

WRITTEN EVIDENCE FOR THE ENTERPRISE AND BUSINESS COMMITTEE - THE ROLE OF SOCIAL ENTERPRISES IN THE WELSH ECONOMY

Introduction

I would like to thank the Enterprise and Business Committee for its invitation to provide evidence on matters concerning social enterprises and to provide an update on the implementation of the recommendations accepted by the Welsh Government in your report on the 'Role of Social Enterprises in the Welsh Economy'

Recommendation 1

We recommend that the Welsh Assembly Government encourage the Welsh Social Enterprise Coalition to strategically identify areas of Wales where social enterprise could play an important role in local communities.

Original Response: Accept

Update – June 2012

The Welsh Social Enterprise Coalition (WSEC) has undertaken activities to build the social enterprise evidence base in Wales and part of this work includes identifying future growth areas for social enterprise development. The WSEC has identified social enterprise pathfinders in areas across Wales and is working with them to scope out future areas for expansion.

The WSEC has also conducted a series of focus groups across Wales with the primary aim of understanding and communicating the views and needs of grassroots organisations to policymakers. The focus groups also serve to build up a national picture of social enterprise activity in Wales and have complemented previous work on strategically identifying both geographic areas and industry areas for growth (identifying gaps - health & social services, high-tech, etc). The WSEC intends to publish a report on the findings of its focus groups in July 2012.

The Welsh Government has set out its plans to establish a Welsh Co-operative and Mutual Commission. The purpose of a Commission will be to examine how the co-operative and mutual business sector in Wales could be grown in order to create jobs and wealth in support of the Welsh Government's aims and ambitions for the Welsh economy.

Recommendation 2

We recommend that the Welsh Assembly Government should do more to create the environment that allows the identification, development and on-going support of individuals who could fulfil the role of social entrepreneurs.

Original Response: Accept

Update – June 2012

In August 2011, the BETS Minister formed the Micro-Business Task and Finish group to advise on the future provision of business support services to micro-businesses across Wales. The Micro-Business Report was published in January 2012 highlighting the following priority areas:

- Awareness and Access of business support services for micro-business
- Access to Finance
- Mentoring and Coaching
- Public Sector Procurement
- Regulatory Burden

Recommendations that fall under the portfolio of the BETS Minister for each of the priority areas were accepted in February 2012.

One of the recommendations made under the 'Awareness and Access of business support services' is for the Welsh Government to develop a network of One Stop Shops to receive direct / indirect support across Wales. The One Stop Shop service will include the provision of information, support and advice which will include a Mentoring scheme which will be accessible for all businesses including social enterprises. The One Stop Shop service will work with existing providers of business support services to promote access and awareness to the whole range of support available from the public, private and third sector. The One Stop Shop service will make provision for supporting social enterprises where that support does not already exist. If the support is already available, close working links will be established to ensure the social enterprises are referred to the most appropriate provision for their needs.

Social entrepreneurship is implicit in the Youth Entrepreneurship Strategy Action Plan 2010-15. 79% of Welsh Further Education and Higher Education Institutions engage students in activities that highlight social entrepreneurship.

Careers Wales has prepared enterprise packages which are available to schools along with training for teachers and other school staff to deliver them. Employer support for such packages along with training for the employer representatives has also been arranged. However, due to the budget downturn Careers Wales direct delivery of such packages has been withdrawn or will be winding down by the end of this academic year.

The Welsh Government's Business Start-Up Service and the Wales Co-operative Social Enterprise project provides support for individuals who wish to set up social enterprises. The Business Start-Up Service includes engagement with individuals to promote entrepreneurship and offers tailored business start up support to individuals from pre start stage through to the establishment of their business, this includes social enterprises.

A network of Business Entrepreneurship Champions has been recruited to promote entrepreneurship and to provide guidance on BETS business support policies and services which includes social enterprises.

Recommendation 3

We recommend that Ministers should define levels of activity and outcomes they intend social enterprises and social entrepreneurs to fulfil and deliver in future including the development of detailed actions for realising their potential and the setting of benchmarks for measuring and monitoring the effectiveness of their contribution to the economy.

Original Response: Reject

Update - June 2012 - This position remains the same. The setting of artificial targets is not the right approach. For example, net targets to increase the number of social enterprises may not be as useful as investment targets for individual organisations e.g. number of jobs created. The current social enterprise mapping report does show the effectiveness of the social enterprise contribution to the Welsh Economy. However, an artificial ‘target’ for that contribution would not be a useful tool for promoting social enterprise activity in Wales.

Recommendation 4

We recommend that given that social enterprise has been identified in the Welsh Assembly Government’s scoping study as a “way of doing business” and that the contribution of the sector has been recognised in the Government’s Economic Renewal Programme

Welsh Ministers should shift the policy and accountability focus of social enterprise at Cabinet level to the economic development portfolio and also locate a unique social enterprise unit within the Department for the Economy and Transport.

Original Response: Reject

Update - June 2012

Following the election in May 2011, there was a Portfolio change to ‘Social Enterprise and the Social Economy’ from Social Justice to Business Enterprise, Technology and Science which reaffirms the emphasis on social enterprises and co-operatives as businesses. A dedicated social enterprise team now sits within the Entrepreneurship & Business Information team within Business, Enterprise, Technology and Science.

Recommendation 5

We recommend that the potential of social enterprise should not be viewed as a means of mopping up services that need to be delivered more cheaply but as a way of developing new innovative and more effective methods of delivery.

Original Response: Accept

Update - June 2012

The third sector continue to be involved in improving the effectiveness and efficiency of public services, through membership of the Public Service Leadership Group (PSLG), which is now leading the public service reform work. Third sector partners are also participating with the PSLG's national programmes of work, in particular through the Effective Services for Vulnerable Groups Programme, where they are leading the Citizen Directed Support project.

The role of the Welsh Co-operative and Mutuals Commission will be to make recommendations for growing and developing the co-operative and mutual economy in Wales in order to create jobs and wealth in support of the Welsh Government's aims and ambitions. The Commission will report its findings in late 2012 / early 2013. 2012 is the International Year of Co-operation.

Recommendation 6

We recommend that the Welsh Assembly Government ensure that Government departments, local authorities and community organisations are all clear on how asset transfers can be implemented.

Original Response: Accept

Update - June 2012

The Minister for Local Government and Communities has agreed that the Third Sector Partnership Council should develop a work stream that looked at the appropriateness of the Land protocol and access to the property database on which the protocol is based. As part of the activity of this work stream Bridgend Association of voluntary organisations has been identified as the first formal pilot for data capture to test in a live environment the use of the property database and Merthyr has agreed to be the second pilot. The Development Trust Association for Wales (DTAW) will shortly be invited to assess the efficacy of the use of the land transfer protocol for the sector organisations.

The Community Asset Transfer (CAT) Fund is a partnership between the Welsh Government and BIG Lottery and aims to empower communities by facilitating the transfer of public sector assets, such as land and buildings to third sector organisations. Working together to jointly fund the CAT programme, the Welsh Government and the BIG Lottery has developed a £13 million fund that makes capital funds of up to £500k and revenue funds of up to £300k available to organisations seeking to transfer and develop assets for community benefit.

To date, CAT has awarded funding of £7.5 million to ten projects. Round 1 (the Fast Track) supported five projects worth £3.699 million and Round 2 a further five projects worth £3.825 million. Round 3 applications will be considered by the CAT Committee are being considered in June.

Recommendation 7

We recommend that the Welsh Assembly Government commission research on the socio economic impact of social enterprise in delivering public services, including feedback both from staff within those organisations and from clients receiving the services.

Original Response: Accept

Update - June 2012

In November 2011, the Wales Co-operative Centre published a report called 'Social Enterprise in the Service of the Public'. The report explores both the benefits of, and barriers to, working with social enterprises in complementing the delivery of public services. It includes nine inspiring case studies of social enterprises from across Wales that work in a variety of public service sectors. It offers a number of recommendations for action by the three key stakeholders namely social enterprises, public sector commissioners, as well as the Wales Co-operative Centre/ sector support agencies. The recommendations are bold and specific, calling for:

- the adoption of an intelligent commissioning approach;
- a sharper focus on public service outcomes; and
- the identification of the most appropriate level and scale of public service delivery.”

Recommendation 8

We recognise that the Welsh Assembly Government, through Value Wales, has improved public sector procurement, but we recommend that all public bodies should be challenged to make their procurement policies and practices more open to social enterprise, and that the Welsh Assembly Government work with the Welsh Social Enterprise Coalition to ensure social enterprises can compete more successfully for public sector contracts.

Original Response: Accept

Update - June 2012

The Finance Minister recently commissioned a Review into maximising the impact of Welsh Government procurement policy and of public procurement in Wales. John McClelland has been commissioned to undertake the review, which is scheduled to be completed before Summer Recess. The review is wide reaching and incorporates input from Cabinet colleagues, senior stakeholders from across the public sector and supply side representatives.

Recommendation 9

We further recommend that the procurement support and training that Value Wales provides be tailored to meet the specific needs of the social enterprise sector including providing support that would enable social enterprises to collaborate in bidding for contracts.

Original Response: Accept

Update - June 2012 - This position remains the same. The Supplier Development Service operated by the Department for Business, Enterprise, Science and Technology, provides assistance to social enterprises on tendering for both private and public sector contracts. Over the past few years, a number of social enterprises have successfully tendered for contracts following their attendance at the How To Tender workshops and Meet the Buyer events.

Social enterprises are also able to network with other social enterprises and mainstream businesses at the How to Tender workshops.

Recommendation 10

We recommend that the Welsh Assembly Government take steps to support and encourage social enterprises to exploit the procurement opportunities presented by the private sector.

Original Response: Accept

Update: June 2012

The How To Tender workshops delivered by the Department for Business Enterprise Technology and Science's Supplier Development Service cover tendering for public sector contracts. At these workshops, reference is made to tendering for private sector contracts and work in this area has impact on broader supply chains, including opportunities presented by the private sector. The sector teams will also be considering how to maximise procurement opportunities within supply chains.

Recommendation 11

Given the success of the Glas Cymru model we believe it offers solutions for other infrastructure challenges. We recommend that Welsh Ministers should continue to explore the transferability of the Glas Cymru model establish the kinds of support that would be required to achieve success in other contexts and promote awareness of the model among key decision makers.

Original Response: Accept

Update - June 2012

There is strong case for supporting alternative forms of enterprise, both as businesses and in supporting the delivery of public services. Not-for-profit organisations such as mutuals, social enterprises and co-operatives have an important role to play in the economy. Glas Cymru is a model for other organisations and we are ensuring that the mutual and cooperative sector has access to appropriate and robust business advice.

The Wales Co-operative Centre and the Welsh Social Enterprise Coalition work to raise awareness of social enterprises. This work is wide ranging but some highlights are included below.

- The Social Enterprise Wales 2011 Conference brought together social entrepreneurs with policymakers and leading international experts to debate and discuss how to grow the sector. At the conference delegates took part in a range of workshop sessions on issues such as working in partnership with the private and public sectors, maximising opportunities for social enterprises to be involved in public sector procurement, working with Higher Education, consortia development, legal structures and young people in social enterprise. This was the largest event of its kind held in Wales. Over 200 people attended the event from across the public, private and social enterprise sectors.
- The Social Enterprise Wales Awards Ceremony. The awards recognise the best of social enterprise in Wales and help promote the significant contribution that social enterprises make up and down the country. Categories include start-up of the year, leader of the year and social enterprise of the year.
- A reception at the National Assembly for Wales to celebrate the strength and diversity of Welsh social enterprise, attended by Assembly Members, social enterprise practitioners and colleagues from other social enterprise support bodies.
- Events have been held to champion the values and benefits of social enterprise and to explain the positive impacts social enterprises are having on the social, environmental and economic wellbeing of communities across Wales.

Recommendation 12

We recommend that enterprise education should include social enterprise and entrepreneurship and that social enterprise should be integrated into schools' and universities' careers advice services and work experience programmes.

Original Response: Accept

Update - June 2012

Social entrepreneurship is implicit in the new Youth Entrepreneurship Strategy Action Plan 2010-15, launched in November 2010. 79% of Welsh FE and HE Institutions engage students in activities that highlight social entrepreneurship.

Careers Wales is a partner in the Youth Entrepreneurship Strategy. As such, Careers Wales facilitates enterprise activity delivered by schools, recruits employers to support such enterprise activity delivery and provides other work focused experiences such as experience of the world of work.

If a social enterprise was offering work experience placements, this would be shown in the availability of such placements locally. In 2011 The National Work Experience Database was made available through Careers Wales Online and school staff are being trained to use it. This provides schools with a resource to match pupils to suitable available work experience opportunities. It will be used across Wales from September 2012.

As careers guidance professionals, careers advisers do not mandate or direct people to specific career paths. Careers Wales would provide advice on social enterprise as a possible career path for those who expressed an interest or where this was seen as a viable option for that individual. The same would be true for people showing an interest in setting up their own business.

Careers Wales services are currently under review. Ministers are considering the priorities for the service that will apply from April 2013. An announcement will be made later this year.

Higher Education Funding Council for Wales (HEFCW) is another key partner in YES. HEFCW's Innovation & Engagement Fund provides core funding in support of Higher Education Institutions' activities in relation to delivering both social and economic impact. Social enterprises are increasingly benefiting from the sector's Innovation and Engagement activities through services provided, for example, by the Strategic Insight Programme (funded in its second phase as a pan-Wales collaboration led by University of Glamorgan), the North and Mid Wales Regional Skills Centre and HE-business networks such as Cardiff University's Innovation Network. The Fund is also supporting a pan-Wales Enterprise Support Programme that will develop and encourage fledgling entrepreneurs from across the student body in Wales to realise their potential for creating new and innovative businesses (including social enterprises) and feed into the support available from Welsh Government's Business Start-up Service.

Recommendation 13

We recommend that the Welsh Assembly Government should learn from other investment funds and review the financial support it provides to social enterprises so that it meets their needs more appropriately in supporting start up and development. This review should also include proposals for improving the financial management knowledge of social enterprises so that they are more confident in applying for commercial loans and equity type finance.

Original Response: Accept

Update - June 2012

The Communities Investment Fund (CIF) is a third sector loan scheme that has been funded to provide loan finance to third sector organisations in the Convergence area of Wales. It became operational in December 2011.

CIF loan finance can be used to fund:

- third sector organisations seeking to develop public service delivery contracts;
- project development costs for third sector organisations, including capital costs and revenue costs, cash flow and working capital;
- cash flow and working capital/revenue costs whilst trading capacity and income generation is developed;
- the purchase and/or development of property assets; and
- the purchase of other assets essential to the development of the organisations trading activities.

Loan finance can be provided to organisations in the Convergence area of Wales up to £250,000 in value over a maximum of 25 years. Soft terms can be agreed, such as capital payment holidays, where the need is proven.

In addition, CIF can award grants of up to £20,000 to organisations to enable them to become 'loan ready'. This could help pay for feasibility studies, professional support or business plan writing where a need is identified that cannot be met by other support providers. The grant is aimed at making organisations 'loan ready' so from the outset there must be a clear link to them requiring loan finance in the future. A CIF grant could be used to help a business start up that is receiving support but needs a grant injection to undertake a specific piece of work. The grant could be used to buy in support or pay for a member of staff over a short period of time. However, to be eligible for CIF grant support it must be clear that loan investment would be appropriate to help the organisation grow in the future.

The Local Community Economic Development Initiative (Enterprising Communities) is a project funded by the Welsh Government and European Structural Funds (European Regional Development Fund).

The project aims to provide practical support to third sector organisations to help them move towards becoming more financially sustainable. The project "strap line" sums up its purpose in "growing local social enterprise". It aims to equip organisations to operate in a more businesslike manner and generate more income themselves, including through bidding for and providing public services. This support will cover issues around organisational development and governance as well as volunteer development and support.

The review of core funding to social enterprise support organisations was undertaken in 2010 by Old Bell 3 Ltd to assess the suitability of the core funding arrangements in supporting the growth and development of social enterprises in Wales during 2008-2011. This review was published in 2011.

Reflecting the Programme for Government commitments, core funding has been agreed for three years for the Wales Co-operative Centre - 2012/13 to 2014/15. Core funding has been agreed for Social Firms Wales and the Development Trust Association Wales for 2012/13. A value for money review will be undertaken for the core funding arrangements for Social Firms Wales; the Development Trust Association Wales and the Wales Social Enterprise Coalition (WSEC) to inform future delivery options.

Recommendation 14

We believe that in view of a possible increase in demand for financial support and the capacity of existing banks to supply it there is merit in creating a bespoke finance system for the social enterprise sector in Wales. We recommend that as part of the financial review we have recommended above Ministers should respond to the proposal for a bespoke finance system with a cost benefit analysis of the options.

Original Response: Accept in Principle

Update: June 2012

Changes to the legislative framework that governs Credit Unions introduced by the UK Government in January 2012 make it possible for Credit Unions to offer some financial services to corporate members and partnership.

The potential for Credit Unions to support community business was explored at the Credit Union Forum hosted by the Welsh Government in February 2012 and this work continues. An advisory group drawn from the financial inclusion and Credit Union sector is exploring initiatives that could be supported by the Welsh Government following the end of the current Access to Financial Services through Credit Unions project in September 2013.

Any proposals that emerge from this group must further assist the Welsh Government fulfil its objectives to tackle poverty and financial exclusion, whilst supporting Credit Unions to be sustainable and financially viable in the longer term, not dependant on continued Government aid. It expected that outline proposals will be submitted to the Minister for Local Government and Communities for consideration by September 2012.

Recommendation 15

We recommend that the Welsh Assembly Government work with a range of partners including the Welsh Social Enterprise Coalition to improve the accessibility, quality and coverage of business support and advice for the social enterprise sector, and to ensure that financial and high-level business advice can be provided together in one place as a coherent and comprehensive package for enterprises across the whole of Wales to expedite their growth.

Original Response: Accept

Update - June 2012

In response to the Micro-Business Report (published January 2012) the Welsh Government will be developing a One Stop Shop Service which will include a Mentoring scheme for businesses in Wales (including social enterprises). Access to the service will be promoted.

While in the development stage, officials will work closely with social enterprises representative bodies to ensure that the One Stop Shop and the Mentoring scheme are suitable for social enterprises.

The One Stop Shop provision will work closely with providers of specialist support for social enterprises in Wales and will launch in January 2013 and is complemented by provision from the Wales Co-operative.

Recommendation 16

We recommend that the Welsh Assembly Government ensure that the overall skills development programme for the Welsh workforce meets the diverse needs of the social enterprise sector especially in developing the skills base of social entrepreneurs for example through peer support and mentoring.

Original Response: Accept

Update - June 2012

In response to the Micro-Business Report a pan Wales Mentoring scheme will be implemented from January 2013, working closely with existing providers of volunteer mentoring services. An overall co-ordinating body will be procured to ensure consistent service delivery, training and marketing of the services available to all SMEs across Wales which include social enterprises.

The DfES Coaching and Mentoring programme will commence in June 2012 and is designed to train coaches and mentors, providing an opportunity for individuals to achieve the relevant skills and qualifications to provide support to managers and businesses, and to train others to mentor and coach within their organisation. Overall it is hoped that the participants on the programme will use their newly acquired skills to support individuals within their organisations and to pass on the learning to others via the BETS mentoring framework.

The current approach to workforce development is consistent across all sectors and this includes the social enterprise sector. Social enterprise employers can access services on the same basis as other private sector employers. The support available includes:

- Workforce Development Programme, a flexible programme of support that can be tailored to meet the needs of individual employers

- Leadership and Management Development
- Apprenticeships including Young Recruits programme and Modern Apprenticeship
- Jobs Growth Wales to assist social enterprise employers to expand their businesses by recruiting an unemployed young person.
- Recruitment including ReAcT and Pre–employment training schemes.