and facilities that were needed. Thus, the project was actively involved in building capacity and empowerment among young people through their involvement in the *Coffee Bar's* governance structures. The CIC subsidiary (*Essential Social Enterprise*) had a separate board, appointed by the charity board, made up of individuals who largely came from the local business community. In terms of capacity building, therefore, the project had strong links with the local community and stakeholders through its governance structures.

In relation to regeneration, the *Coffee Bar* was situated in the target area of the town's riverside, and played a key part in helping to regenerate the area. The *café* managed to engage with a range of local people who have previously been excluded economically and socially, and helped to integrate them into the community. However, the experience of *Essential Social Enterprise* has not been without its challenges, particularly in striking a balance between the need to remain financially viable without dependence on grant income, coupled with the desire to serve social interests. It was felt that the Scrap Store had achieved a significant amount, socially and environmentally, but financially it had difficulty breaking even. As Peattie and Morley (2008: 29) note, *access to secure and sustainable funding [through traded income] remains a key determinant of social enterprise success*. While grant income is useful, indeed possibly essential at the start-up phase, for social enterprises to become sustainable, they need to generate enough income to become financially independent from grant-sources. As one respondent reported, *I've always thought social enterprise is about balance*, and the balance between the economic and social objectives of social enterprise seems to be crucial.

Balance is the underlying thing that I've learnt. When we set up the Scrap Store, we focused too heavily, at first, on the social side. We took on six young offenders, and spent a hell of a lot of time chasing them round, trying to get them interested in doing some work, supporting them, and business wasn't that great, people weren't buying the products. And we were too heavily staffed with youth workers supporting the young people, rather than what we needed, which were people that understood retail. And that was a real lesson. We stripped out, made a lot of redundancies, and then bought in retail people, and it became more of a business. So that is one of the big lessons, keeping that balance (Respondent from Essential Scrap Store).

This draws out well the tensions that social enterprises face, on the one hand aiming to fulfill their social objectives, while at the same time, remaining financially viable. It also underlines the difficulties experienced by a social enterprise in tackling deep-seated issues of social exclusion, when economic realities mean that the social objectives may have to be compromised.

In terms of lessons for regeneration, this was the first key-finding that came out of the case study. The need to balance the economic and social aspects of social enterprise can, at times, compromise the underlying ethos of the concept. A social enterprise can be faced with an uncomfortable trade-off between economic and social objectives, such as having to make people redundant in order to ensure that the business is financially viable.

Secondly, the case study showed that there is the need for a champion who will strive for the success of the business in a regeneration area, as one respondent put it: *'the vision of a social entrepreneur'*. As with all businesses, it often takes a particular individual or group of individuals to drive a company forward, act as its motor, and in the case of social enterprise, someone driven by the social purpose behind their business, and committed to the social ideals in a context of area deprivation. As one key informant, the former Chief Executive of Essential Social Enterprise said:

'I remember at the time, people in the private sector were saying to me, "Why are you doing this? Because you don't own the business, why are you taking all the risk and having sleepless nights, and you don't make anything?" It's really hard to sell the fact that you get something massively social from it. You get to get out of bed in the morning and think about changing the world, which was a very difficult thing to communicate in 2002' (Respondent, former CE of Essential Social Enterprise).

It is interesting to consider how far this is still 'difficult to communicate' in 2013, or alternatively, with increasing concern about sustainable urban development, urban inequalities and the effects of the economic crisis and global recession, whether the prospect of 'changing the world' appeals more to potential social entrepreneurs than a decade ago.

Thirdly, the case study demonstrated the importance of having a strong voluntary or community sector to support the social enterprise, and provide a peer group support network. As one respondent stated: *'it's about networks and partnership, you can't do it on your own'*. Respondents cited the importance of informal networks in exchanging information and advice on running a social enterprise. Essential Coffee Bar worked closely with many local organisations, including social services, schools, the Learning and Skills Council, the Youth Offending Team, a homelessness advice service and drugs outreach workers, and drew on this network of contacts to develop training programmes that responded to local needs.

In many cases, the strength of the links with the community can help to keep social enterprise trading. In particular, a local authority commented that delivering community training by social enterprises can be particularly successful, due to their local contacts with the voluntary and community sectors, adding value through their facility for identifying local needs. However, as one informant noted, it is often the case that in deprived areas, community capacity can be reduced as people focus on their day to day needs, rather than building strong community networks. These findings support Amin et al's work (2002), which suggests that 'successful' social enterprises are often the result of place-specific non-transferable factors, such as an active local civic culture, a supportive local authority and the presence of key individuals to act as 'animateurs'. Although these factors are not necessarily present in regeneration areas, when they are present, the possibilities for social enterprise open up.

In relation to the recession, there appears to be conflicting evidence on the impact on social enterprise in general. The first State of Social Enterprise Survey 2009, commissioned by the Social Enterprise Coalition (2010a) showed that more than half of social enterprises (56%) have proved themselves to be 'recession-proof', by increasing annual turnover since the start of the economic downturn (compared to 20% who have seen turnover drop). This compares with 27% of SMEs more generally increasing turnover and 43% decreasing.

Recent research on the impact of the recession on regeneration has found that the recession is actually offering opportunities to think more strategically, and in alternative directions about the future of the local economy and neighbourhood regeneration (Carpenter, 2011). In the context of social enterprise, it can provide the opportunity to think about alternative economies, the role of credit unions, LETS (local exchange trading systems) – so called 'alternative economic spaces', and the role that social enterprise can play in helping to meet local needs within communities. There certainly appears to be potential for social enterprise in a recession, through creating sustainable employment, but these opportunities need to increase in scale and importance, to have a significant and lasting impact on local economies.

Moreover, one of the research informants also commented that for the first time, he had noticed a different attitude amongst other social entrepreneurs at the Social Enterprise National Conference.

'There was an interesting change in mood and voice at the National Conference this year. It was a lot more competition and I think that's going to be a fact going

forward, post recession. But up until now, there's not been enough social enterprises to really compete with each other. It was all a lot more relaxed and people supporting each other. Actually this year, someone asked in the plenary, "Where's the next big pot of money going to come from?" and the answer was, "If I knew, I wouldn't tell you". And that's a big change in the mood of social enterprise. And that's probably what's going to happen, it's going to be very business like, very competitive, certainly as it gets tougher and tougher ... it could get quite cut throat' (Respondent, Social Enterprise 'Ambassador').

So while social enterprise has the potential to offer up alternative economic spaces within a more localised regeneration framework, the reality of the recession and competition for scarce resources could pit social enterprises against each other, and militate against the possibilities for a more progressive approach to regeneration.

In summary, the experience of Essential Social Enterprise shows that territorially embedded businesses that respond to local needs can certainly have positive impacts on the local communities that they serve within a regeneration context. While the Essential Coffee Bar does not claim to have solved the deep-seated challenges of deprivation and exclusion that local communities face, it has contributed to addressing issues of social exclusion for individuals in the neighbourhood through meeting the needs of the local population. Firstly, in terms of employment, by creating jobs and training opportunities for disadvantaged people; secondly by supporting community cohesion through processes of local empowerment and raising aspirations; and thirdly, by providing services through the café, through which local people can benefit. However, whether this kind of project can be scaled up to tackle exclusion on a wider basis is hard to assess (Lyon and Fernandez, 2012), particularly given the uncertain financial times on the horizon. Addressing the deeply embedded structural challenges that underpin exclusion will require a more fundamental shift in society, around notions of economic equality, social justice and the right to the city (Harvey, 2008).

CONCLUSIONS

It is clear that challenging times lie ahead for the regeneration of towns and cities, primarily due to the lack of funds, but also due to the depletion of skills and capacity within the regeneration sector, once the recovery does set in. The current crisis facing regeneration in the recession suggests the need for a shift in the approach to regeneration. Continuing with the 'Business as Usual' model developed over the last 10 years is no longer feasible in the current economic circumstances (Social Enterprise Coalition, 2010b). As Ward (2009: 176) comments, '*our model of how to increase housing supply, and how to regenerate communities, is no longer fit for purpose*'. In terms of financing, the model that has relied on solely market-led, property-based regeneration is unlikely to be applied again in the near future. However, given the current austerity cuts in public finances, there are questions over whether the public sector can fill the funding gap.

While some argue that the current economic crisis signals the end of neo-liberal urban policy (eg., Lovering, 2009), it is hard to imagine a shift in mindset at the political level which rejects the importance of neo-liberal values and economic growth, in the long term. Yet, the recession offers the opportunity for a renegotiation of state-economy boundaries, with a new paradigm for urban policy which takes a longer term view of regeneration, rather than using it for short term financial and political gain. It also provides the potential for rethinking the possibilities of bottom-up regeneration, with opportunities for a greater role for community-led regeneration, including social enterprise.

It has been suggested that the future success of urban economies lies in encouraging a wide mix of economic activity, including micro businesses and social enterprise (New Start, 2010). A future model for regeneration post-recession, therefore, might involve a greater partnership between the public, private and third sectors, with a renegotiation of the boundaries between them, and a stronger role for locally based initiatives such as social enterprises to contribute to the growth of the local economy, as well as addressing social exclusion.

However, this paper has highlighted a number of challenges that are faced by the social enterprise sector in addressing exclusion in a regeneration context. Firstly, although social enterprises offer opportunities in regeneration areas, and can make some contribution to tackling deprivation, they need to be built into an overall strategy for the whole neighbourhood. A 'joined-up' approach with a range of stakeholders involved in developing training programmes, as was the case with the *Essential Coffee Bar*, can address the multiple levels of deprivation that exist in regeneration areas. Such areas face structural, as well as individual issues, and a wider strategy needs to include other comprehensive measures to address worklessness, social exclusion, youth disaffection and physical decline, as well as issues related to education and connectivity. Social enterprise offers just one dimension to the multifaceted challenges of neighbourhood deprivation.

Secondly, as Hart and Haughton (2007) found, the actual community benefits of social enterprises are poorly researched, with just an anecdotal evidence base to support the commonly perceived view of social enterprise as a 'win-win' situation. There is a need for more robust evidence on the impact that social enterprises can have in deprived areas. The case study analysed here found that the social enterprise had positive impacts locally, but certainly, further research is needed to understand more fully the community benefit of social enterprise, including addressing the methodological challenges of measuring the contribution of social enterprise to areas such as building social capital, and promoting collective action and civic commitment. This could include an analysis of whether tools such as Social Return on Investment (SROI) are appropriate to assess the added value of social enterprise to regeneration schemes.

While this paper supports Blackburn and Ram's (2006) arguments for the need to avoid over-inflated claims around social enterprise, we argue here that the sector can offer real possibilities to contribute to the regeneration of deprived areas. Notwithstanding the long term dominance of the neo-liberal agenda, the recession

offers the opportunity to review ways in which regeneration is delivered, and a chance to think more strategically about a sustainable future. The current economic crisis could encourage new ways of thinking and working, with more locally-focused solutions to tackle inequality and urban deprivation. Social enterprise could be firmly part of this agenda as a means of enabling community action and control, on the one hand, through neighbourhood-based business initiatives to meet local needs, and on the other hand, through local procurement processes to support local social enterprise. In the words of the Sustainable Development Commission (2010): *'The Future is Local'*. What is needed is a refocusing of priorities down to the neighbourhood level, coupled with appropriate support at the political level, to facilitate the involvement of social enterprise in a more sustainable and socially-just model of regeneration.

Afterword

Soon after the case study was carried out, the Essential Scrap Store went into administration. Given the timing, this episode hasn't been included in the case study analysis, but underlines the challenge of achieving a balance between the economic and social objectives of a social enterprise. While the policy lessons presented here are still relevant, the demise of the Essential Scrap Store illustrates the vulnerability of social enterprise in a harsh economic climate, and highlights the need for mechanisms to support such businesses through challenging times, so they can fulfill their economic, social and environmental objectives.

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Marea Britanie trece, în momentul de față, prin cea mai lungă și mai adâncă recesiune, din 1920 încoace. Împotriva acestei „căderi”, întreprinderea socială este văzută de către decidenți, din ce în ce mai mult, ca jucând un rol important în impulsivarea economiei locale, ca un mod alternativ în a promova dezvoltarea economică și a contribui la regenerare. Această lucrare analizează legătura dintre întreprinderea socială și regenerare, apoi explorează aceste chestiuni printr-un studiu de caz în care întreprinderea socială a fost implicată, cuprinsă, în cadrul unei strategii de regenerare. Lucrarea arată că există un potențial real pentru întreprinderea socială de a juca un rol în viitoarele scheme de regenerare, dezvoltate de jos în sus, în inițiative conduse la nivel de comunitate. Totuși, întreprinderea socială este doar una dintre soluțiile potențiale pentru provocările profunde ce caracterizează vecinătățile, zonele deprivare. Acestea ar trebui abordate printr-o strategie mai largă, de tip holist, pentru a crea comunități mai rezistente și mai juste din punct de vedere social.

Cuvinte-cheie: întreprindere socială, regenerare, urban, Marea Britanie.

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