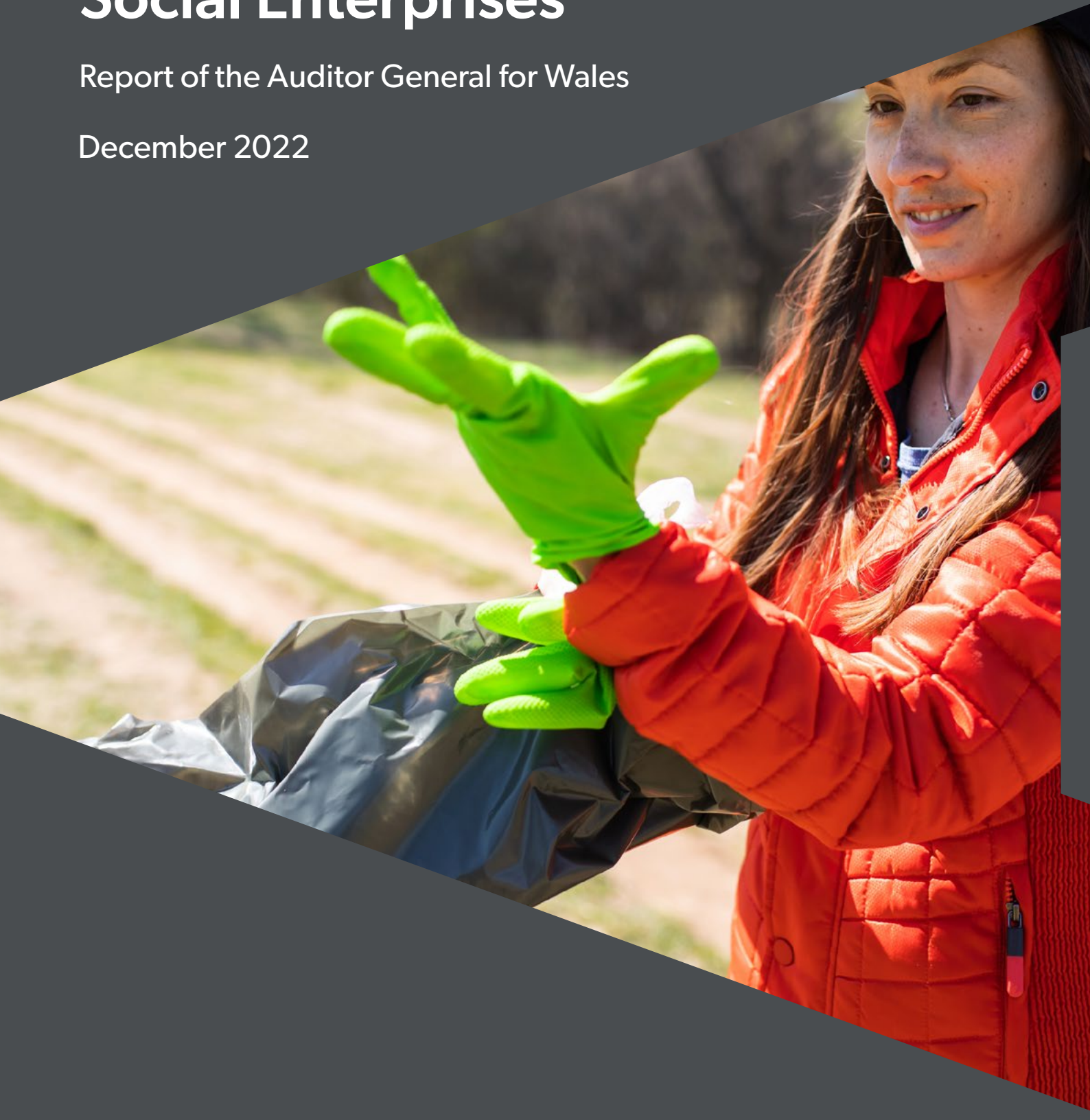


# 'A missed opportunity' – Social Enterprises

Report of the Auditor General for Wales

December 2022



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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## Context

- 1 As organisations, Social Enterprises sit between the public and private sectors. They apply commercial strategies to maximise improvements in financial, social and environmental well-being, often for individual groups in society, defined communities or geographical areas. In particular, Social Enterprises can benefit disadvantaged communities; create wealth where money is scarce; and help to tackle poverty and need. The structure of Social Enterprises vary and include partnerships for-profit or non-profit, co-operatives, mutual organisations, social businesses, community interest companies and charities.
- 2 Social enterprise can therefore work in every sector of the Welsh economy and in all parts of the country and are increasingly prominent in Welsh Parliament legislation. Section 16 of the Social Services and Well-being (Wales) Act 2014 places a duty on local authorities to 'promote development of Social Enterprises to provide care and support and preventative services'. Likewise, the ethos and approach of Social Enterprises fits well with the Wellbeing of Future Generations Act 2015. Social enterprises can make a significant contribution to delivering the seven national wellbeing goals by helping to create a fairer and more equal country.
- 3 Importantly, because Social Enterprises focus on keeping wealth within communities, they can assist people who are in poverty by:
  - directly helping people in disadvantaged communities by providing services that would otherwise not be available;
  - supplying basic public benefits such as social, educational, health and general economic interest services to local communities, including to people who are unable to pay;
  - creating new employment opportunities as a result of the services they supply;
  - contributing to the economic development of deprived communities; and
  - targeting their work to help disadvantaged people, including vulnerable women, people with disabilities and ethnic minority groups.
- 4 This report therefore looks at how local authorities are working to grow and make the most of Social Enterprises ensuring social value and social capital stay in communities and help people who are struggling. This is also the second report of our three reviews on the challenge of alleviating and tackling poverty in Wales. **Appendix 1** sets out our audit approach and methods and includes more information on our poverty themed work.

## Key findings

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- 5 Our overall conclusion is that local authorities are not effectively working with Social Enterprises to maximise their impact, make better use of resources and improve services for people and communities.
- 6 In **Part 1** of the report, we consider the strategic approach of local authorities to working with Social Enterprises. While they claim they value Social Enterprises, few local authorities have mapped their activity. Less than a third of local authorities consider themselves to have a proactive and supportive relationship with Social Enterprises and none have a dedicated strategy or policy that charts how they intend to promote and grow the sector.
- 7 We also found that most local authorities have adopted a passive leadership role, often responding to Social Enterprises that approach them but not proactively seeking to work with Social Enterprises or help stimulate new ones. This leadership vacuum has resulted in Social Enterprises often being at the fringes of local authority business. An overly reactive approach and variable support arrangements also means that local authorities are missing out on the potential for Social Enterprises to help deliver services that can improve people's quality of life.
- 8 In **Part 2** we consider the mechanisms local authorities have in place to ensure they maximise the potential value for money of Social Enterprises. While most local authorities provide grants for businesses and the third sector, they are not using them to specifically support Social Enterprises. Current procurement and commissioning arrangements often unintentionally discourage Social Enterprises to engage. Overly bureaucratic approaches and a lack of capacity and resources within local government also limits the potential to grow the role of Social Enterprises in delivering services. Social value – the added value that commissioning processes can deliver – does not feature as a key driver for many local authorities.

- 9 Finally, in **Part 3** we examine evaluation and impact arrangements. We found that most local authorities are not delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014 and effectively promoting Social Enterprises. No Director of Social Services Annual Report sets out how their authority is delivering the Section 16 duty and the majority of reports make little reference to Social Enterprises. Positively, a number of authorities are working to develop micro social enterprise businesses and Regional Partnership Boards have a growing role to drive positive change. Taken together, these represent good opportunities for the future. Despite this, over three-quarters of local authorities do not have robust performance management, reporting and evaluation systems in place to be able to judge the impact and value of the work of Social Enterprises.



Social Enterprises play an important role in meeting needs and helping people in communities across Wales. Local authorities could do more to maximise the impact of Social Enterprises, get better value for money from their work, and improve services for people and communities.

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**Adrian Crompton**  
Auditor General for Wales





# Key facts

## The Value of Social Enterprises

- In 2021 the UK had over **100,000 Social Enterprises**, worth a combined **£60 billion** to the UK economy employing 2 million people.
- The Social Enterprise sector in Wales in 2020 – up to **2,309** businesses employing **56,000** people and generating **£3.1 – £3.8 billion** in value.
- In Scotland in 2019 there were estimated to be **6,025** Social Enterprise businesses, with **88,318** staff and a net worth of **£6.1 billion**.
- Between 2018 and 2020 the Social Enterprise sector in Wales increased by **43%** rising from **1,601** organisations in 2016 to **2,247** in 2020.
- In Scotland Social Enterprises increased by **15.9%** between 2015 and 2019 rising from **5,199** to **6,025** in this period.



## The size and turnover of the sector in Wales

- **5%** of Welsh Social Enterprises are medium sized to large (i.e. have at least 50 employees), far above the equivalent for all businesses within the Welsh economy (only **1%**).
- **32%** of Social Enterprises surveyed had no paid staff at all, whilst a further **9%** only had one.
- In 2020 the mean average turnover level was **£1.25 million**, of which:
  - **43%** have a turnover of between **£0** and **£50,000**;
  - **34%** turnover between **£50,001** and **£250,000**;
  - **14%** turnover of between **£250,001** and **£1 million**;
  - **6%** turnover of between **£1.01 million** and **£5 million**; and
  - **4%** over **£5 million**.

# Recommendations

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- 10 Our recommendations are set out below. We expect each council to consider the findings of this review and our recommendations, and that its governance and audit committee receives this report and monitors its response to our recommendations in a timely way.

## Recommendations

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- R1 To get the best from their work with and funding of Social Enterprises, local authorities need to ensure they have the right arrangements and systems in place. We recommend that local authority officers use the checklist in **Appendix 2** to:
- self-evaluate current Social Enterprise engagement, management, performance and practice;
  - identify opportunities to improve joint working; and
  - jointly draft and implement an action plan with timeframes and responsibilities clearly set out to address the gaps and weaknesses identified through the self-evaluation.
- R2 To drive improvement we recommend that the local authority:
- formally approve the completed Action Plan;
  - regularly report, monitor and evaluate performance at relevant scrutiny committees; and
  - revise actions and targets in light of the authority's evaluation and assessment of its performance.



## Recommendations

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- R3 To ensure the local authority delivers its S.16 responsibilities to promote Social Enterprises we recommend that it reports on current activity and future priorities following the evaluation of its Action Plan including the Annual Report of the Director of Social Services.



**Social Enterprises can provide important services, but most local authorities lack a coherent strategy and are not working collaboratively to help support their growth and development**

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- 1.1 In this section of the report, we consider the strategic approach of local authorities to working with Social Enterprises. We review local authority plans, the range of information used to identify and prioritise action and arrangements to support the development of Social Enterprises. We also consider how well local authorities and Social Enterprises work together.

## While they claim they value Social Enterprises, few local authorities have mapped their activity or planned how they will collaborate with them to maximise their impact

### Local authorities have not mapped out the social enterprise sector in their area

- 1.2 In order to maximise impact, it is essential that local authorities have a full and detailed knowledge of the services Social Enterprises provide. Unless you know who works in your area, what services they provide and what opportunities they offer, it is difficult to develop a coherent strategic response. In this context, mapping is critical for local authorities to understand the contribution that Social Enterprises are making and the barriers they face to growing their role and enhancing their value in communities.
- 1.3 We found that very few local authorities have completed any formal mapping exercise to either understand the current role and contribution of Social Enterprises in their area or to identify opportunities for the future. While some noted that they have databases of Social Enterprises, these are out of date, mostly as a result of the pandemic.
- 1.4 Generally, those local authorities that have dedicated staff with a responsibility for working with the social enterprise sector, or business support staff in economic development, had a better understanding of the local situation and could describe relative strengths, weaknesses and opportunities. However, even in these circumstances, officers acknowledged that there were still gaps in their understanding and their intelligence was not sufficient to drive future strategic choices and priorities.

1.5 **Exhibit 1** below shows that the social enterprise sector in Wales is primarily community-based with most organisations operating in only one local authority area. This is markedly different to England where Social Enterprises are more likely to work across several local authority areas and often operate regionally, nationally and internationally. For instance, in 2021 only 23% of Social Enterprises in England<sup>1</sup> work in one local authority.

#### **Exhibit 1 – number of Welsh local authorities Social Enterprises operate in**

Just over 60% of Welsh Social Enterprises work in one local authority area and less than a quarter in six or more local authorities

<b>Number of local authorities</b>	<b>2016</b>	<b>2018</b>	<b>2020</b>
One	62%	59%	61%
Two	7%	7%	7%
Three	8%	7%	7%
Four	3%	3%	2%
Five	2%	3%	2%
Six to fifteen	6%	4%	4%
Sixteen to twenty-two	12%	15%	18%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021

1.6 Given that Social Enterprises in Wales are primarily community based, often concentrated in areas of deprivation<sup>2</sup>, it is important that local authorities undertake a wider mapping exercise to better understand the sector and the opportunities they present and use this information to inform their future plans. If authorities do not have a good understanding of the sector then it will be difficult for them identify opportunities to work collaboratively and agree actions to promote and grow Social Enterprises.

1 Social Enterprises UK, No Going Back: State of Social Enterprise Report 2021

2 Research by [Social Business Wales](#) found that 45% of social businesses operate in the top 40% most deprived areas in Wales, and only 30% operate in the 40% least deprived areas.

## Local authorities speak about the value of Social Enterprises but are not always translating this into action

- 1.7 A strategic approach to working with Social Enterprises will ensure the local authority as a whole understands what Social Enterprises offer and will set out how the local authority is seeking to maximise the benefits of working with Social Enterprises. Moreover, given Social Enterprises contribute to the enhancement of social cohesion, to the accumulation of social capital, and to a more equitable economic development at the community level, they are bodies with a strong poverty reduction focus. A small number of local authorities recognise that Social Enterprises could therefore be an inherently more sustainable method of delivering services given their deep-rooted work in communities and often strong preventive focus.
- 1.8 Research by Social Business Wales shows that Social Enterprises are particularly strong in areas that either complement the work of local government or where the role and work of local authorities has diminished in recent years. For instance, **Exhibit 2** shows a strong presence in community-based arts, leisure, recreation and youth work and important contributions in social care, health and education.

## Exhibit 2 – proportion of Social Enterprises working in different sectors

Social Enterprises cut across a wide range of operational sectors but are primarily based in arts and recreation, community centres/groups, education, and health and care

Sector	Proportion 2018	Proportion 2020 <sup>3</sup>
Arts, entertainment, recreation & other services	22%	26%
Community Centre / Social Space / Youth Club	8%	20%
Education	14%	10%
Health & Care	19%	9%
Business administration & support services	4%	6%
Other	9%	6%
Accommodation & food services	3%	6%
Agriculture, forestry & fishing	0%	3%
Information & communication	2%	3%
Retail	5%	3%
Property	6%	3%
Transport & storage	1%	2%
Professional, scientific & technical	6%	2%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021

3 The report suggests that due to the method of data collection (surveys), organisations which were more likely to close their doors (such as community spaces) are easier to contact and more likely to respond than healthcare organisations who are under heavy strain due to COVID-19.



- 1.9 Local authorities told us that they appreciate the good qualities of Social Enterprises and their potential, whether they provide services commissioned from the local authority or are merely active at a community level in the local area. However, we found that no local authority has a dedicated Social Enterprise strategy. And, while 10 of the 21 local authorities responding to our survey<sup>4</sup> stated that they have a wider policy, strategy and/or plan that identifies the contribution of Social Enterprises, our review of these plans found that they are mostly limited, lacking detail on future priorities and opportunities for both local authorities and the sector.
- 1.10 For instance, none of the documents we reviewed set out a vision for Social Enterprises nor the potential outcomes that Social Enterprises can deliver for local authorities, residents and communities. A robust analysis of need was mostly missing from the Plans we reviewed and Social Enterprises did not receive more than a passing mention in any local authority's COVID-19 Recovery Strategy. As a consequence, priorities and actions for improvement are unambitious and limited, often overlooking added social value and social capital outcomes that Social Enterprises can secure. Our survey of local authority officers also found that only seven of the 21 authorities responding proactively engage with Social Enterprises in developing future plans and activity. Consequently, the significant benefits of working with Social Enterprises are less pronounced and often not shaping local authorities' priorities.

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4 We surveyed all local authorities and received responses from 21 of the 22. Newport City Council did not respond to our survey.

## Local authorities are not harnessing the potential of Social Enterprises to help deliver improved services, and a better quality of life for people

1.11 Successful Social Enterprises can have a good grasp of local need, work within strong local networks and have legitimacy as a voice for the community. They are, therefore, well placed to deliver services efficiently and innovatively. It is important therefore that local authorities help communities to identify needs, opportunities and proactively work with the sector to deliver the services people want. The growth and sustainability of Social Enterprises is therefore increasingly dependent on the opportunity and capacity for collaboration.

### Effective local authority leadership on Social Enterprises is mostly absent

1.12 Leadership of the social enterprise agenda often rests with a handful of individuals in economic development or social care, but too often those managing these relationships are service managers and often not senior enough to direct resources, policies and decisions. For example, our survey of local authority officers found that only three of the 21 local authorities responding to our survey have a lead member for Social Enterprises and only six a lead officer.

1.13 We also found that most local authorities have adopted a passive leadership role, often responding to Social Enterprises that approach them rather than proactively seeking to work with existing Social Enterprises and help stimulate new ones. This is partly a reflection of some seeing Social Enterprises as 'risky,' citing issues with governance, handling of money, and legitimacy as areas of concern. Irrespective, this leadership vacuum is not helping to bring Social Enterprises from the fringes of local authority business to play a more central role.

1.14 More than half of the local authority officers we interviewed acknowledged that there was much more they could and should do to lead on this agenda, recognising that without an investment in senior leaders time, the local authority is unlikely to be successful in attracting new businesses and entrepreneurs to commit resources. Because leadership is generally poor, local authorities do not have a common understanding of how they want to work with Social Enterprises, which means that Social Enterprises cannot play a more active role in tackling poverty and disadvantage.

- 1.15 A number of local authorities in England<sup>5</sup> have sought to create a more cohesive leadership approach by raising awareness to improve understanding. For instance:
- a hosting a social enterprise day within the local authority;
  - b putting on workshops for councillors and senior managers;
  - c ensuring senior management teams take responsibility for communicating their vision for Social Enterprises;
  - d setting targets for growth of the social enterprise sector; and
  - e developing activities to celebrate and promote social enterprise.
- 1.16 Good and effective leadership is therefore critical to support the Social Enterprise agenda's movement to the mainstream. Particularly as there is significant 'churn' in the Social Enterprise market which is mostly happening outside of any engagement with or support from local authorities. Research shows that the social business sector in Wales is very dynamic, comprising a core group of well-established organisations but also a growing group of start-ups.
- 1.17 For instance, in 2020 just under a fifth of Social Enterprises (17%) started trading within the last two years<sup>6</sup> and double the number of start-ups in 2016. Start-up activity is particularly concentrated in Northeast Wales — Denbighshire and Wrexham account for 15% of all start-ups. With such a vibrant and ever-changing sector, it is important that local authorities take a more proactive and less passive approach in working with Social Enterprises if they are to maximise their potential and help support businesses that are struggling.

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5 For example, Northumberland County Council raised awareness of the work conducted by social enterprises through information stalls aimed at staff, a social enterprise day and senior manager workshops to enhance understanding of the role and vision for the social enterprise sector. The local authority is also looking to create a cross-party member task group to consider how the local authority can support social enterprise. The task group will also champion social enterprise as a concept and promote a joint vision.

6 [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021](#)

**While there are good examples of how some local authorities effectively collaborate with Social Enterprise, most authorities are not effectively promoting opportunities to widen their role and maximise their impact**

- 1.18 Collaboration between local authorities and the Social Enterprise sector can provide greater opportunities for all parties. It can also increase understanding by sharing knowledge. Just over half of local authorities have partnership boards or forums, usually with the third sector, which involve Social Enterprises, and a smaller number the presence of a sector led local Social Enterprise network. For example, the Blaenau Gwent 'voluntary sector group' brings together many partners, including Social Enterprises, and works with Transport for Wales, Jobcentre Plus, and others to prioritise future work, including opportunities to work with Social Enterprises, in the county.
- 1.19 In addition, a small number of local authorities have officers with specific responsibility for engaging with and developing relationships with Social Enterprises. For instance, the Business Enterprise Officer in Wrexham is the local authority's key contact with the local Social Enterprise Network. Generally, authorities with a better understanding of the barriers facing Social Enterprises are in a better place to work with the sector going forward.
- 1.20 The ways in which local authorities in Wales work with Social Enterprises to deliver services vary considerably. A small number of authorities have created and funded their own Social Enterprises. For example, in Torfaen, Circulate operates a recycling centre, providing recycling and waste disposal services which in turn help achieve the local authority's environmental sustainability goals. In the Vale of Glamorgan, the Big Fresh Catering Company is a social enterprise which provides food services to schools, businesses and private events, investing all profits into local schools. Other local authorities have externalised local authority services such as leisure services and libraries and transferred delivery responsibility to Social Enterprises with a proven record in delivering these activities.
- 1.21 In addition, officers we interviewed flagged the important role of Social Enterprises and the third sector more generally during the pandemic. Social Enterprises 'stepped up' to fill gaps in provision following the closure of frontline offices. One officer noted that 'Social Enterprises did amazing work during COVID-19, giving out food and making PPE. They deserve recognition. They stepped up to the plate at a time when some charities had to furlough all their staff!'

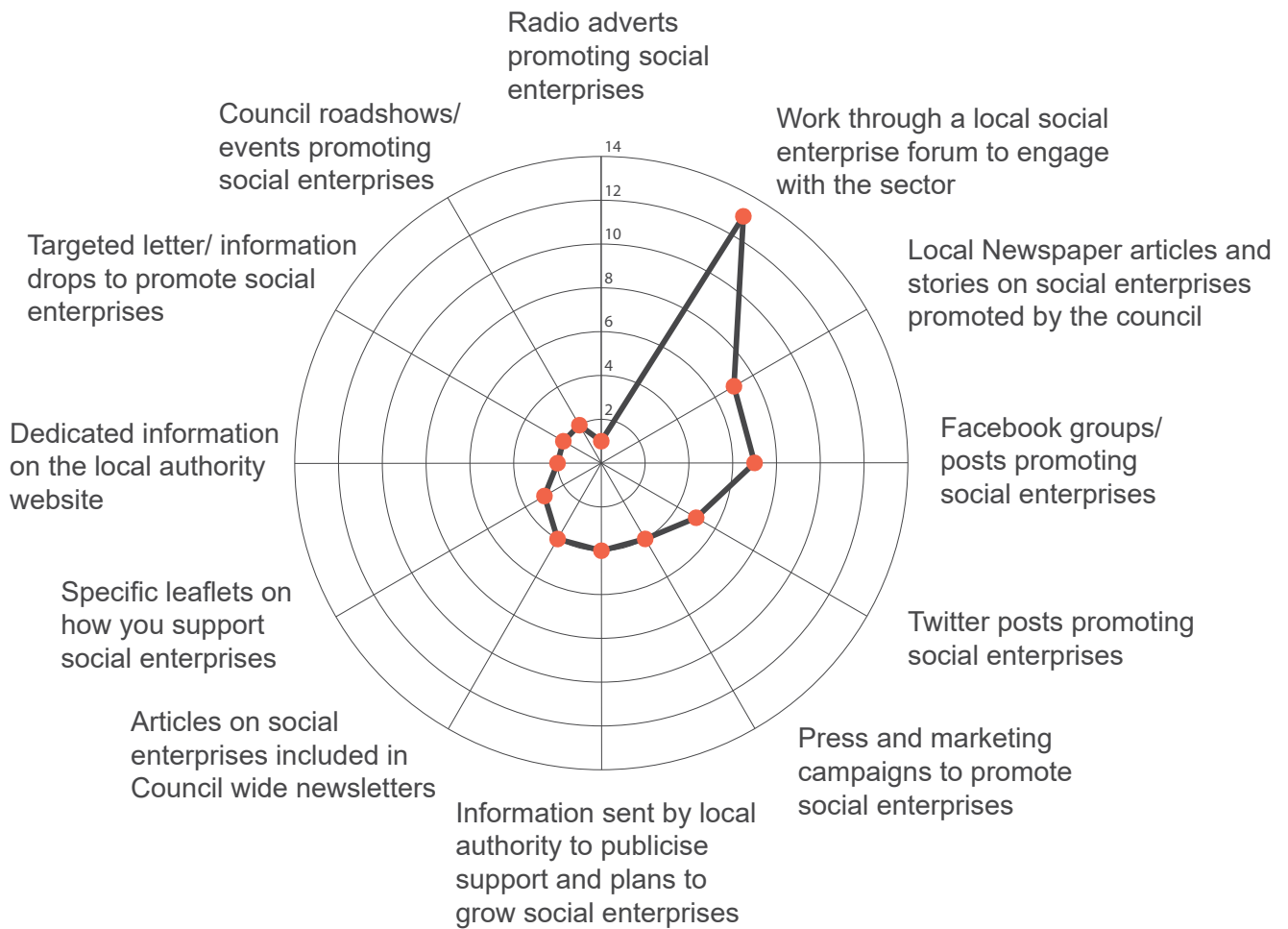
- 1.22 A number of local authority officers however, reflected that the pandemic had limited opportunities for involving Social Enterprises in the work of the local authority. While others noted that Social Enterprises 'value their independence' and do not respond well to local authority involvement. National organisations like CWMPAS and Social Business Wales are seen by some local authority officers as being better placed to work with the sector and determine future growth strategies. In addition, County Voluntary Councils also play an important support and development role linking between local authorities and Social Enterprises.
- 1.23 While almost all local authorities signpost to information on Social Enterprises on their website, only six local authorities had a dedicated page for Social Enterprises, and a small number had no information on Social Enterprises at all. Overall, we judge the quality and level of website information on Social Enterprises as limited. Too often information is not easy to find and is more than '3 clicks' away<sup>7</sup>. Local authorities are mostly not actively promoting opportunities to work with existing Social Enterprises nor effectively encouraging the creation of new ones.
- 1.24 The best local authority websites include:
- a a clear definition of what a Social Enterprise is;
  - b have links to a wide variety of organisations to access further and more detailed information, particularly on legal issues, such as Social Business Wales, CWMPAS, Social Enterprise UK or the WCVA; and
  - c provide contact details and information on local support programmes and grants administered by the local authority.
- 1.25 The findings of our officer survey set out in Exhibit 3 show that beyond working with forums or networks which include Social Enterprises as members, local authorities are not using all the available avenues to deliver their responsibilities to promote Social Enterprises.

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<sup>7</sup> The three-click rule is an unofficial web design rule concerning the design of website navigation. It suggests that a user of a website should be able to find any information with no more than three mouse clicks. It is based on the belief that users of a site will become frustrated and often leave if they cannot find the information within the three clicks.

**Exhibit 3 – local authority officer survey - Options used by local authorities to promote the growth of Social Enterprises**

Local authorities are not effectively promoting opportunities to enhance the Social Enterprise sector which weakens their ability to deliver their statutory responsibilities



Source: Audit Wales, Survey of Local authority Officers, January – May 2022



- 1.26 A small number of local authority officers identified raising awareness as an area for improvement. For example, one noted that 'It should be [part of our role], but we don't do much of that, due to not having a formal strategy. We don't really report our impact either.' And some local authorities have sought to encourage Social Enterprises to work collectively in order to bid for larger contracts or encourage them to move into areas of activity that better align with local authority grants and funding programmes.
- 1.27 However, other local authorities noted that while they would support emerging Social Enterprises, they would not necessarily 'push' them as a preferred option. One officer noted that they were 'a bit cautious about foisting a specific model or approach on people.' This passive approach to engagement and involvement with Social Enterprises is not supporting local authorities to make best use of the sector and we conclude that there is much more to do.



**Local authorities do not have the right mechanisms in place to maximise value for money from their work with Social Enterprises**

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02

2.1 In this section of the report, we consider how local authorities are working to exploit the potential value of Social Enterprises. We consider the effectiveness of procurement and commissioning approaches and whether they are delivering value for money and adding social value for people.

## Procurement and commissioning arrangements do not encourage Social Enterprises to pursue public funding. Local authorities do not have sufficient capacity and resources to grow the sector

2.2 **Exhibit 4** shows that roughly two-thirds of Social Enterprises generate income through trade with the general public and just under half from public sector grants. These are predominantly from Welsh Government and/or grant-making trusts rather than local authorities and in 2020 mostly related to the financial support made available to help businesses through the pandemic. With regards to bidding for and delivering commissioned services the data highlights that there has been a slight drop in trade with the public sector between 2018 and 2020, indicating the significant untapped potential of Social Enterprises for local authorities.

### Exhibit 4 – where Social Enterprises in Wales get their money from in 2016, 2018 and 2020

Trading with the general public remains the main source of income for Social Enterprises although public sector grants are growing in importance

Sources of income	2016	2018	2020
Trading with the general public	57%	63%	64%
Public sector Grants	39%	49%	49%
Other grants	39%	44%	42%
Trading with the public sector	23%	40%	32%
Donations	24%	33%	33%
Trading with third sector organisations	15%	32%	25%
Trading with the private sector	17%	29%	25%
Trading with other Social Enterprises	8%	22%	17%

Source: Social Business Wales, [Mapping the Social Business Sector in Wales / 2020 Census](#), June 2021

- 2.3 Analysis by Social Business Wales highlights that while 32% of Social Enterprises currently trade with the public sector, most businesses (61%) do not tender for public sector work and just under a third (31%) consider their inability to access funding from local authorities and other public sector bodies as a barrier to their sustainability and growth<sup>8</sup>. This research also noted more generally that local authority funding of Social Enterprises has significantly reduced since 2014, in part because of a greater reliance on trade with the general public but also because of difficulties in working under public bodies commissioning and procurement rules<sup>9</sup>. In addition, the findings of the CWMPAS 'Buy Social Buy Local project' – which was set up to identify public sector spend that Social Enterprises could secure – found that too often the sector in Wales is not geared up to work with public bodies.
- 2.4 Local authorities are under continuous pressure to deliver public services with limited budgets and resources. Combined with rising expectations from service users and growing demand for many statutory services, local authorities need to ensure they make every £1 count through their procurement and commissioning processes.
- 2.5 Local authorities have a strong record in local economic development work, promoting growth and, in particular, providing help for small and medium size businesses. Over half of the local authority officers we interviewed however, did not differentiate between their wider economic development work and the specific opportunities Social Enterprises present, seeing Social Enterprises as one option among many locally. And, while most local authorities provide financial assistance to businesses and the third sector, these grants are for businesses in general, with no specific focus on growing Social Enterprises. Some local authorities noted that their procurement and commissioning approaches sought to create a 'level playing field' and did not favour one group of organisations over others.

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8 [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021](#)

9 <https://wales.coop/wp-content/uploads/2019/06/SBW-Full-Mapping-Report-English.pdf>

- 2.6 Notwithstanding, authority officers responding to our survey also identified various barriers to Social Enterprises benefitting from local authority procurement and commissioning opportunities. These include:
- a 'onerous' and 'not proportionate' procurement rules that discourage smaller businesses;
  - b processes focusing too much on profit and savings and not enough on social value, community resilience and well-being, all areas where Social Enterprises can add value;
  - c Social Enterprises not operating in the appropriate sector, or not offering all the services required;
  - d a preference for local authorities to go to existing providers and 'work with what we know' rather than pushing the boundaries and actively seeking to develop new opportunities; and
  - e limited capacity, skills and resources in local authorities which reduces opportunity to broaden the contractor base and specifically target Social Enterprises.
- 2.7 However, despite these weaknesses we also found that most local authorities are not resourcing work to promote Social Enterprises. For example, our survey of local authorities found that only two of the 21 responding to us have a dedicated budget to support the growth of Social Enterprises. Social Enterprise UK recognise four of the seven local authorities – Conwy, Flintshire, Gwynedd and Wrexham – as 'Social Enterprise Places' – areas where social business activity is thriving and there is commitment to invest in and work with the sector.<sup>10</sup>
- 2.8 A number of interviewees also noted the impact of the loss of the EU funded Southeast Wales Community Economic Development (SEWCED) program, a £13.5 million programme delivered in six authorities (Bridgend, Blaenau Gwent, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taf and Torfaen) that funded work on developing Social Enterprises. The SEWCED program ended in 2015 and, despite its success, has ended. Officers from the six authorities who delivered the SEWCED initiative felt the loss of EU funding stopped them from working collaboratively to grow the social business sector. **Appendix 5** provides further information on this project.

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<sup>10</sup> There are 33 recognised social enterprise places in the UK of which four are in Wales.

## Social value does not feature as a key driver in local authority commissioning

- 2.9 There is no single definition of social value, however Social Enterprise UK has defined social value in the context of procurement as ‘the additional benefit to the community of a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes.’ For local authorities who are commissioning services it is important to consider and measure this social value from the perspective of those affected by the organisation’s work. By capturing in a monetised form the value of a wide range of outcomes, commissioners are then able to broadly identify how much social value they can get for every £1 of investment. The social value model of delivery is therefore a framework that supports a collaborative re-design of services in every area of activity.<sup>11</sup>
- 2.10 Our local authority officer survey found that of the 21 who responded, nine authorities specifically consider social value when scoring tenders for services, nine do not and three did not know. Of the nine local authorities who do consider social value, five said the level of weighting varies across tenders but four did not know.
- 2.11 Recent research published by Welsh Government echoes these conclusions noting that because local authorities are under resourced, procurement and commissioning teams often lack the skills and capacity to realise the benefits of social value<sup>12</sup>. Current approaches, which focus too much on cost, are leading to less sustainable models of delivery because too often the only area where organisations can reduce price is by squeezing pay and/or staff terms and conditions.
- 2.12 Notwithstanding, our review of local authorities’ procurement strategies identified some good approaches to widening impact and enhancing social value. For example, Caerphilly’s Procurement Strategy includes an option to use ‘Social/Community Benefit Clauses’ in contracts. Flintshire has also introduced a ‘Dynamic Purchasing System,’ allowing smaller businesses to fulfil small parts of larger orders, rather than going to a single large supplier. This can also encourage existing businesses to establish social enterprise arms. Flintshire and Rhondda Cynon Taf, have also created ‘Social Value Development Officer’ (or similar), a dedicated role that specialises in scrutinising tenders and budgets and identifies and promotes opportunities to maximise social value.

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11 [cwmpas.coop/wp-content/uploads/2022/04/3.2.9.-supporting-care-commissioners-and-procurers-to-promote-social-value-models-of-delivery-2020-ENG.pdf](https://cwmpas.coop/wp-content/uploads/2022/04/3.2.9.-supporting-care-commissioners-and-procurers-to-promote-social-value-models-of-delivery-2020-ENG.pdf)

12 CWMPAS, [For economic and social change: Welsh Government Social value review - Summary Report](#), June 2022.



- 2.13 A number of authorities use the Welsh Local Government Associations (WLGA) Themes, Outcomes and Measures<sup>13</sup> (TOMS) metrics which provide a social value weighting for analysing and scoring tenders. For example, Flintshire told us 'We will likely lean on our TOMS, to measure success, as these are pre-made and standard across the social enterprise sector and the local authority.' Flintshire's TOMs, which relate to their corporate priorities and well-being objectives, allow the Council to use its commissioning procurement activities to generate strategic place-based outcomes in line with local community needs. Similarly, Rhondda Cynon Taf similarly noted that 'we use the TOMS system as they are national and include an underlying social value element. It's considered when we look at their business plan.' However, several local authorities noted that from their experience TOMS did not provide a helpful or workable solution for social care commissioning.
- 2.14 The majority of local authorities would also consider it their responsibility to 'step in' to support a struggling Social Enterprise if they had commissioned services from the organisation. However, given the limited amount of commissioning taking place and a natural reluctance to bail out organisations that are struggling, most would not seek to support them financially or otherwise, considering this too risky and uncertain.
- 2.15 Given limitations in how authorities are promoting social value in commissioning and procurement, Welsh Government have recently reappointed CWMPAS to support the needed transformation of services within the social care sector, by pushing forward the development of social value models for care. CWMPAS has announced its intention to 'help strengthen regional arrangements for rebalancing the social care market by introducing more co-operatives, Social Enterprises and social value delivery models in the Welsh social care sector'<sup>14</sup>. In addition, a sub-group of the National Commissioning Board is also producing a guide for social value in social care commissioning. While still in draft, it notes that to make procurement work more effectively commissioners need to think differently with a greater focus on place, people and use of assets.

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<sup>13</sup> Published in November 2020, Themes, Outcomes and Measures guidance is in three parts with [Part 1](#) providing an overview of the approach.

<sup>14</sup>[www.wales247.co.uk/welsh-government-appoints-cwmpas-to-transform-social-care-delivery-across-wales](http://www.wales247.co.uk/welsh-government-appoints-cwmpas-to-transform-social-care-delivery-across-wales)



**Local authorities are not delivering their responsibilities under the Social Services and Well-Being (Wales) Act and weaknesses in data and evaluation limits their ability to promote Social Enterprises**

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- 3.1 In this final section of the report, we examine how local authorities are delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014. We also assess the strength of oversight arrangements and whether they allow authorities to fully evaluate the work of Social Enterprises, their impact and identify opportunities for the future.

## The majority of local authorities are not delivering their responsibilities under the Social Services and Well-Being (Wales) Act to promote Social Enterprises

- 3.2 Section 16 of the Social Services and Well-being (Wales) Act 2014 (the 'Act') places a duty on local authorities to 'promote development of Social Enterprises to provide care and support and preventative services'. Social enterprises themselves are well-placed to collaborate with local authorities to deliver social care services. Research by Social Business Wales<sup>15</sup> found that:
- a 54% of Social Enterprises are aware of the 'Act';
  - b 21% reported that the 'Act' is central to the work that they undertake;
  - c 19% incorporated the requirements of the 'Act' into their governance and policy documents;
  - d 9% of Social Enterprises are legally obliged to adhere to the 'Act';
  - e 9% explained that the 'Act' formed part of their safeguarding policies;
  - f 8% reported that the 'Act' informed their staff-training programme; and
  - g 7% use the 'Act' for lobbying and marketing purposes.
- 3.3 We found that relatively few local authority officers we spoke to were aware of their legal duty to champion the use of Social Enterprises and very few could set out how they are working to grow the sector and deliver their Section 16 responsibilities. The imprecise language in the Act is unhelpful in this context; specifically, the word 'promote.' In practice local authorities interpret their responsibilities to 'promote' very widely. A number of authorities simply focus their efforts on working with existing Social Enterprises with little active promotion to encourage others and help create new ones. Few authorities are investing time and resources in refreshing policies and procurement procedures to build capacity and provide more opportunities to existing Social Enterprises, as well as helping to stimulate new ones.

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<sup>15</sup> Social Business Wales, *Mapping the Social Business Sector in Wales / 2020 Census*, June 2021.

- 3.4 Recent research echo these findings noting that there has not been a major shift by local authorities commissioning to provide more social care services through Social Enterprises, and the private sector is still the dominant partner<sup>16</sup>. Third sector partners we interviewed and surveyed likewise noted that since the Act went live in 2016, there has been little change in how local authorities work with and encourage Social Enterprises. Consequently, Welsh Government legislative ambitions are not being delivered.
- 3.5 One opportunity to deliver this change is through the new Social Value Forums created under each Regional Partnership Board<sup>17</sup> which are intended to support the growth of the social value sector within the health and social care market. While these forums have varying degrees of support from statutory partners and commissioners, they do provide a good opportunity to engage with the sector, County Voluntary Councils and others within a region to identify opportunities for investment and growth. The 20% allocation of the Regional Integration Fund<sup>18</sup> for the social value sector, managed via Regional Partnership Boards provides a real opportunity for working with Social Enterprises to invest in new ways of delivering services.
- 3.6 In addition, there is an expectation from Welsh Government that each Regional Partnership Board creates a Social Value Forum to explicitly deliver the S.16 responsibilities. For instance, the North Wales Social Care and Well-being Improvement Collaborative<sup>19</sup> have created a Social Value Forum to explore how to promote social value in public services in the region. The Regional Market Stability Reports<sup>20</sup> – recently completed by local authorities through the Regional Partnership Boards – also provide a wealth of information on the scale and stability of the social value market within health and social care and will support the work of Social Value Forums.

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16 [gov.wales/sites/default/files/publications/2022-07/social-value-review-summary-report.pdf](https://gov.wales/sites/default/files/publications/2022-07/social-value-review-summary-report.pdf)

17 In April 2016, seven statutory regional partnerships came into being. Their purpose is to drive the strategic regional delivery of social services in close collaboration with health.

18 The Health and Social Care Regional Integration Fund is a 5-year fund from April 2022 to March 2027.

19 The North Wales Social Care and Well-being Improvement Collaborative includes the six local authorities in North Wales, Betsi Cadwaladr University Health Board and other partners. The aim is to improve services, make the most of the resources available, reduce duplication and make services more consistent across North Wales.

20 Market Stability Reports review the sufficiency of care and support in an area to provide a snapshot of the sector to help plan and shape services, including care for the future.

- 3.7 A number of local authorities such as Rhondda Cynon Taf and Pembrokeshire are already using (or are in the process of creating) micro-enterprises. Micro-enterprises are small business delivering independent care or support services which employ fewer than 10 people. They are an alternative to often expensive day care services. Due to the current staffing pressures in social services, Micro-Enterprises offer a more sustainable solution as well as delivering better outcomes.
- 3.8 The Act also introduced a requirement for each Director of Social Services to produce an annual report that sets out the local authority's improvement journey in providing services to people in its area <sup>21</sup>. Guidance for the annual reports requires local authorities to report their performance against six quality standards. Standard one – 'Working with people to define and co-produce personal well-being outcomes that people wish to achieve' – specifically covers the promotion of Social Enterprises.
- 3.9 Our review of all Reports of the Director of Social Services found that only eight reports referenced the use of micro-enterprises and a further three mentioned Social Enterprises in some capacity, whether highlighting the work of a specific social enterprise in the area or a service commissioned from a social business. The other 11 reports did not mention Social Enterprises and only expressed in general terms the value of working with the third sector. We also found that no report specifically named the Section 16 duty, though several did include statements acknowledging that the 'Act' requires co-production or partnership working with the third sector. Overall, we conclude that there is more for local authorities to do in their public reporting on how they are promoting Social Enterprises.

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21 Welsh Government and ADDS Cymru, [The Local Authority Annual Social Services Reports Guidance](#)

## There is minimal oversight and evaluation of Social Enterprises by local authorities

3.10 Social Enterprises play an important role in meeting need and helping people in communities across Wales. For instance, the findings of Social Business Wales Census in 2020, set out in **Exhibit 5**, show that improving local communities and improving the wellbeing of the people are key objectives for over half of all Social Enterprises.

### Exhibit 5 – the priority areas for the work of Social Enterprises in Wales

Social Enterprises are widening out the focus of their work and increasingly delivering activity to benefit the most vulnerable people in communities across Wales

Social Enterprises social and/or environmental objectives	2016	2018	2020
Improving a particular community	64%	57%	66%
Improving health and well-being	39%	45%	52%
Supporting vulnerable people	35%	46%	48%
Addressing financial exclusion	26%	28%	44%
Encourage people to participate in the arts, sports & recreation	-	32%	42%
Supporting vulnerable children and young people	20%	29%	34%
Creating employment opportunities	21%	24%	31%
Promoting education and literacy	32%	29%	29%
Protecting the environment	16%	26%	29%
Providing access to services	-	22%	27%
Supporting other Social Enterprises / organisations	9%	16%	25%
Promotes and protect culture, heritage & the Welsh language	-	21%	24%
Addressing social exclusion	7%	9%	21%
Providing affordable housing	5%	4%	3%

Source: [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021.](#)



- 3.11 Despite Social Enterprises providing services that help public bodies deliver their wellbeing objectives and other statutory responsibilities, local authorities are mostly not monitoring or evaluating their activities nor their impact. Five local authorities responding to our survey noted that they have agreed measures to judge the impact of Social Enterprises in their local area and report against these. Over half (13) have no arrangements to evaluate activity, and the remainder responding did not know.
- 3.12 Because of weaknesses in performance management, reporting and evaluation, it is difficult for local authorities to judge how well they are currently performing and identify how they can support a growth and expansion in the role of Social Enterprises in the future. While a few local authorities included broad input/output measures in core documents on the work of partners, these are often limited to capturing the 'number of Social Enterprises we work with.' A minority of local authorities stated that they considered obtaining 'qualitative' information on the impact of Social Enterprises, drawing on service users experience, but we found little evidence of local authorities following this through in practice.
- 3.13 Local authorities are mostly not reporting to elected members on Social Enterprises. Consequently, those officers responsible for delivering services are not held to account and the ability to challenge and identify development opportunities are lost. Several officers we interviewed acknowledge that the lack of performance reporting to members restricts chances to encourage elected members to take ownership of this agenda and actively promote Social Enterprises.
- 3.14 Local authorities who commission services from Social Enterprises generally have a Service-Level Agreement (SLA) in place underpinned by a range of agreed performance measures to evaluate commissioned services. However, we found that performance reporting of SLAs focus heavily on 'inputs' and 'outputs' – for instance, number of service users dealt with – rather than assessing the wider social benefit of the work of Social Enterprises and the impact they have on people who receive their services.



# Appendices

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- 1 Audit approach and methods**
- 2 Checklist for local authorities effectively engaging and working with Social Enterprises**
- 3 Differences in legislative, policy and funding for Social Enterprises across the three countries of Great Britain**
- 4 Number of Social Enterprises by Welsh local authority and percentage change between 2016 - 2020**
- 5 Southeast Wales Community Economic Development programme**
- 6 Summary of Good Practice identified in this review**

# 1 Audit approach and methods

## Approach

This report is the second of our themed work for 2022 looking at poverty. This report sits alongside [our earlier report on poverty in Wales](#) and our forthcoming review examining how local authorities empower people to be more self-reliant and resilient.

For this work our approach has been to understand how well local authorities are working with, promoting and developing Social Enterprises. In particular we have looked at the robustness of needs information, strategies, plans and policies for Social Enterprises and how local authorities are ensuring they deliver their commitments under the Social Services and Wellbeing Act 2014 to promote Social Enterprises.

We examined all 22 principal local authorities in Wales at a high-level, managing delivery to be mindful of the pressures local authority officers are under during both the pandemic and the cost-of-living crisis. We ensured coverage was sufficient to draw a view on the whole sector but not to significantly detract from officers' service delivery responsibilities. Our approach was flexible to fit around officers when agreeing and delivering our fieldwork.

## Methods

We completed our review between August 2021 and September 2022 and used a range of methods in delivering our work:

- **document review:** we reviewed documentation from the Welsh Government, local authorities, PSBs and other relevant public bodies. This included, relevant committee minutes, corporate strategies, economic, business, regeneration and procurement strategies; COVID-19 recovery plans; and the Director of Social Services Annual reports. We also reviewed information published by Social Business Wales, Social Enterprise UK and Social Enterprise Scotland.

- **interviews** – we undertook a range of different interviews:
  - officer interviews – we interviewed officers nominated by all Welsh principal local authorities, generally those with responsibility for Social Enterprises, social care or economic development. These took place between January and May 2022.
  - national interviews – we interviewed representatives of Welsh and Scottish Social Enterprises, national representative bodies such as CWMPAS, charities, think tanks, academic institutions and research bodies. These took place between March and June 2022.
- **focus groups** – in line with our approach, some local authorities felt it was more appropriate for us to speak to a range of officers in focus groups to reduce our impact on service delivery.
- **survey** – we undertook a survey with local authority officers. The survey was open between January and May 2022, and we received responses from all local authorities except Newport City Council.
- **websites** – local authority and external resources, eg DEWIS.
- **data analysis** – we analysed a range of data collated and published by Social Business Wales, Social Enterprise UK and Social Enterprise Scotland.

## 2 Checklist for local authorities for effectively engaging and working with Social Enterprises

Action	Completed	Started	Not Started
<b>1 Strategic Arrangements</b>			
<b>Vision</b>			
We have an agreed vision on how we will work with Social Enterprises.			
The vision has been shared with, and is understood by, all relevant staff in the local authority.			
The vision has been shared with, endorsed by and is understood by elected members.			
The vision has been developed in discussion with the local County Voluntary Council.			
The vision has been disseminated to Social Enterprises we work with.			
<p>The vision clearly sets out how we intend to deliver our Section 16 responsibilities for promoting Social Enterprises including:</p> <ul style="list-style-type: none"> <li>• Our work to promote social value through the Regional Partnership Board; and</li> <li>• Use of the Regional Integrated Fund to promote and develop Social Enterprises.</li> </ul>			

Action	Completed	Started	Not Started
<b>Corporate Approach</b>			
We have a corporate led approach for working with Social Enterprises that covers all departments and services.			
The corporate approach translates our vision into practical actions.			
We have designated a corporate lead for Social Enterprises who is responsible for overseeing and coordinating our work with the sector.			
<b>Understanding the local Social Enterprise sector</b>			
<p>We have mapped out the Social Enterprise sector in our local authority area and know:</p> <ul style="list-style-type: none"> <li>• The number of organisations working locally;</li> <li>• The services they provide;</li> <li>• The communities the services are provided in;</li> <li>• The people the service is provided for;</li> <li>• How the services are funded;</li> <li>• The operating hours/days for services;</li> <li>• The eligibility criteria for the service (if any);</li> <li>• How the service fits with our Section 16 responsibilities for promoting Social Enterprises in delivering social care services; and</li> <li>• Who to contact for more information.</li> </ul>			
We have a record of all our Social Enterprise funding.			

Action	Completed	Started	Not Started
<p>We collate financial information and report at least annually on the totality of our Social Enterprise funding covering:</p> <ul style="list-style-type: none"> <li>• which organisations we fund;</li> <li>• the contract value;</li> <li>• the length of the contract;</li> <li>• which department/service has contracted;</li> <li>• the measures of success established for the work; and</li> <li>• what the intended benefits of the work are.</li> </ul>			
<p>We raise awareness on the benefits presented by Social Enterprises to ensure all staff identify opportunities to collaborate with them by:</p> <ul style="list-style-type: none"> <li>• hosting a social enterprise day within the local authority;</li> <li>• putting on workshops for councillors and senior managers; and</li> <li>• developing activities to celebrate and promote social enterprise.</li> </ul>			

### Collaboration and partnership arrangements

<p>We have identified and agreed how the work of Social Enterprises will be managed and scrutinised at a:</p> <ul style="list-style-type: none"> <li>• corporate level – in the work of strategic partnerships and corporate scrutiny committees;</li> <li>• department level – in specific partnership arrangements to support wider policy agendas within defined areas; and</li> <li>• service level – on local partnerships and specific service-led initiatives.</li> </ul>			
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Action	Completed	Started	Not Started
We effectively raise awareness of the work of social enterprises and involve local people and communities in developing new Social Enterprises.			
We have a clear and effective relationship with our County Voluntary Council as a key strategic and delivery partner			
We have a nominated lead senior official to promote and lead work through the regional Social Value Forum.			

### Strategy

Our approach to Social Enterprises is integrated with our key strategies and plan – eg Wellbeing Plan, corporate priorities and other community and regional strategies.			
We have set SMART objectives and actions on how we will support and promote the growth of Social Enterprises.			
We are clear on the benefits and risks of Social Enterprises for citizens, local communities and the local authority.			

### Delivering the strategy

We have enough staff and resources to promote and grow Social Enterprises.			
We have staff in the right services and with the required seniority to deliver our vision for Social Enterprises.			
We have a can-do culture mindset within the council to make the best use of Social Enterprises.			
We give staff the opportunity to take well-managed risks and explore innovative practices			



Action	Completed	Started	Not Started
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## 2 Commissioning and Procurement

### Designing services

We draw on the expertise and knowledge of Social Enterprises in designing new services.			
Our commissioners make good use of the Market Stability Report process to inform commissioning and market shaping activity for the social care sector.			
In designing services, we clearly set out: <ul style="list-style-type: none"> <li>• what demand the service will meet;</li> <li>• how we have decided on the type of service that we require; and</li> <li>• how we will engage with current and potential providers to develop the service.</li> </ul>			
We ensure that our tender process is accessible for all potential collaborators.			
We can demonstrate we have the capacity and skills to undertake the strategic commissioning process.			
We actively look for ways to invite collaboration			

Action	Completed	Started	Not Started
<b>Effective award systems</b>			
We have created a single centralised and corporate funding system for the management and award of all funding to Social Enterprises.			
<p>We have effective systems to award funding to organisations that sets out:</p> <ul style="list-style-type: none"> <li>• a clear funding timetable that is available to all potential bidders so that they can prepare for opportunities;</li> <li>• the process that will be used to decide (for example, seeking quotations or using a tender or proposal process);</li> <li>• the value and risk associated with the various funding routes;</li> <li>• clear and published criteria that are understood by all organisations seeking funding, including community benefit and social value clauses;</li> <li>• the cost and resources to oversee and administer the process; and</li> <li>• the length of time that funding will be provided.</li> </ul>			
<b>Efficient award systems</b>			
<p>We have efficient corporate systems to award funding based on:</p> <ul style="list-style-type: none"> <li>• concise and clear application processes;</li> <li>• use of online and electronic systems to distribute and collate information and bids;</li> <li>• short end-to-end decision-making arrangements;</li> <li>• the minimum number of stages and processes required to decide; and</li> <li>• decisions being delegated to the lowest level.</li> </ul>			

Action	Completed	Started	Not Started
Our contract terms and conditions are proportionate to the level of funding being made and are specific to the work that is being funded.			
We review our funding processes to ensure we are not excluding Social Enterprises from securing work.			

### Training and information sharing

<p>We provide training to support Social Enterprises covering:</p> <ul style="list-style-type: none"> <li>• how to apply for funding – the do's and don'ts;</li> <li>• complying with our commissioning and procurement systems;</li> <li>• data collection processes;</li> <li>• performance management and scrutiny arrangements;</li> <li>• payment cycles and performance targets; and</li> <li>• contract termination/continuation requirements.</li> </ul>			
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Action	Completed	Started	Not Started
<b>3 Managing performance</b>			
<b>Information collection</b>			
We have specified the information required to monitor and evaluate the performance of the Social Enterprises we fund.			
The information only measures relevant activity.			
The systems to collect information are streamlined and efficient, and Social Enterprises only submit information once and electronically on agreed timescales.			
<b>Performance review</b>			
<p>We regularly report on our Social Enterprise funding to scrutiny committee(s) against a balanced set of performance information that covers:</p> <ul style="list-style-type: none"> <li>• the service standards we set for the Social Enterprise we fund to perform against;</li> <li>• improvements in people’s wellbeing and social outcomes; and</li> <li>• relevant service-based performance data; and</li> <li>• conclusions of external audit/inspection reviews.</li> </ul>			
<p>Our scrutiny and evaluation processes:</p> <ul style="list-style-type: none"> <li>• are proportionate for the value of the funding we provide; and</li> <li>• provide us with assurance that our funding is achieving the expected outcomes.</li> </ul>			
<p>Annually we report publicly:</p> <ul style="list-style-type: none"> <li>• on the work of Social Enterprises;</li> <li>• on the current performance of Social Enterprises we fund;</li> <li>• how we will promote further opportunities for the sector in the future; and</li> <li>• how well we are performing in delivering our S.16 responsibilities for Social Enterprises.</li> </ul>			

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Action	Completed	Started	Not Started
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**Risk management**

We regularly review risks associated with our Social Enterprise funding.			
We agree risk management plans if risks are not being managed and mitigated.			
We have a rolling programme of internal audit systems testing and compliance reviews to ensure the robustness, efficiency and effectiveness of our funding of Social Enterprise services.			

### 3 Differences in legislative, policy and funding for Social Enterprises across the three countries of Great Britain

Issues	England	Scotland	Wales
Legislation on Social Enterprises	Mainly focussed on making better use of Social Value contracts under the <a href="#">Public Services (Social Value) Act 2012</a>	Mainly through land/ asset usage and requirement for public bodies to have at least one Social Enterprise contract	Yes, S.16 of the SSWBA 2015 requires Local Authorities to “Promote Social Enterprises, co-operatives, user led services and the third sector”. This could also be widened out in the <a href="#">Social Partnership and Public Procurement Bill</a>
National Strategy for growing Social Enterprises	Social Enterprises UK have published a futures report – <a href="#">Social Value 2032</a> .	Scotland’s <a href="#">Social Enterprise Strategy 2016-2026</a>	Welsh Government had strategy in 2005 but this has ended. The current strategy – <a href="#">Transforming Wales Through Social Enterprises</a> – was developed by the sector and is supported by Welsh Government
Government funding for Social Enterprises	Government backed Start Up Loan of £500 to £25,000 and Levelling Up monies	Just Enterprise, Developing Markets, Social Growth, Business Gateway, etc	Business Wales Economic Resilience Fund and Development Bank of Wales
Government support for Social Enterprises	Mainly provided via the UK Government’s <a href="#">Business Support Helpline</a> and 38 local ‘ <a href="#">growth hubs</a> ’	Mainly coordinated via <a href="#">Business Support Scotland</a>	Welsh Government’s <a href="#">Social Business Wales</a>
Minister with responsibility for Social Enterprises	Junior Minister for Civil Society and Youth	Cabinet Minister for Business, Trade, Tourism and Enterprise	Cabinet Minister for Economy

Source: Audit Wales.

## 4 Number of Social Enterprises by Welsh local authority and percentage change between 2018 - 2020

Local Authority	2018	2020	Difference	% increase
Vale of Glamorgan <sup>22</sup>	41	217	176	429%
Cardiff	228	265	37	16%
Newport	51	76	25	49%
Swansea	135	158	23	17%
Wrexham	62	78	16	26%
Ceredigion	71	79	8	11%
Flintshire	65	70	5	8%
Monmouthshire	29	34	5	17%
Isle of Anglesey	56	60	4	7%
Conwy	76	78	2	3%
Denbighshire	71	72	1	1%
Bridgend	83	85	2	2%
Gwynedd	127	128	1	1%
Caerphilly	99	98	-1	-1%
Merthyr Tydfil	67	64	-3	-4%
Pembrokeshire	121	115	-6	-5%
NPT	79	73	-6	-8%
RCT	162	155	-7	-4%
Carmarthenshire	174	164	-10	-6%
Blaenau Gwent	45	38	-7	-16%
Powys	110	100	-10	-9%
Torfaen	51	40	-11	-22%
Total identified	2,003	2,247	244	12%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021.

<sup>22</sup> Per the report by CWMPAS, the figure for the Vale of Glamorgan is an outlier, due to the inclusion of an additional source provided by the Vale of Glamorgan Voluntary Service. It is not known if this approach was adopted elsewhere in Wales.

## 5 Southeast Wales Community Economic Development programme

Six local authorities (Bridgend, Blaenau Gwent, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taf and Torfaen) funded dedicated Social Enterprise programs using £13.5m of EU monies under the Southeast Wales Community Economic Development (SEWCED) program. An evaluation of the SEWCED program commissioned by Merthyr Tydfil County Borough Council found that the project had exceeded expectations in terms of generating new jobs, and all aspects of the project were rated highly in surveys with social enterprise beneficiaries. For instance, SEWCED supported:

- the creation of 30 new jobs and 3 new Social Enterprises;
- the provision of financial assistance to 28 local organisations;
- 15 organisations to adopt and implement Environmental Action Plans; and
- 13 to adopt Equality Strategies and improve how their systems for monitoring and evaluating delivery.

The SEWCED program ended in 2015 and, despite the success of the project and the evaluation findings, the activity has not been continued or replaced in the majority of cases. Only two local authorities received transitional funding to keep on the staff they employed to work with Social Enterprises under SEWCED.

The evaluation determined that 'without the support of the SEWCED, the social enterprise sector in Southeast Wales would not have achieved the same outcomes as it did. Furthermore, without similar support in the future, these results would suggest that the social enterprise sector will not produce the same benefits as it has done as a result of the SEWCED programme.' The interviews with local authorities where SEWCED were mentioned have borne this out, as there is no equivalent funded and organised effort to promote Social Enterprises active in Wales at this time.



## 6 Summary of Good Practice identified in this review

### Good practice – how we determine it

These are the parameters we use to judge whether to include a case study as good practice:

- a programme, activity or strategy that has proven effectiveness, supported by a comprehensive evaluation.
- a programme, activity or strategy that has been shown to produce successful outcomes and is supported to some degree by subjective and objective data sources.
- a programme, activity or strategy that has worked within one organisation and shows promise during its early stages for becoming practice with long-term sustainable impact.
- a programme, activity or strategy that has the potential for replication among other organisations.
- a programme, activity or strategy that is delivering value for money. Value for money is defined as the optimal use of resources to deliver the intended benefits.
- a programme, activity or strategy that is delivering savings/reductions in expenditure with no or low impact on performance.

Within the body of the report, we have identified the following areas of good practice:

- Blaenau Gwent County Borough Council – the work of the Voluntary Sector Group that leads on engaging with Social Enterprises – paragraph 1.18.
- Wrexham County Borough Council – the work of the Business Enterprise Officer to support and promote Social Enterprises – paragraph 1.19.
- Torfaen County Borough Council and the Vale of Glamorgan Council – the creation of Social Enterprises to deliver local services – paragraph 1.20.

- Caerphilly County Borough Council – the use of Social and Community Benefit Clauses in contracts – paragraph 2.12.
- Flintshire County Council – Dynamic Purchasing System which allows smaller businesses to fulfil small parts of larger orders – paragraph 2.12.
- Flintshire County Council and Rhondda Cynon Taf County Borough Council – creation of officers with specific responsibilities to identify and promote opportunities to maximise social value in tendering processes – paragraph 2.12.
- Rhondda Cynon Taf County Borough Council and Pembrokeshire County Council – promotion of and work with Micro-Enterprises – paragraph 3.7.





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