



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Menter a Dysgu  
The Enterprise and Learning Committee**

**Dydd Iau, 15 Gorffennaf 2010  
Thursday, 15 July 2010**

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Procedural Motion

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Jeff Cuthbert	Llafur Labour
Christine Chapman	Llafur Labour
Andrew Davies	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Brian Gibbons	Llafur Labour
Helen Mary Jones	Plaid Cymru (yn dirprwyo ar ran Gareth Jones) The Party of Wales (substitute for Gareth Jones)
David Melding	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

**Eraill yn bresennol**  
**Others in attendance**

Chris Blake	Cyfarwyddwr, y Cymoedd Gwyrdd Director, The Green Valleys
John Bennett	Cyfarwyddwr, Cynghair Mentrau Cymdeithasol Cymru Director, Wales Social Enterprise Coalition
Alex Bird	Cadeirydd Gweithredwr, Co-operatives and Mutuals Wales Executive Chair, Co-operatives and Mutuals Wales
Lis Burnett	Cynghorydd Arbenigol Specialist Adviser
Ian Courtney	Cyfarwyddwr Cymru, Charity Bank Director Wales, The Charity Bank

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Alun Davidson	Dirprwy Glerc Deputy Clerk
Siân Phipps	Clerc Clerk
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

*Dechreuodd y cyfarfod am 1.00 p.m.*  
*The meeting began at 1.00 p.m.*

**Ethol Cadeirydd Dros Dro**  
**Election of a Temporary Chair**

[1] **Ms Phipps:** Prynawn da. Gareth Jones, who is chair of the Enterprise and Learning Committee cannot attend today's meeting. So, as clerk of the committee, and in accordance with Standing Order No. 10.19, I call for nominations for temporary chair for today's meeting.

[2] **Jeff Cuthbert:** I nominate Helen Mary Jones.

[3] **Ms Phipps:** I therefore declare that Helen Mary Jones has been appointed temporary chair and I invite her to open the meeting.

*Penodwyd Helen Mary Jones yn gadeirydd dros dro.  
Helen Mary Jones was appointed temporary chair.*

1.01 p.m.

### **Cyflwyniad ac Ymddiheuriadau Introduction and Apologies**

[4] **Helen Mary Jones:** Prynawn da, a diolch am fy ethol i gadeirio'r prynawn yma. Byddaf yn gwneud y cyhoeddiadau arferol. **Helen Mary Jones:** Good afternoon, and thank you for electing me to chair this afternoon. I will make the usual announcements.

[5] Croesawaf bawb i'r cyfarfod: tystion, aelodau o'r pwyllgor a'r cyhoedd. Mae offer cyfieithu ar gael ac mae modd defnyddio'r clustffonau i glywed yn well. I welcome everyone to the meeting: witnesses, committee members and the public. Translation equipment is available, and the headsets can be used to amplify the sound.

[6] Atgoffaf bawb i ddiffodd eu ffonau symudol ac unrhyw ddyfais electronig arall. Nid yw'n ddigon da i'w rhoi ar 'dawel' gan eu bod yn gallu amharu â'r offer cyfieithu a darlledu. Nid oes angen cyffwrdd â'r meicroffonau; bydd staff yn delio â hynny. Nid ydym yn disgwyl ymarfer tân; os clywir y larwm, bydd yn rhaid i ni ddilyn y tywyswyr a gadael yr adeilad. I remind everyone to switch off their mobile phones and any other electronic devices. It is not good enough to put them on 'silent' as they can interfere with the translation and broadcasting equipment. There is no need to touch the microphones; staff will deal with that. No fire drill has been scheduled; if the alarm sounds, we will have to follow the ushers and leave the building.

[7] Yr ydym wedi derbyn ymddiheuriadau gan Gareth Jones, fel y nodwyd eisoes, a chan Nerys Evans. Yr wyf fi'n dirprwyo ar ran Gareth. A oes unrhyw ddatganiadau o fuddiant? We have received apologies from Gareth Jones, as has already been noted, and from Nerys Evans. I am substituting for Gareth. Are there any declarations of interest?

[8] **David Melding:** I am an unpaid member of the Charity Bank's Welsh advisory panel.

[9] **Helen Mary Jones:** Thank you, David.

1.02 p.m.

### **Rôl Mentrau Cymdeithasol yn Economi Cymru The Role of Social Enterprises in the Welsh Economy**

[10] **Helen Mary Jones:** Croesawaf Chris Blake. **Helen Mary Jones:** I welcome Chris Blake.

[11] Thank you for your written evidence. For the record and for those of the public present, I invite you to give us a short introduction, Chris, to tell us about the Green Valleys project in the context of our inquiry. I will then invite Members to ask you questions based on what you say and on your written evidence.

[12] **Mr Blake:** Thank you for the welcome. I am Chris Blake and I have been involved with the Green Valleys project since it started a few years ago. I am also simultaneously involved in two other social enterprise projects in Wales, both of which are very much community-based. So, I am a director and volunteer director of a project in Crickhowell and a volunteer director of a project in Talgarth, which is small-scale service provision and development work. The Green Valleys is the major part of my work, taking up around 80 per cent of my working time. I am part time and part paid for that role.

[13] The Green Valleys started a project as a result of the National Endowment for Science, Technology and the Arts' Big Green Challenge competition and we started back in September 2008, I think—time flies. We worked for a year entirely as a volunteer organisation, working on a project that developed community support for carbon reduction, focusing on a number of measures, but especially on micro-hydro-generation of electricity in community-based projects.

[14] We were fortunate enough to be one of the joint winners of NESTA's Big Green Challenge, which gave us £300,000 of capital, which still sounds like a lot of money. We have used that money to, effectively, start ourselves as a trading entity. So, we converted ourselves from a volunteer organisation, which was working with local communities, into a trading organisation. That change started in April this year. So, from that date, I have been, part time, one of the directors—I am the managing director, and there are two part-time paid directors. Our mission has evolved slightly over time, but our goal is to take away the barriers that prevent communities from installing and owning micro-hydro-power systems. That is initially within our own area, which is the Brecon Beacons National Park, but we think that there is an opportunity to take it across the whole of Wales. Wales is blessed with hills and—I am glad to say today—rain to power these systems. One of the motivations for this is carbon reduction, but it has changed, through the feed-in tariffs, to also be a unique opportunity to put quite a lot of money into the hands of communities. Those are index-linked payments, guaranteed for 20 years, for electricity generation; the clock is ticking on those, as I think that those payments will fall over time. Our mission is to do that. If we can get community-owned projects, we can get sizable chunks of guaranteed money into communities, and those communities can then determine how they want to spend them.

[15] I will give you an example. There is a community hydro project in the Rhondda that is out to tender. We think that the project, through feed-in tariffs and community ownership, can easily generate £30,000 to £40,000 a year, index-linked, for 20 years. It will not stop after 20 years; in 20 years' time, electricity prices will be such that there will be no need for a subsidy. There will be a substantial income for a long time. That kind of income, which is not dependant on grant or next year's grant funding, allows for a completely different scale and type of thinking about how a community provides services and what it can invest in. It is a completely different form of income from having to submit a two-year grant application for work on this or that project. I have shifted from being entirely motivated by carbon reduction—although it remains a motivation for me and us as an organisation—towards wanting to put dependable income streams into the hands of small communities across Wales. That is our main motivation now.

[16] **Helen Mary Jones:** Thank you very much. I will now invite Members to ask you questions.

[17] Paul, yr ydych wedi dynodi yr Paul, you have indicated that you would like

hoffech ofyn y cwestiwn cyntaf.

to ask the first question.

[18] **Paul Davies:** Thank you for your evidence, Mr Blake. You make it quite clear that the key issue facing social enterprises is the source of initial funding. What steps could the Welsh Assembly Government take to address this problem, and what are your views on the relationship between the Welsh Assembly Government and social enterprises in general? One of the current and potential opportunities that you also cite in your evidence is the need for very strong and experienced management. How could this be addressed, and how could we encourage high-calibre people to become involved in social enterprises?

[19] **Mr Blake:** You have asked a lot of questions there. I will address the funding issue first. I do not have 15 years' experience of social enterprises in Wales; I have two years' experience, spread across three different sectors, and so I cannot make general comments, but have to speak from my own experience. The funding issue is crucial. There is—and has been—grant money available in the past, which is good. The trouble with project grants is that they necessarily tend to be very restrictive, due to governance and so on. You receive a grant to do a project. We have been guilty in this regard. We have thought, 'We will bid for that grant and deliver that project, and the grant will be a form of funding for us that will partly cover our overheads'. However, that is a myth; it never happens that way. The projects take longer to deliver than you think, and you do not get the surplus. A number of social enterprises work on the basis of grants. I am working with one in north Wales at the moment. They limp from small-grant project to small-grant project. There is no strategic planning or long-term development of what they can do. There is no development of capabilities. It is a problem. 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.

[20] We have been lucky. Two of the projects with which I am associated—and a third—have come through prize money. Prize money is fantastic, but it is not a way to run a strategic development of the social enterprise sector. The important thing about prize money, which is connected to what I would like to see, is that it tends to come with fewer strings. We got £300,000 from NESTA. We are broadly able to do what we want with that money. We won it for our business plan and for our project. However, if the evidence changes—if we need to change our model and respond, and if our deliverables change—that is our problem. We do not have to reapply for the money or justify our actions to trustees. We are not bound by 17 pages of contract on exactly how to deliver that. The reality is that if you are going to be trading—social enterprise means trading, not just delivery—you will have to get customers, and you do not know what those customers' needs might be now or in the future. You need to have the freedom to change and develop. Prize money is fantastic because it is relatively less restrictive and gives you that initial freedom to work in that way.

1.10 p.m.

[21] Therefore, what is missing for social enterprise—and if we want social enterprise to grow and flourish, we will have to look at it, to an extent, in the same way to how a private enterprise would—is that it must have a risk of failure. Social enterprises will fail. They will experiment with business models that will not work. Restrictive project funding tends to prevent that, because there is so much fear of failure and of the grant giver being associated with a project that failed that it does not allow that to happen. So, that is a big issue that must happen. I have spent a lot of years running large companies and small enterprises and getting funding for and giving funding to small private enterprises. In the private sector, I would like to see seed capital, that is, the money that would allow you to develop, to experiment and to find a sustainable business model. That seems to be missing in the social enterprise sector. It is very difficult. In my experience, that gap is being filled by prize money.

[22] Loan finance is available, but it is difficult. The lenders are inevitably commercial

and they need their money back. You need to have a business plan that says, 'I'm going to invest the money here and I will be able to pay you back with interest in six months' time'. That is fine when you have an established business model and you can prove it, but you cannot use loan finance to explore a sector or to develop a business model. That is for later.

[23] **David Melding:** If I may interrupt, that would affect all start-ups. Seed investment is a huge problem for anyone who is starting up a business. So, why is it different enough for you to call for social enterprise investment fund? Why would we need such a specific vehicle rather than, for instance, saying to Finance Wales that it needs to be better at identifying these opportunities for social enterprises as well as the standard small and medium-sized enterprise sector or other venture capital providers?

[24] **Mr Blake:** I am still working with Finance Wales on getting loan finance. It has been very co-operative and I think that we will have some loan finance from it. I went to see it about a grant or long-term investment money to get us started and I was politely told that nothing was available. The difference between social enterprise and the commercial sector is that, in the commercial sector, I can offer an equity stake that may pay a return. With a social enterprise, I cannot. Therefore, seed investment has to be made available in a structured way and in some way that is guaranteed or supported by Government, because the returns are not there.

[25] **Helen Mary Jones:** There are a couple of supplementary questions on this from Andrew and Jenny before we move on.

[26] **Andrew Davies:** David has raised an important point about to what extent our social enterprises are enterprises in the wider sense. When I was a Minister, I lost count of the number of enterprises that always wanted a grant, and when I challenged them about how much they were putting in the answer would be that it was for the public sector to take all the risk, because it is about managing risk. The other point, which Adele Blakebrough made when she came here, is that social enterprises may be able to make an impact in certain areas, but they are not a panacea. There is a danger that too much weight is put on this model—well, it is not a single model, anyway, but there is a danger that too much weight is put on the sector as the solution in a wide range of public service delivery areas, for example.

[27] **Mr Blake:** I completely agree. It has its place, but what its place is will be found over time and we will find areas in which it works very well and areas in which it has no place. As I am sure that you have discovered, it is a broad church. A lot of things come under social enterprise—there are organisations that have almost nothing in common. I am looking at social enterprises as bodies that are trading, which need to trade to be sustainable and which will not be coming back for grants in the future, which means that they must have customers. They are all public sector delivery partners and so on, but they are meeting customers' needs and they are earning an income that is more than their costs, so that they are sustainable. The key issue for me is that that income is not going back to shareholders and there are two big advantages of that, which I think are very important. A lot of people want to work for organisations that are not paying shareholders, and it also unlocks a number of volunteering and other social benefits, unlike private enterprise. So, people will volunteer and will work long hours for a social enterprise because it is for a well defined, accepted and shared goal. They will not do the same for a private enterprise that favours the shareholders. You can unlock an enormous amount of goodwill and power, benefiting all those involved by supporting the sector. However, I agree that it has its limits.

[28] **Jenny Randerson:** Can I infer from what you have said about the availability of finance that the economic renewal programme announced last week does not really have an appropriate niche for trading social enterprises, because of the move from grants to loans?

[29] **Mr Blake:** Loans can be the answer, but they need to be long-term or soft loans. Loans at commercial rates of interest—or higher, in the case of Finance Wales—that have to repaid over a very short time will work only if you already have a proven and accepted trading model. They will not give you those loans for a speculative offering—of course not, as that is their role. They will go through due diligence. The kind of loan where you are given, say, £150,000, and we will get it back in five years' time, if we can, is not available. That is the sort of thing that I am thinking about.

[30] I am not sure what the right structure is, but this is quite a big step. That is the power of the money that has come from prize funds such as the Big Lottery, which we won in Talgarth, and the prize money that the National Endowment for Science, Technology and the Arts made available. It is money that you can use to develop a service. Reading some of the other submissions to the committee, I can see that people want social enterprise to grow and prosper. At the moment, there are a few large organisations and a lot of small ones, and those small ones are, in commercial terms, undercapitalised. They have some great people, some great ideas and some great business models, but they just cannot grow because they have no capital to do it. Project grants and short-term loan finances are great, but they have serious operational limitations.

[31] **Jeff Cuthbert:** In your opening statement, you said that Wales is blessed with hills and therefore, by definition, with valleys as well—particularly the Rhymney valley, of course, although I will not dwell on that. My main question is about skills, but I have another before I ask that. I know that the economic renewal programme is just a week old, but I wonder whether you have yet been able to make an assessment of whether social enterprises are affected by it. If so, what are the potential implications? For any organisation to thrive and prosper, in addition to adequate finance, the importance of which no-one could deny, you have to have the right mix of skills, both management and financial. Whether to deal with money, people or information, those skills have to be there. How strong is the support structure for your sector, broadly speaking? Then the deeper question is about helping to develop the right level of skills. Is there a serious practical problem in developing people with the right level of skills on a continuing basis? I appreciate that some of these organisations will be small, but perhaps they could do this in collaboration: working with relevant sector skills councils, for example.

[32] **Helen Mary Jones:** Before you answer, I think that Chris wanted to add something supplementary to that.

[33] **Christine Chapman:** My question would fit in quite nicely, yes.

[34] **Jeff Cuthbert:** She wants to mention the Cynon valley.

[35] **Helen Mary Jones:** I could put in a bid for the Gwendraeth, and we would be here all day. [*Laughter.*]

[36] **Christine Chapman:** I think that my question follows on quite nicely from Jeff's. It is to do with capacity building in social enterprises. As Jeff said, it is about that mix of skills. Chris, I know that you talk quite a bit about volunteers and how there is an extraordinary effort going into that work on behalf of communities. I do not think that, in every area, we will get the same coverage of enough people with the right skills. Can you comment on how you meet those challenges? For example, in poorer areas, people may not be available because they have to work. What could be done to support those areas if they do not have the right people? What would be the magic formula to ensure that all social enterprises are successful? That would be the problem, I think.

1.20 p.m.



[37] **Mr Blake:** Not all social enterprises will be successful, because they trade and they make forecasts about the future that do not all turn out to be true, and so they will cease trading.

[38] On the skills issue, I am really torn. Part of me wants to say that, in my experience, Wales has plenty of skills. There is no shortage. Social enterprise skills are, broadly, business skills, as it is about forecasting sales and dealing with budgets, people management, and expertise. From what I have seen, there is no shortage of those skills in Wales. There is a fantastic pool. If you find the right activity, you will find that talented people come forward in all those areas, albeit with different levels of experience. I can be fairly provocative and say that I am not sure that there is a skills gap. I would almost go as far as to say that none of the organisations that I am involved with has particularly used its skills support. We have done small amounts through PAVO on trustee training and some volunteer supervision, and that is pretty much it. We have found people who are accountants, businesspeople, strategic planners, people managers and HR experts. They are there, in the communities.

[39] **Christine Chapman:** In which communities?

[40] **Mr Blake:** In quite a lot of communities. They are in business. Speaking from my own experience, there are people who wear many hats in their careers. They are not just working 70 hours a week for the corporation and coming home and not having time to volunteer. They are working three days a week here, and two days a week there. They are quite happy to provide their skills for one or two days a week, either on a part-time, paid basis or on a voluntary basis. I am speaking only from my own experience, but I think that the skills are there, and we need to promote social enterprise in the structures. Part of the reward is the recognition that you get for doing it. It is a complex model, and promoting the sector, which I am keen to see done—I am keen to see social enterprise identified as such—means that the people who are involved in it will get some non-financial and social rewards, which are really important to them. It is very important that you get that right.

[41] **Helen Mary Jones:** In case people are not aware of it, you referred to 'PAVO', which is the Powys Association of Voluntary Organisations. Andrew, you have a supplementary question on this.

[42] **Andrew Davies:** It is interesting that you say that there is not a lack of skills. We had a representative from the Development Trust Association Wales with us last week, and I said to him that, in my experience, a lot of social organisations and social enterprises, which include development trusts, do not have many of the managerial skills that you mentioned. For example, they are very grant dependent, so the idea of planning a business on a sustainable revenue basis is often not seen as a priority. I would like you to comment on that, because I think that there is a big lack of skills.

[43] **Mr Blake:** Let me clarify what I am saying. I will agree with you that there are many small organisations that do not have the high-level skills, but what I am also saying is that the community does have them. The challenge is to get those people involved in that organisation. Not every organisation needs that. There are some small, local community service provision organisations that are quite happy to work on a grant, that do not need a strategic planner and a five-year business plan, and that will do a really good job, as they have good operational, supervision or management skills, and that is absolutely fine. Not every social enterprise needs to go national, or even go into the next village. We have to distinguish between them.

[44] I am saying that, across Wales in general, there are a lot of business, technical and sector skills and expertise. One of the problems is getting that involved. One way of getting

that involvement is not always through volunteers, as you need to pay for it a bit, which brings us to the funding issue, but it is also a matter of recognition. That is what I am using to distinguish them. I am not denying that there are underskilled organisations, and for some of them, that is critical. My guess would be that it might be cheaper and better to get the people who already have those skills into the organisation, than to try to train up the people already in the organisation.

[45] **Andrew Davies:** It requires quite a level of awareness for them to know that that is necessary. In my experience, many of these social body organisations do not see themselves as businesses. In fact, some of them would probably be resistant to the use of that description.

[46] **Mr Blake:** Some of them are, some of them are not, and some of them should not try to be. We are talking about varied and different organisations, and there is a whole sector of small-scale social enterprises in small community groups that do a good job. We should not pressure them into growing and having a sustainable five-year plan, because they work well as they are. They take money, they provide a service, they do it really well, and they leverage in an enormous amount of volunteer goodwill and support, which is great. However, there are other organisations—and I would put the Green Valleys in that category—that have the opportunity to be a fully trading, growing company, providing a functional and social service across Wales. We are in a different category. I recognise the types of organisations that you are talking about, but some segmentation of the sector is quite crucial, as is different services going to different parts of the sector.

[47] **David Melding:** I am interested in your micro-hydro scheme, as I had not quite realised the potential of them in south Wales. What we know as the Valleys are a bit more the south Wales Valleys, rather than higher up, where you are. Are those communities amenable to adapting this sort of technology, or does the water flow too quickly there? I just do not know.

[48] **Mr Blake:** We are specialists in what are called high-head, low-flow schemes as opposed to low-head, high-flow schemes. Using a weir on the Usk as a low-head, high-flow scheme is quite capital intensive. We are looking for streams that will be half the width of this table and that carry just 30 litres per second of water flow, but the head is important, so you need 50 metres to 100 metres of head. They have not been counted, but the small-scale hydro opportunities in Wales run to the thousands, including the southern edge of the mountains in south Wales.

[49] **David Melding:** I recently returned from a trip to Germany, and it was not to a particular mountainous area—it was hilly, but not mountainous—but I was astonished by the number of hydro schemes there. They are really into community generation there, and that includes using lots of solar panels, and all the rest of it. Anyway, you mentioned some of the barriers such as the planning process, finance, which we have talked about, and affordable design and installation. If we were trying to get local communities, particularly in the south Wales Valleys, to develop these things, employ local people, skill them up and manage these schemes, quite a lot of advice will be needed. We would not necessarily want people to have to start from scratch all over south Wales if they were to go down this road. How can we increase the level of knowledge that is available to people and that is held centrally?

[50] **Mr Blake:** That touches on a really good point, which is also more broadly about things that are best done locally and things for which you need to accumulate the expertise and knowledge centrally. Those are two very different business models. For example, in the Green Valleys project, it makes a lot more sense not to train every community group in how to apply for an Environment Agency abstraction licence, because it is very expensive, it is hugely complicated, and if you do not know what you are doing or what you are asking for, you will spend twice as much money and twice as long as you need to. So, there is a whole

bunch of areas in which expertise is really important. What the Green Valleys is doing is accumulating expertise and charging for it. So, it makes a lot more sense for us to do the abstraction licence application. It makes a lot more sense for us, with our engineers, to do the design, the costing and the specification. We can ensure if we sub-contract the work that we are not being ripped off by suppliers, and all the rest of it. So, there are certain skills that are better held in a small group, but it makes a lot of sense for a local community group to do the local planning application, to get community involvement, and perhaps to carry out the maintenance. So, there should be a distinction as to what it is economically sensible to do. Our mission is not to spread or to allow everyone to replicate us. There is a pool of very technical expertise, which needs to be held, and we will provide that expertise as a service and encourage community groups to use it.

1.30 p.m.

[51] **David Melding:** On the process, how have you found planning? Is there a can-do culture, or is that part of the battle?

[52] **Mr Blake:** The planning has been okay. We have worked quite closely with the planning authority. We have made the process more complicated than it could have been, by choice, in that we volunteered to enter into a standard section 106 agreement to give a planning gain. This planning authority is a national park authority, so if we receive planning consent for a scheme, we will set aside some money for improvements to the uplands and for ecological improvements. We have volunteered to do that. As this is the first time that a section 106 agreement has been used for such a project, it has taken a lot longer than it needed to.

[53] The big problem has been with the Environment Agency, but that has not come about because of a lack of willingness on its part. There are only 30-odd hydros in the whole of Wales, and the problem is that it has just not received many applications, and if we suddenly put in 10 applications, the system is not there to cope with them. The agency has a process that is designed for 3 MW large river systems, whereas we have a 15 kW small river system, and that clogged up the system completely. However, it has been very willing to work with us to streamline that process for the future. So, it has been a process of learning on both our parts. It has been slow, but that is not through a lack of willingness on either side. It just takes a while to develop new processes.

[54] **David Melding:** This is my final question. You say that there is a challenge in getting social enterprises to become larger enterprises. It seems that there are either very large social enterprises or many smaller ones, and the challenge relates to the middle group—that is true of the rest of the economy, incidentally, as the SME sector employs about 60 per cent of people in the private sector. What is your vision for five years from now in respect of employment opportunities in your enterprise? At the moment, you have just started to employ a couple of people full-time, including you, although I know that this is only two years in. Where might you be in five years' time?

[55] **Mr Blake:** We are doing a plan at the moment, and I will be able to tell you about it next week. I can see us in five years' time having some dozens of employees, who may not all be directly employed by us, as we might make use of a number of freelance engineers, and it might make more sense to have some hydro-engineers trained up who we can use. That could be done across Wales and, as I say, there could be dozens of employees in our operation. What you have said is what I see across the sector. Developing the middle scale, the SMEs of social enterprise, could be important, and that has real potential. However, in getting micro social enterprises to become SME-type social enterprises—although that is not appropriate for all of them, and I am not pushing that—for those that have that opportunity, there are some barriers there, of which funding is one.

[56] **Helen Mary Jones:** Are there any other questions that Members would like to ask Chris? I see that there are none. Chris, is there anything further that you want to add? We have received your written paper and have heard your initial statement, but is there anything that you have not touched on today that you would like to draw to the committee's attention?

[57] **Mr Blake:** No, I do not think so.

[58] **Helen Mary Jones:** Therefore, thank you very much indeed for your answers, and for your written paper. I also thank Members for their questions.

[59] **Helen Mary Jones:** Prynawn da. **Helen Mary Jones:** Good afternoon. I Croesawaf Ian Courtney, cyfarwyddwr welcome Ian Courtney, who is the Wales Cymru ar gyfer Charity Bank. director of Charity Bank.

[60] You are very welcome. Thank you very much for your written evidence, which committee members have had an opportunity to look at. I invite you to give a brief introduction of about five minutes on the work that Charity Bank does in Wales. Committee members will then ask questions based on your written evidence and your presentation this afternoon.

[61] **Mr Courtney:** I recognise one or two faces around this table, and it is a pleasure to see you. Thank you for the opportunity to come along. I have only a few brief things to say by way of an introduction; I do not intend to speak for five minutes. I want to tell you just a little bit about the background of the bank and I have a prepared statement.

[62] Charity Bank is a unique organisation. It is authorised and regulated by the Financial Services Authority. What makes it unique is that it is also a registered charity—registered with the Charity Commission for England and Wales. As some of you probably already know, the bank was launched in 2002 with the intention of establishing itself as the development bank for social enterprises and charities throughout the United Kingdom. I think that it is fair to say that it has largely succeeded in this quest.

[63] We are particularly proud to be able to say that we have helped to shape a new type of market—a market for social finance capital. We have achieved this by tapping into what I will personally label 'community-conscious savers'. These are people who save in the same way as they might save with a building society. Community-conscious savers come from all walks of life. At our annual general meeting about two months ago, I found myself sitting next to a highly successful city fund manager. At the interval, I was talking to a pair of pensioners from Newcastle. We include farmers, a couple of high-profile ex-Cabinet members and members of the professions. I mention this to reinforce the fact that our savers come from all walks of life.

[64] If I may, I will tell you what the specific purposes of the bank are. We provide loans and guarantees on beneficial terms to charities or entities with charitable purposes. There is a distinction between the two, which is something that you may wish to pursue. However, fundamentally, charities are charities; they are defined and the Charity Commission regulates what a charity is. We also lend to organisations that may not have charitable status, but which have social purposes that are measurable, understandable and distinguishable. We take donations and, as I said, we take loans and deposits from the public and, as the evidence indicates, from a number of charitable trusts. The bank has existed for eight years. Its initial balance sheet was valued at £6 million; it is now close to £64 million. That is quite substantial growth. It is obviously not the same as some of the high street banks or even some publicly owned banks, but it is quite substantial growth.

[65] I would like to describe our lending activities as ‘promiscuous’. What do I mean by that? We do not prioritise sectors. We lend to any field of social enterprise and endeavour. As an example to reinforce that point, we lend to sports clubs and arts organisations. Here in Wales, we lend to a number of organisations that provide services to people with substance-abuse problems. We also lend to recycling organisations in Wales, while faith groups provide a broad band of our customer base.

1.40 p.m.

[66] I will immediately address, head on, an issue that has caused some debate in this committee while it has been gathering evidence. This relates to what constitutes a social enterprise. I believe that we could spend a lot of time debating the minutiae of this issue, and that it would be as helpful as discussing the number of angels on a pinhead. The words ‘social’ and ‘enterprise’ have equivalent status. That helps to explain the difference between social enterprises and charities. Social enterprises are businesses. There should be no doubt in your minds about that. As an aside, let me tell you that when you are in the company of an entrepreneur, you know it instinctively. There is very little question about that.

[67] The second part of the term is equally clear to me. Social enterprises are organisations whose founders ooze with passion for creating an impact beyond the narrow realms of shareholder value. This is reflected in a number of ways: in their memoranda and articles of association; their ownership structures; their policies on dealing with any surpluses generated; and, most importantly, their attitudes towards delivering a very positive social impact.

[68] Finally, I want to say a few words in my introductory statement about the Charity Bank in Wales. The bank is committed to servicing the needs of social enterprises. Frankly, this is reflected by the fact that I am here today, as the regional director for the bank. This amounts to a major commitment to developing our business here. I would like to finish there. Please ask me some questions.

[69] **Helen Mary Jones:** That is great. Let us move into questions, starting with David.

[70] **David Melding:** Thank you, Chair. I will inform Members who were delayed earlier that I have declared an interest, as I am on the advisory committee of the Charity Bank in Wales. We heard from the previous witness that there is often a funding gap, whereby social enterprises find it difficult to obtain high-risk seed money for start-up purposes. That is perhaps where the market fails: social enterprises basically cannot offer equity, which would be the usual model whereby mainstream small and medium-sized enterprises would secure that type of finance. What does the Charity Bank do? Presumably, it has to be aware of risk, and it cannot ignore due diligence altogether. How does the Charity Bank deal with the funding gap that appears elsewhere in the market? The previous witness said that there should be some kind of social enterprise investment fund to meet the challenges of this specific area. I suspect that the Charity Bank offers funding to meet that particular start-up requirement.

[71] **Mr Courtney:** This is a bit like *Groundhog Day*. In April 2008, I sat here with three other people, talking about the commercialisation of intellectual property in relation to higher education. The exact same issues arose. This reinforces my point that social enterprises are businesses. The start-up phase of a business is pretty vulnerable. You need a number of ingredients, none of which will guarantee success. I will express it like this: these are necessary, but not sufficient, conditions. You need a market and a pretty strong business plan. Also, as we said in April 2008 and I will repeat now, you need two important forms of capital: human capital and sympathetic finance capital.

[72] There are issues with start-ups—whether they are in the social sector or the full commercial sector—because financial institutions tend to price risk; that is their job, and if

you are in a start-up business, inevitably, you will attract what the jargon refers to as a ‘risk premium’. The Charity Bank finances start-ups; traditionally, the high-street banks do not. There are other organisations in Wales that are our competitors, such as Triodos Bank, Unity Trust, the Co-operative Bank and Finance Wales, which offer start-up funding. You would not expect me to say that we need a new fund, because I do not see the point of emulating institutions that are out there already and are pretty successful at what they do. My response to the question of whether we need more funding is that we need a different type of funding. The Charity Bank is looking at this in some detail, and is considering the creation of what we have labelled as a ‘mezzanine fund’. This fund provides a certain type of long-term patient capital—again, I am sorry about the jargon—which is the sort of sticky sympathetic money that is very often unsecured, but works to develop the businesses in a way that helps them to execute the business plan.

[73] **Jenny Randerson:** In your paper, you say that although social enterprises could not take over vast chunks of the public sector, there is scope for augmenting the sector and for social enterprises to do some of the tasks currently done by the public sector. Could you give us a feel for where you think there is the greatest potential? What fields of the public sector are most sympathetic to the aims that most social enterprises have? If you were spotting growth areas, which of those fields would you pick?

[74] **Mr Courtney:** I do not want to give away commercial secrets, Jenny. [*Laughter.*] However, I will willingly lay out one or two details or principles. Banks and other financial institutions will run to an enterprise or area where there has been an asset transfer, because the asset gives security. Again, there has to be a clear marketplace, and operational skills have to be there already; those skills might include the generation of income, accounting for income, producing management accounts and all the sort of things that look quite trivial on the face of it, but are essential ingredients. Speculating aloud, what about leisure centres? They meet all of those criteria and they are trading institutions. In Brian’s constituency, there is an industrial provident society—Celtic Community Leisure—that operates leisure facilities. I have spoken to people involved with it, and it is a very impressive outfit.

[75] **Helen Mary Jones:** Andrew, is your supplementary question on this area?

[76] **Andrew Davies:** I will leave it for now.

[77] **Paul Davies:** I have a straightforward question for you. In your evidence, you suggest that in order for the sector to secure its stability, it will have to tap into community-focused, new and innovative sources of social finance. You go on to say that this would, in fact, be immense; could you expand on that?

1.50 p.m.

[78] **Mr Courtney:** Willingly. The bank can take the credit for creating a market for social capital. We have managed that very well and it has provided returns for our savers. By way of qualification, we have bad debt provision on our loan book of 0.3 per cent. If I were the chair of one of the nationalised banks, I would be very happy to have that bad debt provision. I suspect that, in around seven days’ time when the Financial Services Authority reveals the results of its stress testing, there will be many banks not showing figures considerably in excess of that. I mention that as a plug for the way in which we operate in the retail savings market. In Wales, and throughout the rest of the UK, there are institutional savings. I believe that we have local authority collection. I think that there are five local authority pension funds in Wales with a combined asset value of somewhere in excess of £7 billion. Nearly all of that money goes straight up the M4. It is serviced by fund managers and actuaries, and one does not know where any of those savings actually materialise. 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 those latent Welsh savings and recycle them for the benefit of communities in Wales. I believe that the idea has been floated, and indeed it was a member of your committee that originally floated it around 18 months ago. I think that it has a lot of merit. It should be pursued vigorously. I am not saying that it is a done deal, but I think that it would add to the pool of liquidity that exists for all manner of enterprise in Wales.

[79] **Jeff Cuthbert:** Thank you for the written evidence. First, I have a quick point. You are not a credit union. There is an important difference. You do not loan to individuals, but to organisations.

[80] **Mr Courtney:** That is absolutely correct, Jeff.

[81] **Jeff Cuthbert:** I know that the economic renewal programme is only a week old, but have you been able to assess the implications that there may be for social enterprises—the sort of organisations that you support—as a result of that programme? My next question is one that I ask all of our presenters and is about skills. Obviously, like any organisation, social enterprises need the right level of skills in terms of managing people, physical resources, and finance information. They need those skills. Do you feel that the assistance is there, if it is needed? You might feel that the skills are already there, but do you think that the right level of assistance is there to help provide those skills and the ongoing development of the people holding those positions? Whatever the social enterprise is, it will be in an identifiable occupational sector. Do you think that the sector skills councils, which have been around for some time, fully understand the implications of the skill needs of the directors and employees of social enterprises, and is the support there?

[82] **Mr Courtney:** If I may, I will take your first question first. I have not read the economic renewal programme. I am familiar, because of press coverage, with its contents, which, to me, seem entirely compelling. The idea of moving from a grant base to a more risk capital type of financial provision made sense. If I may, in a moment, I would like to talk about that shift because it does apply to social enterprises.

[83] The idea of a sectoral approach is absolutely admirable. The sectors that have been pursued by the Deputy First Minister and Minister for Economy and Transport are sensible. They play to Wales. I suppose that the only two points that I feel that I can make is that they are being pursued by pretty well every other western industrialised country. At the time of the commercialisation review, we felt that everything depends on execution, and the success of the ERP will fundamentally depend on the execution stage. That is the case with every business plan and applies equally to Welsh Assembly Government policy as it does to high-tech start-ups and social enterprises. It is axiomatic.

[84] On your point about skills, I have never had any interaction with the sector skills councils. I understand that they are there, but, beyond that, I do not feel qualified to comment. To repeat my point, skills in social enterprise and skills in the SME sector are pretty similar challenges. There is an issue of whether the education system is producing young men and women who are educated for the world of work. I would probably miss the point if I were to go off on a tangent by talking about the appalling levels—

[85] **Jeff Cuthbert:** It concerns me that you have not had any interaction with sector skills councils. Perhaps there are good reasons for that, but it is disconcerting because other criticisms have been made of sector skills councils. There are some that are very well organised, for example, in engineering and construction, but that is not the case in some other occupational areas. You are saying that you have no real evidence as to whether they are making a difference to social enterprises.

[86] **Mr Courtney:** I could offer no evidence regarding whether they are doing a good job or a bad job. As I said, I have read somewhere that they exist.

[87] **Jeff Cuthbert:** Okay.

[88] **Helen Mary Jones:** Andrew, do you have a supplementary question on this area, as well as your own?

[89] **Andrew Davies:** I have two declarations of interest to make. The first is that I am a non-executive and unpaid director of the Charity Bank, subject to approval by the Financial Services Authority, and, secondly, I may be involved in the proposal for a new financial institution: the development of a citizens' bank. I am intrigued by Jeff's question about the sector skills councils and I am rather tempted to ask you whether you feel that you have missed out on a developmental stage in your life by not having contact with it.

[90] **Mr Courtney:** Andrew, I am going to loosen my tie and say that I do not lose sleep at night. [*Laughter.*]

[91] **Andrew Davies:** I assumed that that would be the answer; it was a rhetorical question. Adele Blakebrough, who I think you know, spoke about the investment fund that was set up with Damon Buffini of Permira, and one of the key areas where we are able to help is not just about investment, but also the managerial and mentoring skills. So, does the Charity Bank provide that type of assistance as well as the straight investment and financial support?

[92] My other point is to express my frustration, as was evident in the Finance Committee this morning about the issue of execution, regarding the gap between rhetoric and reality with regard to delivery and implementation. On the Charity Bank, my understanding is that very little progress has been made at official level with regard to developing this idea, although it has been picked up, I believe, by an official. Given that experience, and given your discussion, which I welcome, of social enterprises as businesses—I am perhaps being heretical here—do you think that this is an area where Government and the public sector are best kept away in view of their record?

[93] **Mr Courtney:** I will address that question head on. The state can do an awful lot in two profound ways, one of which may have been in the back of Jenny's mind when she asked me her previous question. The state can shape and create markets. It can do that through two levers: through regulatory practices and through public policy development. So, that is one issue regarding the state's influence. The other is that the state has enormous power and the imprimatur of the state in supporting and encouraging social enterprise is potentially immense.

2.00 p.m.

[94] Listening to some of the debate on the impact of social enterprise in Wales, I have been struck by something else, that is, that people's instincts tend to fall into one of two camps. There is the camp that says, 'We have a number of problems', and instinctively I get the impression that there is a feeling that the state must solve those problems. There are others who say that the role of the state is to provide the framework and encouragement in key areas, but beyond that it cannot provide much and I happen to believe that it should not provide what I would label a cradle to grave type of service. In a previous life, I only had one interaction with a Welsh Development Agency relationship manager—I think that that is what they were called—who provided business development services. After half an hour, I lost the will to live.



[95] **Andrew Davies:** Could you answer my first question on the Charity Bank providing support other than financial investment?

[96] **Mr Courtney:** It does. The fact that we have 0.3 per cent bad debt provision on our loan book is a reflection of what, looking around, most of us would understand by the expression, 'relationship management' in banking. It is the old-fashioned notion that those banks' customers knew the senior officials and even the bank manager—the Captain-Mainwaring-style approach. The bank does absolutely operate in that way. It offers mentoring services during the pre-investment round, that is, the provision of what we call, 'investment readiness services'. So, if we identify an issue while talking to a social enterprise—it might be a weakness in trustee board membership, for example—we will help to fill that gap. Moving forward, once finance has been provided, the bank works very carefully to protect its investment. That is just wise business, frankly. We take savers' money and we have a fiduciary duty to our savers to harness that in the way that they intend. If we were to just lend and walk away, as many do, we would not be fulfilling our obligations to the sector or to our savers. So, we take a very hands-on approach with our customers—we are building a business with them; that is the way we go about it. That is what I mean by finance capital that sticks.

[97] **Christine Chapman:** What role do you envisage social enterprises playing in tackling economic inactivity and unemployment? If you think that they have such a role, how confident are you that organisations like yours and others are meeting those difficult challenges? The earlier evidence suggested that in certain parts of Wales—the real areas of deprivation and poverty—where you could do with some good social enterprises, that is not happening for whatever reason. So, what challenges do you envisage there or what can be done?

[98] **Mr Courtney:** That is an intriguing question. We tend to deal with organisations that have either been founded or that are very close to foundation. It is not really part of our remit to go out into the field to help the process or the formation of social enterprise. I would absolutely say that there is a role for that. It should be light touch—not necessarily an expression that should be used in the context of the financial services sector. It should be agile, adept and very localised. It is not the bank's job, but there is a case for it.

[99] On your first question about economic inactivity and activity, there is a patchwork quilt of social enterprise. For many things, scale comes into the delivery of services or products across a large geographic area and that is where the substantial funding requirements tend to be. On social impact, a small localised social enterprise can have a disproportionately beneficial effect on people's lives. I am familiar with one that is not far from the centre of Swansea that is impressive. This is what I mean by knowing instinctively, when you walk in through the front door, that you are with someone who is doing something locally that is profound and for the benefit of the community. There are only three or four full-time members of staff there, but it has a profound social impact that is beyond its scale.

[100] **Christine Chapman:** That is a really good point. To follow that up, we will be making recommendations and we want to see that kind of activity replicated across Wales, particularly in the areas where it is most needed. So, what would you say is the magic formula for replicating that in other parts of Wales where it is needed? I know that it is often personality-driven and that it happens because you have a particularly good person in charge, but how do you ensure that that happens?

[101] **Mr Courtney:** If I identified that magic formula, I would not be sitting here; however, I can throw in some thoughts. Most often, spontaneous community action comes about because of the failure of large institutions. People get to the point where they decide that they are not going to put up with things any longer. Then, to come back to Jeff Cuthbert's point about credit unions, credit unions might well be the ideal vehicle to fund those smaller

scale initiatives.

[102] **Brian Gibbons:** Legislation is going through the Assembly at the minute on single-use carrier bags and I think that Cylch suggested the possibility of establishing an evergreen fund. In other words, the levy from the sale of plastic bags would be invested in an evergreen fund for future environmental purposes. Would the Charity Bank see itself as being able to accommodate that, bearing in mind that the legislation would require that the fund was used for environmental purposes?

[103] **Mr Courtney:** The Charity Bank has considerable experience in operating and administering, as a fund manager, the Cylch investment fund. This is referred to in the evidence from the bank that is in front of you, so I will not go into any detail on that. The use of the term 'evergreen' is quite interesting because the Cylch investment fund is both an environmental fund and an evergreen fund in the sense that the surplus is continuously recycled. You will have seen the evidence on the performance of the Cylch fund. It is in the context of that fund that we will be investigating the prospects for a mezzanine fund and we have recently acquired a member of staff to develop that concept. If the intent is that income from plastic bags should go back into the sector, it seems to me that that provides the perfect model to consider for the application of those funds.

2.10 p.m.

[104] **Brian Gibbons:** Moving on to the matter of the support that you provide to business, you referred to your ongoing, sticky mentoring, but if a social enterprise were to arrive at the Charity Bank, what would they see that was different about the package of support that they would get, compared to what they would get from a mainstream high street bank? What is the added value that you would bring to that? I do not know whether this would be relevant, but you state in your evidence that you provide two lines of funding, a grant fund and a loan fund—

[105] **Mr Courtney:** That is for the Cylch fund, Brian.

[106] **Brian Gibbons:** Okay; so, that is quite restricted. That may not be relevant, therefore. Generally, what is the x factor?

[107] **Mr Courtney:** What distinguishes us?

[108] **Brian Gibbons:** Yes. You think that you are providing a state-of-the-art service, so if someone comes in to see you, what will you be doing differently to a high street bank?

[109] **Mr Courtney:** There are any number of differences. The first is that charities or social enterprises get in through the front door. Operationally, when it comes to negotiating transactions or the structure of a deal, we do not seek personal guarantees. If you are from an SME, one of the first things that a bank will say to you is, 'That is fine and dandy, but where is your security and your asset backing?', and if you do not have any, the bank will take a charge over your residential property. We do not do that. That approach is anathema to the bank and to developing social enterprises.

[110] The other thing is that we are extremely flexible and transparent in our lending terms. On flexibility, we will customise the repayment terms to what is affordable, and if it is for an asset purchase—let us say a piece of kit, or premises—then it is not unknown for us to negotiate a loan over a 20 or 25-year period. That is not frequent, but it certainly is not exceptional. I use that as an example of how we are happy to sit across the table and say, 'Right, how can we customise this to accommodate your repayment requirements?'. The other thing is that we do not rely on credit-checking software. I do not how many of you are

familiar with that, but it is the kind of thing that you often see if you were to decide to take out a loan online. It is quite intelligent stuff, but it depersonalises the entire transaction process. You put in a whole series of metrics and at the end of it the software says ‘yes’ or ‘no’. That is not relationship banking. Relationship banking is the core of our operational model. We sit across the table, we understand, we work with social enterprises, and we are there to harness and create value—and I do not mean shareholder value, but social value.

[111] **Helen Mary Jones:** Brian, you want to come back briefly on this.

[112] **Brian Gibbons:** How many of your borrowers avail themselves of your mentoring support—the sticky mentoring that you mentioned? You said that you do not give the loan and walk away—

[113] **Mr Courtney:** All of them.

[114] **Brian Gibbons:** All of them?

[115] **Mr Courtney:** All of them.

[116] **Helen Mary Jones:** Andrew, did you want to come in on that?

[117] **Andrew Davies:** My question has been dealt with, thank you.

[118] **Helen Mary Jones:** Are there any other questions that Members would like to ask of this witness? I see that there are not. I thank you very much indeed for your oral and written evidence, Ian—it has been a valuable contribution.

[119] Croesawaf i'r cyfarfod ein tystion I welcome to the meeting our next witnesses. nesaf. Ewch i'ch seddau, os gwelwch yn dda. Please take your seats.

[120] We are pleased to welcome John Bennett, the director of Wales Social Enterprise Coalition, and Alex Bird, the executive chair of Co-operatives and Mutuals Wales.

[121] Before we continue, I remind Members and witnesses that we must finish this part of the meeting by 3 p.m. This is the last formal meeting that most of us will have in the Assembly this term. I know that Members have commitments elsewhere, and we need a short private meeting to agree a paper at the end of this meeting. I ask people to bear that in mind when they ask their questions.

[122] A warm welcome to you both, gentlemen. I invite you to give a short, three-minute introduction to your organisations. As time is so tight, I will interrupt if I have to. We have a lot of experience on Assembly committees of people who are very passionate about certain issues. It can be very difficult to boil things down, but we have had written evidence from you, and there will be an opportunity to raise points when Members ask you questions. Let us start with you, Mr Bennett.

[123] **Mr Bennett:** Certainly. Good afternoon, my name is John Bennett. I am the CEO of the Wales Social Enterprise Coalition, and I am nine days old. Prior to that, I was running Pack-IT in Cardiff; a social enterprise of many years' standing. These last nine days have been an interesting experience. Pack-IT has been a social enterprise for 20-odd years—it is an award-winning social enterprise, and I have to blow our own trumpet, because we sometimes do not do that very well. I am delighted to be part and parcel of the way in which the coalition is going to move forward and, hopefully, will move the whole social enterprise agenda forward. That is purely and simply because I like to think that I can bring to the sector the business skills that I have accrued over the years.

[124] **Mr Bird:** Hi, I am Alex Bird, and I am the executive chair—for want of a better term; it just means that I am the chair and have to do all the work—of Co-operatives and Mutuals Wales. We are the representative body for the co-operative movement in Wales; we are affiliated to Co-operatives UK, which is the UK representative body. We are often confused with the Wales Co-operative Centre. We are very good friends of the Wales Co-operative Centre. It is a member of our organisation, but the confusion can be a problem. If you were to translate the relationship into the conventional business world, it would be the enterprise agency and we would be the CBI, which puts us quite high.

[125] I have given you written evidence, and I am sure that you will have some questions to ask about that. I have tried to put only a few examples in the written evidence of what we feel co-ops and mutual solutions can provide within the social enterprise field. There is an awful lot; there is really no limit to what co-ops can do, in exactly the same way as there is no limit to what social enterprise can do, except, of course, for the limits that apply to all of us in the real business world. You cannot do things overnight and you cannot do things without money. Money is often the elephant in the room when it comes to trying to develop a business or any other type of organisation. That is why I have tended to concentrate in the written evidence on money, which is the big issue, and put forward some solutions that we can produce from within the movement.

2.20 p.m.

[126] To say a few words about myself, I have worked for 35 years in the worker co-op and social enterprise movement, which probably shows from the colour of my hair. I have recruited John twice—I helped to recruit him to Pack-IT, and I was the director in charge of recruitment for the Wales Social Enterprise Coalition and recruited him again to that organisation, so we go back a long way. I spent 20 years in a workers' co-op and I have spent five years running a charitable social enterprise, so I have too much experience.

[127] **Helen Mary Jones:** Thank you both. Members are welcome to ask questions to both or one or other of the witnesses, depending on what you need to ask. Jeff, we will start with you.

[128] **Jeff Cuthbert:** This question is to both of you. Have you had an opportunity to consider the implications that the economic renewal programme announced last week may hold for your types of enterprises? If so, what is your initial response?

[129] I will also ask the question that I am asking to all presenters about skills. I asked it of the last presenter, but perhaps it is more appropriate for you. Anyone running a co-op or a social enterprise would need basic skills in the management of people, finance and information. Are the training needs of those types of organisations allowed for properly, or is it perhaps that there is not a gap, as the skills exist there naturally already, but just need to be identified and harnessed?

[130] A co-operative or social enterprise will exist within one or more clearly identifiable occupational sectors. As far as you are concerned, do sector skills councils recognise any particular skills needed by the types of organisations that you represent, and are they catering for those? Is there engagement in terms of the ongoing training and development of staff working in co-ops or social enterprises?

[131] **Mr Bennett:** I have thumbed through the report, but I have not read it in depth. I think that there was but a paragraph on social enterprise, although I am not sure what I expected to see. The report reads well. It is supportive of what we do in our sector. You talk about the enhancement of skills, and so on, and we can come on to that in a minute. An

interesting point that I picked out of the report, which is particularly relevant to my days of running a social business, is that 50 per cent of public procurement is within Wales. I would be curious to know from a social enterprise perspective about that other 50 per cent of procurement that is from outside of Wales. I am wondering how much of that could have come from social enterprises, and whether they had opportunities to tender. In those kinds of scenarios, that is the kind of stuff that the coalition will be looking at.

[132] From a skills point of view, I am nine days old in the job, so bear with me as much of the evidence that I will give is based on my experience of running a business, and it is probably anecdotal as well. In my experience of running a business, I have been fortunate enough to speak to audiences in Wales, the UK and abroad. There are those odd social entrepreneurs who have the vision, the passion and the understanding of what is needed to ensure that you can get the business on a firm and stable footing, because social enterprises are ultimately still businesses, whichever way you look at it. However, there is a lack of skills in the bedrock, in those smaller organisations that feel that the social enterprise model is the one that they need to follow. Those are the groups that appear to have a lack of the fundamental business and marketing skills and those kinds of things. I cannot say how it relates to the department, as I have a fairly limited perspective on that at the moment.

[133] **Mr Bird:** Like John, I have only glanced through the economic renewal plan, but I was quite impressed by some of the changes that had been made, in particular the change involving moving away from grant funding towards loan funding. We in the co-op movement tend to think of ourselves as being at the business-like end of social enterprise. My view, which I have held strongly for a long time, is that if the enterprise is a business it can pay back a loan, whereas if it cannot pay back a loan, it is not a real business. So, the move towards loan finance, which of course recycles, as it means that you do not spend all the money in one go and get it back again, is a tremendous improvement. The move towards trying to create an environment for business rather than producing specific packages is good.

[134] The only downside that I see in it is that it is trying to focus on particular business areas, and I do not think that that is a good thing. It is much better to wait and see what business brings. I spent five years working in economic development in Cardiff, and I sat on the board of Cardiff and Vale Enterprise many years ago, so I have some experience in economic development. The concept that has existed for so many years—this is not only a Wales-wide problem; it is a UK-wide problem—is that everything is product-driven. As policy makers, we sit in our offices, try to devise what is needed and create little programmes to deliver that. However, the world is different and it changes rapidly. We are in the fastest changing environment that we have ever been in in the history of humankind. If you look at the changes over the last 100 years, they have been fantastic, and the changes in only the past 10 years are absolutely phenomenal. Trying to keep up with that as a policy maker is impossible. So, I would say that there should not be six areas of business—let us look at everything.

[135] On the sector skills councils, of course they do not address social enterprise or co-ops. Indeed, the economic recovery plan does not have the word ‘co-operative’ in it either. However, I do not see that as necessarily being a problem, as they are trying to look at sectors rather than an approach to business. My only beef is that we have changed the education and training package too much over my lifetime. I would happily go back to the City and Guilds system. When I was in a printing co-op, I employed the last printing apprentice in Wales. My partner in the business, who is now my wife, was the chair of the external board of the printing college here in Cardiff, which is now long gone. It is sad that we have lost some of those great ways of training people through the old-fashioned apprenticeship schemes, and I would like to see us go back to that. When I talk to my friends abroad, for example in France, they cannot understand why we have changed the system so much. The Germans and the French have not changed their educational and training systems, and both countries seem to

be doing better than we in the UK are.

[136] **Andrew Davies:** The economic renewal programme and the talk of moving away from the culture of grants towards one of loans is not new, as it was introduced when I was the Minister for Economic Development. There was massive resistance from businesses to that, as they much preferred a grant to a repayable loan. I know that on many occasions there was active resistance, and companies refused the offer, whereas if it had been a grant, they would have taken it.

[137] Your second point, Alex, was interesting, in that you said that a lot of intervention—I presume that you mean public sector intervention—is designed around the product or producer interest, and that, often, as a result, it is not flexible enough. I also accept your last point, namely that the Government and the public sector in the UK perhaps tinker too much. So, could you expand on both those points?

[138] **Mr Bird:** Tinkering is part of the nature of the modern world. Everyone is driven now by the electoral process and the media spotlight to do something and feel that they constantly have to react. To sit there and to say, ‘We think that it is okay as it is now, so we will not change it’ is not popular, does not win many people many votes, and does not gain many people promotions. So, the system that we have and the way in which we do our governance work against that. Sorry, I have forgotten what your second point was.

[139] **Andrew Davies:** The other point was on repayable loans.

[140] **Mr Bird:** Businesses will always say that they prefer grants. When I was running a printing co-op, we would always have preferred to receive a grant. However, I accepted the fact that I was running a business, and I had to deliver on that. It is fair to say, however, that, particularly in social and co-operative enterprise, it is not the desire for profit that drives the business forward, but the social purpose. Therefore, the people who will invest in it as individual members do not necessarily want to put large amounts of capital in, because they will not get a large return. That means that, over and above the borrowing, there is scope for some small amounts of grant funding. If some individuals and not others in a collective enterprise put money in, it upsets the balance of the internal democracy; it can upset the internal governance of the organisation.

2.30 p.m.

[141] It is the elephant in the room, and some people will always just say, ‘I have £20,000 in this and you do not have a bean, so I ought to make the decisions’. So, that would upset the balance. I think that a small amount of 10 per cent or perhaps 20 per cent on a new investment as a grant is really useful, and we certainly gained from the regional selective funds that were around back in the 1970s, when 22 per cent would be reduced to 16 per cent when you bought new equipment. That was fantastic, because I could get 85 per cent of loan finance to buy a new piece of equipment, so with 22 per cent on the top, I had a 7 per cent premium over and above that, which covered the cost of the installation, the down time, loss of production and so on. So, that small amount of grant money made a huge improvement to us. By making it a loan, you just spread it a lot further.

[142] **Brian Gibbons:** To rise to the challenge of naming another brand of Irish butter, there is Connacht Gold. It is like ordering a pint of Guinness in Cork city; its taste varies depending on where you are.

[143] **Mr Bird:** I was told that when I was in Cork, but there is only one kind of butter in the butter museum.

[144] **Brian Gibbons:** In your documents, I think that you both list a number of sources of finance, such as the Co-operative Bank, Triodos Bank and Charity Bank, and I think that reference is made to Finance Wales. I do not think that anyone mentioned the high-street banks. If you were going to advise people on where to go for this type of financial support, what sort of criteria would you use to direct people towards these different sources of finance?

[145] **Mr Bennett:** Before I would direct anyone to any source of funding, there is a real need for those aspiring to social enterprise to get their act together and to do the due diligence exercises and so on. I know that it is boring, but it is the stuff that needs to be done. No funder or bank, whatever the institution, will look at you seriously—in my experience, that is—unless you have done that sort of thing. Whichever way you look at it, the banks or those institutions are going to want their money back in one form or another. So, before I would point them anywhere, Brian, I would say, ‘Guys, get the complete package together first’. Then, I would say, ‘Go to talk to the industrial common ownership funds of this world, such as Finance Wales, Triodos Bank, Unity Trust Bank and so on’. However, there is a serious step to be taken before you go to these people, and you really have to ensure that you have the whole package.

[146] **Brian Gibbons:** I suppose that I had better say that my wife is a director of a community co-operative. In the end, having gone to the Co-operative Bank—Triodos Bank, Charity Bank and others did not exist at the time—her co-operative ended up with NatWest, which, as it turned out, was extremely supportive. As well as applying due diligence, are you saying that they are all much of a muchness?

[147] **Mr Bennett:** If I may, I will turn that around another way, because I cannot really answer that, not having experience of them. I know of them and I know the individuals within them, but I do not have direct experience of them. I am delighted to be able to say that things are changing. I went to a bank many years ago, long before the term ‘social enterprise’ had even been mooted, and I asked to borrow £20,000. ‘Interesting’ was the response. I said, ‘Well, it may be interesting, but are you going to give me the money?’ We never did get the money from there; we got it elsewhere. That is just an anecdote. I do not have experience of those banks, but it is good that there are banks such as Triodos Bank that are run by good people.

[148] **Brian Gibbons:** This question is mainly for Alex, because you mentioned the co-operative enterprise hub. I think that both of you commented in your papers that the business support that is available is patchy and uneven. If you were designing a business support package for the social enterprise sector, what would you say were the three or four must-haves? To what extent does the co-operative enterprise hub contribute to addressing those three or four must-haves?

[149] **Mr Bird:** The key must-haves are things that you cannot get elsewhere. There is no point trying to deliver social enterprise or co-operative support on the basis of straightforward business skills—how to manage your finances, how to do marketing and so on. Most of that should be obtainable generally. We could have a long debate about the quality of the generic support that is available. When I started up my new business five years ago, I took the time and trouble to sample that support. It was interesting, and I was not that impressed. There are issues. At the same time, if we design this system, there is no point in replicating everything. We need specific stuff about internal governance, about understanding the different ways in which we have to relate to each other as people, and about different ways of planning. You do not have a top-down plan that is prepared. The plan has to be collective and shared among all stakeholders. The internal governance arrangements are different, and so on. Some issues relating to values, principles and ethics also need to be addressed as a specialism.

[150] The specialism needs to be pan-Wales, and our problem at the minute is that most of the support is provided by the Wales Co-operative Centre, supplied with European money, and it is therefore limited to the convergence areas. In fact, the only programme that runs along these lines is the co-operative enterprise hub, which is a partnership between a workers' co-op that I am involved with and the Wales Co-operative Centre. We are concentrating on the areas where there is a gap, although not exclusively. The fund applies only to co-operatives, and not to general social enterprises so, in the non-convergence areas, there is no support for general social enterprises. It is a limited fund: it is £5 million across three years, and that is throughout the UK. If you look at the Welsh budget, you will see that it is relatively small. An awful lot more support could be provided. It is clean money, of course, from the private sector, so there is no reason why it cannot be matched in some other way.

[151] **Jenny Randerson:** I want to address an issue on which the witnesses appear to differ. In his evidence, John says that social enterprises in Wales are ill-equipped to take on important public sector functions. In his evidence, Alex says that he sees great opportunities for taking on some public sector functions. I asked the previous witness from the Charity Bank about this, and I asked him to talk about the sectors that social enterprises might move into, beyond what we already accept has happened with housing and so on, and he specified leisure services. I am interested in what John sees as the problem and what Alex sees as the opportunity.

[152] **Mr Bennett:** Yesterday, I read over what I had written, and 'ill-equipped' is probably not the right word to use; perhaps 'lack of scale' is a better expression. I do not apologise for that as it is what I thought at the time, but I could have used a better turn of phrase.

[153] From talking to colleagues throughout Wales and further afield, there is a general perception, particularly from a procurement perspective, that big is best, and I am not sure that I share that view. However, some of the bigger contracts out there need scale if they are to be delivered. So, instead of 'ill-equipped', 'lack of scale' would have been a more appropriate phrase. If we can reach the kind of scale that we need to deliver some of the bigger contracts, perhaps we can do something about the situation. That lack of scale could be addressed in a number of different ways. There is a very good case for building consortia to deliver contracts—that is, bringing those smaller enterprises together—or it might be possible to do what we did at Pack-IT for a number of years. We replicated our business model, which gave us the opportunity to bid for bigger contracts. Once we had secured those bigger contracts, we were able to start sharing them out among other Pack-ITs, if you like. We had one in the north of England, one in the west midlands and one in Scotland. Melbourne is a bit too far to go, but we still have one there as well. However, as I said, 'ill-equipped' was probably the wrong expression to use, but I am referring to the lack of scale.

[154] The situation is worrying from a practitioner's point of view. The majority of contracts available—those that have come out under the article 19 protocol and the sheltered workshops and businesses—are very narrow. As I understand it, they do not embrace smaller enterprises. Wales is a nation of small and medium-sized enterprises, by definition, is it not? We need to build the scale to be prepared to deliver. I think that we can deliver, so 'ill-equipped' was the wrong expression to use.

2.40 p.m.

[155] **Mr Bird:** We do not disagree with that, even though there is an apparent disagreement. As I have highlighted, what I see are opportunities and potential. However, I recognise that we have a limited scale at present and a limited number of really skilful people in the sector, so we need to grow and be grown with some outside assistance. It is nothing that we cannot take on in the co-operative and social enterprise sector, but do not expect it to happen next week, as it will take quite a few years. However, there are massive things that



can be done. I am reminded of an article that I read in a French newspaper about five years ago about the fact that all school supplies in north-west France are supplied by a workers' co-op on an exclusive contract with all the education authorities. That co-operative employed more than 100 people, and stocked all the little things that schools need, such as pens, papers, notebooks and computer supplies. So, there are vast opportunities for developing these things, but it takes a long time to set them up.

[156] **Jenny Randerson:** You pinpoint the procurement process and, until a year ago, the view was very much that big is best and large-scale contracts are better. However, in the past year or so, the Assembly Government has said a lot about breaking down contracts and retrenching to make it easier for small businesses—and social enterprises, presumably—to enter the tendering process. Do you think that enough is being done? If not, what should be done?

[157] **Mr Bennett:** I do not think that enough is being done at the moment. That is not a swipe at Value Wales, or anybody else. On the contrary, it is encouraging to see that it is making some inroads. There is a nervousness about social enterprise, and I dare say that that nervousness is not felt by the public sector alone but is shared by the private sector. I sit here quite ashamed, in some respects, because, as chair of the social enterprise coalition, I have to ask myself whether I have ever sold enterprise when I am trying to secure a contract from the private sector. The answer is that I have done so only very rarely. Why? Because it does not run with people. People may not like it, but that is a fact of life.

[158] From the perspective of procurement, I know that a lot of work is going on with Value Wales, but we still do not see evidence of smaller contracts. We have talked ad nauseam about the disaggregation of contracts. Pack-IT was perceived to be a medium-sized social enterprise, but the company is 15 strong, for goodness' sake; that is an SME. Pack-IT would have loved to win five contracts worth £25,000 each, for example, over a period of 12 months. Where are those contracts? As I understand it, they never see the light of day, and that is a comment that comes to me time and again.

[159] **Helen Mary Jones:** Do you want to add anything to that, Mr Bird?

[160] **Mr Bird:** I would advise the disaggregation of contracts and a more relaxed way of purchasing things in the public sector. Clearly, we must have a clear audit trail and a demonstration that the officers concerned have got best value for the money. However, very often, three quotations are all that you need for a small project. It does not necessarily require a full-scale advertisement or specification. When I worked in a local authority, I never failed to get better prices than the central purchasing officers could get. In some cases, I got better prices from the same suppliers, simply by ringing them up and asking what price they could give me for a particular item. We have to give purchasing officers a bit more flexibility and a little less rigidity, while maintaining the audit trail. Disaggregation is really important. Apologies for returning to France again, but my friends there tell me that no French mayor would allow any contracts for things like school meals to go outside his or her commune, to avoid some of the large contracts and to keep things local. In some cases, they have disaggregated the school meals contract, so that they can buy the meat in one place and the vegetables somewhere else, thus ensuring that everything is locally sourced. If we took that same attitude of disaggregating contracts down to the size that we know the Welsh market can supply, we would have much more of a chance of getting Welsh suppliers to win contracts, including social enterprises and co-ops.

[161] **Helen Mary Jones:** Andrew, do you want to come in on this?

[162] **Andrew Davies:** I would say that I know a fair bit about procurement, and the one area in which I disagree with your evidence is that where you say that the current system has

led to the majority of public sector contracts being placed outside Wales. That is factually incorrect. Fifty per cent of the value of all public sector contracts in the latest figures are won by Welsh-based companies. That does not necessarily mean Welsh companies; it was done on a postcode basis.

[163] In terms of aggregation, again, I know that I disagree with Jenny on this, but the so-called framework contracts and the bundling is not actually the biggest issue. Most of these big framework contracts are for big construction projects, and many Welsh companies just do not have the skills to do them.

[164] In terms of culture, you have mentioned France. Obviously, Brittany Ferries started as a co-operative. It is interesting to note that the Swansea-Cork ferry is owned by an Irish co-operative. Those are two examples. I think that some of the issues here are about culture and the attitudes towards co-operatives and social enterprise, as well as a wider issue about getting that culture of the local mayor never dreaming of going outside his or her locality for purchasing. It is about embedding that idea that the public sector can have a direct impact on the local economy, but it is by being much more imaginative. It also means that the social enterprise and co-operative movement has to step up to the plate. That is one of the challenges.

[165] **Helen Mary Jones:** Before you respond to that, I would just like to bring in Chris Chapman, because she has a question on a related point. Therefore, we might as well take them both together.

[166] **Christine Chapman:** To pursue Andrew's question, in terms of culture, we have drawn up a report on social enterprises. I think that other witnesses have acknowledged that the distribution of social enterprise is still pretty patchy across Wales. I think that it does go back to culture. I wonder whether we should make a strong recommendation that perhaps social enterprises should be looked at within education and that we should be talking to young people more about social enterprises. Perhaps you disagree; perhaps you think that we are doing enough in education.

[167] **Mr Bennett:** I do not think that we do, but there are opportunities there, Christine. I do a little bit, if you like. I have been into UWIC and to the university in Newport. I have been into schools talking about the kind of stuff that we do, basically giving the story of the business. There is an opportunity to take that gospel, if you like, anywhere and everywhere. It goes back to what Alex was saying earlier about social enterprise. We must bear in mind that this is not a one-way street. It is not a Government-bashing exercise. Social enterprise has to get its own act together. We have to stop this handout, grant-funding culture, which is a culture that social enterprise has to address. We have to stop that somehow. To come back to what I said at the beginning, social enterprise is about social business. If it is not sustainable, it is not a social enterprise. However, in response your question on education, the answer is 'yes'.

[168] **Christine Chapman:** Young enterprise has operated for many years in schools in Wales, but I know of the young co-operatives initiative, which I do not think that we were making much of in Wales. There was a lot of activity in England. I just wonder whether you feel that, within education, more should be said about it. As well as the entrepreneurial side, we could also look at the social entrepreneurial side.

[169] **Mr Bird:** You are taking me back. I said that I have been 35 years in this sector. I am just thinking back to 1972-73 and something that we had called CYI—the co-operative youth initiative—which ran in the Swansea area, funded by the local authority. Running co-ops in schools was something that we probably invented then in Wales, but we do not do it at all now. I am sure that Mervyn, the chief executive of the Co-operative College, would be

delighted to come to talk to anyone in the Assembly about what is being done through the young co-ops initiative, which is in hundreds of schools across England, where the pupils, teachers—and parents, in some cases—become involved in running small co-ops. The majority of them have been fair trade shops, but there is no limit on the sorts of co-ops that they can do. They have done gardening, helping old people, and all sorts of things. That is to get them to understand how making money is not just about making money for yourself; it is about making money for a social purpose, and together with others.

[170] **Mr Bennett:** That is the one thing that comes through particularly when we talk to MBA students. It is not always about money. There is a genuine desire to do something else as well. We just have to capture it.

[171] **Helen Mary Jones:** I now call on David, who has been very patient.

[172] **David Melding:** I just want to probe this question that I think the Wales Social Enterprise Coalition mentioned directly in evidence—I suspect that Alex agrees—which is that there seems to be a lack of a home for social enterprise in the Welsh Assembly Government. If I were to take a slightly harder line, I would say that Wales is probably the poorest economy among the nations and regions of the UK, we obviously do not lack social problems, yet we have probably the lowest level of social entrepreneurial activity. In so far as we can find, the data are not brilliant. By the size of the sector and the people employed, they are not thick on the ground. It seems that we will be in great difficulty in regenerating some of our poorest communities unless we use a more social model for economic activity. We are not even doing some of the basics like generating as many public services as possible via these models. We are doing a bit better on environmental and waste services now, but we do seem slow, despite having very considerable social needs.

2.50 p.m.

[173] When I asked the Minister whether the Welsh Assembly Government wanted to increase the level of economic activity taken by social enterprises—we think that it is about 3 per cent, but as I said, the data are not very firm—he took a very laissez-faire approach. As a Tory, I was quite shocked by his nineteenth-century liberal credentials on this. He said, ‘We do not want to put barriers up, but let us see what happens’. Should we not be saying that we want 6 per cent or 9 per cent of economic activity generated this way? We need to make sure that we do not have patchy business advice and support, that we have better procurement in terms of smaller contracts being made available, and that the massive public agencies that operate all over the UK, but more so in Wales, I suppose, as a proportion of our economy, get the message that we want to see more local people involved in meeting local need, as well as the harder end in terms of what social firms can do in encouraging people through improving their skills to get going in business. Further to what Alex said, we have 100 years of incredibly mesmerising economic activity, but a lot of our communities have just been bypassed by international trading patterns, yet we do not seem to be using this tool that effectively.

[174] That is a terribly long question. My foremost question is: should WAG say, ‘Let us set a higher target for social enterprises to meet the needs of the Welsh economy’?

[175] **Mr Bennett:** Why should it be 3 per cent? Why can it not be 6 per cent?

[176] **David Melding:** That is what I asked the Minister.

[177] **Mr Bennett:** I appreciate that and I understand. I agree with you. Why should it be that? Social enterprise as it currently stands is still a bit like a lost child, or a newborn child. Many people are still coming to terms with what social enterprise purports to be able to do. I

do not think that we should put a ceiling on it. I agree with you entirely. It is almost a go-for-broke scenario: let us do whatever we can. Let us generate and find those entrepreneurial people out there and the opportunities. You know as well as I do that business models do not have to be new every time; you can replicate another business model quite easily, but the key to the whole thing is finding the drivers, whoever those individuals may be. That, David, will be the key to moving the social enterprise agenda forward. We must find those key individuals out there—the people who have a really burning passion and also have the business, entrepreneurial and marketing skills and so forth. Who cares whether it is 3 per cent, 6 per cent or 9 per cent?

[178] **Helen Mary Jones:** Before I ask Mr Bird whether he wishes to add anything, I think that Brian wanted to come in.

[179] **Brian Gibbons:** I know from my own experience, because there are a number of social enterprises in my constituency and my wife is a director of one, that you do need that kind of person to drive it forward. However, in practice, I think that the problem is that there are not that many people like that around. Secondly, burnout is a big issue, as I think that the first witness mentioned in his submission. Thirdly, finding the next generation to carry the flame forward is very difficult. I do not think that the culture exists: that is where we are starting from. In practice, regenerating, renewing, stopping people from burning out, and stopping people from being scared to lose their house, car or whatever is a real practical issue.

[180] **Mr Bennett:** I think that it is generally recognised that social entrepreneurs are a pain in the neck—it is a bit of a maligned expression. You cannot nail them down and they are creative people and so on. I had very interesting comments from my board when I was running Pack-IT and I heard some rather less than polite expressions. The important issue is that there is that vision. However, you are right, Brian, it has to be done in a steady way, because you can get burnout. I would not disagree with you one jot. However, I have to make a plug now for the coalition, purely and simply because that is certainly part of what the coalition will be looking for—it will be trying to find those young entrepreneurs who Christine was talking about; that will be the key.

[181] **David Melding:** Could I come in briefly on that point?

[182] **Helen Mary Jones:** There are three minutes left.

[183] **David Melding:** If we sent a signal out, saying that we think that this model could be applied much more extensively and used for community transformation, then would we not attract social entrepreneurs who would want to come to Wales, as well as those within Wales, because it would be the real place to do this? Our Valleys communities have around 55 to 60 per cent of the UK's average economic wealth. They are some of the poorest regions in Europe and have been for generations. Our current models of economic development do not seem to be really able to help them to the level that they need to be helped. It seems to me that social enterprises offer something and yet, they are not at the forefront of economic policy, are they?

[184] **Mr Bird:** They are not at the forefront of economic policy, but I do care about that 3 per cent because that percentage is simply not true. It is very difficult to identify social enterprises and co-operatives, because neither term is protected in law. If you look at some other European governances, you will find that they are clearly identified in law. So, much work has been done to try to identify them, but every time I look at a list, a lot of people are missing. Within the co-op movement—and these are just individual companies that we have indentified—we have identified that we provide 5 per cent of gross domestic product in Wales. If you add on the rest from social enterprises, you must be looking at a figure much more like 10 per cent. The contribution is just not identified and many social enterprises do

not identify themselves as social enterprises; they regard themselves as, for example, arts centres. They do not want the label 'social enterprise' in particular.

[185] I also think that there is a great deal of growth potential that fits with Welsh culture. There is a very collective culture in the Valleys and among the hill farmers in Wales. You cannot survive on the hills in the winter unless you work closely with others. So, there is that very strong cultural link that we can lock into with that collective form of enterprise. There is huge potential, but, first, we have to identify it, and secondly, we have to support it in proportion to its size. We do not get 10 per cent of business support into the sector, so we could get some more business support into the sector. Then we need the finance. In particular, I have laid out in our evidence some key examples from Quebec and the Basque Country of where people's money has been put into the sector, and it is ordinary people's money, which can be generated.

[186] Very quickly, I went to a presentation by Triodos Bank a few months ago and the guy there asked us to think about where our money was. He said, 'Close your eyes and think about what your money is doing now and I guarantee you that you all have money and savings of some sort, such as pensions and so on, which is not invested in Wales, but somewhere else.' If we could get a vehicle to bring that back to Wales, then that would be enormously helpful.

[187] I have also been doing some research into credit unions and looking at child trust funds and almost all of the money that has gone into child trust funds has gone into English and Scottish headquartered organisations and not into Welsh ones. That is £95 million of savings that are not in Wales, but somewhere else. So, we can do a lot to build the money pool as well as provide the support.

[188] **Helen Mary Jones:** Thank you both very much. It is a huge field and I am sure that we could have talked about it for a great deal longer. Thank you for your written evidence and for your presence here today. I draw this item to a close.

2.59 p.m.

### **Cynnig Trefniadol Procedural Motion**

[189] <b>Helen Mary Jones:</b> Cynigiaf fod	<b>Helen Mary Jones:</b> I move that
<i>y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog Rhif 10.37).</i>	<i>the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37.</i>

[190] Gwelaf fod y pwyllgor yn gytûn.	I see that the committee is in agreement.
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*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 3.00 p.m.  
The public part of the meeting ended at 3.00 p.m.*