

Getting a leg up

Richard Stirling sees how start-ups will shape the economy in the next 20 years

Towns and cities have been transformed completely over the past 15 years. Sheffield and Leeds are almost unrecognisable, and plans are under way to breathe life into commercial centres across the region. But beyond smart buildings and quirky uses of public space, some business leaders feel that regeneration schemes have neglected to take local people into account.

Yorkshire is halfway through a £130m Local Enterprise Growth Initiative (LEGI) – a scheme to stimulate entrepreneurship in five deprived parts of the region. Simon Brereton, programme manager at Leeds scheme Sharing the Success, says it will help people who are excluded from the traditional economic model. “We’re talking about some of the most difficult parts of the region to work in,” he says. “The underpinning thing that has been tried over the past 20 years has failed; trickle-down economics don’t work.”

Although Leeds has attracted investment from the financial services sector, Brereton says that within two miles of the city centre there are 46,000 people in the bottom 3 per cent of the nation’s wealth.

“We’ve got to look at the city as a whole,” he says, “to engage with communities and businesses that are already there and get people to come to parts of the city they wouldn’t normally come to by themselves.”

For people like Brereton, starting a business gives people a sense of ownership in the local economy and a way out of poverty. However, he says, traditional means of funding have denied those people the support they need.

“Despite all the work that has been done by Business Link, there has not been the take-up in parts of Leeds and there is a low level of business ownership in these communities,” he says.

LEGI is a government-funded scheme to develop enterprise and create jobs in deprived parts of the country. It is delivered in Leeds by Sharing the Success; in Bradford by Kickstart; Wakefield’s first scheme; Sheffield’s BIG programme; Success Doncaster; and the e-Factor of North East Lincolnshire.

People who are starting their own companies are offered support and existing businesses are given help to develop via mentoring, education and business support.

Deloitte project manager David Mason says the scheme gives larger companies a chance to get closer to local communities. “Large-scale companies are getting involved as well as individuals who have retired but want to give something back,” he says.

Companies wanting to get involved in the LEGI scheme will pledge their skills or services for a certain amount of time each month. Organisations can use this to their advantage as it counts towards their corporate social responsibility. The Primary Care Trust uses the scheme’s mentoring as a means of management development, while Lloyds Bank gives start-ups formal banking advice.

“Some companies are using it to promote their own business,” says Mason. “Professional services companies might donate their time to start-ups now and then get business from them in a year’s time.”

Mason says a health and safety specialist talked a company through health and safety policy and developed an action plan for it. “It may well be that the company goes back to them for advice after it has become more established,” he says. “We’re finding that a lot of companies are continuing their relationships with mentors, and mentors don’t want to lose touch with them.”

Much of the work takes the form of one-to-one mentoring, either by telephone or face to face. Deloitte ran a session on why companies should become VAT-listed and used a sole trader who had been through the process to talk small businesses through the positives and negatives.

Brereton expects a sharp rise in new businesses in the next 20 years. “The time might be right for start-ups, with many skilled people leaving large companies to go it alone,” he says. “It’s about confidence, motivation and having the right support and advice. Graduates get fantastic support and we want to give that to people from deprived areas.”

Brereton says LEGI must leave a lasting legacy beyond its four-year funding to achieve any measure of success: “It’s not simple what we’re trying to do. It’s not going to work in three years, it’s a generational change.”



WAKEFIELD BACKS FOODMENTALISTS

Stevan Taylor (pictured) used Wakefield’s first scheme to set up his own catering business. He used the resources available through the LEGI scheme to establish Foodmentalists, a company producing natural alternatives to ready meals. “For a long time I have been dreaming of starting my own business and the grant allowed me to do that,” Taylor says. “The advice and support I received from First Wakefield was excellent and I would recommend the scheme to other new businesses.”

The time is right

Prepare properly and now could be a good time to start a new venture. **Stuart Wilkin** reports

In the thick of the last recession Häagen-Dazs did pretty well. Commercial instinct often tells us that when cash is tight consumers tend to forego luxury purchases. But in 1991 someone at the New York ice cream producer realised that people need to satisfy their emotional needs when they're



YOUNG Plan before spending windfalls

feeling a little glum. And how better to put a smile on your face than by scoffing a dollop of rum and raisin?

There's always room in the market for someone who can offer value for money. And one of the positive aspects of a downturn is the number of new businesses that emerge, often with first-time entrepreneurs who bring new ideas and energy. There are opportunities for individuals who feel it's time to take a new direction, and many of those who have nurtured a plan now find they have the time to act and the redundancy package to finance their idea.

Simon Young, director at Montpelier Chartered Accountants, advises prospective clients to plan carefully before investing a windfall, saying: "It's important that entrepreneurial drive is carefully balanced with a bit of caution as there are hurdles in the early days that can seriously damage the company's chance of success.

"There are many questions that should be asked about the nature and size of the venture, the market opportunity and any

projections in mind. You also need to think seriously about how much money you will need to support yourself and any dependants during the start-up phase."

There is a tendency for people to float business ideas with friends. Ultimately you need to find experience and advice from the professional community, but this shouldn't be done by wading through the phone book.

"You should get solid recommendations about who to take advice from; from people you know and respect," says Young.

"A professional will be able to advise on the correct trading entity for the business, and if there is more than one party involved it's important to agree some rules early on. A simple shareholders' agreement is important and acts almost like a pre-nuptial."

Natalie Saunders, head of the employment law unit at Berwins in Harrogate, finds that new business owners often underestimate their legal responsibilities, particularly if they are becoming employers. The requirement for an employment contract is triggered as soon as someone has worked for you for a month

Bravura

Katrina Bagshaw, 27, has quickly expanded her network to enable her business to flourish. When her employers asked her to relocate to London two years ago Bagshaw decided to stay put and set up marketing company Bravura in Sheffield.

In its first year of trading Bravura achieved a turnover of more than £125,000 and has a list of clients that includes music group EMI, health clubs chain Esporta and St Johns Ambulance, which is seeking to raise its profile. Bagshaw says: "When I opened Bravura I didn't have any clients or a network, so I felt that my starting point was to generate some cash into the business. I looked at my competitors to try and establish some contacts in the sector and went to a lot of networking events."

As her business started to take shape, Bagshaw relied on the business community for advice. She attended the Met Club network meetings and found that was a strong source of support. She says: "There are some good people in the corporate world who are always willing to help new entrants, so I have concentrated on building relationships."

Bagshaw met her accountant, Simon Gray of Leeds firm Henton and Co, at the Met Club. She says: "A proactive accountant who you don't have to chase is invaluable. I'm not afraid to ask for help. You need to understand your own business but you can't be expected to know everything about legislation and tax."

Bagshaw wasn't fazed by the thought of starting her business just as the economic downturn started. "I haven't experienced a recession before but I quickly learnt how to manage my cash and cover my overheads," she says. "Business isn't for everyone. You can always find reasons not to do it and a recession might be one. But people are still buying and companies are still growing."

BRAVE Katrina Bagshaw





FOUNDERS (l-r) Duncan Senior, Carl Smith, David Watson and Robin Beagley

WSB Property Consultants

Careful planning and good advice gave Leeds WSB Property Consultants a smooth start. The company was launched in May 2009 by directors David Watson, Carl Smith, Duncan Senior and Robin Beagley, who had all resigned from director roles with national surveying firms in Leeds.

The downturn prompted the directors to capitalise on the period of uncertainty in the larger commercial practices. Beagley says: "I've always admired people who have successfully set up and run their own business. "Despite the recession, we saw no better time to establish a new property consultancy than at the bottom of the market. We are taking a long-term view."

The directors spent six months refining their business plan, developing a marketing strategy and undertaking financial planning before resigning from their posts. Beagley says: "A credible professional service business doesn't start overnight. The decision to set up WSB was huge, and forward planning every element of the business is fundamental to our success."

WSB's founders explored every avenue to find all the advice available to help them prepare. "We had discussions at a very early stage with our accountant, who proved to be useful in advising on the legal structures that were possible for a new business," says Beagley. "We spoke with our professional body, the Royal Institution of Chartered Surveyors, to ensure our business was compliant with its regulatory requirements. But above all we found the support and advice from family and friends, particularly those who have experience of running a business, even in totally unrelated fields, was invaluable."

"Speak to business people who know what it's like. They can help you avoid the mistakes they made."

Jo Clarkson

and you need to be prepared. "Don't do anything before you have taken advice," says Saunders. "There are a lot of pitfalls that could hinder you while you are developing your core business. And businesses that have been open for less than 12 months need to be aware of the issues."

A former client of Berwins made a member of staff redundant and only contacted his advisers after he was ordered at tribunal to pay more than £24,000 to the former employee because he got the process wrong. Saunders says: "At that stage there was nothing we could do for him, but a quick phone call costing £100 would have saved him £24,000."

Generic help for start-ups is available from Business Link and ACAS. And the region is home to several public and private sector funding bodies that support emerging businesses. The South Yorkshire Investment Fund (SYIF) offers investment packages predominantly in the manufacturing and service sectors. SYIF has set up the Seedcorn Fund, which specialises in investing in pre-revenue technology and knowledge-based enterprises. Finance provided can start as low as £50,000 and access to more than £1m is common for successful portfolio companies.

SYIF chief executive Tony Gouldbourn says: "The Seedcorn Fund fills a big gap in the financing market, targeting companies that may be seen as too high risk for

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mainstream investors, but where the potential financial return justifies the risk. It offers a secure future for innovation in the region."

SYIF's Small Business Fund team can provide early stage businesses with loans of between £15,000 and £50,000 where the business shows that it can meet the monthly loan repayments from the outset. The loans are typically unsecured and repayable over one to five years.

"SYIF is committed to supporting business growth for companies that pay business rates in South Yorkshire or are prepared to move into the region," says Gouldbourn.

Jo Clarkson, operations director of business coaching organisation The Alternative Board, advises owners of new businesses who have secured funding to



CLARKSON Spend cash wisely

spend wisely. "Cash is king, particularly when funding is scarce," she says. "Don't spend your money on anything that won't directly contribute to the success of your business. No one expects a new business to be profitable in the first two years but whatever you do, don't run out of cash."

A downturn often gives new entrants cost advantages over established competitors that may be tied in to deals at 2007 prices. So take advantage of the deals on offer now.

Clarkson advises businesses to prepare in good time, saying: "Have a robust plan and prioritise what you need to do for aspects of your business that are critical for success. And expect it to take twice as long as you thought to get really motoring."

"Speak to business people who know what it's like. They can help you avoid the mistakes they made along the way. History shows that lots of great businesses started in a recession. Get it right and yours could be one of them."

Q&A

Matthew Smith, associate at Dickinson Dees, answers your question on starting up a business.

Q What help is available to companies in the region wanting to get over the first hurdle of start up costs?

A There are a number of funds available that can offer help to start ups depending on their location and their idea. The South Yorkshire Investment Fund, for instance, can provide loans from as little as £15,000 and Seedcorn finance of up to £500,000 to businesses based in South Yorkshire. The Partnership Investment Fund is able to offer loans again of as little as £15,000 to small and medium sized businesses within certain parts of Yorkshire and the Humber (depending on the economic status of that particular area). When establishing a start up business, it can pay to look carefully in terms of what benefits you may get from your location.

On a more specialised level, the Yorkshire Concept: Proof of Commercial Concept Fund 2007-2010 and the White Rose Fund seek to capitalise on the knowledge gained and ideas developed in the region's universities by funding start ups and spin out companies emerging from universities. Similarly, the Viking Fund aims to help early stage technology companies grow by offering them unsecured loans alongside other forms of investment (for instance by Business Angels).

High street banks may also be able to help. The Enterprise Finance Guarantee scheme offers loans of between £1,000 and £1,000,000 and in exchange for payment of a small premium (currently 2% of the outstanding balance) 75% of the loan is guaranteed by the Government. This gives banks the ability to lend to businesses that would otherwise not be able to give them adequate security (a common problem for start ups). As an alternative, the Small Loans for Business scheme organised through Business Link offers businesses unable to access finance



MATTHEW SMITH

through the banking system the ability to borrow up to £50,000.

Depending on the area of business you are in, there are also a large number of organisations which may be able to offer you a grant to develop your idea. The eligibility criteria for these can be strict and some will only be available if you are "pre" start up – in other words you have an idea but are yet to commence business. If you wish to obtain grant funding therefore, you need to consider this at a very early stage.

You should also not discount the possibility of obtaining equity funding to grow your business. "Business Angels" can offer both capital and added value in terms of experience to an idea and within the region the Yorkshire Association of Business Angels is particularly active.

Excellent resources that explore the options available in more detail include the websites of Yorkshire Forward and Business Link.

The information contained above is not intended to be a complete statement of the law applying to the subjects referred to. Professional advice should always be taken on the application of the law in any particular case.

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