

Written Response by the Welsh Assembly Government to the Enterprise and Learning Committee's Report: The Role of Social Enterprises in the Welsh Economy

Executive Summary

The Welsh Assembly Government welcomes the Enterprise and Learning Committee's report on 'The Role of Social Enterprises in the Welsh Economy'.

In the current economic climate, and more than anywhere else, Wales is faced with the UK Government's unprecedented cuts. However, social enterprises are well placed to help with many of the social and economic problems these cuts may cause. The Welsh Assembly Government is therefore committed to promoting social enterprise solutions.

The Social Enterprise Action Plan for Wales 2009 has already helped achieve a number of steps forward in Wales. For example, we now have an expert Social Enterprise Ministerial Advisory Group to advise Welsh Ministers on social enterprise developments. We have also funded the Welsh Social Enterprise Coalition to champion social enterprise in Wales.

The Welsh Assembly Government has considered the conclusions and recommendations contained within the Report. The Assembly Government sets out below its response to the report's individual recommendations:

The Committee's Recommendations

Recommendation 1

Response: Accept

The Welsh Social Enterprise Coalition (WSEC) is already working to increase the role that social enterprise plays in local communities. To help it identify areas of Wales where social enterprise could play an important role in local communities, the Welsh Assembly Government will review the current funding agreement with WSEC to ensure this important commitment is a full part of the work programme.

Financial Implication: None. Current WSEC work programme is currently funded in principle until 2013.

Recommendation 2

Response: Accept

Current activity includes promoting entrepreneurship to support individuals to start up in business.

Social entrepreneurship is implicit in the new Youth Entrepreneurship Strategy Action Plan 2010-15. 77% of Welsh Further Education and Higher Education Institutions engage students in activities that highlight social entrepreneurship. We are working with the Wales Co-operative Centre to support the promotion of social enterprises in Welsh FE and HE Institutions.

The Welsh Assembly Government start up support service and the Wales Co-operative Social Enterprise project also provides support for individuals who wish to set up social enterprises.

In Economic Renewal: a new direction we will also be developing a Business Volunteer Mentoring Framework; and will establish and recruit to a network of Business Entrepreneurship Champions. Both of these developments will consider the need to support individuals who could fulfil the role of social entrepreneurs.

In addition, the Social Enterprise Ministerial Advisory Group will be considering the identification, development and on-going support of individuals who could fulfil the role of social entrepreneurs at the next meeting on 16th February 2011.

Financial Implication: None. Activity to promote delivery of start up support and promotion of entrepreneurship is drawn from existing budgets.

Recommendation 3

Response: Reject

Whilst the Welsh Assembly Government are in favour of creating the right environment for growth in the social enterprise sector, officials and Ministers are not convinced that the setting of artificial targets is the right approach. The social enterprise sector has a large number of influences, and there is a need to be pragmatic about what government can do to influence net growth as a whole. Net growth targets 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.

Financial Implication: None.

Recommendation 4

Response: Reject

As part of the whole government approach to economic renewal, the emphasis should be on joint working rather than on which department the activity sits. However, the

Minister for Economy & Transport and the Minister for Social Justice & Local Government have given a commitment to strengthen their joint working on social enterprises. They have agreed to put in place arrangements to look at ways in which they can increase the support available to social enterprises and make them more successful.

Financial Implication: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 5

Response: Accept

Social enterprise is an extremely important policy area for the Welsh Assembly Government as outlined in its Social Enterprise Action Plan for Wales 2009. In terms of public service delivery, the social enterprise sector is playing a key role in the Efficiency and Innovation Programme. The Efficiency and Innovation Board and Programme aims to transform the way public services are designed and delivered. Representatives from the social enterprise field have been included in a number of the workstreams for this programme.

Financial Implication: None.

Recommendation 6

Response: Accept

Much work has been done by the Quirk Review and this is referenced in the Social Enterprise Action Plan 2009. To further support Asset Transfer, the Welsh Assembly Government has, in partnership with the BIG Lottery Fund set up the Community Asset Transfer fund.

The Community Asset Transfer Fund is jointly funded by the Welsh Assembly Government and BIG Lottery Fund, and managed by BIG Lottery Fund. The third round of funding is currently open for applications. So far, 5 projects have been awarded funding under the first "Fast Track" round and, under the second round, 10 projects have been invited to develop their projects further.

BIG Lottery promotes the Community Asset Transfer Fund in the following ways:

- Through its website, which includes information about the programme, application processes and all materials and guidance related to making an application for funding.
- Briefing events at the beginning of each funding round for prospective applicants.

- Significant coverage in the Welsh national and local media to announce successful projects.
- On-site branding for successful projects (e.g. construction site hoardings).
- Promotion of the programme at BIG Lottery events, such as their presence at the National Eisteddfod.

Financial Implication: None.

Recommendation 7

Response: Accept

The Welsh Assembly Government is aware of research which covers much of this recommendation. One of the key areas of work of the Third Sector Research Centre (TSRC) is service delivery by third sector organisations. Work within this area is extensive but the following might be the most relevant examples in relation to the recommendation above:

- The third sector delivering public services: an evidence review
- Third sector responses to contracting

<http://tsrc.ac.uk/Research/ServiceDeliverySD/tabid/508/Default.aspx>

The TSRC has also undertaken work within its 'social enterprise' theme that is relevant to this recommendation. This includes:

- Measuring the value of social and community impact - Social enterprise for public service, how does the third sector deliver?

<http://tsrc.ac.uk/Research/SocialEnterprise/tabid/510/Default.aspx>

In addition, the social enterprise mapping that was published by WAG in 2009 examines the views of social enterprises on issues including public sector procurement and this provides evidence specific to Wales. The Welsh Assembly Government will be commissioning further mapping research during 2011.

Financial Implications: None. Any additional research undertaken will be funded from existing programme budgets

Recommendation 8

Response: Accept

The Welsh Assembly Government, through Value Wales, has improved the procurement practices across public sector organisations in Wales during the past few years.

The Department for the Economy and Transport is working closely with Value Wales to further improve the public sector procurement process by:

- undertaking improvements to the national procurement website - sell2wales.
- developing a standard Prequalification Questionnaire for businesses to make it easier for them tender for public sector tenders.
- encouraging organisations to place lower value opportunities on sell2wales.

The Welsh Assembly Government is already working closely with the Welsh Social Enterprise Coalition to ensure social enterprise benefits, and that they are aware of the improvements to help them compete more successfully for public sector contracts.

Financial Implication: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 9

Response: Accept

The Department for the Economy and Transport's Supplier Development Service 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.

Financial Implication: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 10

Response: Accept

The How To Tender workshops delivered by the Department for the Economy and Transport'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 newly formed sector teams will also be considering how to maximise procurement opportunities within supply chains.

The Department for the Economy and Transport is currently developing a more advanced How To Tender workshop which will be aimed at businesses and social enterprises which have previous experience of tendering for public and private sector contracts. This training will be designed following consultation with the Welsh Social Enterprise Coalition.

Financial Implication: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 11

Response: Accept

This is something that is very specific and would require further discussion. The social enterprise mapping report for Wales maps social enterprises by scale and scope and examined some of the issues that are faced by social enterprises in terms of development and expansion. The report also looks at the support requirements of social enterprises, which will partly address the second part of this recommendation.

A review of the transferability of the Glas Cymu model is something that could be arranged to identify whether and how this might be possible. However, it should be recognised that the gestation period for any similar model of a comparable scale would be large, and would need relevant expertise, clear opportunities and the support of the utility concerned.

Financial Implication: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 12

Response: Accept

The importance of social entrepreneurship was recognised within the Youth Entrepreneurship Strategy issued in 2004 and an Action Point was to develop appropriate learning materials to highlight its importance. These were developed during 2006 and 2007 and training provided for teachers and FE tutors.

Social entrepreneurship is implicit in the new Youth Entrepreneurship Strategy Action Plan 2010-15, launched in November 2010. 77% of Welsh FE and HE Institutions engage students in activities that highlight social entrepreneurship.

Careers Wales is a major delivery 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. During 2011 a national work experience database should become available through Careers Wales Online. It is for schools to match pupils to suitable available work experience opportunities.

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.

HEFCW is another key deliverer of YES. HEFCW's Innovation & Engagement Fund provides core funding in support of HEIs' 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 (a collaboration between the University of Glamorgan, UWIC and University Wales Newport), the Aber-Bangor Skills Centre and HE-business networks such as Cardiff University's Innovation Network. In 2007, Trinity St. David's (then Trinity College Carmarthen) became the first HEI in the UK to spin-out a social enterprise company, Trysordy (see <http://www.trylordy.org.uk/eng/>).

The Terms of Reference for the FE Governance Review includes a remit to explore social enterprise in relation to the governance arrangements in FE Institutions. The review is due to report in March 2011.

Financial Implication: None. Delivery of the Youth Entrepreneurship Strategy and of Future Ambitions will have to be achieved within existing budgets for schools, further and higher institutions and Careers Wales.

Recommendation 13

Response: Accept

The Welsh Assembly Government's social enterprise mapping report examines the financial sustainability and support needs of social enterprises, including advice and support around access to finance. It reports that 16% of social enterprises think that access to loan funds would help in the future success of their organisation.

In addition to the social enterprise mapping report, the Welsh Assembly Government has also published a Review of Funding Patterns to the Third Sector, which reviews secondary literature and data around funding to the third sector and collects and reviews primary data from funders, key stakeholders and third sector organisations. The Welsh Assembly Government also accepts the need to learn from others, and officials have reviewed Whitehall's Public Accounts Committee recommendations and

further recommendations from Scotland in this area. These have been built into the recently announced Invest To Serve fund which is due to be launched in early 2011.

The TSRC are undertaking the following work, which might be of some relevance to work in this area:

- A comparative study of changes in earned income among third sector organisations in England and Wales, and the United States (due for publication April 2011)

The Welsh Assembly Government has also commissioned a review of core funding to social enterprise support organisations. Whilst this does not examine funding provided directly to social enterprises it reviews the ways in which core funding from the Welsh Assembly Government provides support to social enterprises. This is currently in draft and will be published early in 2011.

Financial Implication: None.

Recommendation 14

Response: Accept in Principle

In response to the recession and banking crisis, work has been commissioned to consider the need and scope for providing alternative support to social enterprises (and others) in accessing finance and financial advice. This work is currently ongoing but the findings to-date have indicated there does not appear to be a significant gap in the provision of finance for social enterprises. Whilst there can be a reliance by the sector on grant funding, there is loan finance available and there are a number of specialist lenders (e.g. Charity Bank, Unity Trust Bank etc.) to provide loan finance, if the social enterprise has a viable business plan.

A key message from those who have participated in this work has been not to create a new financial body/system but to utilise and make more effective use of what is currently available. Developing skills in financial management and business planning and enabling social enterprises to become “investment ready” have been identified as a priority.

Financial Implication: None at this stage.

Recommendation 15

Response: Accept

Economic Renewal: a new direction states that Government has a role in providing information to business, especially on-line, to ensure easy access to clear guidance on important issues for businesses.

The Department for the Economy and Transport will, within the new Business Information Unit, develop and provide more and better quality information for businesses, including social enterprises, based on the needs and insight of our customers. We will not, as Government, be the sole provider of business support and advice for business but we will work with key partners such as the Welsh Social Enterprise Coalition to improve the information available to social enterprise to access appropriate support and advice for finance to expedite growth.

Financial Implication: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 16

Response: Accept

Skills

Our 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
- Recruitment including ReAcT and Pre–employment training schemes.

Mentoring

In line with the commitment in Economic Renewal: a new direction, work is currently underway to develop a volunteer business mentoring service in Wales. The service will draw together organisations and individuals from both the voluntary and business communities who can offer mentoring support to new business start ups, established businesses and managers in larger businesses who would benefit from this support. The service will become available in 2011/12 and will be open to all businesses including social enterprises. Training in mentoring skills will be made available through the DCELL Mentoring and Coaching Skills Training programme.

Financial Implication: None. There are no additional or specific financial implications for skills. The cost of delivering the volunteer business mentoring service will be met, subject to Ministerial approval of the delivery proposal, from within existing budgets.