

National Assembly for Wales
Enterprise and Learning Committee

The Role of Social Enterprises
in the Welsh Economy

November 2010



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website:
www.assemblywales.org

Copies of this report can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

The Enterprise and Learning Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 029 2089 8018
Fax: 029 2089 8021
email: Enterprise.learning.comm@wales.gov.uk

© National Assembly for Wales Commission Copyright 2010
The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

National Assembly for Wales
Enterprise and Learning Committee

The Role of Social Enterprises
in the Welsh Economy

November 2010



Enterprise and Learning Committee

The Enterprise and Learning Committee is appointed by the National Assembly for Wales to consider and report on issues within the areas of economic development, transport, education and skills. In particular, the Committee may examine the expenditure, administration and policy of the Welsh Government and associated public bodies.

Powers

The Committee was established following the National Assembly Elections in May 2007 as one of the Assembly's scrutiny committees. Its powers are set out in the National Assembly for Wales's Standing Orders, particularly Standing Order 12. These are available at <http://www.assemblywales.org/bus-home/bus-guide-docs-pub/bus-assembly-guidance.htm>

Committee membership

Committee Member	Party	Constituency / Region
Gareth Jones (Chair)	Plaid Cymru	Aberconwy
Christine Chapman	Labour	Cynon Valley
Jeff Cuthbert	Labour	Caerphilly
Andrew Davies	Labour	Swansea West
Paul Davies	Welsh Conservative Party	Preseli Pembrokeshire
Nerys Evans	Plaid Cymru	Mid and West Wales
Brian Gibbons	Labour	Aberavon
David Melding	Welsh Conservative Party	South Wales Central
Jenny Randerson	Welsh Liberal Democrats	Cardiff Central

Contents

The Committee’s Recommendations	5
Aim of the inquiry	8
What is a social enterprise?	8
Definitions	8
Social enterprise activity across Wales	10
Welsh Assembly Government strategy	13
Social Enterprise Action Plan for Wales	13
Leadership	14
The potential of the social enterprise sector	15
Asset transfer.....	17
Delivery of public services	18
Public sector procurement	20
The Glas Cymru model	23
Inspiring young people	25
Challenges facing social enterprises in Wales	26
The question of size	26
Access to finance.....	28
Business support.....	31
Skills	33
Conclusions	35
Witnesses	38
List of written evidence	39

The Committee's Recommendations

The Committee's recommendations to Welsh Ministers are listed below in the order that they appear in this Report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions.

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. (Page 12)

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. (Page 12)

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. (Page 14)

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. (Page 15)

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. (Page 17)

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. (Page 18)

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. (Page 20)

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. (Page 22)

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. (Page 22)

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. (Page 23)

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. (Page 25)

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. (Page 25)

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.

(Page 30)

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.

(Page 31)

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.

(Page 33)

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.

(Page 34)

Aim of the inquiry

1. The purpose of this inquiry was for the National Assembly's Enterprise and Learning Committee to develop an understanding of the current role of social enterprises in the Welsh economy and the challenges facing them; to consider the potential opportunities for sustainable economic development and community regeneration presented by the social enterprise business model; and to influence the development of Welsh Assembly Government policy and support for social enterprises and entrepreneurs in the future.
2. Our inquiry ranged over four oral evidence sessions held between 1 July and 22 September 2010, and we received an additional 16 submissions of written evidence. We are very grateful to all those individuals and organisations that provided us with information and in particular to our expert adviser for this inquiry, Lis Burnett, Head of the University of Glamorgan's Social Entrepreneurship Hub.

What is a social enterprise?

Definitions

3. The term social enterprise is not widely understood outside the sector, and it encompasses a diverse range of activity. The Welsh Assembly Government defines social enterprise as a business with primarily social objectives, whose surpluses are reinvested in the business or into the community rather than being maximised for shareholders.¹ Social enterprise therefore spans bodies such as cooperatives, credit unions, mutuals, development trusts, social firms and community development organisations. We also received a definition of social enterprise as "organisations trading for a social purpose,"² and there were several references to the significance of the "triple bottom line" of social enterprise – the objective of achieving targets that are social, environmental and financial.³
4. Connotations of social enterprise can vary. As Development Trusts Association Wales commented, social enterprise is often

¹ Welsh Assembly Government written evidence paragraph 2

² Record of Proceedings paragraph 139, 8 July 2010, Enterprise and Learning Committee

³ Vision 21 written evidence page 3

perceived negatively as being “marginal or worthy with no significant economic impacts or potential for replication or growth.”⁴ Galeri’s written evidence stated that “it very often feels that there is an overall negative perception of social enterprises as being the greedy recipients of scarce public funds in return for very little.”⁵

5. The Welsh Social Enterprise Coalition said that social enterprise can be “pigeon-holed as *not real business*.”⁶ Gorseinon Development Trust also commented that it suffered from not being perceived as a business or small and medium-sized enterprise despite its employing 44 staff and bringing in half a million pounds into the local economy.⁷ Written evidence from Professor Alan Lovell of the University of Glamorgan stated that “the issue is not that funding officers do not take social enterprises seriously, but rather some are not sure *how* to take them.”⁸

6. We were interested to hear from Jerr Boschee, Executive Director of the Institute for Social Entrepreneurs, about a slightly different definition of social enterprise in the United States where they:

“draw a distinction between social innovation and social enterprise. We believe that they exist along a continuum and, taken together, they define the larger field of social entrepreneurship. The difference between the two is that social innovation does not require earned revenue but social enterprise does. Most social innovators do not create social enterprises. So, you could say that every social enterprise is run by a social entrepreneur, but not every social entrepreneur starts a social enterprise; they may simply be social innovators doing new things in different ways, but not using earned revenue.”⁹

7. We also heard that social enterprise has different roots in the US as it originated in the private rather than non-profit sector.¹⁰

⁴ Development Trusts Association Wales written evidence page 5

⁵ Galeri Caernarfon Cyf written evidence page 2

⁶ Welsh Social Enterprise Coalition written evidence page 3

⁷ Gorseinon Development Trust written evidence page 6

⁸ Professor Alan Lovell written evidence page 1

⁹ Record of Proceedings paragraph 178, 8 July 2010, Enterprise and Learning Committee

¹⁰ Record of Proceedings paragraph 196, 8 July 2010, Enterprise and Learning Committee

8. While some may argue that definitions of social enterprise may not matter,¹¹ we believe that how social enterprises interpret their function does influence their economic role, and this is an issue that we address later in this report. Cardiff Institute of Cooperative Studies stated in its written evidence that:

“We do not see social enterprise as a business model for deprived local economies which cannot survive in the cut-and-thrust of the capitalist market, an economy for losers, if you will. Rather, we propose the social economy as a positive economic form which offers an alternative to the competitive model that has not served Welsh people well in the past.[...].The greater development of Welsh social enterprises would allow public money invested in Wales to be anchored in Wales and to achieve a higher multiplier value for the Welsh people. In addition, Welsh society would benefit from more engaged, competent and skilful citizens.”¹²

Social enterprise activity across Wales

9. Jerr Boschee told us that the UK was “pretty much in the vanguard” of social enterprise activity compared with the rest of the world.¹³

10. In May 2008 the Welsh Assembly Government commissioned a mapping exercise of social enterprise activity across Wales, including the size, scope, nature, health and role of social enterprises, with the aim of informing how the Government could more effectively support the sector.¹⁴ Some of the main findings were:

- over 3,000 organisations were identified. Two-thirds are established, meaning that they earn at least half their income, and about a quarter are self-sustaining with 100 per cent earned income;
- the sector had an estimated turnover of £2.2 billion based on 2007/08 figures (about 2.6 per cent of the turnover of all

¹¹ Record of Proceedings paragraph 66, 15 July 2010, Enterprise and Learning Committee

¹² Cardiff Institute for Cooperative Studies written evidence page 3

¹³ Record of Proceedings paragraph 231, 8 July 2010, Enterprise and Learning Committee

¹⁴ Mapping Social Enterprise Activity in Wales – Understanding in Order to Influence, Sector Projects, Geoeconomics and The Research Unit, Welsh Assembly Government, October 2009

enterprises in Wales). It is worth noting that this accounts for a larger proportion of the total turnover of UK social enterprises than might have been expected based on Wales's contribution to UK Gross Value Added (GVA);

- there are a large range of organisations within the sector of which Glas Cymru, the national water company, is the largest (with a turnover of £623 million in 2007/08, or 28 per cent of the total turnover of the sector). Many social housing providers are also large organisations and together contribute an estimated 26 per cent of the total turnover of the sector. Yet one third of social enterprises are very small, with less than £25,000 of turnover. The median average turnover is estimated to be about £50,000;
- social enterprises account for an estimated 29,000 full-time jobs, 20,000 part-time jobs and 105,000 volunteering opportunities (approximately 3.6 per cent of jobs in Wales).

11. Written evidence we received from Interlink, the County Voluntary Council for Rhondda Cynon Taf, voiced concern that the Welsh Assembly Government's mapping exercise had omitted a large number of organisations.¹⁵ The Wales Council for Voluntary Action also had concerns:

"The mapping research highlights the difficulties in defining social enterprise. By starting at a very low threshold figure (i.e. 15-25% of income through trading) it would have embraced nearly any charity, community group or voluntary organisation.

"So WCVA agrees with the scoping study that 'social enterprise is not a discrete and easily identifiable sector – it is rather a way of doing business.'¹⁶ Seeking to define and map social enterprise has consumed energy and resource, and ultimately to little purpose."¹⁷

12. The paper from the Welsh Social Enterprise Coalition also appeared to have some concerns about the value of the mapping

¹⁵ Interlink written evidence page 3

¹⁶ Welsh Assembly Government written evidence Annex A

¹⁷ Wales Council for Voluntary Action written evidence paragraphs 4 and 7

exercise as it stated that the new Chief Executive intends to “carry out his own mapping activity.”¹⁸

13. Another issue regarding the mapping of social enterprise activity is that there are currently gaps in provision in certain parts of Wales. Given that there are many parts of Wales where traditional models of economic development are currently not serving those communities, we agree with The Charity Bank that there may be a role for going out into the field to help the formation of social enterprises in parts of Wales where they are needed.¹⁹

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.

14. Written evidence from UnLtd²⁰ argued that the Government’s mapping exercise highlighted the difficulty of dealing with social enterprise as a discrete sector in its own right. It stated that:

“UnLtd takes a different approach in that it focuses on those key individuals with the ideas, passion and entrepreneurial potential to bring about lasting and positive change both within their communities or develop ideas that bring about meaningful change. UnLtd calls these individuals ‘social entrepreneurs’.”²¹

15. UnLtd argued that the majority of individuals who come to it for support (over 60 per cent) would not come under the radar of the traditionally held view of social enterprise.²²

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.

¹⁸ Welsh Social Enterprise Coalition written evidence page 1

¹⁹ Record of Proceedings paragraph 98, 15 July 2010, Enterprise and Learning Committee

²⁰ UnLtd has so far invested in 416 individuals across Wales, known as Award Winners

²¹ UnLtd written evidence page 2

²² UnLtd written evidence page 2

Welsh Assembly Government strategy

Social Enterprise Action Plan for Wales

16. The Welsh Assembly Government's written evidence stated that its vision is of "dynamic and sustainable social enterprises strengthening an inclusive and growing economy."²³ Its Social Enterprise Action Plan for Wales 2009 aims to facilitate social enterprise growth in Wales,²⁴ and the Welsh Assembly Government noted in its evidence that "good progress has been made in implementing the actions recommended in the Action Plan."²⁵

17. Development Trusts Association Wales²⁶ welcomed the Action Plan, and the Wales Cooperative Centre²⁷ commended the Action Plan as "a good basis for moving forward [that] needs to remain as the focus for encouraging the sector to grow." Written evidence from the Gorseinon Development Trust referred to the Action Plan as a:

"very supportive document to the sector. However, a strategy is only as good as its outputs and currently, from our experience, little action on the ground has benefited us in developing ourselves as a social enterprise."²⁸

18. The paper from Social Firms Wales stated that the Action Plan was:

"a good document and captures the essence of community and economic development. In general however there is still a lack of resource to support its delivery in particular to start-up finance that can really support and encourage social innovation."²⁹

19. When we questioned Ieuan Wyn Jones AM, Deputy First Minister and Minister for Economy and Transport, about the lack of Government targets for increasing the contribution social enterprises

²³ Welsh Assembly Government written evidence paragraph 13

²⁴ The Social Enterprise Action Plan set out 20 action points to be taken forward by the Welsh Assembly Government and the social enterprise sector

²⁵ Welsh Assembly Government written evidence paragraph 14

²⁶ Development Trusts Association Wales written evidence page 6

²⁷ Wales Cooperative Centre written evidence page 3. The Wales Cooperative Centre is funded by the Welsh Assembly Government to provide specialised development support to social enterprises

²⁸ Gorseinon Development Trust written evidence page 8

²⁹ Social Firms Wales written evidence page 4

make to the economy, we were told that he had no particular figure in mind and that he was not in favour of “artificial targets”.³⁰ Neither are we, yet we believe that in implementing the economic renewal programme Ministers need to send out a more positive signal about the economic potential of the social enterprise business model.

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.

Leadership

20. The Welsh Social Enterprise Coalition was launched in February 2010 with the aim of championing and supporting the social enterprise sector in Wales; it is funded by the Welsh Assembly Government.³¹

21. Written evidence we received from Interlink stated that:

“Locally, we do not see the value in developing and funding a Social Enterprise Coalition for Wales. What we require is for a local and responsive structure for new, emerging and developing social enterprises.”³²

22. The view of the Welsh Social Enterprise Coalition itself was that there was “a lack of focus and clarity as to where the sector belongs within the Welsh Assembly Government.”³³

23. We understand that Carl Sargeant AM, Minister for Social Justice and Local Government has primary responsibility for social enterprise, although it was the Deputy First Minister who gave oral evidence to us on behalf of the Welsh Assembly Government. When we questioned the Deputy First Minister on the cross-cutting relevance of social enterprise, we deduced that several Welsh Assembly Government

³⁰ Record of Proceedings paragraphs 76 and 81, 1 July 2010, Enterprise and Learning Committee

³¹ The Welsh Assembly Government is providing £700,000 of start-up revenue funding over four financial years

³² Interlink written evidence page 3

³³ Welsh Social Enterprise Coalition written evidence page 3

departments, including economic development, social justice and local government, and Value Wales, all had a role to play in supporting the sector.³⁴

24. The Welsh Assembly Government's Economic Renewal Programme, published in July 2010, contained the following paragraph on social enterprise:

"We recognise the positive contribution vibrant social enterprises make to a strong, diverse and sustainable economy. Social enterprises are becoming more, not less relevant in the modern economy – in providing solutions for new and citizen focused methods of delivering public services; in empowering local people and regenerating communities; and in delivering economic, social and environmental objectives. The Social Enterprise Action Plan (2009) sets out our vision of dynamic and sustainable social enterprises strengthening an inclusive and growing economy."³⁵

25. UnLtd believed that enterprises operating under a social business model have a "significant role" to play in the Welsh Assembly Government's new vision for a "strong economy" for Wales.³⁶

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.

The potential of the social enterprise sector

26. The Wales Cooperative Centre advocated the cooperative business model as:

³⁴ Record of Proceedings paragraph 50, 1 July 2010, Enterprise and Learning Committee

³⁵ Economic Renewal: A New Direction, 5 July 2010, Welsh Assembly Government, page 46

³⁶ UnLtd written evidence page 2

“the way forward for the Welsh social economy in order to achieve scale, sustainability, social innovation, growth in social capital, employment opportunities and overall economic development. Advantages of cooperative business include more stable, caring and responsible employers. Cooperatives can provide greater job satisfaction and variety encouraging a stronger work commitment. They are also more responsible to the customer and the community within the business and have a focus on lifelong learning.”³⁷

27. Cardiff Institute of Cooperative Studies argued that cooperatives “offer the best means of keeping the maximum economic value in the Welsh economy” as well as “considerable social benefits in terms of confidence, well-being and the development of social as well as economic skills.”³⁸

28. The Wales Cooperative Centre listed a range of opportunities for the social enterprise approach – social and community housing; community businesses through the purchase of pubs, shops and post offices; asset transfer; community investment in football clubs and renewable energy; public service delivery; financial inclusion; community ownership of digital services; and conversion from businesses to cooperatives.³⁹

29. The Green Valleys argued that there is particular scope for social enterprises to deliver services in rural areas at a lower cost and higher service basis.⁴⁰ Adele Blakebrough, Chair of Breakthrough,⁴¹ told us that recycling and mental health were growth areas for social enterprise, but that there were other niche sectors – drug, elderly care and hospice services, pre- and after-school provision and farmers’ markets – that were also well suited to the business model.⁴²

30. Wales Council for Voluntary Action made the point that:

³⁷ Wales Cooperative Centre written evidence page 3

³⁸ Cardiff Institute of Cooperatives written evidence page 2

³⁹ Wales Cooperative Centre written evidence page 2

⁴⁰ The Green Valleys written evidence page 2

⁴¹ Breakthrough is a joint venture between the social enterprise Community Action Network (CAN) and the private equity firm Permira that provides funding and management support to help established social enterprises scale up and maximise their social impact

⁴² Record of Proceedings paragraphs 203-207, 1 July 2010, Enterprise and Learning Committee

“Other opportunities, particularly in the public expenditure climate in which we are operating, are around whether social enterprise, co-operative or third sector approaches can offer different ways of providing services that might be squeezed by the current spend. That is particularly the case in the arts and leisure spheres, which one senses could be areas that are hit first. There may be options for alternative organisations to run those services. We know that that has happened with leisure provision elsewhere in the UK, for example.”⁴³

31. When we questioned Wales Council for Voluntary Action on whether this was just a way of delivering public services on the cheap, we were told that:

“in some areas it may be a question of whether the only possibility is that a particular service closes down and all jobs are lost, or whether there is an alternative way of providing some services that maintains some jobs.”⁴⁴

32. WCVA is working with the TUC on a charter on this sensitive issue to ensure that the community contribution that is so important to the retention and development of some of these services is not undertaken in a way that threatens existing jobs.

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.

Asset transfer

33. Wales Council for Voluntary Action stated that transferring assets from public sector to community ownership can “provide a platform for sustaining community organisations and services, with the potential of generating income and increasing capital assets.”⁴⁵ The Charity Bank told us that:

⁴³ Record of Proceedings paragraph 16, 8 July 2010, Enterprise and Learning Committee

⁴⁴ Record of Proceedings paragraph 22, 8 July 2010, Enterprise and Learning Committee

⁴⁵ Wales Council for Voluntary Action written evidence paragraph 12

“Banks and other financial institutions will run to an enterprise or area where there has been an asset transfer, because the asset gives security.”⁴⁶

34. The Welsh Assembly Government’s written evidence also referred to asset transfer and development as providing opportunities for social enterprises: they can apply for funding to support the transfer of assets such as land and buildings from public sector organisations to community ownership under the new £13 million Community Asset Transfer programme.⁴⁷ The Wales Cooperative Centre⁴⁸ and the Development Trusts Association Wales⁴⁹ also noted the opportunities presented by asset transfer for social enterprises to grow their business, generate income and empower communities.

35. Galeri stated that despite the Welsh Assembly Government’s “unarguable support” for asset transfer at a policy level, there was “almost complete lack of practical guidance as to how asset transfers can be implemented in practice.”⁵⁰

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.

Delivery of public services

36. The Welsh Assembly Government’s written evidence referred to a report from the Wales Cooperative Centre that identified sectoral and geographical opportunities for increasing the involvement of cooperatives and social enterprises in the delivery of public services such as care, personal services, housing, financial inclusion, health, transport, environment, leisure, intermediate labour markets and ethical trading/fair trade.⁵¹ Cooperatives and Mutuals Wales also

⁴⁶ Record of Proceedings paragraph 74, 15 July 2010, Enterprise and Learning Committee

⁴⁷ Welsh Assembly Government written evidence paragraph 6. The Community Asset Transfer programme is a partnership between the Welsh Assembly Government and the Big Lottery Fund

⁴⁸ Wales Cooperative Centre written evidence page 2

⁴⁹ Development Trusts Association Wales written evidence page 7

⁵⁰ Galeri Caernarfon Cyf written evidence page 3

⁵¹ Welsh Assembly Government written evidence paragraph 7

believed that there were many opportunities for cooperatives and mutuals to become involved in the delivery of various public services.⁵²

37. Awel Aman Tawe believed that community renewables was a key area for social enterprise development, and cited Scotland's experience where approximately 30 megawatts of wind and hydro is built and owned by social enterprise, with more in the planning process. However, it felt that "a governmental push" was needed in Wales "to really kick start the sector."⁵³ It suggested that joint ventures between community organisations and commercial developers were a way forward – an approach pursued in Scotland – and were a means of dealing with the risks of proposed projects.⁵⁴

38. Written evidence from Wales Council for Voluntary Action suggested that there was an opportunity for a third sector or social enterprise approach to the delivery of public sector services on the grounds that this would provide greater scope for tailored services to suit specific community circumstances and needs; use public sector contracting as a springboard towards sustainability; potentially achieve better value for money for public sector funding; and lever in additional support and resources from the community.⁵⁵

39. Evidence from The Charity Bank stated that the social enterprise sector:

"will not act as a wholesale substitute for current models of public service delivery but it has the potential to augment and complement significant parts. A necessary condition for this transformation is access to long-term, sympathetic capital."⁵⁶

40. In its written evidence, the Welsh Social Enterprise Coalition (WSEC) stated that "we are a nation of small and medium-sized enterprises and are ill-equipped to take on, as an example, the role of an important public service provider."⁵⁷ Later in our Committee

⁵² Cooperatives and Mutuals Wales written evidence page 5

⁵³ Awel Aman Tawe written evidence pages 2-3

⁵⁴ Record of Proceedings paragraph 209, 22 September 2010, Enterprise and Learning Committee

⁵⁵ Wales Council for Voluntary Action written evidence paragraph 10

⁵⁶ The Charity Bank written evidence pages 5-6

⁵⁷ Welsh Social Enterprise Coalition written evidence page 4

meeting, the WSEC retracted the term “ill-equipped” and said it was more a matter of “lack of scale.”⁵⁸

41. UnLtd’s written evidence stated that there was a need to:

“develop innovative approaches to social issues through the public, private, social enterprise and voluntary sectors. Social entrepreneurs are critical to this and the environment needs to be created that allows new thinking and new ideas to be nurtured and developed.”⁵⁹

42. Adele Blakebrough made a similar point when she told us that the role of social enterprise:

“is not about the voluntary sector or the social enterprise sector taking over from the public sector – the third sector is not big enough to do that, even if it wanted to. It is much more about imaginative collaborations and removing some of the barriers that have existed in the past.”⁶⁰

43. We were interested in whether the impacts of social enterprises in delivering services previously delivered by the public sector were being collated and evaluated in any rigorous way.

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.

Public sector procurement

44. The Welsh Assembly Government’s written evidence highlighted that the public sector in Wales spends approximately £4.3 billion a year on external goods and services.⁶¹ The paper from Adele Blakebrough stated that:

⁵⁸ Record of Proceedings paragraph 152, 15 July 2010, Enterprise and Learning Committee

⁵⁹ UnLtd written evidence page 5

⁶⁰ Record of Proceedings paragraph 141, 1 July 2010, Enterprise and Learning Committee

⁶¹ Welsh Assembly Government written evidence paragraph 21. The Welsh Assembly Government’s Value Wales takes the lead on procurement policy for the public sector in Wales

“Procurement is a particularly important issue for social enterprises in Wales where the public sector is such a large provider of services. We need to encourage the public sector to include more social enterprises when contracting out services. In their turn social enterprises need to ‘up their game’ in relation to the size and scale that the public sector requires for successful partnering.”⁶²

45. Social Firms Wales stated that:

“Many smaller social enterprises would be unable to deliver large value contracts, however could grow good business by securing and delivering several smaller value contracts. Clustering needs to be encouraged, where several smaller enterprises work together to deliver larger value contracts. There needs to be a higher awareness and a commitment for procurers and commissioners to use the powers of Article 19 (reserved contracts)⁶³ therefore giving a real opportunity for companies to grow and prosper that employ a large number of disabled personnel.”⁶⁴

46. The paper from Awel Aman Tawe stated that:

“We have been on a number of courses on tendering, but do not have the capacity or time to submit tenders. My assessment is that we are very unlikely to win as we are too small and I do not see much evidence of social enterprises winning these contracts in Wales, unlike England. The process is bureaucratic and at present, is a waste of our time.”⁶⁵

47. Development Trusts Association Wales also felt that “a number of our larger and more experienced members have found it difficult to engage in public sector procurement and win contracts.” It believed there was still much to be done to raise awareness of the potential of social enterprises to deliver, building social and environmental clauses into procurement, embedding sustainable procurement across the public sector, developing forward looking procurement strategies and

⁶² Adele Blakebrough written evidence paragraph 7

⁶³ Article 19 of the European regulations grants Member States the ability to reserve the right to participate in tender procedures to supported factories and businesses – i.e. no other provider may tender. “Supported” means 50 per cent of the workers are unable to take up work in the open labour market because of a disability

⁶⁴ Social Firms Wales written evidence page 4

⁶⁵ Awel Aman Tawe written evidence page 2

policies, and training social enterprises and public sector procurers.⁶⁶ We were grateful to receive supplementary evidence from the Deputy First Minister on progress made in this area by Value Wales.⁶⁷

48. Wales Council for Voluntary Action saw the need for “fair and appropriate procurement arrangements.”⁶⁸ The Welsh Social Enterprise Coalition perceived a problem of low levels of awareness of social enterprise among procurers, which also acted “as a significant stumbling block to the social enterprise involvement in public service delivery.”⁶⁹ Nofit State told us that “we have just not bothered”⁷⁰ with tendering for public service contracts.

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.

49. Awel Aman Tawe told us that the procurement training it had received was more “designed for larger companies that have people who specialise in tenders and have time to focus on doing it well.”⁷¹

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.

50. Social Firms Wales also suggested that too much emphasis was placed on procurement from the public sector only and that there were also opportunities to supply many private sector businesses with wide-ranging goods and services.⁷² We were pleased to hear the Deputy First

⁶⁶ Development Trusts Association Wales page 8

⁶⁷ Welsh Assembly Government supplementary written evidence

⁶⁸ Wales Council for Voluntary Action written evidence paragraph 11

⁶⁹ Welsh Social Enterprise Coalition written evidence page 4

⁷⁰ Record of Proceedings paragraph 141, 22 September 2010, Enterprise and Learning Committee

⁷¹ Record of Proceedings paragraph 131, 22 September 2010, Enterprise and Learning Committee

⁷² Social Firms Wales written evidence page 4

Minister say that he wanted social enterprises to work together to secure contracts from the private sector.⁷³

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.

The Glas Cymru model

51. Glas Cymru is a single purpose company formed to own, finance and manage Welsh Water, and provides water and sewerage services for most of Wales and some adjoining areas of England. It is a company limited by guarantee under the Companies Act and employs about £25 billion-worth of assets.⁷⁴ As it has no shareholders, any financial surpluses are retained for the benefit of Welsh Water's customers. Under Glas Cymru's ownership, Welsh Water's assets and capital investment are financed by bonds and retained financial surpluses. The Glas Cymru business model aims to reduce Welsh Water's asset financing cost, the water industry's single biggest cost.

52. The background paper from Welsh Water stated that:

“To date no other privatised water company has adopted our ‘not for profit’ model, although it has recently been recommended for Scotland Water by the Scottish Futures Trust, but I do not believe this is due to any lack of institutional or political support for our model.”⁷⁵

53. Glas Cymru told us that:

“There is no question that a monopoly, being run for profit, requires a higher cost of capital than a not-for-profit company providing a public service. The risk that investors see is very different indeed. If you are a monopoly making a lot of profit, you attract political risk and that political risk is then priced

⁷³ Record of Proceedings paragraph 13, 1 July 2010, Enterprise and Learning Committee

⁷⁴ Record of Proceedings paragraph 11, 22 September 2010, Enterprise and Learning Committee

⁷⁵ Welsh Water written paper paragraph 4

into the cost of capital; you can see the vicious circle that we are talking about.”⁷⁶

54. One of the actions from the Welsh Assembly Government’s Social Enterprise Action Plan was that it would explore how the Glas Cymru model could be replicated to drive aspects of public service modernisation. Glas Cymru believed that its business model had real potential in the energy market because not-for-profit status had a greater degree of success regarding legitimacy and community involvement than a for-profit company, and it was also “better equipped to make...long-term decisions than a shareholder-owned, short-term competitive company”. Although, Glas Cymru pointed out that:

“counter to that is that when we bought Dŵr Cymru back in 2001, it was an established business with an established cash flow within a stable, regulatory environment. That lent itself to being able to finance the asset base with low-risk bond finance. If you are in the energy market and in a start-up situation, where you do not know the risks around revenues and construction costs, for example, that is a very different proposition indeed and bond investors of the sort that we rely upon would not be interested in that marketplace.”⁷⁷

55. Other benefits of the Glas Cymru model include those to the customer from having a social enterprise model of delivery,⁷⁸ the advantages of its governance structure where there is majority of independent non-executive directors on the board, its investors and a strong membership base.⁷⁹

56. As regards the role of the Welsh Assembly Government in spreading the Glas Cymru model to other areas, Glas Cymru was of the view that:

“you cannot promote or make social enterprise happen from the side-lines. Government does not make these things happen;

⁷⁶ Record of Proceedings paragraph 19, 22 September 2010, Enterprise and Learning Committee

⁷⁷ Record of Proceedings paragraph 21, 22 September 2010, Enterprise and Learning Committee

⁷⁸ Record of Proceedings paragraph 81, 22 September 2010, Enterprise and Learning Committee

⁷⁹ Record of Proceedings paragraphs 86-98, 22 September 2010, Enterprise and Learning Committee

it is down to individuals.[...].The best that the Government can do is to give these things a fair wind.”⁸⁰

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.

Inspiring young people

57. We heard from Adele Blakebrough that much more could be done to inspire young people to gain experience of social enterprises, such as enabling pupils to run a fair trade shop in secondary school, or by encouraging graduates and undergraduates to work in a social enterprise; she gave us examples of this working effectively in Oxford and in the London School of Economics.⁸¹

58. UnLtd also raised the importance of developing “a new wave of socially minded entrepreneurs” and looked to the new Youth Entrepreneurship Strategy for Wales to “inspire the next generation of social business leaders”.⁸² UnLtd told us that:

“11 to 15-year-olds seem to be quite entrepreneurial, and then we seem to lose them. I think that there is a big gap in the 14-to-15 age range that we could really tackle.”⁸³

59. Nofit State considered that the Welsh Baccalaureate was an opportunity to encourage entrepreneurialism among young people.⁸⁴

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.

⁸⁰ Record of Proceedings paragraph 39, 22 September 2010, Enterprise and Learning Committee

⁸¹ Record of Proceedings paragraphs 165-169, 1 July 2010, Enterprise and Learning Committee

⁸² UnLtd written evidence page 4

⁸³ Record of Proceedings paragraph 148, 22 September 2010, Enterprise and Learning Committee

⁸⁴ Record of Proceedings paragraph 151, 22 September 2010, Enterprise and Learning Committee

Challenges facing social enterprises in Wales

The question of size

60. The fact that the Welsh Assembly Government's mapping exercise showed that 21 per cent of social enterprises over 16 years old only generate between 15 and 25 per cent of their income from trading raises questions about whether they should be classified as social "enterprises" at all. As Jerr Boschee wondered of them:

"How many are really businesses that are able to compete independently in the marketplace versus how many of them are still being propped up by the old ways of doing things.

"If we are to see a significant shift away from the traditional ways of doing things, then social enterprises will have to leap further into the ocean, as it were, and take more risks than they are taking today."⁸⁵

61. Jerr Boschee recommended a number of roles for the Welsh Assembly Government in supporting social enterprise, such as acting as an educator and catalyst, providing technical assistance and start-up capital, measuring and monitoring social impact, and encouraging profit-making.⁸⁶ He also suggested that the Government could introduce a certification process, as has been done in England. We were therefore interested to hear from the Welsh Social Enterprise Coalition that the promotion of the Social Enterprise Mark will help in establishing social enterprises, as has been the case with the Fairtrade symbol.⁸⁷

62. Adele Blakebrough told us that she would like to see Welsh social enterprises develop beyond Wales, and that while some enterprises are suitable for that kind of expansion there is no strategic growth plan for it to happen.⁸⁸ The Charity Bank's written paper acknowledged that in order for social enterprise to fulfil its potential "it must address the challenge of scaling up," that is the application of development capital

⁸⁵ Record of Proceedings paragraphs 207-208, 8 July 2010, Enterprise and Learning Committee

⁸⁶ Record of Proceedings paragraphs 207-208, 8 July 2010, Enterprise and Learning Committee

⁸⁷ Welsh Social Enterprise Coalition written evidence page 5

⁸⁸ Record of Proceedings paragraphs 161-162, 1 July 2010, Enterprise and Learning Committee

in the form of sustainable funding and the raising of management and governance skills.⁸⁹

63. The paper submitted by Adele Blakebrough, stated that:

“There are many well established social enterprises in Wales e.g. Pack-It, Frame, Track 2000, who have reached a certain stage of development and have stayed fixed at that level for some time. If social enterprises are to thrive we need to see them developing their full potential and to do this we need to look at the reasons why, unlike many of their business counterparts, they are remaining fairly small.

“Social enterprises need support to overcome barriers to growth which are both internal and external including: access to finance, lack of positive role models, inexperience in relation to growth tools such as mergers and acquisitions and governance structures that are designed not to encourage risk taking.”⁹⁰

64. The Wales Cooperative Centre told us that regarding social “enterprises” that were not trading sufficiently:

“There is a clear challenge to raise the skill levels within these organisations. From a financial perspective, we really have to strengthen the balance sheets of these organisations...as any private sector small or medium-sized enterprise...through asset development, asset transfer and asset ownership. If they have a product, a market and are charging for services, we should strengthen them through loans and equity.”⁹¹

65. Development Trusts Association Wales highlighted a number of challenges facing social enterprises in Wales, including the:

“need to develop the skills, business acumen, ‘investment readiness’ and confidence of the sector and boards and staff to take on assets and develop new enterprises.”⁹²

⁸⁹ The Charity Bank written evidence page 4

⁹⁰ Adele Blakebrough written evidence paragraphs 2 and 5

⁹¹ Record of Proceedings paragraph 97, 8 July 2010, Enterprise and Learning Committee

⁹² Development Trusts Association Wales written evidence page 5

66. Jerr Boschee believed that the main issue facing social enterprise was not access to capital but:

“What you really need is a strong business plan and a strong management team, a genuine market opportunity and a competitive advantage.”⁹³

Access to finance

67. The Welsh Assembly Government’s mapping exercise concluded that access to appropriate sources of finance was one of the main challenges to the success and sustainability of a social enterprise. The exercise also revealed that organisations greatly preferred core grants to loans.

68. The Welsh Assembly Government’s written evidence stated that its Invest to Serve fund seeks to develop an investment culture in third sector organisations that is less dependent on short-term grants.⁹⁴ This approach accorded with the view from the Wales Cooperative Centre that what was needed was to:

“shift reliance from grant to entrepreneurial activity and to consider loan and equity finance. There is a need to develop the skills of individuals to improve the enterprise of social enterprise and to reach out to nurture potential social entrepreneurs and cooperators.”⁹⁵

69. Nofit State believed that:

“If you have a culture of grants dependency, then you will develop the skills that enable you to get funding successfully and to develop good relationships with funders. Those may not be the same skills needed to develop a successful enterprise.”⁹⁶

⁹³ Record of Proceedings paragraph 191, 8 July 2010, Enterprise and Learning Committee

⁹⁴ Welsh Assembly Government written evidence paragraph 10

⁹⁵ Wales Cooperative Centre written evidence page 3

⁹⁶ Record of Proceedings paragraph 161, 22 September 2010, Enterprise and Learning Committee

It went on to state that funding “must be used as investment rather than to create forms of dependency that support unproductive working patterns.”⁹⁷

70. Social Firms Wales also believed there should be a shift away from “the traditional grant culture”, and that there was too much focus on grant application which “takes the eye off the ball when it comes to commercial build of the business model.” It felt that ideally there should be a mix of grants, soft and commercial loans with a strong focus on building market-led business.⁹⁸ Social Firms Wales later told us that it would be “quite fearful” about the idea of grants being taken away totally.⁹⁹ Awel Aman Tawe also thought that “grants are important.”¹⁰⁰

71. Riverside Community Market Association believed that what was needed was “a programme of Government-funded mentoring support for new social enterprises from the managers of existing and successful social enterprises and...access to low or no interest loans combined with small but easily accessible start-up grants.”¹⁰¹

72. The Green Valleys believed that “seed finance” was the main issue facing social enterprises, and that grant funding was too restrictive for enterprise, which by its nature is uncertain:

“Social enterprise will only prosper in the long run if it becomes economically sustainable. This means being independent of grants.[...].What is needed is a social enterprise investment fund – rigorous, professional, entrepreneurial and selecting the best social enterprises for development with equity and long-term loan finance.”¹⁰²

73. The Green Valleys – who owed its own expansion to £300,000 of prize money from the Big Green Challenge competition funded by National Endowment for Science, Technology and the Arts (NESTA) - later told us that:

⁹⁷ Record of Proceedings paragraph 172, 22 September 2010, Enterprise and Learning Committee

⁹⁸ Social Firms Wales written evidence page 4

⁹⁹ Record of Proceedings paragraph 93, 8 July 2010, Enterprise and Learning Committee

¹⁰⁰ Record of Proceedings paragraph 161, 22 September 2010, Enterprise and Learning Committee

¹⁰¹ Riverside Community Market Association written evidence page 1

¹⁰² The Green Valleys written evidence page 3

“I do not want grant funding or project funding to disappear, but that is no way to build a social enterprise that is going to trade.”¹⁰³

74. It wished to see the availability of long-term or “soft” loans, as opposed to loans at a commercial rate of interest.¹⁰⁴ We later heard from The Charity Bank that it was considering the creation of a “mezzanine” fund along those very lines.¹⁰⁵ Its partnership investment programme with Cylch, the community recycling network – a combination of loans, grants and training – has already been well received by Cylch members.¹⁰⁶

75. Development Trusts Association Wales told us that while there were only two bodies investing in social enterprises five years ago, that figure has now increased to 12.¹⁰⁷

76. Adele Blakebrough stated that the seven social enterprises benefiting from financial and skills support through the Breakthrough investment fund have seen an average 22 per cent a year rise in their revenues as opposed to the 8 per cent average of the charity sector. They have also experienced a 29 per cent a year increase in their social impact.¹⁰⁸

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.

¹⁰³ Record of Proceedings paragraph 19, 15 July 2010, Enterprise and Learning Committee

¹⁰⁴ Record of Proceedings paragraph 29, 15 July 2010, Enterprise and Learning Committee

¹⁰⁵ Record of Proceedings paragraph 72, 15 July 2010, Enterprise and Learning Committee

¹⁰⁶ The Charity Bank written evidence pages 3-4

¹⁰⁷ Record of Proceedings paragraph 140, 8 July 2010, Enterprise and Learning Committee

¹⁰⁸ Adele Blakebrough written evidence paragraph 3. Social impact was measured using the Social Return on Investment (SROI) methodology

77. Wales Council for Voluntary Action argued that commercial banks were “patchy in their appetite to provide finance” to social enterprises as much seemed to depend on “local knowledge and individuals’ understanding of the sector”. It therefore recommended “a push by the mainstream banks to educate their staff.”¹⁰⁹ This view was shared by the Cooperatives and Mutuals Wales.¹¹⁰

78. The Wales Cooperative Centre thought that the focus provided by a citizens’ or people’s bank could assist small businesses in the social sector.¹¹¹ The Charity Bank told us that:

“There is a very strong case for, at the minimum, looking at the possibility of a new Wales-based financial institution that can properly manage and tap into...latent Welsh savings and recycle them for the benefit of communities in Wales.”¹¹²

79. Cardiff Institute for Cooperative Studies recommended the development of worker-investment trusts along the lines of labour investment trusts – funds that are “a democratised form of investment controlled by and serving the needs of labour and its communities in preference to those of traditional finance capital.”¹¹³ This approach, it argued, would help to “anchor” capital locally.

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.

Business support

80. There appeared to be some difference of views regarding the role of Wales Council for Voluntary Action in providing business support to social enterprises: the Welsh Assembly Government’s mapping

¹⁰⁹ Wales Council for Voluntary Action written evidence paragraph 14

¹¹⁰ Cooperatives and Mutuals Wales written evidence page 3

¹¹¹ Record of Proceedings paragraph 110, 8 July 2010, Enterprise and Learning Committee

¹¹² Record of Proceedings paragraph 78, 15 July 2010, Enterprise and Learning Committee

¹¹³ Cardiff Institute for Cooperative Studies written evidence page 5

exercise regarded WCVA as the “main” source of support, along with county voluntary councils.¹¹⁴ Yet the Wales Cooperative Centre argued that the focus of WCVA’s support was on volunteer organisations and helping them towards independent financial viability, while it remained for the Wales Cooperative Centre and WCVA to “operate in unison to ensure a smooth delivery of different, added value support services is provided to the client.”¹¹⁵ A number of witnesses expressed concern that specialist support provided by the Wales Cooperative Centre is currently limited to the Convergence areas in Wales because it is financed through European Structural funding.¹¹⁶

81. In its written evidence Wales Council for Voluntary Action stated that it was vital that third sector organisations (of any type) had access to the support they needed to increase their business and commercial skills, and to identify and maximise all income sources available to them, including trading in goods and services. WCVA proposed that the various types of support for social enterprises - third sector infrastructure services, business support services and specialist support - required better alignment, as opposed to the creation of any new services.¹¹⁷

82. The paper from UnLtd mentioned that it can be “extremely difficult” for early idea entrepreneurs entering the field to initially source the correct information and advice. Given the many organisations in operation, it stated that it can be “extremely confusing” identifying who to approach.¹¹⁸ Galeri considered the number of organisations, agencies and specialists offering support to be “bewildering.”¹¹⁹

83. The Charity Bank’s view of the funding and advisory support available for social enterprises was that it “can be fragmented.”¹²⁰ The Welsh Social Enterprise Coalition believed that sound and appropriate business support was “in short supply” and “patchy,” and that there was a lack of clarity on websites as to where social enterprises should go for business advice. It also raised concerns regarding the lack of

¹¹⁴ Wales Council for Voluntary Action written evidence paragraph 1

¹¹⁵ Wales Cooperative Centre written evidence page 4

¹¹⁶ Record of Proceedings paragraph 150, 15 July 2010, Enterprise and Learning Committee

¹¹⁷ Wales Council for Voluntary Action written evidence paragraphs 7 and 22

¹¹⁸ UnLtd written evidence page 3

¹¹⁹ Galeri Caernarfon Cyf written evidence page 4

¹²⁰ The Charity Bank written evidence page 5

knowledge about social enterprise among support agencies, and the “apparent lack of willingness or interest by those agencies in developing their knowledge.”¹²¹

84. Development Trusts Association Wales suggested that social enterprise practitioners valued support that was “tailored” to their specific needs.¹²² Social Firms Wales¹²³ and the Welsh Social Enterprise Coalition¹²⁴ suggested that exemption from non-domestic rates would be a significant form of support for social enterprises. Social Firms Wales also raised with us the importance of good business planning.¹²⁵

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.

Skills

85. Social Firms Wales had concerns regarding the suitability of some of the sources of business support and advice for social enterprises. It also emphasised the importance of having a strong board of directors and the appointment of a commercial manager, which “is often the turning point where the emphasis shifts from project to commercial focus and growth.”¹²⁶ The Welsh Social Enterprise Coalition told us that key to driving the social enterprise agenda forward was having the right individuals, “the people who have a really burning passion and also have the business, entrepreneurial and marketing skills and so forth.”¹²⁷

86. Adele Blakebrough told us that there was no shortage of chief executives to create social enterprises – people “who have vision, purpose, tenacity,” and there were plenty of “foot soldiers” to do the

¹²¹ Welsh Social Enterprises Coalition written evidence page 4

¹²² Development Trusts Association Wales written evidence page 7

¹²³ Social Firms Wales written evidence page 5

¹²⁴ Welsh Social Enterprise Coalition written evidence page 4

¹²⁵ Record of Proceedings paragraph 112, 8 July 2010, Enterprise and Learning Committee

¹²⁶ Social Firms Wales written evidence pages 4-5

¹²⁷ Record of Proceedings paragraph 177, 15 July 2010, Enterprise and Learning Committee

work. There was, however, a gap in the middle – operations, finance, marketing, training, human resources, IT – where social enterprises lacked skills, and often infrastructure, to enable them to grow, especially the smaller organisations.¹²⁸

87. Adele Blakebrough also told us how the Breakthrough programme was able to provide the participating social enterprises with access to high-level skills such as accounting, legal and consulting services which the organisations would never normally have been able to afford; she was keen to bring some Welsh social enterprises into that scheme.¹²⁹ Development Trusts Association Wales thought that a mix of approaches was needed – more support from the mainstream skills sector, practitioners learning from one another, and buying in professional expertise when required.¹³⁰

88. We also heard from the Wales Council for Voluntary Action that there was a need for the Welsh Assembly Government to “take seriously” the skills development needs of the 50,000 people working in the third sector.¹³¹ An interesting point was made by UnLtd who told us that:

“the nature of the people who come to us is that, often, they come from a business background. They are actually very adept at running businesses. The skills that they need to learn are in the community sector, and how to engage a community.”¹³²

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.

¹²⁸ Record of Proceedings paragraph 179, 1 July 2010, Enterprise and Learning Committee

¹²⁹ Record of Proceedings paragraphs 188-191, 1 July 2010, Enterprise and Learning Committee

¹³⁰ Record of Proceedings paragraphs 163-164, 8 July 2010, Enterprise and Learning Committee

¹³¹ Record of Proceedings paragraph 57, 8 July 2010, Enterprise and Learning Committee

¹³² Record of Proceedings paragraph 169, 22 September 2010, Enterprise and Learning Committee

Conclusions

89. Social enterprise has clear potential for developing innovative, imaginative and sustainable solutions and for delivering positive economic, environmental, cultural and social outcomes in Wales,¹³³ albeit in some sectors more than in others. While we agree with witnesses that it is no panacea,¹³⁴ we believe that there are opportunities for social enterprise to make a greater contribution to economic development than it currently does.

90. Nigel Annett, Managing Director of Glas Cymru, believed that:

“Wales has a very proud tradition of co-operative movement in terms of mutuality and so on and I would love to see that revitalised.”¹³⁵

91. Adele Blakebrough also told us that because Wales is small, there could be a “faster, much more intimate and less bureaucratic engagement with social enterprises” than has been the case in England.¹³⁶

92. We would like to see larger social enterprises being created and sustained in Wales than is the case at the moment. Yet we detect a culture split within the sector where some organisations are content to remain small and predominantly community-focused. Others, on the other hand, would welcome a helping hand to move onto a more commercial footing. In the same way that Jerr Boschee drew a distinction between social innovation and social enterprise,¹³⁷ we see a case for both: as Development Trusts Association Wales told us, the beauty of the social enterprise model is that it is dynamic and creative and can “embrace the two ends of the spectrum.”¹³⁸

93. There is a continuing important role for small enterprises within their local communities. Social enterprise can make a vital contribution in some of the poorest areas in Wales - places where many mainstream

¹³³ See examples in Development Trusts Association Wales written evidence pages 4-5

¹³⁴ Professor Alan Lovell written evidence page 1

¹³⁵ Record of Proceedings paragraph 104, 22 September 2010, Enterprise and Learning Committee

¹³⁶ Record of Proceedings paragraphs 140 and 144, 1 July 2010, Enterprise and Learning Committee

¹³⁷ See paragraph 6 above

¹³⁸ Record of Proceedings paragraph 151, 8 July 2010, Enterprise and Learning Committee

businesses will not operate - and in providing employment for traditionally excluded and marginalised groups of people. As Nofit State commented, social enterprises that have been established by local people to meet a local need:

“support bottom-up community development with all associated benefits of community empowerment and developed self-confidence, retaining community control and community ownership of solutions to local problems, developing community based skills.”¹³⁹

94. Yet we also want to see the social enterprise business model develop and grow on a bigger scale. As Nofit State stated about this category:

“Social enterprises which trade outside the local community[...]are able to play a more significant role in economic development.”

95. It should be possible to address more social needs by using business methods. That will only happen, however, if there is commitment and intervention from Welsh Assembly Government and from the wider public sector: first to open minds and change perceptions about social enterprise and to build confidence in the business model. As Adele Blakebrough told us:

“You have to keep giving good examples that are not threatening and that show how something can blossom and work effectively.”¹⁴⁰

96. Secondly, government has to create the right market conditions in which social enterprise and entrepreneurship can sprout and flourish. This will include the creation of fair and appropriate procurement arrangements to enable social enterprise to compete effectively, and the provision of tailored financial and other business and skills support required by the sector. Most importantly, the packages of support available to social enterprises must reflect the diversity of the sector.

¹³⁹ Nofit State Circus written evidence page 2

¹⁴⁰ Record of Proceedings paragraph 212, 1 July 2010, Enterprise and Learning Committee

97. We believe the Welsh Social Enterprise Coalition will also have a crucial role to play, such as in acting as a portal for information and in bringing together social enterprise networks and practitioners.

98. Yet in looking to the social enterprise business model to help grow the Welsh economy, due regard also needs to be given to the role of individuals and the support available to them. Dŵr Cymru told us that:

“You...need individuals with a sense of entrepreneurship.”¹⁴¹

99. Jerr Boschee told us that:

“Entrepreneurship is an individual kind of thing. If you can create a playing field, give people enough space to manoeuvre, and provide them with some resources from which they can draw, but which are not dictated to them, I think that you will have gone a long way to creating a healthy social enterprise environment in Wales.”¹⁴²

100. UnLtd told us that:

“Entrepreneurs without social commitment create wealth for the few. Social commitment without enterprise drains the public funds. Social entrepreneurs create wealth and share it with the whole of the community.”¹⁴³

101. We hope that the recommendations from this inquiry will influence Welsh Ministers in capitalising on the potential of social entrepreneurs and social enterprises in Wales to deliver innovative solutions to the current economic situation and help build a wealthier, more sustainable Welsh economy.

¹⁴¹ Record of Proceedings paragraph 51, 22 September 2010, Enterprise and Learning Committee

¹⁴² Record of Proceedings paragraph 233, 8 July 2010, Enterprise and Learning Committee

¹⁴³ UnLtd written evidence page 3

Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions and the related written evidence can be viewed in full by following the links to our website. <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-els-home/bus-committees-third-els-agendas.htm>

1 July 2010

Adele Blakebrough

Welsh Assembly Government

Letter from the Deputy First Minister dated 26 July

8 July 2010

Development Trusts Association Wales

Jerr Boschee

Social Firms Wales Ltd

Wales Cooperative Centre

Wales Council for Voluntary Action

15 July 2010

The Charity Bank

Cooperatives and Mutuals Wales

The Green Valleys Community Interest Company

Welsh Social Enterprise Coalition

22 September 2010

Awel Aman Tawe

Glas Cymru / Welsh Water

Nofit State Circus

UnLtd

List of written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full by following the link to our website. http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-els-home/bus-committees-third-els-inquiry/el3_ing_social_enterprises_responses.htm

Organisation

Cardiff Institute for Cooperative Studies

Collaborative Communities

Community Housing Cymru

Cymorth Cymru

Enfys Foundation

Galeri Caernarfon Cyf

Gorseinon Development Trust

Gwalia

Interlink, County Voluntary Council for Rhondda Cynon Taf

Richard Lewis, Supporting Community Enterprise

Professor Alan Lovell, University of Glamorgan

Merthyr Tydfil Social Economy Network and Merthyr Tydfil County Borough Council

Riverside Community Market Association

Vision 21

The Waterloo Foundation

WRVS